

REVIEW OF FEDERAL FARM POLICY

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
LIVESTOCK AND HORTICULTURE

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

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JULY 31, 2006, SIOUX CENTER, IA
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REVIEW OF FEDERAL FARM POLICY

MONDAY, JULY 31, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
SUBCOMMITTEE ON LIVESTOCK AND HORTICULTURE,
Sioux Center, IA.

The subcommittee met, pursuant to call, at 8:37 a.m., at Dordt College, Sioux Center, IA, Hon. Robin Hayes (chairman of the subcommittee) presiding.

Member present: Representative King.

Staff present: Pamilyn Miller, subcommittee staff director; and Brent Boydston.

OPENING STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA.

Mr. HAYES. I hope you all will enjoy this hearing today as much as I'm looking forward to being with you. Remember, this is your hearing, not our hearing. Those of you on the panel, we particularly appreciate your presence, your expertise, and your knowledge. And I hope I say it more than once today, but what goes on in Washington is directly impacted by what you do or don't do. When you all participate and bring your knowledge and experience to the table, good policy results in Washington. But if you're absent from the discussion, then, typically, results are not anywhere where they need to be.

Steve King is a friend; a person that I've learned to know, respect, and trust; someone that I look to in my role again for the type of input that is based upon the constituents that he has. And he's been terrific. He's someone that you can always count on and has been extremely active and helpful in livestock issues, ethanol, biodiesel, alternative fuels, which are the key to our economic future in large part as far as I'm concerned. Also a key to our foreign policy future. So as we take advantage in the right kind of way, the potential that we have—and you all are leading the way in that area and many others—then our future will be bright. Our best days are still ahead.

We're all set. Let me introduce Pam Miller, who is the staff person who handles livestock and other things for the committee. She works in the committee office, not in our personal office.

Steve, you want to introduce Brent, and then you'll help me do the opening statements? Get through this formal stuff, we'll get down to business.

Mr. KING. I lost track. Over here on this side. Brent Boydston does my agriculture staff work in Washington, DC. He's here. And I'd ask you to introduce yourself to Brent and get to know him because he's the link to Wayne Brincks, who Wayne's going to step up here and the rest of you can see him, too, I hope.

I think you all know Wayne Brincks. Wayne covers 32 counties. He's been to all 286 towns. He wears out a pickup about every year.

And I really want to thank both of you for being the anchors to me when it comes to agriculture policy. That is the foundation of our economy in this district and the world for that matter. So I appreciate both of you.

And I turn this back for the chairman for his opening statement.

Mr. HAYES. Thank you, Steve. And make one more promotional announcement. Brent and I have been talking a lot about this. I have shamefully worn this blazer today. If you'll notice the insignia, that's the Congressional Sportsmen's Caucus, which is the largest single group of Members, a bipartisan basis, House and Senate in Washington. We deal with all types of outdoor issues. Steve's a very active member. Hunting and fishing is a big part of that. Anything having to do with the outdoors. So if you think it's blatant advertisement, invite me back, come back to see more about your agriculture, visit your farm, help trim the pheasant population. Yes, you're probably right. OK. Got that out of the way.

First—and I've done this informally. I'll do it formally. I want to thank all the witnesses and members of the audience for attending today's hearing.

As many of you may know, the House Agriculture Committee has been traveling across the country over the last few months gathering input from producers to help us craft the 2007 farm bill. Make sure we get as many reasons covered as possible. Five subcommittees are also holding farm bill hearings. And I'm pleased to be here with a very, very good friend, Steve King, in his congressional district meeting with Iowa producers.

I'm a firm believer that all of the best ideas do not come from Washington. Hard to find somebody who's from Washington, although occasionally you will. They come from folks like yourself who have common sense and good ideas and who work hard and provide for their families and give back to their rural community. The best way for us to do our job is to get direct feedback and input from producers who use the programs in the farm bill, tell us what's working and what may need change or consideration in the next farm bill.

Since agriculture is oftentimes a more regional issue, we look to you for insight in providing a very, very valuable and necessary Iowa perspective. The Agriculture Committee held a hearing in my congressional district in North Carolina back in the spring, and Mr. King's attendance was absolutely outstanding; again, to blend the regional ideas and concepts together. I would anticipate we may hear some common themes today, but I recognize we may hear some different views as well. We certainly welcome all comments because it helps us know what our colleagues are hearing from the producers back home.

Hearing instructions. Like any of our subcommittee hearings in Washington, all witnesses will have 5 minutes to present their oral testimony and then we'll ask questions of the witnesses. As always, I would note that anyone who wishes to submit a written statement as part of today's hearing record may do so up to 30 calendar days after the hearing, which would be by August 30. Please see Pam Miller, who introduced herself earlier, if you wish to submit a statement. And additionally, all testimony and comments made today will be made part of the official record.

I would like to thank our host today, Dordt College, for the hospitality—and it has been terrific—and Dr. Curtis Taylor, who's done a tremendous job in working with us to make sure everything goes smoothly for this hearing. And we appreciate all of his efforts in agriculture and evangelism. Look forward to today's testimony. And then I recognize my good friend, the Hawkeye, Congressman King.

**OPENING STATEMENT OF HON. STEVE KING, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA**

Mr. KING. Thank you, Mr. Chairman. I don't think he's referencing to what kind of a shot I might be but—

Mr. HAYES. He needs some work, but he's not bad.

Mr. KING. As you can tell, Chairman Hayes and I have developed a good working relationship over the years. And I want to especially thank you for coming here to Iowa.

Many things going on in North Carolina, not to mention a political campaign that dispose a lot of our Members to go campaign throughout August. And they think that September, going back to Washington, is an interruption to their campaign duties and then breaking and going back to campaign all the way up to November.

But Robin Hayes is here with us in northwest Iowa today and also the staff that's here. I want to point out that this is our opportunity to showcase some of the things that we do very well here. And not only is it something that Chairman Hayes will absorb and take with him but also the staff. And your testimony that goes into this record is something that will be reviewed by the staff of the entire Agriculture Committee as we put together this farm bill that's coming up for 2007. And so I'm looking forward to putting some of these things into the record.

But I also have the opportunity to showcase the things that are so essential to us here and the things we do so well, in northwest Iowa in particular. And sitting here in this county in this congressional district, this western third of Iowa that I have the privilege to represent, is one of the top five corn-producing congressional districts in America and it is the top soybean-producing congressional district in America. And you add to that the agriculture production that has really skyrocketed in the last few years, and we're up there where we're competing for that title as well in this district, in this county—one of the best corn-producing counties anywhere in the country—but a net importer of corn because of the livestock concentration here.

And so this area embodies the strength of our core traditional agriculture as we see it and at least in the Midwest and in the Corn Belt. And that's one of the reasons why I wanted to be sure that

we had a hearing in this area, in this region somewhere, so we could gather that kind of testimony.

And as I look at the witnesses across here almost every one of you have provided substantial—I'll say just substantial—agricultural policy input directly to me, and I appreciate that. I appreciate the way that you all work with our staff here in the fifth district and a chance to have our fingers on the pulse of what's going on with agriculture.

The renewable fuels issue needs to be considered here as well. And I look at the fifth district, and we are very close to being in the lead on ethanol production for congressional districts, and that would be that—I think Tom Latham's district in the north central part of Iowa is the lead ethanol production congressional district in America. But I tell him that we're right on his tail, breathing down the back of his neck, ready to catch up with ethanol production and perhaps pass his district.

And the count on how many ethanol plants are up and running and will be running—I've been working with a number of perhaps 13 to 14 in this congressional district. All the biodiesel production in Iowa is in this congressional district. That won't last long, but we will stay ahead for a long time.

So those things are cutting edge.

Also, we have cutting edge biotech, plant and animal science, and we'll hear some of that here today. And I'm looking forward to that testimony.

In fact, Dr. Struve's briefing to me some year and a half or so ago was the single most fascinating briefing that I received in agriculture in anytime that I've had before or after I went to Congress. So I'm looking forward to this testimony and looking forward to the opportunity to ask some more questions from each of our witnesses.

Especially I want to thank you, Chairman Hayes, for being here, scheduling this hearing, and the opportunity to showcase north-west Iowa. And then if you could have brought some rain with you. It's a little damp over there on the east coast. It would have been nice to bring it back. But we know where the rain comes from and we'll be patiently waiting for Him to send it to us when He's ready. Thank you.

Mr. HAYES. We'll have to include that in our closing prayers.

Without further ado, I'm going to let Congressman King—I have learned how to pronounce "Fluit", but I may mess up on the next one. So I'm going to let Steve introduce all of our witnesses.

And just another quick bio bit on me. I'm in the farming business. More into other businesses. I'm not a lawyer. I'll make that pronouncement real early. I grow Johnson grass on one farm. Not by design. Trying to raise a few deer and keep choking out the clover. But down in South Carolina, I have a considerable farming operation with corn, cotton, soybeans, peanuts, and big deer as a by-product of that so—I'm also on the Transportation Committee and Armed Services Committee.

Steve?

Mr. KING. Thank you, Mr. Chairman. I will introduce all the witnesses on this panel at one time.

I'd first like to introduce on my left, Mr. Bill Scheitler, a cattle producer from LeMars, Iowa. And Bill has been very active in the

National Cattlemen's Beef Association and also the ICA, the Iowa Cattlemen's Association. I find Bill to be one of the lead thinkers of the strong, really thoughtful voices in livestock production, particularly with cattle in western Iowa.

And then I mentioned earlier, Dr. Rexanne Struve. The sheet says hog producer, Manning, Iowa. When you hear her testimony, you'll understand she's taking it up to another level. But also a veterinarian and an interesting and an impressive operation going on in Manning, Iowa that I had the privilege to visit.

And then next on the panel is Mr. Mark Leonard, who is a purebred Limousin breeder from Holstein, Iowa and also in the banking business. An individual I've had the privilege of working with over the years and then one of my—certainly I call a friend of the family, as well as to the agriculture.

And then Mr. John Fluit who has an impressive feedlot operation going on out of Inwood, Iowa, and I've been to his operation as well. And I thought he was going to let me do chores one day; but he took me off the hook, and we talked politics instead.

So that's our panel. It's an impressive panel. And I appreciate you all being here.

Mr. HAYES. Who would you like to have first?

Mr. KING. I think Mr. Scheitler.

Mr. HAYES. We were a little late getting here because we were trying to put to death the death tax. I think we're almost there. Keep your fingers crossed and call constantly and encouragingly to your own senators and all the others as well.

Excuse me, Steve.

Mr. Scheitler, would you proceed.

**STATEMENT OF BILL SCHEITLER, CATTLE PRODUCER,
REMSEN, IA**

Mr. SCHEITLER. First of all, I'd like to welcome you to northwest Iowa. You're welcome here anytime. Feel free to come back.

Congressman King, we appreciate your efforts in putting this together, too. It's a real attribute to both of you folks to be here today to show the importance of agriculture to all of us in northwest Iowa.

Mr. Chairman, Congressman King, I want to thank you for the opportunity to present my ideas and those of many Iowa cattle producers regarding the 2007 farm bill.

My name is Bill Scheitler, and I'm a cattle producer from LeMars, Iowa. I'm also currently president of the Iowa Cattlemen's Association.

As the Nation's largest segment of agriculture, the cattle industry is focused on continuing to work toward agricultural policy that supports a reduction of the Federal deficit while assuring funding for farm bill priorities, without agriculture bearing a disproportionate share of the reductions; minimizing direct Federal involvement in agriculture production methods; preserves the individual's right to manage land, water, and other resources; provides an opportunity to compete in foreign markets; and does not favor one producer or commodity over another.

For the U.S. beef producer, we believe trade is the single most important issue affecting the cattle industry today. Trade, or lack

of it, has the potential to impact the long-term health of the beef industry. Iowa cattle producers are strong believers in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our products. We support Government programs such as the Market Access Program and the Foreign Market Development Program, which help expand opportunities for U.S. beef. 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 are encouraged that trade may resume with Japan, and we will continue to fight to get our product into several other countries which historically have been good trading partners.

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. It is 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.

One concern I have about the USDA National Identification System is that it is not moving at the pace that it should be. It seems to be stalled; possibly, at best, treading water. I want it to progress much faster. The NAIS program may need some impetus to encourage more participation. And we as cattle producers need to have a system in place and operating well. Currently that system is being developed, but to say that it is being very well encompassed by the industry is probably an understatement.

Conservation and environment are also an important issue.

Our livelihood comes from the land, so careful land stewardship not only makes good environmental sense, it is fundamental to our industry to remain strong.

One program cattle producers value and participate in across the country is the Environmental Quality Incentive Program, or EQIP. A problem encountered with EQIP is that by arbitrarily setting numerical caps that render some producers eligible and others ineligible, the success of the program is limited. Addressing environmental solutions is not a large-versus-small operation or issue. All producers should be afforded equal access to cost-share dollars under programs such as EQIP.

Other programs many cattle producers would like to enroll in to reach their environmental goals include CSP and CRP. However, to enroll, producers must stop productive economic activity on the land that is enrolled. We support the addition of provisions in the next farm bill that will allow increases in managed grazing on land enrolled in CRP. We believe that programs should be implemented which allow annual managed grazing programs rather than only once every 3 years.

In terms of energy, I believe the farm bill can help to provide research funding for integrated production systems and integrated business models to manage risk and attract new capital.

Due to the construction of many new ethanol plants in Iowa and the co-products that are a source of high protein livestock feed, the Iowa cattle industry is poised at the brink of major expansion.

Energy policy that provides research funding, supports renewable fuels such as ethanol will help young people enter agriculture, improve our local economies, and revitalize our rural communities.

In conclusion, the Iowa cattle producers simply want the opportunity to operate our business to provide a high quality product for the American consumer. We want to work with you in developing a Federal agricultural policy to find the best ways of using the extremely limited funds available to conserve our resources, build our industry, and provide for individual economic opportunities.

Thank you very much for your time today and welcome to Iowa.

Mr. HAYES. Thank you. A couple quick add-ons. Again, this is a formal but informal hearing, and we like to conduct it in ways most effective for you. We have a light system here. Five minutes on green, and red means time's expired. So if a witness wants to condense their testimony or not even use it, the testimony's already in the record. If you want to make comments on other subjects or add to, that's perfectly admissible.

I failed to mention in opening remarks that Steve and I are both very, very active in the whole issue of radical animal rights folks who are doing all kinds of things that threaten not only farmers but our economy and everything else. And that's something very, very important.

I thoroughly agree on animal ID. The U.S. Department of Agriculture has been glacially slow. Honestly, my position has been—and Steve has been very, very helpful—a voluntary animal ID Program. Get the job done and get it done now. And we're very close to that. We pretty much convinced the Department of Agriculture that 2009 is far too late in terms of a deadline. We can do it much quicker. And the cattlemen have gotten a little bit behind in organizing that voluntary system for them. There's some intramural rivalry between various organizations about it. But the fact remains is that it's there, it's a marketing tool, it's there. We want to protect confidentiality of information by doing it on a voluntary basis. It keeps the Government out of it.

They came up with their voluntary plan, which was a mere 70 pages long. And I asked Pam as recently as last week, I said, Pam, condense this down to one page, and let's get on with the show. And that's kind of where we are.

You want to comment on that, Steve?

Mr. KING. Well, I share the frustration that we've heard from Mr. Scheitler this morning. And I talk about that subject, which I've asked the question around some of the hearings around the country—and I've been to eight different hearings in California, New York, Nebraska, Indiana, North Carolina and Alabama and in some of the places I asked the question—not in North Carolina—but I asked the question: What's your sense of urgency on moving forward with the livestock ID plan.

And the message I got back from the cattle producers in Indiana last Monday was: Well, we think we ought to get there.

And I said: What kind of time frame?

Oh, perhaps a couple years.

That's what they would have said 2 years ago, and they wouldn't have said 2 years. They would have said, well, maybe a year to year and a half to be able to see where we're—or at least how to get it implemented and get it in place.

There's a sense of complacency out there because we've been able to deal with the BSE cases without a shock to our market and that's why I think we're sitting here and not able to get this thing moved off the dime.

Bill Scheitler sees the urgency for it. Because once the urgency arrives and everybody understands that, it's too late. And they're shipping cattle now out of Canada that have RFID ear tags in them at birth from the original premises, and that's been going on since at least last April. These calves were born, fed, finished and they're segregated, slaughtered all in one group and shipped to Japan because they can trace that livestock back, and that's an important part of this.

And then I want to also mention the radical animal rights people out there. We're going to have a horse slaughter bill brought to us in September that—a very powerful and strong effort to ban the slaughter of horses for human consumption in America. We don't eat very much horse meat in America, but the French and the Belgians, some of the other people do that. It's a matter of their practice. And horses are livestock, and they need to be treated like livestock. There are about 90,000 horses a year I think that are slaughtered in three different plants in America and then it helps our balance of trade. But if we don't have a market for horse slaughter in America, what it does, it drives down the value of all the horses in America. And it puts them out to a pasture where they'll be starved, abused, or maybe just shot and sent to rendering or pulled over the hill for buzzard bait.

We manage our horses with respect. People love horses. I don't know anybody that doesn't love horses. But to elevate them to a higher form of life than the rest of livestock and, in fact, elevate them to a higher form of life than some of humanity is a bridge too far for me. And we'll be fighting that when we come back in September.

And then I would just throw one more thing into this radical animal rights issue just to broaden the subject a little. And that is, there was a bill they brought before the Judiciary Committee a year and a half ago, maybe close to 2 years ago now, and it was a bit of a surprise that it came. Sometimes things come at you pretty quickly. And there was one that said, in effect, if you haul a chicken across a State line and you knew or should have known that that chicken would get into a physical altercation with another chicken and someone would bet upon the outcome, then that would be a Federal felony punishable by 2 years in the Federal penitentiary.

OK. Cock fighting, dog fighting, we don't allow that in this State, and it's only legal in about two States. And I think that's a State's rights issue.

But I brought this comparison up, and that is that if a sexual predator can impregnate a teenage girl—now that's a crime everywhere that I know of. But if he can pick her up at the playground at the junior high school and take her across the State line to get

her to get an abortion, bring her back and drop her off at the playground again and there's no Federal law against that and we can't get that legislation passed even as a misdemeanor, that would be less than a year in the penitentiary, who we'd elevate hauling a chicken to 2 years in the Federal penitentiary, that's another one of those radical animal rights issues that they're driving.

If they would stratify all the species—and they still at this point leave human beings at the top, but they want to put different values on different species. And I think we see this as livestock and people being two distinct categories. And so that's the things that I see that are out here with regard to their radical animal rights.

And I yield back to the chairman.

Mr. HAYES. Thank you. Absolutely vital. And those in the audience who would like to ask questions, hopefully we'll have time later, and if not, write on a piece of paper and we'll comment on it as we go along. We'll try to quit being so distracted.

Dr. Struve.

**STATEMENT OF REXANNE STRUVE, D.V.M., HOG PRODUCER,
MANNING, IA**

Dr. STRUVE. Thank you, Mr. Chairman, Mr. King. I'm Dr. Rexanne Struve. I'm a veterinarian in western Iowa. And besides having a veterinary practice, I own a specialized laboratory called Struve Labs.

Now Struve Labs produces pigs by the gold standard method for clean stock derivation. And these caesarian-derived, colostrum-deprived pigs are born within a sterile bubble by caesarian section, then they're taken to a biosecure laboratory where they're raised without colostrum, or the mother's first milk. And this means that these pigs haven't been exposed to the bacteria and viruses that are present in the mother sow's body.

Now in the 1960's and 1970's, this method was used to produce SPF or specific pathogen-free pigs to start clean herds on farms. And I suspect a few in this audience may remember the SPF program, which is still in effect by the way. The SPF program was started by veterinarians to fill an agricultural need, which was clean pigs that could go to market faster and cheaper by eliminating profit-robbing diseases.

In the recent past, these CDCD pigs have been used primarily for FDA-required safety and efficacy tests of vaccines that are used in U.S. swine herds. Struve Labs works for all of the big companies that produce swine vaccines, so we have a national recognition of our name. These pigs are also used to study emerging swine diseases, since CDCD pigs are free of confounding factors which may skew the course of a disease entity. They are a very important source of clean pigs to the industry, not only the farm source industry but also the pharmaceutical and biological industry source.

While swine vaccine trials remain the core of the present business, Struve Labs has begun producing antibodies for use in treating human diseases. Work has also been done on the development of transgenic pigs, which carry enough human genes to allow the use of pig organs to replace human organs. And this has huge implications in the treatment of human maladies such as type II dia-

betes; heart, liver, and kidney failure; and burn wounds to name a few.

Future plans for Struve Labs include raising small numbers of these unique pigs in specialized units on family farms, and these will be in close proximity to a central surgical facility. From these animals, this hospital will harvest organs which will then be flown to transplant centers all over the United States to meet the shortage of organs for people in need. Now the need for educated, high level positions such as surgeons and technicians will profoundly affect the local area and its economy in western Iowa. Sioux Center has seen the same effect with the progression of Trans Ova.

Struve Labs began as Merrick Labs in Manilla, Iowa, and it has expanded throughout the last 45 years. It provides jobs and opportunities for local people to work and improve their skills and wages. It has progressed to an entirely different business now, with global impact and possibilities. And this is a huge boon to western Iowa.

Any legislation that can help producer entrepreneurs to produce their businesses in agriculture in rural America would be welcomed and appreciated. The term "producer" may include agribusinesses like Struve Labs that are using crops and livestock previously considered commodities, to improve the health and well-being of humankind and to provide improved livelihoods in rural Iowa and America. Any programs that would be used for helping to train our people while they're on the job instead of having to go off to school would be a huge help. And I'm not versed well enough in the farm bill to give you varied specifics on that, but those are ideas.

Big ideas don't always come from big companies. With the challenges, opportunities, and possibilities coming with xenotransplantation, which is the taking of tissues and organs from one species to another, and human antibody production, anything that can be done to encourage the growth of small entities in rural communities will help.

The evolution of Struve Labs and agribusinesses like it which will help the human and animal populations need room to expand and grow. An environment which is friendly to new ideas and agribusinesses is imperative. I make a point here specifically about businesses which are previously—use animals or livestock previously considered just commodities to help people in the future. Thank you.

[The prepared statement of Dr. Struve appears at the conclusion of the hearing.]

Mr. HAYES. Thank you. Mr. Leonard.

**STATEMENT OF MARK LEONARD, CATTLE PRODUCER,
HOLSTEIN, IA**

Mr. LEONARD. Mr. Hayes and Mr. King, thank you for coming. My name is Mark Leonard. I am a cattleman and a banker from Holstein, Iowa. We sell purebred livestock. We've got customers on five continents. And as a banker, I have customers in four States. But I'm also an investor, an owner, and a financier of the renewable energy industry. I believe in it. I believe it will, in fact, lead Iowa to an economic renaissance that we have not previously seen.

And yet the success of that industry will, to a large extent, be dependent upon the livestock industry that we have here in Iowa.

Mr. King, I think you know that I have as much difficulty with 5-minute time limits as you do, but I'll do the best I can.

Mr. HAYES. Thank you for saying that.

Mr. LEONARD. And so some of the things that have previously been said I will try and not repeat; however, some of them, in fact, are important enough that they need to be emphasized again.

We all agree that agriculture is necessary to the vitality of Iowa's economy and that a stable food supply is critical for all Americans. And it's a legitimate national security issue. But we must also recognize that farm programs have been and continue to be a form of social engineering; therefore, I think it behooves us to resolve to use farm programs for desirable outcomes that will serve the greater good of rural America.

Three issues I wish to address. One of these may surprise you, Congressman King, but one of those is farm payment limitations. The other is the usage of CRP lands and just a kick quote on the equitable and fiscal soundness issues that should accompany our crop insurance programs.

I firmly believe that whatever we tax we get less of, and what we subsidize we get more of. We have subsidized consolidation of agriculture in this country, and we have gotten it. I think we should determine to subsidize families, not consolidation and depopulation. Consolidation hurts rural economies.

In Iowa, the smallest average farm size county, in fact, has the highest per capita income county—or is the highest per capita income county in the State and the county with the largest average farm size is Iowa's lowest per capita income county. So it has hurt us.

In addressing the payment limits, which I believe is the lack thereof, has led to the consolidation. I think it's important to first acknowledge that all Americans support free enterprise. We respect those individuals who work hard and have built great successful businesses. But if those successes are achieved as a result of the use of other's tax dollars, a critical reevaluation of the social and economic impacts to rural America would suggest that changes are needed. The largest farm operations have been able to raise their families, update equipment, and acquire land with sizable program payments without the actual necessity of making a profit from the production of program commodities.

And for that reason, I do believe that it's difficult for anyone to truly suggest that any American should expect their Government to provide hundreds of thousands of dollars per year every single year to any family simply because of the occupation they choose. With rural payment limits in place, the competitive advantages will then accrue to those who truly are the most ambitious, the most efficient, and the most desirous of making a living in production agriculture, which will help breathe life back into our rural communities.

Along with a couple of things I wanted to say, I do want to truly emphasize some national security issues. Part of that comes with the National Animal ID system but also with our border security. The fact is anybody can walk into this Nation any day they want.

We don't know who they are. We don't know what they have in their pockets. And if somebody would walk across our border with a vial of foot and mouth disease and infect as few as 10 livestock operations—

Mr. HAYES. If anybody knew that, please—

Mr. LEONARD. I understand. I hope we're in a safe crowd here. But the fact is that small amount of infection could, in fact, eliminate our ability to produce meat in this country. We have to control our borders, and we have to know what they have in their pockets. I'm not suggesting I know what number of people should come here. I just know that we have to know who they are and what their intentions are.

Livestock production is the original value-added industry for agriculture. Those unlimited payments that are available in some of our programs in the farm policy today have created an environment that encourages pure row crop production and it's discouraged the production of hay and rotation pastures even to the extent of crop-based acres being lost to those producers who, in fact, have done the right thing from a conservation and diversification standpoint and raised livestock and hay and pasture. Those things are also the conservation-enhancing programs that we, in fact, should encourage instead of discouraging.

CRP has, without question, been a popular and useful program in the opinion of most Americans. Those environmental benefits have been significant and should not be given up. But we need to find a way to use CRP for economic advantages with a controlled and managed grazing program that's predictable and consistent year in and year out.

I see my time is up, and I will try and respect that and stop.

[The prepared statement of Mr. Leonard appears at the conclusion of the hearing.]

Mr. HAYES. Well, think about additional comments you may want to make. And when we get into the question period, we can put it into questions from us and expand on it.

There's so many good points being raised here, Steve.

And I support a very, very strong border security bill, and it's good that it passed the House. We are stopping many of the border incursions that were just being looked the other way at recently. So that's going on.

Too many comments. Introduce the next gentleman. I heard you pronounce his name right. Let's see if you can do it again.

Mr. KING. I think I can do that. And the next witness I'm going to introduce is Mr. John Fluit, a cattle producer from Inwood.

And I look forward to your testimony, John.

**STATEMENT OF JOHN FLUIT, JR., CATTLE PRODUCER,
INWOOD, IA**

Mr. FLUIT. Thank you, Congressman King and Congressman Hayes. Good morning.

My name is John Fluit, Jr., from Lyon County, Iowa. I would like to focus on funding of the Environmental Quality Incentives Program, or EQIP, in the new farm bill.

But first a little background on my family and situation. My wife of 17 years and I and our four young children own and operate a

row crop and beef feedyard operation. I am a fourth generation Lyon County farmer, my wife is a fifth generation Lyon County farmer, and hopefully our children will have the opportunity to be sixth generation Lyon County farmers.

My wife and I were off-farm employed the first 10 years of our marriage. After 10 years, we had saved a little over \$100,000. We then purchased a beef feedyard and the right to rent some land for \$180,000. The feedyard was larger than a thousand head capacity and, therefore, classified as a CAFO or a concentrated animal feeding operation. At the time, we hadn't even heard of such a thing, let alone what the acronym CAFO meant. My wife and I felt it was large enough to provide enough income for both of us and provide a positive environment to raise our children in. The point I'm trying to make is that some so-called factory farms or CAFOs are owned and operated by young beginning farmers without a lot of equity or financial backing from their parents. This happened 8 years ago.

A few years later, the nightmare began. We were told that even though we had already made vast improvements to manure handling over the previous owners, that we would have to spend another \$260,000 of direct costs and another \$40,000 of indirect costs to be in environmental compliance. Another problem with environmental compliance is differing rules between the Environmental Protection Agency and the Iowa Department of Natural Resources. Another headache in and of itself. Fortunately, about \$84,000 of EQIP money became available and also some money through a grant received from the Iowa Cattlemen's Association for alternative technology sites. I am one of five or six alternative technology sites located across the State of Iowa. Without this money and a good year or two in the cattle industry, we would have become another young farm family that couldn't make it.

I would like to make the following points concerning EQIP in the new farm bill.

Point one: I believe EQIP dollars are absolutely essential to the continued health of the beef industry, especially in light of overbearing environmental regulations. My own example of a \$180,000 feedyard needing at least \$260,000 of environmental improvements I think proves this point. How do you go to your bank and ask for a loan that will have zero monetary return?

Point two: Because of the high costs of environmental compliance, I would ask that you be a little careful on what sort of payment caps are put on EQIP funding. Many large or so-called factory farms are actually farm corporations involving several family members or, such as my family, a husband and wife team. We all know that the days of making a living on a quarter section farm are gone; just like farming with horses, John Deere tractors, and swings in the haymow. I would also point out that in Iowa, over 50 percent of the cattle—this is on a side note here—are ready raised by CAFOs. And if we didn't have the environmental restriction at a thousand animal units, if you count the people that are 999 head, I would dare to say somewhere between 75 and 80 percent of the cattle in Iowa are raised by so-called factory farms.

Point three: In Lyon County, 30 percent of our jobs are directly related to agriculture, and livestock is quite concentrated. There

are 35 unfunded EQIP projects in Lyon County right now. We cannot afford any cuts in EQIP with the current environmental regulations. I do like the current goal of 60 percent of EQIP dollars going towards livestock.

Point four: Livestock, especially cattle, are vital to ethanol production. Approximately 40 percent of every bushel of corn that goes to ethanol production comes back as cattle feed. On this same point, I would also mention that cattle feeding is one of Iowa's oldest value-added industries.

Point five: I would also like to see further promotion of alternative technology systems to control feedyard runoff. These systems are environmentally friendly and will be half the cost of conventional systems once proven. These systems are also neighborhood friendly, which we all know is more and more important as the understanding of food production becomes more complicated for our rural and urban friends to understand.

I would also like to say that I like most aspects of our current farm bill. And in closing, I would like to thank you for the opportunity to be here today, and I would be happy to answer any questions to the best of my ability. Thanks again.

Mr. HAYES. Thank you, sir.

And, Steve, with your permission, I'm going to give each one of you 30 seconds to go back down the line and any comments you forgot or want to make—you'll get another shot later—but while it's fresh on your mind, anything that you wish you had said that you didn't say or would like to bring up.

We'll manage time as well as we can. I think that would be helpful.

Mr. Scheitler.

Mr. SCHEITLER. I understand that you realize the importance of animal ID. But as was described here before, if we had any case of foot and mouth disease or something in this country, I simply do not believe that we're prepared. And it's always nice to be passive, and we can be reactive in some instances, and the industry can survive; but I believe this is part of our industry that we need to be proactive on and just not let it set there and hope that the best happens.

Mr. HAYES. Just a quick comment. There are very active strategies in place and actually at the war college—I mean this is a huge national security—a number of scenarios of H&D, BSE and others have been strategized and role-played to try and develop at least a reasonable strategy case if that should happen.

I was kind of joking with Mr. Leonard with not letting that word get out. It's certainly something that has tremendous potential.

Dr. Struve?

Dr. STRUVE. I would just like to make a point—and it was well made here—that with small family farms there are things that need to be done to protect them and help them. And a business such as Struve Labs, while being actually a not-commodity business entirely, will help tremendously in the future with keeping small parts of industry on small family farms. And I believe that's extremely important.

Mr. HAYES. Very important.

Mr. Leonard, social engineering is alive and well in this particular hog market with liberals on the left, and we need to be conscious of that. The folks on the left may be successful in my Johnson grass farming because that's what they'd like for us to be eating instead of—anyway, no internal combustion needed. Sorry for that. Go ahead.

Mr. LEONARD. How does that stuff taste by the way?

Mr. HAYES. Well, I haven't tried it yet. When you see people wearing lettuce leaves walking the halls of Congress, you need to be a little concerned.

Mr. LEONARD. I want to just quickly retouch on two things. One is the National Animal ID system. Simply because if we do have that disease outbreak, if we have the National Animal ID system, we have a chance at least of identifying some animals that, in fact, are secure so we can at least maintain and salvage the core production that is within the country.

The other quick just retouch is: I really do believe that we need to find a way to create a grazing program on land that is currently in CRP and probably on a declining payment level but allow producers some income while they rebuild the infrastructure—the water systems, the facilities, the fencing—and rebuild the cow herds. Once those things are in place and at the end of 10 years when the payment incentive would end, if everything's in place, I truly believe that those lands will stay in pasture and hay ground because the cow herds are already there and reestablished.

Mr. HAYES. Again, comment anytime you want to, Steve.

Animal ID is very, very important that it not be imposed by the Federal Government; it's very important that we use it as a tool to add value to our livestock; very important to the security measure. We have that. We're much closer than you think.

Done through the private sector and through the farm community, innovation and new techniques are emphasized, cost is driven down.

If Government takes it, it's just the opposite. As soon as they say we've got it, everybody quits developing technology that may be more appropriate for your particular operation, and the cost is frozen and starts to go up. Same thing, again, about the confidentiality of the information.

But we're much, much closer than you would think. And Pam and I have been working really hard on a weekly basis. One page, you guys: Where did the animal come from? Where did it move? Just the absolute basics.

Now if you in the farming community want something much more sophisticated because of the marketing program you have, that should be available to you. But somebody who has five cows who doesn't want to be involved should not be taken into that system. So that's kind of where we are. We're better off than we thought.

Steve, you pass?

Mr. KING. I pass.

Mr. HAYES. OK. Mr. Fluit.

Mr. FLUIT. Thank you. On that animal ID thing, that's not my main comment but—and I won't discuss it, but I can think of things that would make the hair on the back of your neck stand

up on end. And if I decided to join them guys, there would be a lot of dead livestock in the United States.

Mr. HAYES. That's not what we want to see.

Mr. FLUIT. My main point I would like to make is—this is not a smear on Mr. Leonard by any stretch of the imagination, but we've got to be a little careful on our fantasy world that some people live in. As I said, earlier B John Deeres, swings in the haymow, quarter section farms, it's not going to go back to that, people. Let's face it.

A lot of these so-called factory farms, especially in northwest Iowa, are family corporations. And I guess I don't know what the exact answer is, but I think payment caps with common sense. There is probably a place for that; I agree. But you've got to be a little bit careful there. Not any farm but most farms in my opinion—and I said my opinion—that actually can support a husband and wife team is to the size of what, in most people's fantasy world, would be a factory farm. Thank you.

Mr. HAYES. Now interestingly, if the payment program were done correctly, theoretically, you wouldn't need a cap on it. But if it's done incorrectly, then a cap is someplace where you kind of logically end up. So we need to work on the system in the front rather than the back. It's just an observation.

I've got a farmer in my district, he and his family have about 8,000 acres, it's pretty big even in our part of the world. And he takes his family to the beach every year. He had 74 members there last year, and that was half of them. So I think he's a factory family instead of a factory farm.

Steve, I cut you off. Do you have any questions for our witnesses? I'll let you start.

Mr. KING. Thank you. I have a series of questions.

And first I want to turn to Mr. Scheitler. And I know that we had some extensive discussions over time. You've been engaging us as we talked about the livestock ID plan. I see it also from a political perspective, as well as a policy perspective. And we've come down to this question of voluntary versus mandatory. And sometime back to USDA, and I think a couple years ago, said they thought they could protect producers from the Freedom of Information Act claim. And that was their lawyers that said that. But we all know that if you've got two lawyers, you've got an argument. So I didn't have confidence that they were really right on that. And then there was that issue of protection from the Freedom of Information Act, and I think we have to provide that statutorily. And I don't think there's really much disagreement on that within the industry.

But then the next step is: How do we get there quickly, and what kind of level of participation by producers would you think is adequate to satisfy the Japanese? For example, if we let the plan come together on this voluntary basis at the pace that it's coming together now, what percentage of participation does one need to arrive at before the Japanese are going to say that's a legitimate livestock ID plan? Bill?

Mr. SCHEITLER. Well, I think our exports are going to be limited by our participation if we don't reach that number, and that number may be 60 percent, 70 percent, 80 percent. I don't know which

it is. But we are going to be limited in our export ability to other Asian countries. And probably not only the other Asian countries, we're going to see a demand for more source verification and animal ID right in this country. It's a sales tool is what it is. Our beef is safe and it's safe all over the world, but people would like to know the source and sometimes the age of them animals. It's not only going to be at our back doors. It's going to be important for our export markets all over the country. It's going to be demanded by retailers. We've heard some retailers talk about it already, the McDonald's and the Walmarts of the world. I think it's an area that we need to—if we don't somehow give the—I don't know if an incentive is the right word. Nobody likes to use the term, make anything a requirement, but if we cannot get there somehow and somehow quickly, we're going to have to use some means, some means to get producers to participate.

Mr. HAYES. In my area, 94 percent of the folks in one livestock market have signed up. They're ready to go. There have been some incentives through premise ID funds from USDA, so there's a little bit incentive out there. And again, I don't want to be social engineering, but to get the system up and going, I think we're much closer than folks think.

And I'm going to thank the media for being here today.

Steve, if you're in Washington, you just don't see this kind of participation on agricultural issues. It has to be something controversial or whatever.

But thanks to the media for being here and helping people understand that we're very serious about this.

And a quick question while we're talking to Mr. Scheitler. The whole issue of alternative fuels and distilled dry grain for cattle feed, kind of bring us up to date from an Iowa perspective on how important that is for value-added and other issues.

Mr. SCHEITLER. It's extremely important to our industry. And sometimes we dwell on the cattle industry and how beneficial it is to the cattle industry because that is truly a fact. But it's also very beneficial, some rural communities need that impetus. We have young people, we have more farmers that can be involved.

The byproducts from the ethanol plants, provide excellent feed stuffs, give young people maybe an opportunity, and it actually revitalizes our rural communities. For years, probably generations, some rural communities have suffered throughout this Nation, not only in the State of Iowa. But the biofuels industry is a real attribute to basically I believe the long-term economic health of our State.

Mr. KING. Let me just change the subject just a little bit. And I want to make sure we don't run out of time before I have an opportunity to hear from Dr. Struve. I put the commercial about this in the front of the testimony, but I'd ask you, Dr. Struve, if you could talk a little more about the future for organ transplants from swine and how many organs potentially—where that could get us in 3 to 4 years and what might be about 15 years down the road.

Dr. STRUVE. OK. Right now the transgenic animals that carry human genes allow the transplant of hearts and kidneys and livers out of pigs into baboons, and those baboons are living for about 6 months. So they have transformed enough genes in the pig so that

they could use these hearts, livers as a stopgap method until a human heart or liver becomes available for transplant for somebody needing one.

Within a year or two—they are constantly changing more of the genes in these pigs to carry more of the human genes, so within 3 to 4 years they should be able to take hearts—now I just want to talk about hearts especially because that's where most of the work is being done—out of these pigs and put them in humans and keep them alive for years, possibly for the rest of their natural life.

Just as today when we take a heart out of one human and put it in another human, the recipient human has to remain on an anti-rejection drug for the rest of his life. They're working on protocols now to reduce the amount of drugs needed to keep the recipient alive with the human transplant heart.

Within 2 to 3 years, we think that they'll have enough genes changed in pigs so that humans can receive a pig heart and remain on the same anti-rejection program that people are on now when they receive a human heart.

So within a very few short years, we should be able to provide—and we need a clean source of these pigs that we would take out of—take organs out of pigs and put them in humans.

Within 10 to 15 years, we believe that it will be kind of a cookie-cutter operation where we can take at least nine organs out of pigs. We can take the heart, liver, two kidneys, lungs, and use the large and small intestines and skin.

Right now they're already using pancreatic cells out of pigs, putting them in titanium capsules and putting them in the bodies of diabetics. And the pig cells then will release insulin as required by the human body. The titanium capsules are OK because the body recognizes that as something that's not totally foreign. They do have to be replaced every two to 3 years apparently, just like your pacemaker batteries need to be replaced. But they are already using pig pancreas for treating diabetes in that form.

And they're using pig livers in the form of a machine; that the human blood can be dialyzed through a pig liver or through a machine that has a pig liver. And the pig liver acts as the human liver would.

They cannot put the pig organs into the human right now and have the body not reject it totally, but that's coming down the road.

And the interesting thing and good thing is that pigs, when they get to the stage—and right now even the need for livers and pancreas require—could require thousands and thousands of pigs a year. Those pigs can't be raised in huge amounts like we do now in huge factory farms because if one bug got loose in that farm and wiped out several pigs because of a disease, the whole farm would be at risk of that.

So what we envision is, down the road, these pigs should be raised in small groups that are very biosecure, within very biosecure buildings. They wouldn't be the type of buildings we use now. They would have a different filtration system, et cetera. This would provide jobs for family farms because they would be in smaller numbers, smaller amounts, and they would be extremely well taken care of and records kept. It would be a whole different system than how we raise pigs right now.

So the future then would be that small family organizations with one or a number of these modules, let's say, on the farms would make an incredible living because these would not be sold at commodity prices. These pigs would have a preset value depending on the numbers of organs that could come out of them. And this ought to be done in Iowa where we're raising corn and pigs anyway, so we have the knowledge.

Mr. KING. Let me just pose this question. Let's just suppose that about 15 years down the road Mr. Hayes showed up with some signs of having a bad heart. I can't imagine a heart like he has going bad on him but—

Mr. HAYES. Fifteen years from now, a lot of bad things can happen.

Mr. KING. Do you think at that point you'll be able to custom make a heart that matches his genetics identically that we can raise in a pig and, say, at about 6 months of age, give him a fresh, new, big heart like he has now.

Dr. STRUVE. Yes. There will be a Mr. Hayes pig down the road. They would take cells out of Mr. Hayes. And those can be just cheek cells. They will be able to take the DNA out of them, put them into a pig, and that pig will specifically have his name on it. We'll probably raise two or three just to make sure we get one good one. And then that pig heart could go into Mr. Hayes, and it would recognize that heart as Mr. Hayes' heart.

Mr. KING. In the interim, if I remember the briefing that you gave me some year and a half or so ago, am I correct on this that there are 12 genetic markers that can be identified and, with the transgenics, be able to tailor make organs that are a little more generic that can be used in a more versatile fashion than matching the DNA.

Dr. STRUVE. Yes. And some of that's above my knowledge and ability. But they are constantly finding new DNA markers, et cetera. They're constantly working to put more of those genes, human genes, into those locums on the DNA molecule.

Mr. KING. That's our future.

Mr. HAYES. Fascinating. After giving my life to Christ, my best years are yet to come. I don't have to live forever like some people are concerned about.

Anyway, back to animal ID and then I want to ask you a controversial question.

Mr. Leonard and Mr. Fluit, what percentage of producers in the Iowa Cattlemen's Association have joined with the USAIO in the voluntary animal ID? Either or both or whatever.

Mr. FLUIT. Mr. Leonard can probably answer this better. He's more into the cow-calf end of things. I'm more into a feedlot situation.

Mr. HAYES. OK. I want to ask you about your feedlot and people that bring the cattle to you.

Do you know, Mr. Leonard?

Mr. LEONARD. What percentage of—

Mr. HAYES. Yes, Iowa cattlemen have joined up with the USAIO on the animal ID.

Mr. LEONARD. Actually, Bill would be better able to answer that than me.

Mr. SCHEITLER. Currently we've got about 5,200 producers in Iowa with premise ID's, but there is 45 or 50,000 that need to attain that.

Mr. HAYES. OK. So what is it going to take to get them into the program? What's the missing ingredient or ingredients.

Mr. SCHEITLER. Well, we've got a very good staff in Des Moines that's working on this. Obviously, they've always got limited resources, but currently I believe our producers are a little bit complacent in the fact that they really don't see a need and are not being—the need is not being emphasized enough. Even nationally I believe there's 200—as of the 14th of July, over 280,000 premises were registered but there's 2 million or more that need to be. So I really question even in this country, as a country, if we are getting these premises registered as quickly as possible. There's also going to be vet clinics, sale barns, feedyards, areas that are not farms that will need premise ID's also.

Mr. HAYES. Well, again, the bottom line, let's do everything we can to get that moving for a whole host of reasons.

Alternative technologies, Mr. Fluit, at your feedlot, what's going on there that we can take to the rest of the world?

Mr. FLUIT. Well, it is somewhat in the experimental stage. Iowa State University has a model that they've been using for 2 or 3 years, and basically what it does is it takes your feedlot runoff and it treats it with vegetation, which is far more environmentally friendly.

On my system particularly, I have a cell I guess you would say that is about 40 percent the size of my yards, and that cell has tile underneath it about 4 feet into the ground. There is grass growing on top of that—reed canary, swamp grass type of thing is absorbing the nutrients. It's pretty cutting edge.

That water goes through 4 feet of soil, which is nature's filter you might say. The tile water is then pumped on top of the surface to some more vegetation, which will absorb the rest of it. I mean there is a model that proves this sort of thing. It's far more environmentally friendly.

The neighbors, it's to the point where a lot of them don't understand what's going on. They just know there's not any effluent running down the creeks.

My system is a hundred percent contained. No water leaves at any time.

My system also was somewhat more expensive than they will be once they're up and running because you guys know how Government bureaucrats work. They want to cover their hiney. So you have to have lots of extra testing and that sort of thing to get the system in the ground. Also to prove it will work is another reason. But there's more monitoring and that sort of thing on my system than there will be in the future.

I think we're talking \$30 a pen space is the projected cost once we get this technology up and running the rest of the way. We'll know a lot within a year how they're going to work.

There are other ways they're doing things, but I guess for the AT side, we're having an open house tomorrow. The farmers are invited to come and look, that sort of thing. It's sponsored by the extension of Iowa State. Iowa DENR will be there. I mean we're

bending over backwards—at least I am in my operation—to try to do what’s environmentally friendly.

And me and you could do some pheasant hunting together and fishing, that sort of thing. I think we’d get along on that part of things.

Mr. HAYES. It really helps to develop ideas when you have that low stress background.

You got any more questions? We need to get to another panel here.

Mr. KING. I want to make sure that I commented on John Fluit’s request on holding the EQIP funding together and trying to keep a high percentage of that going to our livestock operations.

And I’ll just tell you. We went through some of those debates in the last couple of years, and it was a battle to hang onto that.

And then when I went to the hearing out in California and found out that—we were riding in a bus down a new blacktop road out in the countryside outside of Stockton, California, and EQIP funding had paid for the paving of that road because California’s air quality standards were so high that you couldn’t have a dirt road or a gravel road without having to water or oil it.

And then as we go by the orchards, the trimmings that they have off of their trees go into a little windrow down through—between the rows of English walnut trees these were. And I found out that EQIP funding had paid for a special chipper that chipped it down into real fine pieces because they can’t burn that anymore.

That’s what we’re competing against, the feedlots.

So I’ll let you comment on that if you would, John.

Mr. FLUIT. This is probably one of the subjects that is nearest and dearest to my heart. We talked earlier about animal—what do I want to say to be politically correct? But we have environmental people that are on the same playing field. I mean the things that we have been put through as a cattle industry in northwest Iowa here in the last few years, some of it defies common sense.

I mean I paid \$180,000 for a feedlot 8 years ago. We hadn’t even heard of what a CAFO, we knew we were supposed to be environmentally friendly stewards.

The first couple years that I owned this feedlot, I spent around \$25,000 of my own money, which in my opinion, fixed 80 to 90 percent of the runoff problem. EPA stepped in and said we had to do more, which I would agree some more needed to be done. But some of the standards that we are held to—and we’re held to a higher standard than most cities are held to as a cattle industry.

I mean how do you as a young farmer go into your bank—and at the time I wasn’t sure we were going to get any EQIP funding even. How do you go into your bank when you’ve worked 10 years to save a hundred thousand dollars so you can get started farming? And I started farming without one dollar of help from my father. And 3 years later, the EPA comes in and they’re going to shut you down. I mean that is just not the way things are meant to be done in the United States of America.

And then they impose things on you. I already spent \$25,000 initially. Then we spent \$260,00. And then nobody compensates you for the \$40,000 of indirect costs, which are all the new fences that

you had to tear out because you had to redo your cattle yard. Nobody compensates you for your time.

If you came to me and said: Would you do to my feedyard what you did to yours? And if you offered to hire me for \$50,000, I would say no. And \$50,000 is a lot of money to me.

There are so many hoops and so many bureaucratic tangles that it's unbelievable. Until you've been through it, you cannot comprehend what it's like. And talk about small farmers, beginning farmers and all that sort of thing, especially in north Lyon and Sioux County. I mean pigs were always known as the mortgage lifters. I mean livestock is one of the best ways for young farmers to get going.

If I missed anything, I'll be happy to clarify.

Mr. HAYES. Well, I think we do need to move to the next panel. You've all been extremely helpful, and you may get another shot.

Steve Johnson is the new EPA Administrator. And he is using words like "common sense" and "reason" and "balance." And Steve and I have given him every chance to demonstrate that he's serious. That would be a dramatic reversal in the typical EPA approach to things.

And, Dr. Struve, I'm going to ask you a controversial question up here in secret and we'll publicize it later.

But if we can take a 3-minute break and get our next panelists up here.

[Recess.]

Mr. HAYES. We will now proceed with our next outstanding panel. And thanks again to the first panel. That was terrific. I hope you would come to Washington and train some of the people we have to listen to up there in the yard of presenting information in a concise and helpful way.

Congressman King, if you would introduce our panel.

Mr. KING. I would be happy to, Chairman Hayes. On my left, first we have Tom Osborne—or excuse me, Tom Oswald. Tom Osborne just retired by the way. But I compared you so you'll remind me of that I'm sure for a couple years to come, Tom Oswald. And I've known Tom for quite some time. Cleghorn, Iowa. And he's a corn and soybean producer and one of the people that does look at how this fits in the overall picture. We appreciate you being here.

Dustin Bollig, corn and soybean producer from Fenton, Iowa, has come up here to add his testimony to us today, which I appreciate.

My neighbor and former fellow colleague in the Iowa legislature, retired State Representative Jim Meyer, who is also a corn producer and a hog producer and one of the people that's been on the cutting edge of promoting the renewable energy issues around this part of the State.

And we have Matt Schuiteman, a corn, soybean, and hog producer, Sioux Center, Iowa. Didn't come too far today. Glad to have you. And I appreciate your input over the years as well, Matt.

And then we have Steve Rachut from Floyd, Iowa. Did I say that right, Steve?

Mr. RACHUT. Rachut.

Mr. KING. Rachut? That's the only name I'm going to get wrong here today I think.

Mr. HAYES. When I started out, I got it right. You weren't paying attention.

Mr. KING. Well, that's true.

Steve is a little further away, being from Floyd, Iowa. But he's got a unique approach to this, and it's one I think we need to hear from; and that is, sweet corn, onions, hay, soybeans, and corn.

And while we're on this subject matter, I want to point out that we do have some specialty crops going on in this part of the State, and it's a part that works for some people.

And I happened to, about 4 years ago, have been involved in a campaign. And I'm not going to use names. I'm just going to say not very far from here. I met a family that had six boys, a husband and a wife. And all those boys had far more calluses than I have today. I just get them from carrying luggage is all. But they had taken \$27,000 off of a single acre. 1,300 acres of crop ground, 1,299 acres of corn I believe it was that year, and 1 acre of all kinds of specialty crop—rotated, marketed, irrigated. \$27,000 off that single acre. And maybe it was 40 or \$50,000 worth of child labor. I don't know. That's a good thing, though. Young people learn how to work.

And that's the kind of thing that Steve does here, and I'm going to look forward to your testimony.

And then we also have Dr. Allan Kramer. And it doesn't say so here, but Sioux Pharm is your company. And he's a grain producer as well. And the testimony you'll hear from Dr. Kramer is as fascinating and as interesting I think as Dr. Struve's. It fits along that same line. I'm just going to leave you in anticipation and yield this back over to the chairman.

Mr. HAYES. Tom, take it away.

**STATEMENT OF TOM OSWALD, SOYBEAN AND CORN
PRODUCER, CLEGHORN, IA**

Mr. OSWALD. To introduce myself, I'm Tom Oswald, a fourth generation farmer from Cleghorn, Iowa. I am proud to grow corn and soybeans using no-till methods.

My views have come about over years of personal observation and thought. Today I'm not representing any particular group other than farmers that may share my views.

In 1995 at Congressman Latham's Agriculture Advisory Committee meeting following a field hearing similar to this one today in Sioux Center, I asked a simple question that caused the room to go silent. My question was: Why do we have a farm program?

If we don't understand why, we have a big problem. It suggests that we have a lack of vision that often leads to unintended consequences.

A major flaw of the production-coupled payments is that they drive a treadmill that runs ever quickly and steeply as various market distortions occur and more money is needed to sustain the pace.

The supply of productive land in the U.S. is relatively fixed in an environment where parts of the world continue to find renewable land suitable for production. I know land is an investment, not a cost. But why should we be happy seeing the opportunity cost of this input driven up through subsidies?

Before family operations build equity in their business, they have to pay the cost of family living. If subsidies substantially larger than family living costs are needed to survive, then something is broken. This suggests an excessively high, likely unsustainable cost structure for that crop enterprise. Eventually, corn and soybean growers will be as addicted to subsidy payments to sustain operating margins as our farming brethren are with cotton and rice. Without limits, we will cost ourselves out of any semblance of comparative advantage in world markets. Farmers chasing unlimited coupled payments essentially drive their own input cost higher for that program of crop.

Farm policy needs division of desired outcomes. Payments should be based on the shared core values that are defensible to taxpayers and in the arena of world trade. Measured by common sense, current policy is not justifiable. Payments going to urban, nonparticipating landowners do not give current programs high moral ground, risking loss and public support.

High, nearly unlimited payment policy, coupled to mature industry program crops needs to end. Payment structure has to change to a major degree. We need to decouple the bulk of program payments from program crops and the land they are planted on. Not every bushel or acre needs a safety net. We should focus payments on actively farming families and environmental stewardship, not program crops with coupled payments. These areas can be defended, especially if limited payments have a broad participant base.

In my written testimony, I discuss these issues and proposed concepts that follow in greater detail, and I encourage everyone to pick up a copy. It's long.

I propose a per acre decoupled payment topping out at maybe 320 acres. This will be good for the competitive position of new farmers in our industry. Size shouldn't matter; people and performance would. This is sellable to the public as part of a national food security policy.

The next layer of limited payments should be stewardship incentives similar to CSP. Maximum payment should be based on percentage of total acres farmed in an environmentally enhanced fashion. Rather than going to battle with larger, established operations in an acreage bidding war for additional payments, farm couples operating on a smaller scale would have an opportunity to triple their total payments by adopting environmental enhancements.

Hopefully, a greater sense of cooperation or fairness will result when many people have opportunity to maximize payments. Lacking high moral ground, current payments drive a sense of jealousy and outright competition that has a very negative effect on the soul of rural America. A decoupled payment structure would greatly reduce issues with asset allocation and market distortions that are inherent with past supports. This should stimulate creativity and innovation to service the variety of markets out there. Program cropland might move to crops formerly noncompetitive if they didn't have program crop status in the past.

A number of participation tests should define payment eligibility with payments linked to social security number. A married couple will be the only two entities allowed to share the same acres for

payment. If reasonable eligibility requirements were met, a multi-family farming operation structured as a single large business should not be penalized. Payments should go to working, participating persons or families.

In closing, the basis for Farm Program payments has not evolved with the maturation of production agriculture. Coupled payments should go away. We must determine which values and end results deserve Government payments. Since most taxpayers don't own rural assets, it is difficult to defend subsidies that primarily support asset value. Value in food security, rural people, and environmental stewardship are defensible answers for that wide question. Aligning agriculture policy and behavior with those values should yield significant stakeholder support and satisfaction.

Thanks so very much for the opportunity to address this subcommittee, and I hope my words will help you have good legislation.

[The prepared statement of Mr. Oswald appears at the conclusion of the hearing.]

Mr. HAYES. Absolutely. We appreciate your perspective. We're certainly not going to miss out on the question because the answer is we've always done it that way. That's why we have the program. That's not an excuse. That's just where we are. And the reason we're having this hearing is the reason we rewrite the farm bill is so that we can address those issues we talk about when we talk about caps earlier. One man's subsidies is another man's incentive under the present system. But again, who's best equipped and who's best educated through the School of Hard Knocks to help us do the things that you're pointing out so that we benefit in world markets and at home by doing it? So again, thank you for your comment.

**STATEMENT OF DUSTIN BOLLIG, CORN AND SOYBEAN
PRODUCER, FENTON, IA**

Mr. BOLLIG. Thank you, Chairman Hayes and Steve King, for allowing me to testify on the future needs of the coming farm bill.

My name is Dustin Bollig. I'm a 25-year-old farmer from Fenton, Iowa. I've worked on my family's farm all my life growing corn and soybeans. I recently graduated from Iowa State University with an agriculture degree in 2004. I have since returned home on the farm to work.

My concerns towards the future of farming are at its base, the beginning farmers. We face many roadblocks that detour our entry into this challenging business. While I attended Iowa State, I met many peers with the same issues I was facing at home. Cash rent was financially bid out of our reach from other established farmers, and land was selling way too high for someone with a small amount of equity to cash flow. Furthermore, older farmers had no incentive on retiring the land to new farmers who are willing and eager to care for the land.

In order to discuss and address some of the issues mentioned above, I decided to form a network called the Beginning Farmer Network or the BFN. This network focuses on building a community that would communicate and help each other solve problems. The network also actively seeks knowledgeable speakers in the real

world of agriculture to present solutions as well. That way we had a better approach to getting into farming after we graduated. Soon after I started this group, I had 138 members and averaged 40 students at each meeting. Four years later, it's still a profound network at ISU and is providing an annual conference for all past members to attend on new issues that we are facing. This event is sponsored by the Beginning Farmer Center whose goal is to help young people get back to farming by linking them with retired farmers. So they're kind of a sponsor of ours.

One of our first speakers was John Baker from the BFC. He gave us a lot of interesting statistics that they have found through their research. What interests me the most was the fact that in Iowa 70 percent of the landowners were 55 and older, 48 percent are above 65. Furthermore, 70 percent of that group had no planned successor. This showed us that there is plenty of room for new farmers to enter into the business if the retiring farmers would retire the land to us. However, there are many disadvantages we face getting started compared to established farmers.

Established farmers get bigger volume discounts when purchasing inputs and collect larger Government payments. This allows them to pay a higher amount of cash rent than my peers and I can afford. They have advantages in crop insurance because they are guaranteed 75 percent of a 10-year average of all their farms, whereas a new producer has to take 75 percent of the county average, which this is my county, 135. Where my dad, I think his average is 160. So right there we have a disadvantage. But we need that. We need that guarantee more than they do, but we don't get it. At this point, it seems that these farmers have all the advantages they need, so my colleagues and I would like to make a few suggestions that would bring some advantages to the beginning farmer's table.

A deduction in Federal income tax to landowners who rent their land to a beginning farmer. The deduction must also be subtracted from at least some of the rent so the young farmer pays an amount that will help him build up his net worth.

No. 2, allow a reduced capital gains tax to those who sell their land to a beginning farmer. Again, make sure that the buying price is lessened from the tax reduction so both parties win.

And No. 3 is: Provide matching funds to the Beginning Farmer Center. This would allow them to expand their knowledge and their goals more efficiently by providing regional offices across the State, which would help provide a better service for connecting to—better service of connecting people like me with retiring farmers and supply more in-depth research concerning problems faced by beginning and retiring farmers. They would also help sponsor and spread the Beginning Farmer Network that I started—or that—and my colleague started to other colleges across the State, assisting the BFN in its goal of developing a statewide or national community.

These are a few issues that we believe would significantly help people like me across the country become more established for the future, while at the same time helping to keep life in rural communities before they are lost forever.

Thank you for your time. I hope you can see the importance of our future in this industry, not only for us but for generations to come. Thank you.

[The prepared statement of Mr. Bollig appears at the conclusion of the hearing.]

Mr. HAYES. Thank you. We definitely need more young people who are able to come back to the land. One of the reasons we haven't had planned successors is because of the death tax. Can't have a successor. Couldn't afford to keep the land. So the elimination of the death tax and English only on the ballot—which your Representative fought very, very hard for and is a crucial, crucial part.

Mr. Meyer.

STATEMENT OF JIM MEYER, CORN PRODUCER, ODEBOLT, IA

Mr. MEYER. Thank you, Mr. Chairman and Congressman King, for giving us an opportunity here. And I especially appreciate the opportunity as I'm probably more of the senior citizen here today, and I appreciate the chance to have an input.

As I slowed down my production agriculture activities, I picked up on renewable energy as a way to keep involved with rural Iowa. I was on the starting board of the Western Iowa Energy biodiesel plant of Wall Lake, Iowa. We're now up and running and producing B100 Methyl Ester. And I was also asked to work with East Fork Biodiesel at Algona, Iowa in another plant, and we just completed an equity drive there.

And, Congressman King, you're going to be pleased that there is quite a bit of investment in that plant from your congressional district.

Rural Iowa is experiencing, in my opinion, a once-in-a-generation rural economic opportunity. This opportunity is provided through the fast expansion of renewable energy in making ethanol and biodiesel. I don't think in western Iowa we've had an investment opportunity that compares to this since the formation of Iowa Beef Packers in Denison, Iowa in the 1960's. Investing in renewable energy, of course, is not limited to Iowa. And there are refineries producing renewable energy derived from crops all over the United States.

Now I realize we have an energy bill, and I realize we have a rural development party, the Department of Agriculture, but we also have an energy title in the farm bill. And I think this needs to be strengthened to assure that this rural economic development continues, and it might possibly reduce the costly farm production and support.

Mr. HAYES. If you add a couple of these two together, I think you got a sure winner. You're absolutely right.

Mr. MEYER. OK. The development in research is critical however. And we've come a long ways in converting corn to ethanol and triglycerides to biodiesel.

Thirty years ago, some of this research was started on ethanol. I think at first, if we got a gallon of ethanol out of a bushel of corn, that was probably a good target. Now we're approaching 3 gallons of ethanol out of a bushel of corn. This can improve and it can be better.

The same way with the triglycerides. We've got an old, old process that's used for making biodiesel, but it hasn't been until just recently that we've had the system and the economic format to make it profitable. So that's something that I think we need to keep in mind.

And there is some elements that I feel should be particularly important in the—I'm going to say the 2000 farm bill. I realize that there's some effort to extend the 2002 farm bill. I question whether this is feasible. And I think that we need to start from scratch and we need to redesign.

Now some of the things that are critical to me in using renewable energy as a rural development activity.

We need to keep the 51 cent ethanol production incentive and the dollar blender's credit for biodiesel as a rural economic tool in our legislation coming from the Federal Government.

The 30 years of research in production ethanol from corn and other forms of biomass has made this fuel particularly practical and cost effective. Research funding to refine these processes should be continued.

Cellulosics. I had to learn how to say cellulosics along with lubricity in the biodiesel industry. This research is exciting, but I have a caution for you. We need to make sure that we don't throw so much money at cellulosic research that we curtail the further development of both the current ethanol and biodiesel production.

The future success of renewable energy production in rural Iowa hinges on well-run, profitable livestock operations. We used to process soybeans for the meal and the oil was something to get rid of. Now we're producing beans for oil and the meal is something to get rid of. Livestock is a good place to get rid of that protein. And the same thing is true for the co-product of ethanol, the DDG. So we've got a real opportunity here to pump a lot of money into rural America through investments and the profitability of renewable energy production. And I'd like to see as much help as we could from the farm bill in making sure that this profitable investment continues here, particularly for rural Iowa. Thank you.

[The prepared statement of Mr. Meyer appears at the conclusion of the hearing.]

Mr. HAYES. Representative King, I'm going to let you introduce the next gentleman since you gave me a phonetic spelling and I'm not sure it will help that much. We've got Scott Irish in my part of the world. It's a lot easier to say our names. My wife's German.

Mr. KING. We just have normal Americans up here so I'd like to introduce Mr. Schuiteman.

**STATEMENT OF MATT SCHUITEMAN, CORN, SOYBEAN AND
HOG PRODUCER, SIOUX CENTER, IA**

Mr. SCHUITEMAN. Perfect. Right on the nose. Chairman Hayes and Congressman King, my name is Matt Schuiteman from here in Sioux Center, Iowa. And we don't often get this opportunity in our backyard, so I thank you.

We do grow corn and soybeans with my dad, Leon, and my grandfather, Art. I'm the fifth generation to live on our land. Currently, I have the opportunity to serve on the Iowa Farm Bureau

Federation as the State Young Farmer chairman. An opportunity I'm enjoying so far. I want to thank you again for this opportunity.

The capital intensive nature of agriculture is probably the greatest challenge facing young farmers. We all know equipment can be very expensive, even used equipment. Iowa State University reported in December 2005 that the average value of farmland here in northwest Iowa is approximately \$3,400 per acre. I know of instances where land has sold for more than \$5,000 an acre. Because land is a limited natural resource, farmers will continue to compete in the free market for these assets.

To build on a point Dustin made, we're going to see much asset value transferred between generations here in the next 15 years. I would have to ask here in agriculture, are we prepared for that type of transfer? I wonder today, I don't think we are.

Young farmers have very little equity at the early stages of their farming career. They usually seek rental arrangements as the preferred method to expand their farm. However, farm bill payments tend to get bid into cash rents. In the long run, the cash renter is usually indifferent as to what level of support is provided by the farm bill simply because land rent's always adjusted accordingly.

It's been my observation over the years that the cost per bushel to produce corn tends to gravitate towards the level of support that's provided for corn in any given farm bill. When that support goes up, so does the cost to produce a bushel of corn.

Young farmers could also benefit from tax incentives given to landowners willing to lease farmland to a beginning farmer. Something that Dustin also pointed out. These incentives should encourage the landowner to share the farm bill's safety net with the renter rather than capitalize all its benefits in rental rates. Eliminating the capital gains taxes for the transfer of farmland, between parents and their sons or daughters, would also benefit young farmers.

The key to unlocking farm profits for all Iowa farmers, young or otherwise, is to gain further access to value-added processes in agriculture. For instance, recent growth in the renewable fuels industry has brought about investment opportunities for farmers. Our operation is investing in our local ethanol plant. Farmers were once content to rent small footprints of ground to utility companies for wind turbines. Now they're actually investors in those turbines. Livestock production as we all know is vital to young farmers and the profitability of our growing renewable fuels industry. The strong rural economy of Sioux County is a perfect example here of what can happen when a value-added enterprise like livestock and energy production thrive. Historically, Sioux County has been able to subsidize families through livestock production and other value-added opportunities. Something that Mark Leonard touched on earlier.

Being engaged in the value-added process requires investment, but investments are usually risky. The next farm bill should extend the concepts of the current bill's rural development and energy titles. The Value-Added Producer Grant program and Section 9006 Renewable Energy and Energy Efficiency programs have been great avenues for Iowa to improve farm profitability.

Young farmers would likely agree that the perfect vision of agriculture would include a level playing field or a chance to compete in open markets where there are no such things as tariff barriers, export subsidies, currency manipulations, and perhaps even without domestic subsidies. This seems like the perfect goal for the 21st century. However, the reality is this concept has yet to materialize.

The U.S. Trade Ambassador recently laid a bold proposal before our partners in the World Trade Organization. Last Monday, July 24, it became apparent that our trading partners are not yet comfortable competing with American farmers on a level playing field. I can see absolutely no benefit to any farmer in Iowa or the United States by moving away from farm policy that has largely worked to smooth the ebbs and flows in commodity prices without receiving proportionate gains in world market access and material gains in net farm income. Our negotiating position in the WTO can only be weakened if we unilaterally depart from current farm policy.

Until WTO negotiations yield real market access and material gains in net farm income, we continue to need an effective safety net that provides support in times of low income. Iowa farmers firmly believe that this safety net should be consistent with our international trade obligations as spelled out in the current WTO agreement. To be clear, I feel that the next farm bill should extend concepts of the Farm Security and Rural Investment Act of 2002 until a new WTO agreement is reached.

I am optimistic about the future of agriculture in our State, and again, I want to thank you for this opportunity. I look forward to any questions you might have.

[The prepared statement of Mr. Schuiteman appears at the conclusion of the hearing.]

Mr. HAYES. Thank you. Steve Rachut.

**STATEMENT OF STEVE RACHUT, SWEET CORN, ONION, HAY,
SOYBEAN AND CORN PRODUCER, FLOYD, IA**

Mr. RACHUT. Thank you, Mr. Hayes and Mr. King. I'd like to take the opportunity here to introduce myself and tell you a few of the things that I have been experiencing.

My name is Steve Rachut. My wife Beth and I are young farmers from the Osage, Iowa area. That is north central Iowa. We farm approximately 200 acres of corn, soybeans, alfalfa, along with finishing feeder cattle. Also this year we are raising 6 acres of onions and 17 acres of sweet corn. We have had a family history of vegetable production since the 1940's. I began my sweet corn business at age 12, and we currently market the entire 17 acres of production at roadside stands in our area.

I'm a 2004 graduate from Iowa State University with a degree in agriculture business and agronomy.

As a member of the Beginning Farmer Network and farming full-time, the following are some of my observations about the 2002 farm bill that I have taken notice of.

In regard to vegetable production, I have a few concerns with the existing farm bill rules. Currently under the 2002 farm bill, a producer that has never grown vegetables or does not have a history of vegetable production on a particular farm unit cannot grow vegetables and still receive Government payments on that farm. In my

opinion, this is not freedom to farm because vegetable farmers are getting penalized for growing vegetables.

The only Farm Program that our vegetables qualify for is the Noninsured Crop Assistance program or NAP. I believe the NAP program is not a useful risk management tool. This program can only be used if we have at least a 50 percent loss of yield to even qualify. In our situation, our onion crop was flooded in 2004 and we had a 95 percent loss of our yield. In an average year, it costs around \$2,000 to grow and market 1 acre of onions. The NAP program paid us \$530 per acre that year for a near 100 percent loss. Therefore, I do not think this program is very practical.

My solution to farmers not being able to grow vegetables without a vegetable history is to eliminate the rule that prohibits them from doing so. At the very least, allow farmers to combine all of their eligible acres for vegetable production and be able to choose which farms they can produce them on.

If the new farm bill will continue to make direct payments for coarse grain production, then it would only be fair to include direct payments for fruit or vegetable production. Also, a comprehensive, viable insurance program for vegetable and fruit crops needs to be offered in all States even if there are only a few producers of these crops. I believe this would replace the NAP program and offer more protection to fruit and vegetable farmers.

The next point I want to bring up is really a rhetorical question. Who will be farming in the future, and what will rural America look like without small and mid-sized farmers? From a grain-producing standpoint, what I am encountering in my area is that a majority of land being available to rent is going to a few large farms. It is difficult for a young farmer like me to compete with the high cash rents. The reason being, the margins are so small it would take a very large volume of acres to be able to make a living.

I believe a solution to this problem would be to have realistic payment limitations that will be enforced. There shouldn't be any loopholes that can be used to receive several payment limits that ultimately go to one individual. One way might be to have payment limits based on a personal ID number such as a Social Security number. Another way might be to trend towards conservation payments instead of the huge amounts of production payments. I feel by rethinking how payments are being made, the individual farmer will be able to succeed in the future.

For the new farm bill, the question must be raised as to where will the most support be given. Will it be to the small and mid-sized farms, or will it be to the large farms? I strongly believe the future of rural America and the small towns that inhabit it will be dependent on how that question is answered. As a beginning farmer, I do not want to see just a few farming entities controlling the crop and livestock industry in my area.

Thank you for the opportunity to share my thoughts today.

[The prepared statement of Mr. Rachut appears at the conclusion of the hearing.]

Mr. HAYES. Thank you. The good news in America is you all have the control over which way we go. The better news is if you do it, we'll be fine. If you don't, we won't.

Dr. Kramer.

**STATEMENT OF ALLAN KRAMER, GRAIN PRODUCER, SIOUX
CENTER, IA**

Mr. KRAMER. Welcome to Sioux Center, Iowa. I would like to thank Congressman King and the committee for inviting me today to share my thoughts with you about the new farm bill.

My name is Allan Kramer. I'm the president of Sioux Pharmaceutical and Sioux Biochemical, Sioux Center, Iowa, and a grain farmer in Sioux County.

Today you are in northwest Iowa, an area that is known for rich soil, excellent crop production, a thriving livestock industry that produces high quality meat, milk, and eggs. We have an educated work force with a strong work ethic and a healthy partnership between grain and livestock production.

At Sioux Pharm we have benefited from this partnership in some nontraditional ways. Sioux Pharm, Inc., is a major world producer of chondroitin sulfate, which is a nutraceutical. This product is used to relieve joint pain caused by arthritis and is a proven and effective product to do such. This product is extracted from bovine cartilage, which includes bovine trachea. 10 years ago, bovine trachea was used mainly as a pet food ingredient.

Today over one half of the bovine trachea produced in the United States is shipped to Sioux Center to our plant for production of chondroitin sulfate. This is an excellent example of value-added agriculture, which I would like to see continued in the new farm bill.

Another product produced at Sioux Pharm is phosphatidylserine. This product is used to improve brain function and slow down age-associated memory loss and is looking as a promising alternative for Ritalin with ADHD. We have a patented process for producing this product. It is another example of value-added agriculture since it is produced from a waste product of soybean oil production.

We support the continued use of biotechnology to produce pharmaceutical products in transgenic grain. Sioux Biochemical isolates transgenic proteins from corn for other companies. We can isolate bovine trypsin from corn in truckload quantities. With this technology, a protein like bovine trypsin can be used in pharmaceutical manufacturing without concern of BSE contamination and other possible viruses that can come from animal sources.

As an addition, we're also working with companies to isolate human proteins from transgenic rice. These proteins have been tested for their biological activity and are very effective. And from the president of some of these other companies, this transgenic rice—one example, there's a protein that stops diarrhea in emerging countries in babies. Sixty acres could save a million lives. The product is tested and it is working. And so we just want to advocate continued use of pharmaceutical grains to produce pharmaceutical products.

Another value-added product being produced by Sioux Pharm is hyaluronic acid. It also plays a part in treating joint pain. This product can be isolated from chicken combs, a product that is currently being discarded.

Sioux Pharm, Inc., would like to see continued and renewed support for biotechnology and renewable energy projects, as we heard earlier from Mr. Meyer. The Midwest is leading in the production of biodiesel and ethanol. Vegetable oils and animal fats can easily

be converted to biodiesel fuel. Sioux Pharm is developing new technologies for conversion of animal fats and crop oils into biodiesel. We would also support research in growing new oil rich crops for biodiesel production and animal feed uses.

Just as an example again, some of the benefits of biodiesel—I attended the annual biodiesel production seminar at Iowa State last week. Current numbers of biodiesel in fuel over-the-road trucks: 50 percent reduction in unburned fuel, 50 percent reduction in particulate emission, 38 percent reduction in carbon monoxide, and a significant reduction in sulfur as compared to No. 2 fuel oil. So we can see that it is a very green product and is very important for air quality, and we should really stress using that as much as possible. With good technology, the animal fats and greases in the U.S., we could produce enough biodiesel to fund 14 percent of over-the-road use of fuel oil. And so it's a goal. Iowa is leading it right now. It would be great if we could.

And we would like to support the rural development programs in the new farm bill. This program would support renewable energy programs and assist in our mission of reducing our dependence on foreign sources of energy.

Some additional focus items to consider in the area of bioenergy. Special consideration should be given to renewable energy and Midwest agriculture as to how, together, we can support research and production in this growing new segment of crop production and use application of agricultural products in development of energy. We need to continue to improve our independence rather than dependence on foreign sources of energy. Rural development and economic development must be encouraged to continue to support and promote more USA production of energy from all available sources. Teaming up biotech and agriculture are two strengths that are available today and should be a big consideration in today's discussion of the new farm bill.

Thank you very much.

[The prepared statement of Mr. Kramer appears at the conclusion of the hearing.]

Mr. HAYES. Thank you again. Another great panel.

A couple quick comments, Steve, and then I want to turn the questioning over to you. If you believe that the 19th century was dominated by agriculture—look at your history book a few minutes—and the 20th century was dominated by manufacturing, then what's going to be the dominant factor in the 21st century? It's going to be information. It's going to be alternative fuel. It's going to be biotech. So you're kind of looping around and tying the 21st century back into the 19th because of the value that agriculture and farming brings to that.

Now who's going to dominate—I use the term “dominate” in a positive not a negative fashion—20th century economically? Is it going to be us, or is it going to be China? I can't take credit for this but think about it. Tom Friedman said the other day he fears green China worse than he feared Red China. What does that mean? If we sit on our haunches and don't use our skills and our experience and our capital to develop the alternative energy and other issues, medicines, then shame on us. But if you all are sitting here and can really be in our part of making sure that we in Amer-

ica who believe in liberty and freedom and all those kinds of things are dominating the world market. That's a good thing. I really appreciate in that context all the comments that you all have.

Now let's try and finish this one, Steve, in about 15 minutes so that the audience can come up and ask questions.

If you're in the audience and you think you want to ask a question, raise your hand and Pam will bring a piece of paper. Write your question down because we want to ask the question. The questions are for producers, not for the press. Steve and I have talked to the press, and it's not for somebody else that wants to make a statement on whatever. But if you've got a question and you want to ask to it, we want to make sure that you're recognized. We'll use a piece of paper so we'll have a record of your question but also so that you can focus on the question.

Steve?

Mr. KING. Thank you, Robin. I just appreciate your remarks here. And I just want to pick up with what Mr. Meyer said about this being the next level after IBP in Denison in 1960. I look at it from the perspective of agriculture has raised food and fiber for thousands of years. And now we're in the food and fiber and on the cutting edge of energy, renewable energy, at a time when energy's more expensive than it's been at least in our lifetimes. And I think that's how big this opportunity is. I can't overemphasize how important I think it is to our economy.

But this panel and the previous panel also, not only have I brought in the traditional agriculture and talked about the future of agriculture, but the future of the real specialty things that are being done and things that are being driven by the research. A lot of it's being done in the private sector working in cooperation with the public sector as well.

But first I'd like to ask Mr. Rachut. How much could you maximize your return on your specialty crops per acre? What would be your best acre you've ever had? I know I put a real high mark up there when I did the introduction, but something more objective I think than what I've given here.

Mr. RACHUT. Can you clarify what you mean?

Mr. KING. What kind of gross receipts can you turn out of an acre if you have a good year?

Mr. RACHUT. Last year was probably our best year that I've ever had and my dad has ever seen. We figured a bag—50-pound bags per acre, averaged 1,000 bags an acre, and the price was around \$6, so \$6,000.

Mr. KING. That's a pretty good return on a piece of land.

Now the sixes in the 1960's echo off of Dr. Kramer's testimony as well. And you talked about human proteins from rice and on 60 acres being able to save the lives of a million babies. I'm curious as to what an acre of that rice is worth. But I'd ask if you can embellish that a little bit if you could, please, Dr. Kramer.

Mr. KRAMER. Yes, the technology is coming that we can grow human proteins that are needed in the medical world. There are many examples. And I know some of you have talked about the new proteins for, say, blindness in children around the world. But this one here was used by another company. We are the third party. We are the research and development. We isolate it. We do

not own this technology. We work for other companies. They can't afford it. Some of these are young companies. With agriculture they can't afford the huge production, equipment, facility, multimillion dollars. They come to us and we contract. And so we help new emerging pharmaceutical companies who have ideas and getting these products isolated and purified so they can do their clinical trials.

But the example of a successful one was this product called human lactoferrin. It is the protein in mother's milk that nursing babies stay healthy with. And third-world countries, a lot of these babies are nursing, they're healthy, but as soon as they start eating contaminated food, they get diarrhea and they die of dehydration, the second leading cause of death.

And tests around the world of this protein, these children can come into the hospitals dying and give them this new protein, they all go home healthy. And it's pretty remarkable to see when you use the human protein that was intended for maintaining human health of infants, if you could find an alternative production from it except from human milk, it works very well. And the prognosis for this is unbelievable.

Mr. KING. And in that statistic of a million lives on 60 acres, do you have an estimate of how many children die each year because of diarrhea that could be cured with lactoferrin.

Mr. KRAMER. Well, it's many, many, many. I mean it's over 10 million.

Mr. KING. It's just astonishing the things that we can do not just for profit and economics of our part of the country here but what we can do for the rest of the world with this kind of science.

I yield back to the chairman.

Mr. HAYES. Did you hand out your paper, Pam? There's one gentleman over here in the cap I know who had his hand up. Anybody else want the piece of paper?

Mr. KING. I do have a few more actually, and I'd like to turn to Mr. Meyer.

I warned you that I would do this, Jim. And I didn't know if it was part of your testimony, but could you encapsulate and maybe be a little more specific about how you would recommend we might write an energy title into the farm bill?

Mr. MEYER. Well, first of all, I think we need to protect ourselves from the peripheral and let's center in on livestock. We've need to develop and pursue the livestock industry if renewable energy is going to succeed in Iowa. We've got to have primarily ruminants to use the DDG products, and we're going to have meal protein to lower for the chickens and the hog industry.

Now fortunately, we've left livestock regulations to the States and that's good. But the research coming to how to operate a livestock operation without making our neighbors upset needs to be more fully funded. We can do that. We can control odor. And the first thing I guess we've got to do is make sure that manure is not considered a hazardous waste. And so those things I think need to be addressed.

And the other thing that you want to come from research dollars in the farm bill, we can go further on how much fuel oil we can get out of a bushel of corn. We can do more to economize the sys-

tem for producing biodiesel. And I think the research dollar side is where we need to put our emphasis. The process is pretty well defined, but now we've got to work hard to fine tune those processes and make them more economical.

Cellulosics is really a feel-good area; the thought of taking cornstalks and switchgrass and making fuel out of it. But there's some real problems there. I can haul a load of corn to my nearest ethanol plant for 6 cents a bushel. How much would it cost me to haul an equivalent amount of cornstalks to that plant to get the same amount of fuel? How many landlords are going to be really excited about taking the hemionus off of an acre of ground and hauling it off the farm to make fuel out of it? Switchgrass is a crop that gets harvested once a year. It's got to freeze and you've got to harvest it before it snows. How much opportunity is there?

So those are some questions on the cellulosics side. It's exciting. We need to research it, but I hope we don't take all the money out of refining the products that we know work and get them into cellulosics research.

Mr. KING. Thank you, Jim. And I would point out, it's going to be a very difficult thing to be able to gather the jurisdiction on energy if we're going to try to get it out of the Energy and Commerce Committee. They're going to hang onto it with everything they have. But perhaps we can find a way we can open things up here in the research and these kind of things that you brought up.

And then, Tom Oswald, I notice that you didn't actually deliver the entire testimony you have here, which I look forward to thoroughly reading through. But if you would like to take your last shot at this to fill in any gaps that you might have left.

Mr. OSWALD. Where I was going with my thesis was that this coupling is a huge distorted factor. That the original payments were based in a time 70 years ago. Times have changed, farms have changed, farm demographics have changed, and we need to adapt the new program so that it allows people to be as flexible and innovative as possible. And a coupling is a form of central planning that eventually causes a distortion that you're going to pay for some way or another.

If you can break the coupling, I think a lot of the issues addressed this morning start to go away. I hate to use word "couple," but you need to use some form of limit so that the young guys are not competing against a mountain of payments in the hands of the already successful.

Having said that, if we're going to go to a market-based system with limited payments, there are certain duties of the Government that are very important. And that's the analysis and defense of the program against anti-competitive forces on both the supply and output sides. For the multinational businesses we're working with, we've got to really watch that.

And Matt talked about the issues of world trade. We cannot just disarm ourselves in the world trade. So the program model needs to address those issues at the same time.

And quite frankly, payment eligibility should be lost forever to those who cheat, just like Pete Rose lost his ability to play baseball. If you cheat in the farm programs, you've lost your payments. Your Social Security number is banned forever. I think we got to

come up with values that are sellable to the rest of the country so that when they look at the Farm Program they realize it's doing it for the right reasons, not just because it's been this way for 70 years.

Thank you.

Mr. HAYES. I'd like for all of you—I always think about how, going forward, we can provide an incentive, not a subsidy, but to keep land in production and to encourage the next generations of young farmers to come into or stay in the farming business. I know you can't answer that off the top of your head. But the gentleman that was talking to me during the break about how much he's being paid for land in Iowa by out-of-state investors, I mean if you're like me, I know you've got a corner of ground somewhere that's fit to hold the world together and that's about it and it's bringing some ridiculous prices. So that is very, very important. We need to keep that land in production.

And one more shot on alternative energy. That's key to our foreign policy in the future. We've got a couple guys around the world now with petro states who are calling the tune. Folks, they're terrorists and they're bad people, but they got dollars because of petroleum.

And we all know there's a finite amount of petroleum in the ground. We don't know how much it is, and that ought to be part of our energy policy to know what we've got so we can use that as insurance against being held hostage by some of these guys. But again moving to the future, it's so, so important to make sure that we use our abilities to prevent that sort of hostage-taking by terrorists around the world. It's only the second time in history that we've financed both sides of the war. The war against terrorists; it's not against terror. Terror is an adjective. We're up against really evil, wicked, simple, corrupt people who want to eliminate. They don't want to dominate.

So with that in mind, it should give you even more incentive to actively pursue the goals that all of you have outlined so well today.

Steve, if it suits you, we've got a couple questions here. Here's a name I'm going to turn over to you.

Ron. Ron's question. Do you want to do it?

Mr. KING. Go ahead.

Mr. HAYES. OK. We won't butcher your last name. From Mount Vernon, South Dakota. On energy development and feed people of the world. That's kind of what we've been talking about. Can you come up and tell us and expand your question a little bit and we'll try to work on it.

Let's see. Next we're going to talk to Matt from the Iowa soybean folk. Come on up, Matt.

Ron, pronounce your last name for us. Grab a mike.

Mr. WIECZOREK. I'm Ron Wieczorek from Mount Vernon, South Dakota. I'm a farmer.

Mr. HAYES. Say it one more time.

Mr. WIECZOREK. Wieczorek. It's a good German-Polish name. What I'm concerned about is we're looking basically at an economic crisis. And agriculture is part of the bigger picture, the world economy you might say. And we're looking at, you know, the U.S. debt.

We've got a war crisis. We've got a real estate bubble. I'm just wondering if we couldn't do something like Roosevelt or Eisenhower did with the development programs that they used. If Congress couldn't work for a major infrastructure program, moving with a high speed train system for the whole U.S. here. That would basically retool the auto sector to build a mega lift high speed train system, help replace and alleviate the pressure on the airlines, putting these auto workers, retooling that industry, putting them to work, building that type of stuff.

And we need to stress nuclear energy. And we need to think more about feeding the people of the world. There's a thousand people a day dying in Somalia.

Mr. HAYES. And interestingly, we're doing that. But they, with various trade barriers, keep us from doing that. You've got a good point, and I don't really think I agree with you. Something called the 10th Amendment, that all powers not reserved to the States and the only ones the Federal should take.

And you're well intentioned, I agree with what you're saying, but remember, every Federal dollar came from you. There is no such thing as a Federal dollar in Washington. In looking to the future as we become more focused on the constitution and what it's doing, encourage the marketplace to work, for the Government to build anything is absolutely ridiculous in price.

So how do we do the kinds of things that you're talking about? And as we develop alternative sources of energy through—and nuclear is crucially important. That's exactly what we're going to be doing.

Mr. WIECZOREK. May I make another comment?

Mr. HAYES. Yes. Really quickly.

Mr. WIECZOREK. I think on the comments that you just made, and I think back to what Abraham Lincoln did when basically the country was bankrupt. And he started the Transcontinental Railroad System, started the Homestead Act out here that made it possible for farmers to own a quarter of land, and that was done with State-created credits.

Roosevelt did the same thing. Basically he regulated the banking system in 1932. The Government has the authority. Our constitution has the authority to create the credit to start major projects and then contract to as many private enterprises as possible to build that stuff. And I think that's what this Nation has to look at if we're going to get out of the trouble we're in and solve the problems for the world.

Mr. HAYES. Good point. Cutting your tax rate has done more for the economy than anything we've done. Cutting the rate is what has allowed and encouraged the economy to flourish. Cutting capital gains and dividends tax rates has produced twice as much revenue for the Government as the high rates did. Just a quick economics issue. Keep the rates up, nobody's going to pay them. Nothing comes into the Government. It's all your money. You do a better job with it than the Government does.

Steve, do you want to comment?

Mr. KING. I'm going to say that I agree with Mr. Hayes, but I think you make a couple of very good points.

Mr. HAYES. Absolutely.

Mr. KING. One of them is nuclear. We have essentially stalled our development of—our ability, our engineering design ability, to produce nuclear power. And yet it's the safest power we have in this country statistically. And it's one of the things that can take a significant burden off of hydrocarbons. And I think that's an environmentalist barrier that gets in the way. And I'm seeing more and more support in Washington for promoting nuclear power. That's a very healthy thing.

And then you're right about people starving in Somalia. It's not a lack of food problem. It's a distribution problem that's tied up with corruption and violence in that part of the world. And, if we can ever get to the point where everybody breathes free air like we do here in this country, we will solve those problems far, far easier.

And then the high speed train system, they have one over in China and that is Shanghai. That is an amazing piece of technology. I have to believe that when things become economically viable, there will be enough push from the private sector out there that will say, here's how Government gets out of the way. Here's how they want to form the capital. Here's how we want to drive it. We do have some effective public utilities in this country, and many of them are transportation, so I wouldn't rule that out. But I just think we're not quite to that point yet, but it's a good idea to have in front of us. And I thank you.

Mr. HAYES. Yes, we haven't done too well with Amtrak. Anyway, Matt Caswell. Thank you very much for your comments.

Mr. WIECZOREK. We need a modern train system.

We don't need an 1880 train again.

Mr. HAYES. Remember how we do things in Washington. Matt. Where's Matt?

Mr. CASWELL. I'm right here.

Mr. HAYES. Oh, OK. I'm sorry.

Mr. CASWELL. Congressmen, good morning.

Mr. HAYES. I like your haircut.

Mr. CASWELL. Yes. Thank you. It's very easy. Saves money on shampoo.

My name's Matt Caswell. I work on staff with the Iowa Soybean Association. I'm here today with a couple of my board members, including Tom, and I just have a question. We didn't really touch on it with the testimony, but given the fact that we've had the WTO cotton case from Brazil and given the fact that most people are moving forward on kind of a similar structure on the two for the 2007 farm bill based on the 2002 structure, what are your thoughts on making the 2002 programs or the committee's thoughts on the 2002 programs more WTO compliant? That's where we end up.

Mr. KING. Well, the WTO compliant part of this gets put on hold for a little bit as far as any progress is concerned, and I'll just speak to that specifically, maybe exclusively. And that is, it's a disappointment to me to see this thing melt down last week. And I think now what's said to us is, all right, you're no longer encumbered by moving forward with the farm bill for 2007 because we're not waiting for results from WTO, that makes a difference. I'm impressed with Susan Schwab and surprisingly and very much so. I had an opportunity to sit down with her for an hour and a half here a month or so ago and found out about her background, how

deep it goes, and her network of relationships are there. And I was hoping we could pull something out because of that. And I'm also impressed with our Secretary of Agriculture, who will be here in little over a week. And I'm looking forward to him being here. And then he's been engaged in this trade as well. But we sit here now and the future has been cleared for us. We can move ahead with more confidence that it's not going to be cluttered any further by WTO negotiations. But I am disappointed, and I'm looking forward to that one day getting to this point where we can actually compete in this world on a level playing field.

And for me, that would be to set up this trajectory where we could take our subsidy—I want to protect all the green boxes as we can. I want to do those things that protect our soil and our water and to maintain our productivity from a conservation standpoint. But beyond that, I'd like to set the subsidies up so that we can put them on a trajectory where they can approach zero at the same time that the Europeans would put them on a trajectory to approach zero. If we could do that and open up market access at the same time, pick a date on the calendar, line them all up like that, you can bet the Europeans' trajectory is far steeper than ours is. Ours is fairly flat. And it changes country by country for market access.

But that would be the ideal world: Protect our soil and our water and have the markets opening up for us in such a way that we don't have to have a domestic subsidy program like we have today.

And I think a lot of this technology that comes out here tells us where we can get with that. And I didn't ask about so much per acre on the rice, but adding to this would be the renewable energy aspect of it. The biodiesel—which finally that thing on my hitch broke. But it's a biodiesel patch on the end of my trailer hitch, and I was afraid somebody would put diesel in my gas burner.

Mr. CASWELL. I did that, too, a couple years ago.

Mr. KING. You did. Ours just broke here in the winter. But where we can go with energy, the things that we can do, the demand for our feed grains for energy is I think going to be so great that it lifts us out of this.

And let's not try to stay ahead of the demand for feed grains with subsidies. Let's let those feed grains pass that and surpass it so that we can get independent from Government and give you back your freedom. That would be my answer.

Mr. HAYES. I agree with everything Steve said. The WTO to me has become a Gordian Knot. We in America believe in the rules. We play by the rules. You asked how can we be more compliant? Well, while we're being more compliant, our competitors are finding every way in the world to cheat, particularly China. What's wrong with this picture? We don't need to be responding to WTO. We're doing it right. We're setting an example. We ought to be forcing them as best we can. Once you get in the situation, it's hard to unscramble the egg. We ought to be forcing our negotiators to take positions and say: We're here. Play by the rules. You wanted in. You think it's an advantage to you. You're in. Do it right. Bingo. You're in the showers.

Mr. KING. I'd just like to add to that. If there's one thing that I maybe didn't make clear, though, is that the equity foundation for

our entire agricultural production system out here is our land. And whatever we might do with reducing any subsidy along the way, if it's done dramatically, it would reduce the value of the land.

And we've seen great appreciation in the value of our farmland in Iowa. Last year it was 10.8 percent. Appreciation the year before was 15.6 percent. We can't sustain that level. We don't want to. We need it to be a little flatter and a little more gradual. We want to hold that foundation of our equity together and keep a sharp eye on that as well.

Mr. HAYES. Dave Schmitt.

Mr. OLIVER. My name is Arie Oliver, and I'll make my remarks real brief.

Steve King has done a fine job. And as a World War II veteran, I want to express my appreciation to Steve King.

Food is a better weapon than bullets. I speak as a World War II veteran. And after the war, I had some time in giving these people food, one farmer or friends, than shooting them. I know these are general remarks, but food is a better weapon than bullets. And these farmers here hold the key to world peace more so than any of you believe and realize. Because food is better than a gallon of gasoline. If you're willing to trade food for gas, that's a good deal. The farmers have the chips. They can do it.

Food producers should have a high priority. Subsidizing for the producers is the important thing because I've witnessed people in France where they're highly subsidized.

And for these men here to compete with them, Steve, it's practically impossible. So subsidizing is a very important word to a layman like me.

Now I'll just cut this real short because I'm just a little guy. I'm not even a farmer. But I see things from the outside, Steve. So for you to expedite this food for bullets is something that demands a lot of study. It takes more brain than what I've got. But I think that's the key, Steve. Thank you for letting me have my say on my day.

Mr. HAYES. Thank you. I appreciate your service in World War I, II, Korea, Vietnam, war against terrorists. And our men and women in uniform are so magnificent. And we just need to keep them continuously and constantly in our prayers.

I was at Omaha Beach—well, I was at all of Normandy just a couple weeks ago. And to think back over what's been done so we can be here doing the things we do, it just brings tears to your eyes. Tears of gratitude and grief. That we need to uphold principles and stand behind what those men and women have died for and are willing to die for in the future, and it's so, so important.

Again, don't underestimate the enemy. The terrorists do not want you feeding their oppressed potential and actual subject. As much as we try to do that in every instance. I made a comment the other day we need to be dropping food not bombs. But part of the war against us, they don't have any rules. They have no rules whatsoever. And this is something that we have to win without question.

Steve?

Mr. KING. Thank you.

And, Arie Oliver, thanks for coming forward and making that statement. I appreciate that. And I note that we are working to put a schedule together because I promised you I was stopping by for a cup of coffee one day. And when we do that, we'll bring along the movie camera. And we're going to collect your story on your World War II experience, and it will go in the Library of Congress to be there as a permanent record of your experience. Thank you so very much.

Mr. HAYES. OK. Is this Dan? I've been calling all of them Dan. I beg your pardon. I didn't have my sheet here.

Mr. SCHMITT. Dan Schmitt. Thank you. I moved to Iowa in 1953 when I left—was graduated from Beloit High School in Tipton, Kansas. I've been the American Agriculture president. I'm—not in disrespect to you, but it's the group that went to DC in 1979 to get a price for our production. Consequently, I was not part of them. I was just part of the other organization.

But since then, I've been with NORM, National Organization of Raw Materials. We have put together a study over the years that show that we have been taken down gradually from the time that we had parity. And I know most of you people think parity is the wrong thing, but back when we had parity, in 1972, we had the plan to abolish farm price support programs and new direction for U.S. agriculture policy.

Ever since that time, our policies have been going down, down, down. And I've got more graphs to show that. But a Congressman back in 1927 said, if we leave parity go, we can look at bankruptcies throughout the country. We've experienced that.

In 1985 in DC I was in Senator Harkin's office, and we were working for a 70 percent parity with a 2 percent add-on. At that time, he said, no, we can only go to 70 percent. Today we're less than 20 percent, and it doesn't create any wealth for the people in the towns.

In order to be fair, I have a Republican comment when the Democrats were in office saying that we were moving people off the farm into the towns. It doesn't matter which party we're on, but it's the way we're set up.

And Carl Wilkin who was born and raised after World War II came home, and he put together a parity concept that creates the wealth that we need.

I was addressing the supervisor's meeting in Marshall County the other day and the city council, and they were working on TIF.

Mr. HAYES. Tax increment financing.

Mr. SCHMITT. Time increment. And as he was showing all the graphs explaining how each of those things happen, then afterward he says, our Marshalltown is actually going down. Our average income per worker is going down. He had no solutions. But I couldn't stand it. I had to say we need parity. I know we've been educated to think that that's not so. But with NORM, American Agriculture, and Mr. LaRouche—and I know you won't like that, but he's the most sincere person to help this country out of the devastation that we have. Ron covered it somewhat, but I've been very close to the LaRouche group. I've studied it a long time, many years. They have the only real solution to create wealth that the cities and farms can all survive.

I just don't understand how we can, each year, come to the Farm Program and with our hat in hand and ask somebody to give me a price. It should be part of the economy that creates the wealth for the rest of the country.

Mr. HAYES. We need to wrap up here.

Mr. SCHMITT. Yes. Arnold Paulson in Michigan many years ago figured that if we just took the mail route of any small town in the country and added that to the income for the farmers—to the city, everyone in the city could have a much better life income because of the increase in agriculture income if they had a parity plan. Thank you.

Mr. HAYES. We appreciate your comments very much. We're not here to like. We're here to listen.

We've done a good job of that today, Steve.

I want to thank all of you all again for your incredible hospitality. Look forward to return.

Steve, before I bang the gavel?

Mr. KING. In conclusion, I think that the panels of witnesses that we've had up here have just been outstanding. And there is so much more wisdom in each one of you than can be shared here in a 5-minute presentation. And some of it's in this notebook. Many of the staff members in Washington will go through this, some of the Members will go through it, my staff will go thoroughly through it, and I will as well, and we're going to look for those gems of ideas that are here.

You can have the best idea in the world, but you have to find a way also to market that idea. And that's part of what's going on here today. You're marketing your ideas. I'm going to take some of those ideas, and I'm going to try to market them to the rest of the committee while we're writing the farm bill for 2007.

Before we do conclude, I'd ask Bill Northey if he would just stand and give us all a wave. He's the candidate for secretary of agriculture and likely the next one for the State of Iowa.

Bill?

So if you have anything you want to take up with Bill at the end of this, he's back there also ready to lend an ear to you.

And one of the other things I'd like to mention is Dr. Struve's daughter is here I see.

And I want to thank you for serving in Iraq for a year. I've had an opportunity to speak with you after your return. Thanks for your service to this country and for everyone who's done so.

And, again, this is a privilege for me to be here, to listen to all your testimony, to showcase what goes on here in western Iowa. And the model that you have here is a model I think much of the rest of the country can aspire to, particularly the lead that you've taken in renewable energy, and sets that standard for the rest of the country.

As I go around the country to those other places, around the corners of the continent and even other places in the Corn Belt, they are well behind where we are with their renewable energy.

And we didn't say very much about wind here today. Jim Meyer mentioned it I think briefly. But with ethanol, with biodiesel and with wind, we are an energy export center.

And 5 or 6 years ago, that was about beyond our comprehension. But we're going to take this level up now and we're going to build this out to the limits of our capacity here in this area. But I believe also that ethanol grows out to the limits of the Corn Belt. I believe biodiesel grows out to the limits of the Soybean Belt.

And then the cellulose still is a case that needs a little more science to it. And we have an infrastructure system to support our soybean and our ethanol, our corn production, and that was a natural so that we could go into ethanol and biodiesel; but not so much a natural for the cellulose.

And then the emphasis on local producer ownership for these ethanol and biodiesel plants that we have, and as much local producer ownership as we can for our wind. Keep the wealth close to the land, value add to that as close to the cornstalk or the bean stem as you can, as many times as you can, and we can continue to build wealth in this country.

And I thank you all for being here. It's been a great turnout. And I appreciate Chairman Hayes for coming here to Iowa and get a chance to showcase. I hope you come back with your shotgun in the fall next time, Robin Hayes.

Mr. HAYES. Thank you. Steve does a great job. And just to touch on a couple more things. You all have been great talking about alternative energy and all those things.

We haven't talked about clean coal. We haven't talked about of coal. We haven't talked about tar sand. We haven't talked about things we haven't even discovered yet. The potential is unlimited. And in a country like America, we can develop those potentials, and I hope we will.

A quick political science question. How many of you know the significance of the number 218? You need to know that number. It takes 218 of us in the House of Representatives voting one way for something to pass. It's crucial. People from all over the country with different climates, different philosophies, different constituencies, they represent their folks. They're close to the people. It's a wonderful system. But you have to have 218 to get anything passed. Once that happens in the House—and we in the House work for a living. We're not like the Senate—it goes to the Senate, which is the graveyard oftentimes.

So this is leading up to giving you the courage to send it, to finish the process of not eliminating the death tax but taking it to a dramatically different level. What we passed the other night was dramatic. It's a \$10 million exemption. It's keeping the rates down to the 15 percent rate until you exceed 30.

So encourage the senate to do what they said they would do: The right thing. Again, keep that money in your pocket and invest in the future of America.

All right. How many of you know the significance of 219? This is the last one. 219 is a room off the floor of the House where we vote for—every Monday, Tuesday, depending on when we start. A group meets to pray for the future of this country, for wisdom for our leaders, for the protection of our troops, and any and every other thing. You at home can at your church or at your own computer plug into that web site and get specific direction on what the issues of the week are so that you, too, can be praying specifi-

cally—and I hope you're doing it in general—for our country and its future. As we return to prayer, we will return to the kind of prosperity that God will bless this Nation for because we've been faithful to him.

This hearing is now adjourned.

[Whereupon, at 11:10 a.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF MARK LEONARD

We all agree farming is necessary to the vitality of Iowa's economy, and that a stable food supply is a critical concern to all Americans. We must also all recognize that farm programs have been and continue to be a form of social engineering. Therefore, let us resolve to use farm programs for desirable outcomes which will serve the greater good of rural America.

Three issues I wish to address are farm program payment limitations, turning CRP lands into an economic contributor to the local economies, and restoring equitable and fiscal soundness to crop insurance programs.

In addressing payment limits, I wish to first acknowledge that Americans support free enterprise and respect those individuals whose hard work and exceptional talent lead them to great success. However, if that success is achieved primarily as a result of the use of other's tax dollars, a critical re-evaluation of the social and economic impacts to the economy suggests changes are needed. The largest farm operations have been able to raise families, update equipment, and acquire land with sizeable program payments and without the necessity of actually making a profit from the production of program commodities. The largest operations have used program payments in excess of their family needs to continue to expand their land base, taking land away from or putting it out of reach of the very families the taxpayers intend to support with a farm income safety net. When more than 70 percent of the benefits go to as few as 10 percent of the operations, it is easy to understand why agriculture and rural communities have been victims of significant consolidation of farming operations. Typical farms, sometimes referred to as family farms, have not had this level of government support and must actually have profits from their production to provide for their family's needs. The tax payers of this country have been led to believe that smaller operations are unable to compete due to production inefficiencies. Analysis of the facts demonstrate that assuming all available labor is fully employed, efficiencies do not increase as operations expand beyond basic commercially viable size. The advantages the largest operations obtain are due to government supports in excess of the basic family living costs, enabling the large outfits to use tax payer funds to subsidize their costs of overhead. Can anyone truly suggest that any American should expect their government to provide hundreds of thousands of dollars per year, every year to any family simply because they choose to farm? With real payment limits in place the competitive advantages will accrue to those who truly are the most ambitious, most efficient, and most desire to make a living in production agriculture. Closing the loopholes in farm legislation that allows for the largest operations to receive the bulk of the support is the first step we need to take to help breathe life back into our rural communities.

CRP has without question been a popular and useful program in the opinion of most Americans. The environmental benefits have been significant and should not be given up in future farm bills. However, many rural communities will confirm that land laying idle has a detrimental impact on local economies. In the future, a new plan for an enhanced, economically beneficial CRP needs to be developed. Iowa's economy has never been based on raising corn. It has been based on using corn. Even in the renewable energy environment we are in today, by far the most important use of corn is for livestock feed. A new plan for CRP that will allow use of CRP for controlled grazing programs will significantly and positively impact rural Iowa communities by expanding our livestock production. I would propose that a declining CRP payment, reduced by 10 percent per year over a period of 10 years would be greeted with much enthusiasm in areas with high CRP acreage. During those 10 years, the owners should be allowed to graze the land, under a managed grazing program to maintain the conservation benefits that have been obtained, but also to allow the land to make a significant economic contribution to local economies. Rural populations would respond and grow with the increased economic activity. Over the course of 10 years, the infrastructure (fencing, water systems, handling facilities) can be rebuilt and cowherds can be reestablished. After 10 years of rebuilding cowherds and infrastructure, the land is most probable to stay in pasture

and not only are the conservation benefits maintained, but economic activity will be restored to rural communities.

Crop insurance reform should be a major priority with insurance rates being actuarially sound on a state by state basis. Those states where indemnity is higher than the premiums paid, should have their insurance rates raised. States where premiums paid are in excess of indemnity payments should have premiums reduced. Among the most significant advantages will be to allow producers in each region to grow those crops most logically suited to the environment instead of raising commodities simply based on the most advantageous government programs.

Future farm programs should recognize the environmental advantages and shortcomings of each region of our nation. Over production of commodities that are simply dumped on world markets can be avoided by no longer encouraging their production in regions not suited to their production. Reform of crop insurance, creating a method to allow grazing of CRP acres, and enforcing meaningful payment limits will allow each region to utilize its natural resources to the best advantage while continuing to enhance conservation of our resources and improving our environment.

STATEMENT OF ALLAN J. KRAMER

Welcome to Sioux Center, Iowa. I would like to thank Congressman King and the Committee for inviting me today to share my thoughts with you about the new farm bill.

Today you are in northwest Iowa, an area that is known for rich soil, excellent crop production, a thriving livestock industry that produces high quality meat, milk and eggs. We have an educated work force with a strong work ethic, and a healthy partnership between grain and livestock production.

At Sioux Pharm, Inc. we have benefited from that partnership in some non-traditional ways. Sioux Pharm, Inc. is a major world producer of Chondroitin Sulfate. This product is used to relieve joint pain caused by arthritis. This product is extracted from bovine cartilage which includes bovine trachea. Ten years ago bovine trachea was used for mainly as a pet food ingredient.

Today over one-half of the bovine trachea produced in the USA is shipped to our plant in Sioux Center for production of Chondroitin Sulfate. This is an excellent example of value added agriculture, which I would like to see continued in the new farm bill.

Another product produced by Sioux Pharm, Inc. is Phosphatidylserine. This product is used to improve brain function and slow down age associated memory loss. This valuable product is another example of value added agriculture since it is produced from a by product of soybean oil production.

We support the continued use of biotechnology to produce pharmaceutical products in transgenic grain. Sioux Biochemical Inc. isolates transgenic proteins from corn for other companies. We can isolate bovine Trypsin from corn in truck load quantities. With this technology, a protein like bovine Trypsin can be used in pharmaceutical manufacturing without concern of BSE contamination or other possible virus that may come from animal sources.

Another value added product being developed by Sioux Pharm, Inc. is Hyluronic Acid. It also plays a part in treating joint pain. This product will be isolated from chicken combs, a product that currently is being discarded.

Sioux Pharm, Inc. would like to see continued and renewed support for Biotechnology and Renewable Energy projects. The Midwest is leading in the production of Bio-Diesel and Ethanol. Vegetable oils and animal fats can easily be converted to Bio-Diesel fuel. Sioux Pharm, Inc. is developing new technologies for conversion of animal fats and crop oils into Bio-Diesel fuel. We would also support research in growing new oil rich crops for Bio-Diesel production and animal feed uses.

We would like to support the Rural Development programs in the new farm bill. This program could support renewable energy programs and assist in our mission of reducing our dependence on foreign sources of energy.

These programs would continue the vision of agriculture production and marketing in the Midwest.

Some additional focus items to consider are in area of Bio-Energy. Special consideration should be given to Renewable Energy and Midwest agriculture, as to how together we can support research and production in this growing new segment of crop production and use application of agricultural products in development of energy. We need to continue to improve our independence rather than dependence on foreign sources of energy. Rural Development and Economic Development must be encouraged to continue to support and promote more USA production of energy from all available sources. Teaming up Bio-Technology and Agriculture are two strengths

that are available to us today, and should be a big consideration in today's discussions of the new farm bill.

STATEMENT OF DUSTIN BOLLIG

Thank you, Chairman Hayes, for allowing me to testify on the future needs of the coming farm bill. My name is Dustin Bollig and I am a 25 year old farmer from Fenton, IA. I have worked on my family's farm all my life growing corn and soybeans, and recently graduated from Iowa State University with an Agriculture degree in 2004. I have since returned home to work on the farm.

My concerns towards the future of farming are at its base, the beginning farmers. We face many road blocks that detour our entry into this challenging business. While I was attending Iowa State, I met many peers with the same issues I was facing at home. Cash rent was financially bid out of our reach from other established farmers, and land was selling way too high for someone with a small amount of equity to cash flow. Furthermore, older farmers had no incentive on retiring the land to new farmers who are willing and eager to care for the land.

In order to discuss and address some of the issues mentioned above, I decided to form a network called the Beginning Farmer Network (BFN). This network focuses on developing advantages toward young and beginning farmers like ourselves. It allowed us to build a community that could communicate and help each other solve problems. The network also actively seeks out knowledgeable speakers in the real world of agriculture to present solutions as well. That way we had a better approach to get into farming after we graduated. Soon after I started this group, I had 138 members and averaged 40 students at each meeting. Four years later it is still a profound network at Iowa State University and is providing an annual conference for all past members to attend. This event is sponsored by the Beginning Farmer Center (BFC) whose goal is to help young people get back into the farm by linking them with retiring farmers.

One of our first speakers, John Baker from the BFC, gave us a lot of interesting statistics that they have found through their research. What interested me the most was the fact that in Iowa, 70 percent of the landowners were 55 and older (48 percent are above 65). Furthermore, 70 percent of that group had no planned successor! This showed us that there is plenty of room for new farmers to enter into the business if the retiring farmers would retire the land to us. However, there are many disadvantages we face getting started compared to established farmers.

Established large farmers get bigger volume discounts when purchasing inputs and collect larger government payments. This allows them to pay a higher amount of cash rent than my peers and I can afford. They have advantages in crop insurance because they are guaranteed 75 percent of a 10 year average of all their farms, whereas a new producer has to take 75 percent of the county average which is considerably less than what established farmers get. At this point, it seems these farmers have all the advantages they need, so my colleagues and I would like to make a few suggestions that would bring some advantages to the beginning farmers table.

(1) A deduction in Federal Income Tax to landowners who rent their land to a beginning farmer. The deduction must also be subtracted from at least some of the rent so the young farmer pays an amount that will help him build up his net-worth. It should be designed to encourage a long term relationship so that the land owner doesn't have to keep looking for a beginning farmer a few years later.

(2) Allow a reduced capital gains tax to those who sell their land to a beginning farmer. Again make sure that the buying price is lessened from the tax reduction so both parties win.

(3) Provide matching funds to the Beginning Farmer Center. This would allow them to expand their knowledge and goals more efficiently by providing regional offices across the state, which would help provide a better service of connecting people like me with retiring farmers, and supply more in-depth research concerning problems faced by beginning and retiring farmers. They would also help sponsor and spread the Beginning Farmer Network that I started to other colleges across the state, assisting the BFN in its goal of developing a statewide or national community.

These are a few issues that we believe would significantly help people like me across the country become more established for the future, while at the same time helping to keep life in rural communities before they are lost forever.

Thank you for your time and I hope you can see the importance of our future in this industry; Not only for us, but for generations to come.

STATEMENT OF WAYNE DYKSHORN

I'm Wayne Dykshorn, a dairy farmer from Ireton, Iowa. My wife Jeanne and I operate a 350-cow dairy and farm 650 acres producing over 8.8 million pounds of milk over the most recent 12 months. We have been in the dairy business for 42 years. I serve on the Central Area Council board of directors of Dairy Farmers of America, Inc. (DFA), a national milk-marketing cooperative based in Kansas City, Mo. with dairy farmer member owners in 48 states.

I represent my fellow local dairymen on various state and regional organizations by serving on the boards of the Iowa division of the Midwest Dairy Association board, the Iowa State Dairy Association and the Dairy Herd Improvement Association board. He is an elder for the First Reform Church of Sioux Center, Iowa.

While organizations that I serve have not officially established positions for all of the 2007 farm bill issues, I would like to share my thoughts on some of the major themes that will define the dairy sections of the bill.

I would like to thank Chairman Goodlatte and Ranking Member Peterson for their help to all DFA dairy farmer member owners in the passage of S. 2120—the producer handler legislation. We worked on this issue for more than three years and it would not have been passed without your support.

(1) DFA members are participating with all the other members of the National Milk Producers Federation's Dairy Producer Conclaves to develop a consensus position on farm bill issues. We will keep you and your staffs informed of our efforts and seek your counsel on issues as we discuss them.

(2) Because we do not think there will be radical shifts in policy direction as a result of the 2007 farm bill we support the view that an extension of the current farm bill which will work well for most of the nations dairy farm families.

(3) We feel the next farm bill should maintain some form of an economic safety net for dairy farmers. Safety nets prevent prices from falling so low that businesses become unviable. Because dairy products are such an excellent source of nutrition for our nation and due to the high fixed cost of becoming a dairy farmer and the fact that milk production assets have limited use in any other agriculture enterprises, past Congresses have maintained safety net provisions for the dairy industry. We hope this Congress will continue these policies.

The most important safety net provision we have is the dairy price support program. We favor continued operation of the dairy price support program at a targeted \$9.90 U.S. average manufactured milk price. We would oppose granting the Secretary of Agriculture any discretion, which would reorient its intended purpose away from supporting income to farmers just to result in minimizing government costs—and we may need Congress to instruct the Secretary of Agriculture of this fact in some official manner. Under President Bush's proposed Agriculture budget the Secretary of Agriculture would be allowed to adjust buying prices for products made from milk (cheese, butter, and nonfat dry milk) so as to reduce the cost to the CCC for products purchased. This could allow for a reduction in targeted support price from that \$9.90 as specified in present legislation.

Additionally, I would request that the Commodity Credit Corporation (CCC) take action and adjust the support program purchase price levels for cheese, butter and nonfat dry milk to reflect the significant additional costs manufacturers face when selling products to the CCC. The current CCC purchase prices for dairy products do not reflect any costs beyond those incurred for commercial sales. As a result, market prices for individual products have, from time to time, fallen below support levels, allowing the price of milk used to produce them to fall below the statutory support level for milk of \$9.90 per hundredweight at average test. NMPF has provided information to CCC but thus far CCC has been unwilling to take action. The result is that manufacturers will sell to buyers other than CCC at prices below the support level in order to gain a higher value than the support purchase price and the support price targets are not maintained.

Right now CCC is buying some NFDN—doing what safety nets are supposed to do. The last time milk prices fell to safety net levels was in 2002 when the average class III price for the year was \$9.74 (below the safety net price of \$9.80 for milk of 3.5 percent butterfat test). The 10-year average class III price is \$12.62. Because the price support program is in place and working we hope to avoid a price crash like in 2002—but if it wasn't around and prices did fall to that level the Dykshorn farm would face a loss in income of \$254,146 on an the most recent years production. That would be hard for our business to withstand. We are very interested in stable policies that help to keep reasonable prices and a safety net that maintains some level of viability for a dairy farm family.

The second safety net provision is the Milk Income Loss Compensation (MILC) program, which DFA supports as long as there are no caps limiting access to the

benefits. My farm is affected by the payment limitations, restricting my ability to fully take advantage of this program. Like the price support program I view the MILC program as a valuable safety net for producers pay prices. The MILC program should be extended to match the term of the 2002 farm bill to insure its continued existence. Its key benefit is that it puts cash in the hands of farmers at the very point it is needed most—the lowest point of the price cycle.

In general the guidelines for a safety net program should be that the program:

- not discriminate between farmers of differing sizes;
- not discriminate between farmers in different regions of the country;
- not be high enough to encourage additional milk production.

The government's safety net policy should only operate at a point where a collapse of producer prices could force too many producers out of business and our nations milk-producing infrastructure would be damaged.

(4) We support continuation of the Federal Milk Marketing Order program. Marketing Orders are important to us as they undergird all of our marketing and pricing efforts all over the country. Orders assure dairy farmers a minimum price, assure that all competing milk buyers pay the same minimum price, assure that all dairy farmers share equitably in the returns of the marketplace and assure that the terms of trade are uniform throughout the Order's marketing area. These objectives remain very important ones in the dairy marketplace. Moreover, despite the claims that they are outdated and not relevant, the primary reasons for the institution of milk orders still exist. There are many more buyers than sellers and the average sized milk buyer is much larger than all but the very largest dairy farms. Milk production is still very seasonal. Milk demand has a weekly and seasonal purchase pattern that requires substantial costs to balance producer supplies with buyer demand. Individual dairymen, and even large groups of dairy farmers, continue to need the stability of Orders to deal with these marketing challenges.

We are, however, becoming very frustrated in our attempts to get the Order system to recognize local issues—such as in our case the problems caused by de-pooling. De-pooling results in farms in the same area getting widely different pay prices in the same month for no valid economic reason. It is just the difference in various buyers' ability to utilize loopholes in the Order regulations.

In addition to making producers upset about the different pay prices depooling and negative PPD's really mess up a producers ability to hedge his milk price. Several DFA members testified about this at the hearing and again USDA recognized the problem. I personally have used contracts to try to stabilize my milk price and so have my neighbors. Several people I know have existing contracts out into 2007. The next time we get in this situation—if we don't get a decision, there will be people asking questions and again being upset and concerned.

This should be fixed and we have asked USDA to do so in a Hearing. They agreed, saying so in a Recommended Decision issued on February 22, 2006—but we still do not have a Final Decision.

DFA has participated in the industry make allowance discussion in both the California and Federal Order hearings. We understand the importance of product formulas and the need for them in our pricing structure.

DFA continues to support the NMPF compromise position, which calls for a reasoned and limited increase in the make allowances if justified by a Hearing Record and found for by USDA. But these changes should be paired with an index that will adjust the formula for energy cost changes and "hold harmless" any change in class I and class II prices from any changes in make allowances.

The industry (and USDA according to the "delay Notice") is waiting for a comprehensive study from Cornell University on the product formulas and manufacturing costs. We are waiting until that data is released and plan to review it carefully. We expect to work with the other cooperative members of National Milk Producers Federation to evaluate the Cornell study.

USDA has requested additional proposals be submitted by September 30. If we have any proposals for consideration we will submit them by the deadline.

We seem unable to get the USDA staff to realize the problems this causes and need them to be more responsive. If USDA fails to help dairy farmers in this dilemma we may need legislation to address this issue.

Also, while we too are frustrated with the slow pace of change thru Federal Order hearings, we are hopeful that reforms underway initiated by USDA will speed up the hearing process and make it easier to get a Decision.

(5) A majority, but unfortunately not all of the nations dairy farmers, have funded and are operating a self-help program—Cooperatives Working Together (CWT). Dairy farmers voluntarily pay 10 cents per hundredweight on all milk produced in order to structure the size of the nations dairy-cow herd and more closely tailor milk supply to demand. Additionally, the program works to assist exports of dairy prod-

ucts in an attempt to market and promote domestically produced dairy products to the world.

However, the CWT program is not intended to replace Federal farm programs and can never do so because there will always be those who choose to take advantage of the programs benefits but never pay their share. Even after two years of successful implementation there are still over 25 percent of the country's dairy farms that choose not to pay in. In spite of our success we still need Congress's help in providing policy support to our industry.

(6) Dairy Farmers also see policies outside of the farm bill impacting their future such as:

Environmental Policies. The implementation of conservation practices on our farm is extremely important to our operation. Increasing the funding for the Environmental Quality Incentives Program (EQIP) in the 2002 farm bill was very significant. We applied and received funding through the EQIP programs to offset the cost for these practices. Without the cost sharing mechanism it would have been difficult to fund some of the necessary and recommended practices.

There is another matter of local interest that I'd like to bring to your attention. Our area is a heavy livestock farming community. As such alfalfa hay is a key commodity and widely grown. However, the farm programs do not provide for any support payment calculations based on alfalfa production. So a primary use of cropland that could meet the program goals is excluded from any consideration.

I urge you to join the more than 170 House members cosponsoring HR 4341 as part of a bipartisan effort to clarify that animal manure is not a hazardous waste under the Superfund law or its counterpart, the Community Right-to-Know Act. Congress should clarify that it never intended to jeopardize American agriculture by imposing strict, joint, several, and retroactive CERCLA liability on farmers for their traditional farming practices, including the use of manure as a beneficial fertilizer.

My family has always taken our responsibility to protect the environment very seriously. Dairy farmers and other agricultural producers for years have been regulated and required to have permits under the Clean Water Act, Clean Air Act and numerous state laws and regulations—but never under the Superfund Law. It is essential that Congress protect farmers and businesses that depend on agriculture from this potential threat to their livelihoods.

Workable Immigration Laws. I support the AGJobs Provisions contained in the Senate version of the Immigration Reform and I ask your support for passage of legislation that contains such language.

Estate Tax issues. Ways & Means Chairman Thomas (R-CA) has proposed a compromise on the estate tax issue. He proposes to set several levels of taxes on estates. Estates of \$5 million (singles)—\$10 million (couples) would be exempt from taxation indefinitely. Tax on estates of \$10 million to \$25 million would be taxed at the capital gains rate (15 percent currently & rising to 20 percent in 2011). Estates worth more than \$25 million would be taxed at twice the capital gains rate. This proposal appears to be very good for dairy farmers and I would encourage your support.

(7) Another reason we support extending the current farm bill is so that we can have a more clear view of the Doha Round of the WTO trade talks. We can see no reason to change our programs until we know what the world trade rules will be and more importantly perhaps who will play by them.

- We support multilateral trade talks that level the playing field of dairy export subsidies, tariff protections, and domestic support programs.

- We can't support a final agreement unless it represents a net increase in our ability to compete against our more heavily subsidized and protected competitors in the EU, Canada and Japan, as well as more balanced trading opportunities with key developing countries.

- We support the continuation of the dairy price support program with or without a successful Doha Round. We strongly disagree with those who claim that the price support program must be phased out or eliminated upon completion of the Doha Round.

- We support additional legislation to make the import assessment for dairy promotion (15 cent check-off) WTO-compliant by extending it to dairy producers in Alaska, Hawaii, District of Columbia and Puerto Rico.

(8) We support the Dairy Export Incentive Program (DEIP) and the requirement that the Secretary of Agriculture be directed to see that the allowable amounts of cheese, butter and nonfat dry milk be afforded export assistance equal to what we are allowed under the current WTO agreement. Currently no government export assistance is being offered, even though, by law, the Secretary is directed to do so, and by agreement we are allowed to do so under the WTO agreement.

In closing, Chairman Goodlatte, I want to thank the House Committee on Agriculture for having this series of field hearings. We know we can't explain all of our concerns here in detail but want to make you aware of them so that when we do provide you with additional details you will better understand our concerns.

STATEMENT OF STEVE RACHUT

My name is Steve Rachut. My wife, Beth, and I are young farmers from the Osage, Iowa area. We farm approximately 200 acres of corn, soybeans, and alfalfa, along with finishing feeder cattle. Also this year we are raising 6 acres of onions and 17 acres of sweet corn. I began my sweet corn business at age 12 and we currently market the entire 17 acres of production at roadside stands in our area.

I am a 2004 graduate from Iowa State University with a degree in Agricultural Business and Agronomy. My wife is also a 2004 graduate from Iowa State University with a degree in Agricultural Education/Communications and Agronomy.

As a member of the Beginning Farmers Network and farming full-time, the following are some of my observations about the 2002 farm bill that I have taken notice of.

In regard to vegetable production, I have a few concerns with the existing farm bill rules. Currently under the 2002 farm bill, a producer that has never grown vegetables or does not have a history of vegetable production on a particular farm unit cannot grow vegetables and still receive government payments on that farm. In my opinion, this is not freedom to farm because vegetable farmers are getting penalized for growing vegetables.

The only farm program that our vegetables qualify for is the Non-Insured Crop Assistance Program (NAP). I believe that the NAP program is not a useful risk management tool. This program can only be used if we have at least a 50 percent loss of yield to even qualify. In our situation, our onion crop was flooded in 2004 and we had a 95 percent loss of our proven yield. In an average year, it costs around \$2000 to grow and market one acre of onions. The NAP program paid us \$530 per acre that year for a near 100 percent loss. Therefore, I do not think this program is very practical.

My solution to farmers not being able to grow vegetables without a vegetable history is to eliminate the rule that prohibits them from doing so. At the very least, allow farmers to combine all of their eligible acres for vegetable production and be able to choose which farms they can produce them on even without a vegetable history.

If the new farm bill will continue to make direct payments for coarse grain production, then it would only be fair to include direct payments for fruit and vegetable production. Also, a comprehensive viable insurance program for vegetable and fruit crops needs to be offered in all states even if there are only a few producers of these crops. I believe this would replace the NAP program and offer more protection to fruit and vegetable farmers.

The next point I want to bring up is really a rhetorical question. Who will be farming in the future and what will rural America be like without small and mid-sized farmers? From a grain producing standpoint, what I am encountering in my area is that a majority of land being available to rent is going to a few large farms. It is difficult for a young farmer like me to compete with the high cash rents. Reason being the margins are so small that it would take a very large volume of acres to be able to make a living.

I believe a solution to this problem is to have realistic payment limitations that will be enforced! There shouldn't be any loopholes that can be used to receive several payment limits that ultimately go to one individual. One way of enforcing this might be to have payment limits based on a personal id number such as a social security number. Another way might be to trend towards conservation payments, instead of the huge amounts of production payments. I feel by rethinking how payments are being made, the individual farmer will be able to farm independently in the future. With these concepts, rural America can still thrive.

For the new farm bill, the question must be raised as to where will the most support be given. Will it be to the small and mid-sized farms or will it be the large farms? I strongly believe the future of rural America and the small towns that inhabit it will be dependent on how the above question is answered. As a beginning farmer, I do not want to see a few farming entities controlling the crop and livestock industry in my area.

Thank you for the opportunity to share some of my opinions and observations with you today.

STATEMENT OF REXANNE STRUVE

Struve Labs produces pigs by the gold standard method for clean stock derivation. These CDCD (Caesarian Derived, Colostrum Deprived) pigs are born within a sterile bubble by Caesarian Section, then taken to a biosecure laboratory where they are raised without colostrum, or the mother's first milk. This means these pigs haven't been exposed to the bacteria and viruses that are present in the mother sow's body.

In the 1960's and 70's, this method was used to produce SPF (Specific Pathogen Free) pigs to start clean herds on farms. The SPF program was started by veterinarians to fill an agricultural need—clean pigs that could go to market faster and cheaper by eliminating profit robbing diseases.

In the recent past, CDCD pigs have been used primarily for FDA required safety and efficacy tests of vaccines used in US swine herds. These pigs are also used to study emerging swine diseases, since CDCD pigs are free of confounding factors which may skew the course of a disease entity.

While swine vaccine trials remain the core of the present business, Struve Labs has begun producing antibodies for use in treating human diseases. Work has also been done on the development of transgenic pigs which carry enough human genes to allow the use of pig organs to replace human organs. This has huge implications in the treatment of human maladies such as Type II diabetes, heart, liver, and kidney failure, and burn wounds, to name a few.

Future plans for Struve Labs include raising small numbers of these unique pigs in specialized units on family farms in close proximity to a central surgical facility. From these animals, this hospital will harvest organs which will then be flown to transplant centers all over the US. The need for educated, high level positions such as surgeons and technicians will profoundly affect the local area and its economy. Sioux Center has seen the same effect with the progression of Trans Ova.

Struve Labs began as Merrick Labs in Manilla, Iowa and has expanded throughout the last 45 years. It provides jobs and opportunities for local people to work and improve their skills and wages. It has progressed to an entirely different business now, with global impact and possibilities. This is a boon to rural Western Iowa.

Any legislation that can help producer entrepreneurs to improve their businesses in rural America will be welcomed and appreciated. The term 'producer' may include businesses like Struve Labs that are using crops and livestock previously considered commodities, to improve the health and well being of humankind and to provide improved livelihoods in rural Iowa and America.

Big ideas don't always come from big companies. With the challenges, opportunities, and possibilities coming with xenotransplantation and human antibody production, anything that can be done to encourage the growth of small companies in rural communities will help.

The evolution of Struve Labs and businesses like it which will help the human and animal populations need room to expand and grow. An environment which is friendly to new ideas and businesses is imperative.

Thank you very much for your time and your attention.

Rexanne Struve, DVM

STATEMENT OF THOMAS E. OSWALD

To introduce myself, I am Thomas E. Oswald a fourth generation farmer operating land near Cleghorn in Cherokee County of northwest Iowa. I am proud to grow corn and soybeans using direct seeding (no-till) methods which I find produce yields comparable to more conventional farming systems at reduced input and environmental cost.

In a review of the organizations to which I volunteer my time and energy, you will find that I am an At-Large Director of the Iowa Soybean Association and Chairman of the Cherokee (County) Soil and Water Conservation District board of commissioners. To be clear, the opinions I present today should in no way be considered speaking for those groups. The words you hear or read are my own. However, I think many northwest Iowa farmers might voice or support similar opinions.

I have been involved in agricultural policy issues since 1981 when I graduated from Iowa State University with a Bachelor of Science Degree in Agriculture. I have served on agriculture advisory committees for both Congressmen Latham and King over the years.

In 1995, at an advisory committee meeting following a field hearing similar to this one today in Sioux Center, I asked a simple question that caused the room to go silent. That question was "Why do we have a farm program?"

I believe the silence was due to the time it took many to process the question. And, that is a big reason for problems in the “Farm Program” as I see it. It appears that few participants in the process seem to ever consider or ask the “Why?” question.

Until the “Why, Who, and What” questions are answered as part of a planning process looking at the end game, vision, and goals for this government expenditure, it is unlikely lasting success will be achieved. A definition of success must be developed from which to work backwards.

With this upcoming farm bill, the process is at risk of being centered on “more of the same” and protection of turf rather than seriously considering numerous stakeholder goals, values, or vision. I am not in the “it’s good enough, extend it” camp. I would like to see a vision based rather than agenda based farm policy.

Observation. For the 70-plus years since the beginning of farm programs back in the days of the New Deal, the reasoning for said programs always seemed to be “To Save the Family Farm” or “To Provide a Safety Net”. In the beginning, diversified small family operations that dotted the rural landscape were being squeezed between the dual forces of cyclic weather events and an unwinding of fiscal exuberance that occurred following World War I. Loan and price support programs were developed based on crop production and supply management. I believe the primary goal of such programs was to stabilize agricultural asset values lessening the rural impact on the nationwide banking crisis of the Great Depression.

Over the course of those 70 years, though discussed and attempted, there seemed to be little lasting resolve to wean program crop production agriculture from government payments. It seems like everyone is worried about the “safety net” not what the program is causing.

All the while, it was clear that family farm numbers and rural population as a whole were declining. The reality is that government farm program payments have become entitlements in the minds of many people. Just recently, I heard a farmer making a statement that he was “going in to (to the FSA and NRCS office) get some free money”. In my view, large entitlements devalue initiative within an industry and reduce its ability to compete and adapt. Row crop agriculture is a mature industry. Does it need much in the way of entitlement? Maximum efficiency should have been gained by now. Has it?

The decline in the percent of the U.S. population actively working in production agriculture is a function of technology. The trend of technology adoption and related productivity increases per person are not likely to level out or cease soon. Productivity growth has been a mainstay of this country. something to be proud of. I do not wish to return to “horse and buggy days”. But, many concepts we use in subsidizing program crops are still rooted in that era.

Many studies support the notion that agricultural asset values, in particular program crop land, have been distorted (increased beyond productive market value) by historic and expected future value of program payments.

If the goal of the farm program has been to save the family farm and rural population, there is plenty of evidence to the contrary. The net recipient of production based subsidies appears to be the value of program crop land and the balance sheet of whoever owns that land whether they farm and reside in rural America or not.

It is also clear that crops under program crop status are often in a state of over-production with resultant distortions in cropping rotation and production systems from what likely would have occurred under a market-based system. Creativity and non-program crop production is penalized as producers drive to maximize payments by sourcing control of program crop land and pushing for maximum production on that land to capture maximum payments per acre controlled.

The major flaw in production based (acre/yield/price per yield) agricultural supports is that this becomes a treadmill running ever quickly and steeply. The supply of productive land in the U.S. is relatively fixed. It doesn’t make economic sense to artificially support an already limited, expensive and required production medium (with hardly any substitute) in an environment where economic flattening of the world continues to find new, lower cost, or renewable lands suitable for production in other countries. I know land is technically an investment. But why should we be happy seeing the opportunity cost of operations being driven up due to a subsidy?

For the most part, subsidies that promote land values do the producer little good unless that producer owns most of the land in the farming operation. Studies show that operator ownership share (acres owned as a percent of acres farmed) is declining. Less than 50 percent of the land in Illinois is farmed by the owner if my memory of the numbers is correct. And, unless the unearned gain delivered by the subsidy is captured via borrowing, sale, or taxation, what good is the increased land value? The relationship between land value and crop value/profit is rather elastic as it is.

There is nothing wrong with land as a storage vehicle for wealth. But, the value should reasonably reflect productive value as it stands in competition with other unsubsidized investment alternatives. Farmers have historically reinvested in their business any funds remaining after living and tax expenses. However, high volume, narrow margin crop production leaves little room for young farmers renting land to become owners after family living expenses are taken into account. Even with subsidies, for a cash rent farmer, the ability to retain a large share of the wealth created is limited.

It appears that subsidies which increase the opportunity cost of land are impeding the ability of new blood to own land. The average age of farmers keeps increasing. Somewhere in the future, substantial amounts of land will be positioned for transfer. The question is how many of the remaining producers will have the ability pay the price of land for sale? With that, will land continue to concentrate in the hands of those not actively participating in production? If the goal of current farm policy is to support asset values and concentrate land ownership, then it is working just fine. Is that what active farmers and the non-farm public really want?

The "Freedom to Farm" legislation of the 1990's was in many ways a great improvement where planting flexibility opened the door to innovation in crop mix while allowing farmers to farm all of their productive land every year so long as relevant conservation measures were employed. Farmers by and large LIKE those freedoms. However, unanticipated elements of "Freedom to Farm" resulted in excessively low prices at times, huge cost to the treasury, disparities in payment distribution, and many potential challenges in the arena of world trade.

This doesn't add up. For me, a corn and soybean producer in Iowa, the concern is, eventually, perpetually higher unlimited payments will be needed to maintain our principle program crop margins.

For the most part, before family operations build equity in their business, they have to pay the cost of family living with off-farm employment or as draws on the business. Annually, farm family living expenses don't amount to hundreds of thousands of dollars. Something is broken when operations require payments many times that required for family living expense just to survive. This suggests an excessively high cost structure for that crop enterprise. Eventually, I predict, corn and soybean growers will be as addicted to program crop payments in an attempt to sustain operating margins as our farming brethren are with cotton and rice. Without restraint, we will cost ourselves out of any semblance of comparative advantage in the world marketplace.

In contrast to when this country was settled, nowadays out in the country, farming neighbors often view each other as competitors rather than members of a rural community. If something doesn't change, negative baggage relating to this will likely accelerate the decline of rural counties containing a high percent of acres in highly subsidized crops and limited agricultural crop or business alternatives. If rural America is the soul of America, this isn't a good thing to let happen.

To be clear, I do not advocate that the Federal Government abandon farm subsidies and rural development all together. We should be careful to not to disarm in regards to world trade. What needs to be done is a very complete re-evaluation of the "Why" question I mentioned earlier. We need to find high moral ground in our policy and have tough resolve in dealing with those (businesses and countries) who attempt to play games with us.

Where from here. In hearings such as this and numerous other information gathering sessions, the primary goal should be to develop a vision and definition of success. where we as a country want to be in regards to production agriculture and rural development financial supports and rural financial health. Once defined, then it is imperative to align the behaviors (policy and programs) with such vision. I will suggest some ideas.

The first step is to determine if we value people (farmers, families, communities) more than we value assets (money, land values). I do not believe that subsidies that artificially support asset values are sustainable in the long term. Limited direct assistance to people working and innovating in a tough business environment is much higher moral ground compared to nearly unlimited assistance that seems to do nothing but enhance the balance sheets of already wealthy people. Once developed and stated, I believe we need to develop means to monitor if programs (behaviors) are successfully aligning with our values and vision.

Farm program policy of the past, for the most part, has been and still is an exercise in central planning. To get the subsidy, you had to grow the crop the "program" deemed applicable. Such programs have resulted in economic distortion as well as being proved questionable and anti-competitive in the world market. Innovation, entrepreneurial spirit, cropping mix/diversity and creativity in crop utilization have been stifled under such programs in my view.

People in the country need to be free to manage the land and other assets to the best of their comparative and competitive abilities. I truly believe that agricultural policy needs to return to a philosophy of asset pricing and allocation operating within an environment of competitive and transparent markets on both the input and output sides. I know it won't be easy as it appears that world trade talks aren't defining the "WHY" question very well. We have GOT TO define what success looks like and innovate to get there.

Realities of Life. Farm policy needs to incorporate some simple realities of life. Laws of nature and human nature really do not seem to vary that much. Both market based and central planning methods to allocate agricultural resources and production have weaknesses. Various methods won't work well if they are not calibrated to handle the fact that the two "natures" are more powerful and good at finding gaps in logic or preparedness.

There is no question that Mother Nature is powerful, variable, and, at-times, unpredictable. But, she offers the opportunity to create new wealth in using her land. Allocation of resources to deal with the whims of nature is best left in the hands of people who understand what they are dealing with in their back yard. not in the hands of bureaucrats hundreds or thousands of miles away.

Though varying by culture around the world, the needs and requirements for people to survive intertwined with various virtues and frailties that make us human are constants that must be calibrated into policy. Yes, there are individuals and groups who are off the chart in some way or another but they are a minority in my mind. Very few people in the world have total disregard for family life. Most, I suspect desire a simple pursuit of happiness while living in a decent environment. These are values of common interest.

I have seen that people will find any plot they can to grow something for themselves if they have some motivation. This desire might range from a tomato plant in an apartment window box to a terraced field chiseled out of a mountainside. I suggest that people universally value food security over absolute bottom dollar food price (including subsidies). This is why tax paying Americans have accepted (at least they should) to some degree, subsidies to growers to assure a significant portion of food production remains in our country. Maybe this isn't on the mind of the average American consumer everyday, but there is an intrinsic value in knowing where one's food comes from. We should work to link that need for security as one of those values within our farm policy.

Maintaining a diverse and dispersed population of growers as "food security agents" for the majority (consuming) public is "saleable" in this country. I believe our country can defend in world trade talks the position that decoupled payments, as part of a national food security policy, are not trade distorting.

I believe that the tax payers of this country are willing to support growers who actively operate their farms and demonstrate high levels of stewardship on the land. Just as few people chose to build their own house or maintain roads themselves, there is a case to be made that U.S. citizens will support performance payments to people actually working to achieve environmental improvement. And, in the arena of world trade, I believe little argument can be made against such payments. It is human nature for people not to wish their nest be soiled... at least if they can help it. They are willing to entrust and compensate others to help keep it clean for them. Farmers are at the grass roots level and on the front lines in this respect and are the perfect candidates to implement practices and receive compensation.

The vision: Thinking again about the flattening economic world (borrowed from Thomas Friedman), if we build our agricultural policy vision around values that universally mean something to people, I don't think such policy will be successfully challenged at home or abroad.

This is why I am greatly in favor of a major decoupling of farm payments from production. As I suggested earlier, I believe unlimited payments based on production are fundamentally flawed, economically unsustainable, and need to be replaced.

Payments and policy need to be people-focused where the factors for receiving payments are environmental performance and active participation in farming. Policy structure should encourage entrepreneurship, cropping flexibility, and innovative problem solving as much as possible. Largest payments should be tough to earn rather than taken as "free money" entitlements. Leveraging mechanisms could link program payments with rural development funds to encourage growers, rural people and their respective communities to unify, determine, and solve local challenges hopefully creating local opportunities in the process.

As much as possible, land opportunity cost needs to relate more closely to productivity value derived from relatively unrestrained and creative management. not central planned program crop payments and their respective distortions. Balancing distortions from previous farm programs and managing the transition are the big chal-

lenges for any innovative new farm policy direction in my view. At least a goal and vision based process should help illuminate the right path. I seriously doubt much land will ever be left unfarmed in areas naturally suited for crop production. human nature tells me so.

Environmental and resource management incentives similar to CSP make sense. Growers with an "ownership attitude" for the resources they manage are the ones best suited to select from a shopping list of incentives. Incentives should be performance based as opposed to regulation heavy. Peer-reviewed science should be the basis used to research, estimate, and document environmental response and cost/returns for practices performed. From there, people can begin to generate incentive values (in dollars) for those practices. It might take work, but things of lasting value often do.

EQIP and CSP programs offer some guidance on potential stewardship enhancement categories and payment strategies. But I hear the methodology needs some work in getting good input from the most affected stakeholders. On-farm research and system evaluation projects have merit as an enhancement category as these generally stimulate innovation. The public supports wildlife and scenic habitat so these may be elements of a category. The key is to establish monetary value for such activities and compensate growers once they choose items best adapted to their situation. Should this path be taken for the primary means of farm support, then it is critical that the Federal Government fulfill its part of the agreement by consistently providing the resources (money and technical support) promised. This should NOT be an in/out/maybe kind of program approach. There is significant trust that must be maintained for success.

Ideas for Implementation. Utilizing the FSA county office/committee type of structure and NRCS for technical support in administrating direct decoupled payments and environmental stewardship incentives respectively, the payments would be dispersed directly to persons with evidence of actually farming crop land. The numbers I toss out might be suitable for northwest Iowa but not necessarily everywhere else in the United States.

By adjusting the proposed levels of payment, I think direct decoupled payment might serve as a mechanism for transition in areas incredibly dependent on huge annual subsidies. But, there is significant risk that resolve to reduce payments will wither over time due to lack of fortitude or by strategic design of interest groups. this must be watched or the trust promised in the process will be broken.

Per-acre direct decoupled payments could be something like \$25 per person per acre (\$50/married couple) up to the first 320 acres (total maximum \$16,000 annually going to two Social Security Numbers linked to those acres). This baseline payment structure could include various leveraging opportunities such as Federal matching funds for use in qualified rural development or value added investments, farm (rainy or disaster day) savings, health savings accounts, and risk management vehicles that people could use to care for and manage themselves in tough times. I propose one-half the total payment at sign-up with the balance paid after demonstrating actual participation and completion of a crop cycle. To receive payment, you must be "real".

Eligibility requirements for full payment should include the signing a social security number linked affidavit declaring active participation in risk, management, and labor, as well as residency in proximity to (reasonable travel distance) the farmed lands during the principle cropping months. In regards to married couples, spouses need not demonstrate levels of physical participation equal to that they would as individuals. Marriage should not be a penalty. The program should be family friendly. Participation in multi-family farming arrangements such as family farm corporations, partnerships, limited liability companies, and other structures chosen for optimal business management should not degrade payments so long as each payment recipient (individual or couple) provides evidence of acreage share and all other declarations I suggest as requirements above. Proof of citizenship should be required. There should be an allowance for special circumstance such as in the case of physical disability due to an accident for example.

"Push" in land prices should be marginalized compared to what we see under current coupled programs. The goal and purpose of such decoupled payments should be to encourage and maintain an actively participating rural population free to determine their best economic combination for creative and innovative use of the assets they control. Some groups fear that any significant change in Federal farm programs will eventually lead to the end of program payments altogether. Eventually, non-farm tax payers will grow tired of hearing that the equivalent of six figure checks are being sent to millionaires on an annual basis, especially if those millionaires aren't farming. Rather, I suggest payments directly supporting families with

an entrepreneurial spirit and passion for farming in a market oriented environment will yield higher taxpayer value, palatability, and support.

Crop price would be market based. Margins would likely remain tight. This could encourage sharing of highly productive but expensive equipment and technology to lower cost for moderate acreage operators. Greater feeling of community as opposed to the sense of outright competition now seen may result from increased cooperation.

It is likely some individuals will utilize a strategy of high acreage, high volume production. However, once over 320 acres, their relative subsidy will decline accordingly. I have no problem with large acreage operations as long as they operate in a relatively unsubsidized environment. Some operations will prosper, some will not, just like what happens with Main Street businesses. They don't have much of a "safety net". Fit, trim and innovative businesses are a good thing.

Disaster payments should be eliminated in favor of actuarially sound crop insurance products. Limiting the number of acres eligible for premium buy-down is important or insurance will become the next driver in farm size competitiveness issues. There should be some limited circumstance national or world trade emergency provisions. Multi-month full recourse crop loans may make some sense as marketing and cash flow tools allowing growers to better tolerate periods of wide basis. Storage is risky but so is farming. With risk goes reward. Not every acre or bushel should have the protection of the so called "safety net" it just isn't economically logical.

As noted above, I believe CSP type payments are a natural fit for a values and mission driven farm policy. Payments within this model might be twice that of the direct decoupled payment I illustrated above. \$100/acre per farming couple up to 320 acres for an Iowa example. In the past, the primary factors for payment were land controlled and resultant production. Performance based programs should be well defined. I think that payments should be based on PERCENT of total acres achieving various categories and multipliers. To achieve 100 percent of the stewardship incentives, 100 percent of the land farmed should be managed in an enhanced stewardship fashion.

For example, let's say the maximum annual payment for soil quality enhancement is \$10,000 per couple. Let's say that long term no-till and complex rotations each have top scores in that category. Maybe a farming couple is operating 1000 crop acres. Maybe only 500 of those acres are suited to a no-till corn/soybean system. Other land may have other needs and requirements with part of it unfit for annual row-crop production. To me, there is no need to shackle the farming couple to a practice that is ill suited or poorly adapted just to fit a "box" for payment. If they can adapt methods that meet the goal criteria on 80 percent of the acres by using no-till on some acres and rotation on others (where row crop adaptation is poor) then pay 80 percent of the maximum and free the couple to seek creative and innovative practices to meet incentives on the balance of the acres.

Under the example above, one can envision other brackets and groupings in a check list fashion whereby various combinations and multipliers would attain maximum stewardship payments. Environmental enhancement will occur if well designed programs stimulate the natural sense of innovation and creativity that is inherent to most farmers. Use carrots, not sticks.

In summary, the direct, decoupled payment added to maximum stewardship enhanced payments would total \$48,000 for an actively farming couple on 320 acres. This is an area that will be rather open to argument as it should be. But, at least, there is better chance of knowing where the money is going. I chose 320 acres because average farm size has already surpassed this thus acreage for pay would not drive size larger.

Decoupled payment strategy is helpful in allowing formerly non-program crops to find a place in the production matrix. There is no linkage concern, thus no penalty for pasturing grass feed organic beef on former program crop corn land for example. Breaking the coupling should open up opportunity to service markets.

The payments should be traceable to people who meet well defined criteria. Align the program criteria with the goals, vision and values as I mentioned earlier. Increased self determination should be a goal. There are numerous other enhanced payments (like rural development projects) that may work effectively within this performance and goal based structure.

There is always a need for oversight, audit mechanisms, and penalties for fraud. I believe that the locally elected committee structure is a good first layer of oversight. I believe that people should be given 1 maybe 2 "strikes". With each strike, those breaking the rules would be given counsel on where they broke rules and how to stay in compliance. Those guilty of fraudulent pursuit of payments (used up their strikes) would find their Social Security Number permanently barred from receiving

program payments. And, any operation they were associated with should be barred as well. Peer and business partner pressure might be useful in setting boundaries for those contemplating fraudulent arrangements.

Pete Rose was removed from his career playing major league baseball because he broke the rules by betting on games. Fraudulent farmers should feel similar pain. This program structure is based on a public trust that growers are doing the right things in exchange for payment. Verification and enforcement are essential elements in maintaining that trust. If you accept government funds, you should be held accountable.

Role of individuals (farmers and families). With land capable of cropping (including hay, grazed forages, vegetables, possibly fruits and nuts) the Iowa farmer will be free to determine crop mix and utilize production methodology he/she feels will yield a marketable crop from the resources and skills they have available. Erosion controls as required in past farm bills will still need to be met even on acres not achieving stewardship enhancements.

This program structure will require aggressive crop management and marketing skills. Payments topping out at less than \$50,000 per year would not be enough to subsidize and protect large wild cat farming ventures to a significant degree. Former program designs with high payments gave large operators "muscle" in the fight for asset control. This will go away. But, the limited direct payment would greatly reduce the pressures family living costs present in the management decision matrix of family sized farms. Land values (price and rent) would likely decline to more market competitive levels based on productivity and crop mix value.

Years ago, a neighboring farmer made the statement to me, "Give a farmer a nickel and he will borrow a dime to spend with it." Farmers will invest payments wherever they feel there's a reasonable opportunity for return. This might be in their family, their business, or possibly their community. It is not the place of government to tell them where that should be...carrots, not sticks. It is very likely payments as I propose will circulate more effectively in the rural community than the monies doled out in past programs. Open and competitive markets are the best method we have for balance.

Roles of Governments in Agriculture Policy. If a market based philosophy becomes the norm in U.S. agricultural policy, then oversight by respective government agencies is critical. Open, transparent, and competitive markets are essential for this form of asset allocation to perform correctly.

In respect to world trade, fiscal policy actions of trading partners need to be monitored so they don't become a means of back-door trade distortion.

At home, there is cause for alarm with the trend to limited players in seed genetics and meat packing. There should be enhanced oversight and regulatory enforcement in regards to anti-competitive business activity in both the supply and demand sides of the markets farmers have to deal with. No matter what changes occur in the next bill.

Domestic farmers would be subject to a world market environment in the market-based policy I propose. Most market players dealing with growers are multi-national. The world is their playground. Individual growers wield far less market power than the companies they deal with. Laws need to be enforced that balance the equation. Theodore Roosevelt understood the importance of balance 100 years ago. A level playing field may never be achieved. But, nearly unlimited payments to large farming operations help to position them at the top of a mountain where there is little competition from entry level players. This is not how capitalism should work. The government is helping to pick "winners" it seems.

A comprehensive energy policy whereby our country develops its energy resources is hugely important. Natural gas is of particular interest to farmers as natural gas supply and pricing impacts nitrogen fertilizer production economics. High prices for and/or short supplies of natural gas could cause our domestic anhydrous ammonia production to shut down. Most nitrogen fertilizer forms are manufactured from anhydrous ammonia. Domestic ammonia production has been a competitive advantage for U.S. growers. For grass crops such as small grains and corn, nitrogen is a required annual input unlike phosphate and potash fertilizer which can sometimes be foregone in a year of reduced availability. When our domestic ammonia production shuts down, demand is serviced by offshore nitrogen production. Often, this is supplied in less concentrated and potentially less environmentally stable (prone to field loss) urea solid and urea-ammonium-nitrate liquid sources. If we lose anhydrous ammonia production here at home, American farmers are at the mercy of world production and pricing. We farmers don't need an OPEC equivalent in the nitrogen fertilizer supply chain. The U.S. needs to develop its natural gas supplies to the fullest extent possible.

Finally, responsible and sensible tax and fiscal policies are as important to rural citizens as they are to everyone else. I believe it is important for this country to move to a flatter, simpler tax structure. Tax proposals based on results (such as the Fair Tax) need to be considered. Such systems might ease the transfer of assets to younger generations.

Thanks so very much for the opportunity to express my thoughts. I hope they are taken under serious consideration and prove valuable in forging a farm policy we farmers can be proud to be a participant in and tax payers can feel comfortable in supporting.

STATEMENT MATT SCHUITMEMAN

My name is Matt Schuiteman. I am a family farmer from Sioux Center, Iowa. I grow corn and soybeans in rotation while producing pork from farrow-to-finish. I farm with my father, Leon, and my grandfather, Art Schuiteman. I am the 5th generation of Schuitemans to farm our land. I currently serve my church congregation as the Chairman of the Deacons and the Iowa Farm Bureau Federation as the state Young Farmer Chairman. Thank you for this opportunity to share my thoughts on the 2007 farm bill.

The capital intensive nature of agriculture is perhaps the greatest challenge facing young farmers. Tractors and combines can easily exceed \$250,000. Even used equipment is very expensive. Iowa State University reported in December of 2005 that the average value of farm land in northwestern Iowa is approximately \$3,400 per acre. I know of instances where land has sold for more than \$5,000 per acre. Because land is a limited natural resource, farmers will continue to compete in the free market for these assets. Also, as long as agriculture rewards producers with narrow margins of profit on high volumes of production, farmers will always seek new innovations in technology to maximize productive capacity. Modern technology and land are expensive, so producers must expand their farm to harness economies of scale.

Young farmers, having little equity at an early stage in their career, usually seek rental arrangements as the preferred method to expand their farm. However, farm bill payments eventually get bid into cash rents. In the long run, a cash renter is usually indifferent as to what level of support is provided by the farm bill, because land rents always adjust accordingly.

Young farmers could benefit from tax incentives given to landowners willing to lease farmland to a beginning farmer. These incentives should encourage the landowner to share the farm bill's safety net with the renter rather than capitalize all its benefit in rental rates. Eliminating capital gains taxes for the transfer of farmland, between parents and their sons or daughters, would also benefit young farmers. My grandfather might consider selling his land to my father, but with capital gains taxation he is left with little choice but to hold on to the land until he passes.

The key to unlocking farm profits for all Iowa farmers, young or otherwise, is to gain further access to value added processes in agriculture. For instance, recent growth in the renewable fuels industry has brought about investment opportunities for our farmers. I recently invested in a local ethanol plant. Farmers were once content to rent small "footprints" of ground to utility companies for wind turbines, now they are investors. Livestock production is vital to young farmers and the profitability of our growing renewable fuels industry. I raise hogs to add value to the corn and soybean crops that I grow. I am sure there are many other innovative examples of farmers successfully engaging in value added ventures.

Being engaged in the value added process requires investment, but investments are usually risky. The next farm bill should extend the concepts of the current bill's rural development and energy titles. The "Value Added Producer Grant" program and "Section 9006 Renewable Energy and Energy Efficiency", programs have been great avenues for Iowa farmers to improve farm profitability.

Young farmers would likely agree that the perfect vision of agriculture would include a "level playing field" or a "chance to compete in open markets" where there are no such things as tariff barriers, export subsidies, currency manipulations and perhaps, even without domestic subsidies. This seems like the perfect goal for the 21st century. However, the reality is, this concept has yet to materialize.

Trade ambassadors representing the United States recently laid a bold proposal before our partners in the World Trade Organization. Last Monday (July 24th), it became apparent that our trading partners are not yet comfortable competing with American farmers on a level playing field. I can see absolutely no benefit to any farmer in Iowa or the United States by moving away from farm policy that has largely worked to smooth the ebbs and flows in commodity prices without receiving

proportionate gains in world market access and material gains in net farm income. Our negotiating position in the WTO can only be weakened if we unilaterally depart from current farm policy.

Until WTO negotiations yield real market access and material gains in net farm income we continue to need an effective safety net that provides support in times of low income. Iowa farmers firmly believe that this safety net should be consistent with our international trade obligations as spelled out in the current WTO agreement. To be clear, I feel that the next farm bill should extend concepts of the Farm Security and Rural Investment Act of 2002 until a new WTO agreement is reached.

I am optimistic about the future of agriculture in our great state. All farmers would rather rely less on government programs and increasingly more on strong markets. Recent growth in renewable energy markets is strengthening rural Iowa one community at a time. Perhaps the renewable energy industry and other innovative opportunities to participate in the value added process will take us more toward a vision of agriculture where markets provide ample profit opportunities. Until that occurs, the safety net provided by the current farm bill is a necessity.

On behalf of myself, my family, and young farmers all across Iowa, thank you for the opportunity to address your panel.

STATEMENT OF JIM MEYER

I am Jim Meyer of Odebolt, Iowa. I am here representing myself as a board member of Western Iowa Energy Biodiesel at Wall Lake, IA and East Fork Biodiesel at Algona. Madeline and I are also investors in ethanol plants. I have been farming and involved with Farm Bureau, Iowa Pork Producers and Iowa Corn Growers since 1966. Rural Iowa is experiencing a once in a generation rural economic opportunity. This opportunity is provided through the fast expansion of the production of Renewable Energy in making ethanol and biodiesel. In western Iowa, we have not been offered such an opportunity since the start of Iowa Beef Packers at Denison, IA in the early 60's. Investing in Renewable Energy is not limited to Iowa as these crop driven fuel refineries are springing up all over the U.S. and the world.

The energy title of the next farm bill needs to be strengthened to assure that this rural economic development continues, at the same time reducing costly farm production support.

Rural development funding has been very helpful in encouraging economic activity for rural America. However the developing research perfecting the converting of corn to ethanol and triglycerides to bio-diesel is having a greater impact. Each bio-refinery provides an annual payroll of a million dollars or more that stays in local communities. More importantly, thanks to ethanol and biodiesel incentives, millions of dollars of dividends, pass through tax credits and appreciated value of investment stock has provided an infusion of economic activity that has never previously been experienced in rural America. This impact has been further supported by research dollars invested in crop research and development. The opportunity to earn profit through a good investment is far superior to receiving a government payment just for being a food producer.

The 2007 farm bill gives us a tremendous opportunity to provide a food production safety net through providing investment option and allowing crop producers to receive a profitable price for commodities produced. Following are the elements that I feel should be emphasized in new legislation.

- The 51-cent ethanol production incentive and the \$1 blender's credit for bio-diesel should be extended and considered as an investment in rural economic development.

- Thirty years of research in production of ethanol from corn and other forms of bio-mass has made this fuel practical and cost effective. The same is true for the chemical process of converting triglycerides to bio-diesel. Research funding to further refine these processes should be continued at an adequate rate.

- Cellulosic research is exciting but caution needs to be taken that research dollars for this project are not taken from current ethanol and biodiesel production which we know will work.

- The future success of renewable energy production in rural America hinges on well run, profitable livestock operations. While soybeans previously had been processed for soy meal and oil was a co-product to get rid of, in the future soybeans will be processed for the oil feedstock for biodiesel and other products. Soy meal will be the product to get rid of. At the same time corn being processed to make ethanol is profitable, but we need to use the distilled grain. A strong livestock and poultry feeding economy is the key to successful use of soy meal and distilled grain co-products as a source of protein for livestock and poultry. If we cannot find a way to

produce livestock and poultry in large enough production centers to be profitable, the renewable energy plants will be handicapped. Fortunately livestock regulation has been left to the states to resolve. Providing research dollars to learn how to raise livestock and poultry without upsetting neighbors is an important function of Federal Government and should be part of the farm bill.

- Our friends who are not in the business of producing renewable energy or food need to have a good reason to support a farm bill. By providing stability so that renewable fuel can be provided to our citizens, we will attract urban support. We are all interested in clean air, clean water, less dependence on foreign oil imports, and providing more dollars pumped into our local communities through profitable renewable refineries. We are all also interested in keeping good production agriculture operators in business to produce safe, healthy and reasonable priced food. If done correctly the next farm bill can attract urban and rural support and not be a heavy burden on taxpayers.

In summary, I feel we should seize the opportunity to let renewable energy tax dollar investment through Federal funding provide for a large portion of rural economic development. The tax payer will get more per dollar paid and the people invested in renewable energy will have the joy of being involved. Livestock and Poultry production is a key to the success of renewable energy. Difficult economic and social challenges of production agriculture are best resolved by providing our best scientific minds with sufficient research dollars, typically through our land grant universities to resolve the problems.

Production agriculture has never been more exciting. In my opinion the best farm bill is one that:

- Provides a safety net that rewards farmers for doing things right.
- Encourages risk management programs and rural investments to cover low income or weather related problems and eliminating the need for disaster payments.
- Provides research dollars to find the most environmentally sound and profitable methods to provide energy and food for U.S. citizens.

Thank you for providing this opportunity for those of us in the trenches to share our own and neighborhood thoughts on the next farm bill. We need the stabilizing influence of a good farm bill to continue to provide needed energy and food for our citizens at a reasonable cost.

REVIEW OF FEDERAL FARM POLICY

MONDAY, AUGUST 28, 2006

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND HORTICULTURE,
COMMITTEE ON AGRICULTURE,
Springfield, MO.

The subcommittee met, pursuant to call, at 9:35 a.m., in the Missouri Entertainment Center, Ozark Empire Fairgrounds, Springfield, MO, Hon. Robin Hayes (chairman of the subcommittee) presiding.

Present: Representative Goodlatte [ex officio].

Also present: Representatives Blunt, Emerson, and Boozman.

Staff present: Pamilyn S. Miller, subcommittee staff director.

OPENING STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. HAYES. Good morning. I am Congressman Robin Hayes from North Carolina. Roy Blunt, Jo Ann, John, Chairman Goodlatte are wonderful friends and wonderful servants of the public, so I am privileged to be here today. I do not get called out much, so I got to come today. How many of you know Morris Westfall?

[Show of hands.]

Mr. HAYES. Is he reliable? He was telling me a lot of stuff. Can I count on him?

[Audience response.]

Mr. HAYES. Well, I want to start off the hearing this morning with a testimonial to the wonderful people of Missouri. And I have to confess that I was not very bright. We went to Braums Ice Cream last night after the ballgame and I left my wallet over there. Did not even know I had left it. Got a call this morning from the office back home and this fine young man had called and said my wallet was there, did they know where I was. And fortunately I was just down the street, but that is a real testimonial to these people here in Missouri. So I will always have fond memories of Missouri. It is a great place to be. So you all go buy some ice cream and thank that fine group of people.

First, let me thank all of you, particularly the witnesses for coming today, and members of the audience. As many of you already know, the House Agriculture Committee has been traveling across the country over the last several months gathering input from producers to help us craft the 2007 farm bill.

I was talking to a gentleman and his wife earlier and said you need to come sit in the front and face backwards because all the

information and good ideas are going to come from the audience, not the panel.

To make sure we get as many regions covered as possible, five subcommittees also are holding farm bill hearings, and I am pleased to be here in my good friend Roy Blunt's district because Roy works absolutely tirelessly not only for the district but for the country, and for the Members with whom I am proud to associate myself.

Agriculture is a huge part of his district and he is very active. He does so many things you would not believe if we told you, but a big part of his job is representing producers back home here in Missouri as he is in Washington.

We are also pleased that the chairman of the House Agriculture Committee, Bob Goodlatte, can join us for the hearing. He has done a tremendous job at bringing science, logic and reason to what can sometimes be an emotional job. Like myself, he is a firm believer in getting outside of Washington and listening to producers who are affected by Federal farm policy on a daily basis. He, like I, has a tremendous number of poultry producers in his district in Virginia.

We appreciate Jo Ann Emerson joining us as well. She serves an important role on the House Appropriations Agriculture Subcommittee. Authorizers, the others of us are, and appropriators, which Jo Ann is.

John Boozman, the cruncher we call him. If any of you all need to know how to play cricket, he can consult with you on that. I do not know why I remembered that, but his life is the Air Force and serving his country, but he is a great guy. Talk to him about ducks down there in Arkansas.

As I said earlier, the best ideas do not come from Washington. You all are the people with the ideas and solutions, been there, done that, and that is why we are here, providing for you all in helping us help you in rural communities do the wonderful job that you do. The best way for us to do our job is to get the direct feedback in the breakfast, in the hearing. Those of you who use the program and the farm bill and tell us what is working and what we may need to consider changing.

The hearing is structured like all of our subcommittee hearings in Washington. Each witness will have 5 minutes in which to present their oral testimony. You can either present the testimony that you submitted, highlight it, speak about other things, whatever works best for you. Then we will ask questions.

I always want everybody to know that anyone who wishes to submit a written statement as a part of today's hearing may do so up to 30 calendar days after the hearing, which will be about September 27. Please see my Agriculture staff member, Pam Miller, if you will raise your hand, or Mike or Don or anybody, we will get that in. Additionally, all testimony and comments made today will be part of the official record.

Thanks for our host today, the Ozark Empire Fairground where Pam exhibited a few years ago when she was even younger. Pat Lloyd has done a tremendous job in working with us and making sure everything goes smoothly for the hearing and we appreciate

all of his efforts, particularly the breakfast. I look forward to today's testimony.

And now I recognize the chairman of the House Agriculture Committee, my friend, Chairman Bob Goodlatte.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. Thank you, Mr. Chairman. I will be very brief. We want to hear from these witnesses, that is why we are here. The committee has had the opportunity to travel to many States around the country to hear testimony from farmers and ranchers as to what they think the next farm bill should look like and I am delighted to be back in Missouri. In fact, delighted to be back in Congressman Blunt's district.

Roy Blunt is a leader in the Congress on all issues, but he is, as I have said on numerous occasions, for me and for the Agriculture Committee the go-to guy in the leadership because he pays a lot of attention to agricultural issues and is very helpful. When we pass legislation out of the committee and we need to have it considered by the full Congress, having the majority whip who is not only helpful, but well aware of agricultural issues and a real advocate for you, is a tremendous advantage. So I hope all of you here in Missouri take advantage of that.

I am also delighted to be here with Congresswoman Jo Ann Emerson, I've been to her district as well. And so I am getting a real appreciation for the great diversity of agriculture here.

Missouri is a very, very important agricultural producing State and so it is important that we get this testimony today. As is the State of Arkansas, just south of here. I have had the opportunity to visit Arkansas in my tenure as chairman as well, and it is well represented by John Boozman who I guess represents the southern side of the Ozarks.

Congressman Robin Hayes is the chairman of our Livestock and Horticulture Subcommittee. We intend to hear from folks today on all aspects of the new farm bill, but he does an outstanding job looking after the interests of farmers and ranchers on livestock issues and what we call horticulture issues, a lot of people call it specialty crops. On the committee we do a strange thing, specialty crops are sugar, peanuts and tobacco. But he has virtually everything else. So the opportunity to have him here to hear your thoughts on various aspects of agriculture in this State is a great opportunity and I am welcoming that opportunity to be here myself. Thank you.

Mr. HAYES. Before we proceed, I just realized I did not call the meeting to order, so I can go ahead with one editorial announcement.

If you look at my jacket, that was given to me by the Congressional Sportsman Caucus, the largest group of folks in Congress who get together around common interests in the outdoors. Has an awful lot to do with hunting and fishing but everything outdoors. You all are so important to the Conservation Program, that is one way you can emphasize by having your Livestock chairman back to

check on your deer herd, see if your ducks are eating up too much rice. [Laughter.]

I now call the meeting to order so we can go on the record. And I would like to invite our first group of panelists to the table, and they are already here and they are made up of Mr. Howard Hardecke, a cattle producer from Bolivar, Missouri; Gene Pharr, a poultry and cattle producer from Lincoln, Arkansas; Mr. Randy Mooney, a dairy producer from Rogersville, Missouri and Jerry Hunton, a poultry and cattle producer from Fayetteville, Arkansas. And who was it said we need to pray for the Razorbacks when they play USC? Make sure and do that.

Mr. Hardecke, you can please begin when you are ready.

**STATEMENT OF HOWARD HARDECKE, CATTLE PRODUCER,
BOLIVAR, MO**

Mr. HARDECKE. Thank you, Mr. Chairman, members of the committee, honored guests, ladies and gentlemen. I am Howard Hardecke, a livestock producer from Bolivar, Missouri. I come before this committee today as a cow-calf producer who has been in the cattle business for 33 years and I have seen a lot of trends and changes in the agriculture industry.

But recently, as I saw the interest rate on my farm operating loan go up 2 percent, as I have seen fuel for my equipment go up to over \$3 a gallon and as I am suffering through the worst drought of my memory, I realize we may be facing the most perilous times ever in agriculture. For these reasons, this 2007 farm bill takes on immense importance.

As you well know, ranchers are an independent lot who want the opportunity to run their operations as they see fit with minimal intrusion from the Government. As the Nation's largest segment of agriculture, the cattle industry is focused on continuing to work towards agriculture policy which minimizes direct Federal involvement, achieves a reduction in Federal spending, preserves the rights 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. I know I cannot address all sections of the bill I would like to in the time allotted me, but you do have my written testimony and I would simply like to highlight these salient points:

Number 1, on conservation and environment, I simply say to please try to educate your colleagues about the issues of EPA's Superfund law that attempts to label stock manure as toxic waste; and also try to educate about EPA's talk of regulating agricultural dust and other natural occurring substances.

Concerning trade, the beef industry realizes that 96 percent of our customers are outside the borders of the U.S. Please take a strong and vigilant oversight of any trade pact to which American agriculture is a party. I would like to see aggressive negotiating positions to open markets and remove unfair trade barriers to our products.

Animal ID. This is a very, very controversial subject in our industry, but of supreme importance. Please remain firm on providing a national ID system that is privately held and that maintains absolute confidentiality of the producers.

On business issues, one of the biggest concerns of mine is private property rights. With the Supreme Court ruling in *Kelo v. the City of New London*, ranchers nationwide became very uneasy about what could happen to their land. One of our premiere rights in this country is the one to own property. And I encourage and applaud this committee's efforts to protect this right.

Also concerning business, I was very disappointed to see the failure of repeal of the death tax. Cattlemen pay their fair share of taxes and resent the fact that we are being penalized for wanting to pass our operations on to future generations. Please make this concern a priority.

On marketing issues, I support the critical role of government in assuring a competitive market through strong oversight. This includes the role of taking the necessary enforcement actions when situations involve illegal activities such as collusion, antitrust and price fixing.

A ban on packer ownership or forward contracting has been a part of farm bill debate for years. I am strongly opposed to those efforts because by legislating those conditions, Congress is trying to tell cattle producers how and when to market their cattle.

Another concern is mandatory country of origin labeling or COOL. I realize the benefits of labeling our products, because we produce the best beef in the world. 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. A mandatory tool has turned into yet another commodity type program that treats all beef the same and does not allow for forms of niche marketing. 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.

And finally, as many have said already here this morning, I would like to address the issue of disaster assistance. Even though most of us received a great rain this past weekend, we are and have been in the throes of a continuing drought. This lack of moisture, combined with intense heat this summer, is slowly devastating the beef industry in Missouri and several other States.

As I said earlier, even though cattle people are independent and proud, I believe that in order for the beef industry to remain viable in the international marketplace and to provide meat for our own economy, that appropriate assistance should be considered for inclusion in the 2007 farm bill.

If we can provide billions of dollars of relief for hurricane and tornado victims, can we not provide some relief for drought-ravaged cattlemen? After all, by providing some assistance to cattle people, there promises to be a positive return to the economy.

So in conclusion, as a cattleman, I just want the opportunity to run my ranch the best way I can in order to provide a high quality product to the American consumer. I am witnessing today in an effort to work together with you 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 agricultural pol-

icy that helps build and improve the business climate for cattlemen and I appreciate the opportunity to address you this morning.

[The prepared statement of Mr. Hardecke appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, sir.

The next panelist is Mr. Gene Pharr, a poultry and cattle producer from Lincoln, Arkansas. Mr. Pharr.

**STATEMENT OF GENE PHARR, POULTRY AND CATTLE
PRODUCER, LINCOLN, AR**

Mr. PHARR. Mr. Chairman and members of the committee, Congressman Boozman, I would like to thank you for the opportunity to testify today. My name is Gene Pharr, I am a poultry and cattle farmer from Lincoln, Arkansas. I own and operate five broiler houses. Poultry is the primary source of income on our farm.

I have been an active participant in the EQIP as I have used the cost share program to build a stacking shed and use alum to tie up phosphorus in the broiler litter. Neither of these two practices contribute much to my bottom line, but they allow me to help protect the water quality that leaves my farm.

Poultry farmers have been blamed for polluting the water in northwest Arkansas, but I am old enough to remember how muddy the Illinois River used to be after a rain when most of the land was tilled every year. The availability of poultry litter has turned the eroding hillsides into beautiful permanent pastures which allow little soil erosion when it rains. These pastures support more cattle to improve the profitability of the farms.

Arkansas produces over 1.2 billion broilers each year, ranks second in the Nation in broiler production. The State ranks third in turkeys and fifth in eggs. The poultry industry accounts for nearly 50 percent of Arkansas agriculture, based on the value of production. But many poultry farmers are in trouble due to rapidly increasing energy prices.

Our outdated U.S. energy policy has led to over-dependence on foreign sources to meet our country's energy needs and have resulted in severe energy price volatility. High energy costs remain a major uncertainty as farmers try to cope with the high cost of production. In my case, propane is the major energy cost and the cost has nearly tripled in 7 years that I have had my houses. Electricity has recently risen drastically because of transportation problems with coal, forcing the use of higher priced electricity from natural gas. The rise in energy cost has put most poultry producers in a bind where they can barely survive.

In addition to the financial hardship of rapidly rising prices, we face an uncertain future as the attorney general of Oklahoma has attacked the poultry companies claiming poultry litter is hazardous material. We have EPA currently trying to determine if the ammonia that comes from our houses exceeds the threshold that was designed for releases from industry, not from bacterial action in animal manure.

The 2002 farm bill was carefully crafted to provide a safety net to farmers and ranchers while supporting the rural economy. Our conservation provisions resulted in the greenest farm bill ever. The farm bill strengthened our economy by encouraging more than \$62

billion in agricultural exports in 2005. Current farm programs enable the U.S. to export production from approximately 1 out of every 4 acres. More than 17 percent of the total American workforce produces and processes and sells the Nation's food and fiber. By any measure, agriculture is the backbone of our Nation's economy and is an invaluable component to our national security.

The authors of the 2002 farm bill should be commended for the increase in funding working land programs such as EQIP and CSP. I believe it is important that we maintain a balance between the working land conservation programs and land retirement programs.

I know the budget situation is drastically different going into the 2007 farm bill debate in comparison to the 2002 farm bill. I feel the conservation provisions of the farm bill are important to help producers afford to be good environmental stewards.

I would like to address the Environmental Quality Incentives Program, or EQIP, within title II of the 2002 farm bill. EQIP provides poultry producers critical financial support on conservation practices such as stacking sheds, amendments to treat animal manures, fences and stream crossings and others. EQIP funds should not be used for wildlife habitat over conservation needs, since there are other programs to fund wildlife habitat.

I would like to see the program continued within the 2007 farm bill, though with price adjustments included so that escalating prices of materials are accounted for. For example, my EQIP contract calls for 3 years of alum at \$250 per ton. This amount initially covered the cost of the alum but now the cost has risen to almost \$500 per ton. The new contracts cover the cost, but existing contracts have not been adjusted.

The Conservation Security Program, or CSP, is a working land conservation program that rewards farmers and ranchers for being good stewards of the land. It provides financial and technical assistance to promote the conservation and improvement of soil, water, air, energy, plant and animal life.

CSP works great in conjunction with EQIP as it rewards a farmer and rancher for being a good conservationist and helps offset expenses for ongoing projects. One problem CSP has is that it is not available to everyone. I feel the program should be open to all farmers and ranchers across the United States.

The CRP is a land retirement and conservation program which addresses soil, water and related natural concerns. The program is funded through the Commodity Credit Corporation, CCC. It makes rental payments based on agricultural rental value of the land and it provides cost-share assistance for up to 50 percent of the participant's costs in establishing approved conservation practices. Participants enroll in CRP contracts for 10 to 15 years.

I would ask that considerations be given to support the use of animal manure to replace chemical fertilizers. Poultry litter is excess in some watersheds like the Illinois where I live, and is being moved out to areas where crops are grown and phosphorus is needed. The high cost of fuel limits how far it can be moved. Currently the value of broiler litter is about \$40 to \$50 per ton, just for the N, P and K, not counting the organic matter and other beneficial things in it. Could something possibly be done such as eliminating

Federal fuel taxes on fuel being used move excess litter out of an impaired watershed?

I support full research and development for the increased production of all forms of renewable fuels from agricultural resources for energy use.

Mr. Chairman, the 2002 farm bill not only established a safety net for our producers, but it also provides leverage for international trade negotiations and needed conservation program support. I support the concepts of the 2002 farm bill for inclusion in the 2007 legislation.

Thank you very much.

[The prepared statement of Mr. Pharr appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Mr. Pharr.

Our next witness is Mr. Randy Mooney, a dairy producer from Rogersville, Missouri.

**STATEMENT OF RANDY MOONEY, DAIRY PRODUCER,
ROGERSVILLE, MO**

Mr. MOONEY. Thank you, Congressman. For the record, I am Randy Mooney. I, along with my wife Jan and a partner Kent Miller, operate a dairy farm in southwest Missouri around Rogersville.

My leadership positions in the dairy industry consist of Vice chairman of DFA and chairman of the Southeast Area Council of DFA. So thank you for coming to southwest Missouri.

The dairy industry in this part of the country is going through something that I certainly have never experienced in my 25-plus years of dairying. That is low milk prices and 20 months of dry weather. Couple that with high energy costs which affects our fuel and our fertilizer, and we really have a disaster in the dairy industry in southwest Missouri and a lot of areas in the southeast. I know you are limited to what you can do, but some type of drought assistance or emergency feed program is very much needed and certainly would be appreciated during these times.

When we look to the future for what we need in the dairy industry, we must be careful to not get rid of things that have served us well for many years. One of these being the Federal Milk Marketing Order Program. Marketing orders are important to us as they underpin all the marketing and pricing efforts all over the country. Orders assure dairy farmers a minimum price, assure that all competing milk buyers pay the same minimum price and assure that all dairy farmers share equitably in the returns of the marketplace and assure that terms of trade are uniform throughout order marketing areas. These objectives remain very important in the dairy marketplace today as they did in Federal order systems when they were put in place.

Southeastern dairy farmers are in an expanding market. Population in the Southeast is growing each year. However, the Southeast is a difficult and high-cost area to produce milk. With high cost comes a need for a high return just to break even, much less make a profit. From the numbers of farms leaving the dairy industry in the Southeast, we can safely assume that many dairy farm businesses simply are not making a profit.

Milk markets are priced based on national supply/demand situations, which are largely influenced by areas of the country that have a surplus of milk, primarily California and the Southwest. The national situation does not necessarily reflect the needs of the class 1 market, especially so in the Southeast. Therefore, we feel the need for a separate pricing system that allows all class 1 milk to be priced at a level assuring local consumers of fresh local product. Because of this situation, we are suggesting a policy under the order which would establish a floor for the class 1 mover at not lower than \$13 per hundredweight. This solution would be market-based and cause no additional Government cost and help assure a local supply of fresh drinking milk. We are asking that this be in effect for all orders, and not just specific to the Southeast.

As I said earlier, we support the Federal Milk Marketing Order system; however, we are becoming very frustrated in our attempts to get the order system to recognize increasing cost of transporting milk to the market. The very real impact that fuel costs play in the transportation equation and the manner in which these costs are not equitably shared among all producers in the Federal order system and passed to the consumer is extremely unfair.

Specifically, we ask that the existing transportation credit system be adequately funded. This system has been in place since the late 1990's and helps to share the cost of bringing in milk from outside of the order into the Southeast market. I know you are aware of what diesel costs have done. In 1997, this program offset 95 percent or more of the transportation cost and today, it offsets 40 percent, leaving dairy producers to pick up the rest. Our proposal updated the 1997 program to levels that reflect current costs and included a fuel cost adjuster that recognizes changes in diesel prices in a responsive manner.

We also asked USDA to institute an additional transportation credit system that would help move milk inside the Southeast to customers in the Southeast. This new program is very much like the existing program and would be run by the order system to ensure fairness and accuracy for all farmers in the order.

Milk from this area regularly goes into other parts of the Southeast every day supplying markets. As Congressman Goodlatte knows, a lot of his dairymen in the Shenandoah Valley see this as a big problem. All the dairymen in the Southeast share in a huge common problem in marketing trying to serve the Southeast market. But we seem unable to get USDA staff to realize the dilemma we face. If USDA fails on this issue, we may need your help through the legislative process, but we really do not have time for that. We need USDA to give us a positive ruling on this now.

Another program that is beneficial to producers when needed the most is the MILC Program. It is a program that we have now and this program should be extended for the life of the current farm bill; however, the caps should be removed so all producers can participate equally on a per hundredweight basis.

And as has been said by the other people on the panel, we support the continuation of EQIP. This has been an extremely important program for dairymen in helping us protect the environment.

Just to recap, we need USDA to make a decision desperately on the transportation credits and it needs to be in our favor.

Class 1 milk needs to be floored at \$13 a hundredweight so we can assure consumers that they have a local supply of fresh milk.

We need Congress to appropriate some money for drought relief and a continuation of MILC as long as we remove the caps.

So in closing, Chairman Hayes, we appreciate you being here and we very much thank you for bringing your panel to southwest Missouri. Thank you.

[The prepared statement of Mr. Mooney appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Mr. Mooney.

And our next panelist is Mr. Jerry Hunton, poultry and cattle producer from Fayetteville, Arkansas.

**STATEMENT OF JERRY HUNTON, POULTRY AND CATTLE
PRODUCER, FAYETTEVILLE, AR**

Mr. HUNTON. Thank you, Mr. Chairman, ladies and gentlemen. I would like to thank this committee for their work and taking time to listen to issues we see as extremely important.

As county judge of Washington County, I would like to bring to your attention that poultry is accountable for approximately 12 percent of our economy. A negative impact on poultry would affect our entire northwest Arkansas economy and everyone living in our area.

I am also a poultry farmer. As we continue to attempt to farm in an environment not friendly to agriculture, we are finding it increasingly difficult to earn a living and pay our mortgages and operating expenses. There was a time years ago when the average citizen understood a great deal about agriculture. This is no longer the case.

In northwest Arkansas, we are seeing a huge influx of people coming to the area seeking work and investment opportunities. Washington and Benton Counties, once leading agricultural counties within the State, are quickly becoming municipal counties. As you would expect, this population increase brings with it diversity in race, income, skills, education and maybe most importantly, views of the environment. Unfortunately, these different views of the environment can lead to demands on farmers that are not based on science, time lines that cannot be met and possible benchmarks that are creating financial hardships leading many farmers to financial ruin. The Natural Resources Conservation Service, Conservation District and the Cooperative Extension Service are attempting to educate, permit and, in short, keep a lid on this clash of ideologies. These and other organizations on the front line must be adequately funded with the goal of educating 99 percent of Americans who seem to no longer understand or care where their food comes from.

I am farming the same ground my father and mother bought with money earned while building Liberty ships in California during World War II. They started dairy farming and raising poultry in 1946. We stopped the dairy in 1998. We now raise purebred Angus cattle and have 12 poultry houses. We raise poultry under contract with Simmons Foods located in Siloam Springs, Arkansas, which is in Benton County. We provide the houses, the labor, fuel, water, electricity and are responsible for the poultry litter.

Once this litter was seen by most as a valuable organic fertilizer that held no equal in producing pasture and hay. But, with the increasing population in our region, which includes Oklahoma and Missouri, litter is now seen as a liability instead of an asset. This has led to lawsuits, the most notable being the one pressed by the attorney general of Oklahoma. Although he insists this lawsuit is aimed at the integrator, we all know from experience that whatever the outcome, the farmer will suffer. These farmers have never had a place at any table discussing those issues that determine whether or not they are allowed to continue farming.

Equally important is the fact that ever-increasing interest rates, gas prices, water, electricity and bedding costs are driving these producers toward financial ruin. All poultry producers that I am aware of, no matter who they grow for, are under basically the same contract. These contracts are offered by the companies and our choice is to accept it or stop raising poultry. Of course, the latter means most, if not all, choosing this path would face bankruptcy. There must be a way to help us pass these huge and ever-increasing costs along the food chain. That can only be accomplished with the integrators accepting the fact that we need help and increasing allowances for all these categories of expenses. We, the farmer, have no means to do this without the integrator beginning the process.

At this point, I want to clearly say that I understand the need for the integrators to stay financially strong. I do sometimes feel that better communication between the grower and the integrator could solve many issues. Unfortunately, many integrators are suspicious and afraid to allow this communication to occur. This communication should be encouraged for the benefit of all.

We do need direct help from all levels of government in moving poultry litter from farms to those lands suitable for litter application. This help includes offsetting the loss of income to the farmer who historically was able to sell litter to his neighbor and may now have to pay to have it hauled away. Due to the bulk, movement of litter is expensive. Help with funding packaging techniques, such as compression bales and allowing exceptions on State and Federal highway weight limits are just two considerations. This would allow trailers with additional axles to haul more bales of litter, therefore, reducing transportation costs and encouraging more entities to be end users.

The following are a few ideas on how I think Congress might help:

1. Structure tax credits to integrators who provide adequate fuel allowances for their growers.
2. Congress could, through a 1-cent per pound surcharge on all poultry products, establish a fund to aid poultry farmers with moving litter and other environmental issues.
3. A buy-down of interest rates. Farmers who historically operate on very small margins cannot find enough revenue to overcome the sudden increases we have seen in interest rates.
4. Income tax averaging should be considered—for those who have income.

5. Interest rates on beginning farmer loans should be low and the definition of a beginning farmer relaxed to include those who have been farming for up to 5 years.

6. Tax exemptions for fuel and equipment for those who move litter and bedding.

7. Encourage water district that have utilized Federal loans and grants to structure water rates more favorable to agricultural users.

There is so much to be said and so little time. Our farmers are the backbone of the country and many are in danger of losing their seat on this train we call the American dream.

[The prepared statement of Mr. Hunton appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Mr. Hunton.

Before we proceed with questions, let me again thank Congressman Roy Blunt, our House majority whip, part of our leadership and a great friend, for allowing us to be here. He serves you and your interests extremely well.

Roy, it occurs to me that one of the things that would really help us and our producers are the fine folks that we have on our staff. So before we go, let us introduce those staff members. We will have a short break between panels and at that time—and any time—talk to those folks who work with us and bring your ideas to the table. And of course, we are available as well during and after the hearing.

So Roy, I recognize you for any comments you might make and recognize your staff and then other Members here will do the same.

Mr. BLUNT. Thank you, Mr. Chairman, and thank you for being here. It is great to have you here and have your interest and your leadership in this committee. I am particularly pleased to have Chairman Goodlatte visit us again. This is his second trip to southwest Missouri in the 4 years he has been chairman. And I think, Mr. Chairman, you said your fifth trip to Missouri. So you are certainly spending time in our State.

Chairman Goodlatte, Congressman Boozman and I probably have the three districts that are most similar in agriculture in the Congress, and it has been great for us to know that we have got a great friend as the chairman who understands agriculture in southwest Missouri and the subcommittee chairman, all of whom take special interest in this, particularly Chairman Hayes, who was willing to come and have this hearing today as we talk about the future of agriculture and the next farm bill.

Congresswoman Emerson and I represent all of the counties on the southern part of our State and we work so well together. In fact, Jo Ann today represents several thousand people that I represented the first 6 years we were in the Congress together, and so we sort of share those constituents in our own way. But more importantly, we share the interest in our State.

Between Congressman Boozman's district and six of the Members have people from Missouri have people represented in testimony today, one way or another, and those six Members probably include virtually 100 percent of the really diverse agriculture in our State, Mr. Chairman, and so thanks for having this hearing,

thanks for being here yourself and of course we are pleased our witnesses are here.

The chairman talked about the importance of either following up on questions or giving additional information to our staff and certainly staff is critical. We just completed a 2-day agriculture tour in the district and saw again some of the diversity of southwest Missouri. Mike Ferrence, who works with me in Washington on our agricultural resources and energy issues, all of which, as even this testimony today indicates, come together very well now and our challenges and opportunities for the future. Don Lucietta, this is his 10th year working as our agriculture person in the district and in Washington when we need him there, and so we are glad to have both of them and they would be the proper people to follow up with at the hearing today if you have any additional things that you want to talk about.

And again, Mr. Chairman, thank you for the hearing and thank you for your time and your leadership.

Mr. HAYES. You are more than welcome.

Jo Ann, would you like some opening comments before you and Roy ask the first questions?

Mrs. EMERSON. Well, thank you very much for having this and coming today, Chairman Hayes and Chairman Goodlatte. It is very exciting that you place such an importance on the role of our Missouri producers because, as Roy said, we are so diverse.

I want to stop there and go ahead so we can ask our questions. I really want to hear from you all as opposed to us.

Mr. HAYES. Have you got some staff here?

Mrs. EMERSON. Kristi Nitsch is here with me today, but I think that she ran to the FedEx store. I signed mail on my way over here and we are trying to get it back into the mail. Kristi Nitsch runs our Cape Girardeau office.

Mr. HAYES. Jo Ann, would you like to ask the first questions?

Mrs. EMERSON. Thank you so much, Mr. Chairman.

I want to direct my first question to Mr. Hardecke. As you stated in your testimony, Mr. Hardecke, the National Animal Identification Program is very controversial in this region, as it is in my district as well. And I would say that I consider southwest to be my region for this purpose.

On the one hand, I think that this controversy stems from the fact that there is so much uncertainty about what USDA's intentions are, they say on the one hand well, we want a voluntary program, but does that mean that they are really going to move to a mandatory program, as they say, in 2009 if we do not have enough producers sign up for the program.

So I want to ask you first of all whether you think that if a mandatory program was implemented, whether that would benefit you, No. 1, and whether you believe that it is necessary to even have a mandatory program to achieve the goals of safer food, et cetera.

And then after you, I will ask the others.

Mr. HARDECKE. As I stated in my testimony, I do feel like that an animal ID program is necessary, because of wanting to have the 48-hour trace-back. We are in favor of a voluntary program. It is kind of like Secretary of Agriculture Johanns stated when we were—I was at one meeting where he was, we can start out with

it as being voluntary, but if enough people, as you just stated, do not get on board, it basically will have to become mandatory in order to become effective.

But I guess I pride myself a little bit in representing the beef industry and that is the only industry that I am speaking for this morning, we truly want our beef to be safe. And if there is benefit from having that program, then I feel strongly the majority of our producers will get on board. So even though it would start out as a voluntary, if it became mandatory, I believe that the majority of our producers would get on board.

I do not think any program would ever be 100 percent sign up. There are some people, as you well know, scattered across the countryside that are not going to ID anything they have. And I think we have got to be aware that that is why it is so controversial.

Mrs. EMERSON. Well, you do mention in your testimony here that if there was a privately database as opposed to having the USDA have the information that would otherwise be obtained, the premises ID and the like, is that—

Mr. HARDECKE. Yes. The confidentiality is of prime importance. And that is why I stated in my oral testimony that I believe confidentiality is so vital. And I believe that a privately held database would go much further in getting producers involved in it than would a Government held database.

Mrs. EMERSON. Do any of you other witnesses want to make any comments about a NAIS program?

Mr. PHARR. Well, I am from an area, of course, certainly poultry we can pretty well trace back anything that comes up now. I can certainly see the benefits for cattle, but I really question horses and some of the other animals that people speculate are being included in this, as really being necessary.

I think it is important for any food supply we be able to trace it back, but it is really going to put a burden on small producers who maybe do not work with cattle and things like that.

Mrs. EMERSON. Appreciate that. Mr. Mooney.

Mr. MOONEY. Yes. As far as the dairy industry goes, we believe there needs to be a universal program, there needs to be one program for livestock and dairy animals and the confidentiality factor is what is important. It needs to be a confidential program.

Mrs. EMERSON. And do you believe that it should be mandatory?

Mr. MOONEY. It probably should. You could start out being voluntary, but if you are going to have real teeth in the thing, it is probably going to have to be mandatory.

Mrs. EMERSON. Mr. Hunton.

Mr. HUNTON. Well, probably the smallest producers, those people with maybe 150 head of cattle, they are going to be affected pretty severely because of the size of the operation. I think those are issues that should be taken into consideration.

Mrs. EMERSON. I agree with that too because if the system does not work for your small producer, then it is problematic.

Mr. Chairman, how many questions are we allowed? Is it just one per round and then you will come back to us, or how do you want to do this?

Mr. HAYES. We can do it either way. Probably easier to do 5 minutes of questions.

Mrs. EMERSON. All right, then I will stop here and I have another question. Thank you, Mr. Chairman.

Mr. HAYES. Just a quick comment on the whole livestock ID. Chairman Goodlatte and I are vitally interested in that and my take on it is a voluntary program run and operated and maintained by the producers is far more efficient and far more effective than one done by the Government. Now the Government, they say they are going to do it. If it is to work as it should, it has got to add value to the farm. It has got to produce more for you than it costs you. That is why we are pushing it, we are making progress. USDA came back—Secretary Johanns has been very, very supportive. Occasionally there are some bureaucrats that are behind him that are a little harder to pull along, but we said it has got to be simple. All the Government needs to do is give us the information that keeps our export markets open—where did the animal come from and what were their movements, all about not having our products blocked overseas. USDA came back with 70 pages that nobody could understand—surprise, surprise. I asked Pam, I said Pam, send them half a page of what we want and ask them to start over. That is where we are and we are getting closer all the time.

And again, this private sector does more for less. The Government does less for more. So that is kind of where we are. Be encouraged.

Mr. Blunt.

Mr. BLUNT. Thank you, Mr. Chairman.

And you know, on this issue, this is an issue that really started in many ways with the country of origin labeling discussion. Chairman Goodlatte was the leader in postponing, so far a pretty significant postponement—of moving in that direction, and then move to the voluntary, and Mr. Pharr's comments about the importance of this being—and yours too, Mr. Chairman—of this being a program that makes sense. You do not need to keep a record of every time you took your horse on a trail ride. With the food security issues that we could face in the world we live in, it is one of those things that I think we have to understand is probably different in the world today beyond the normal problems that we would have had, than the problem we would have faced say before 9/11/2001 would be. It may be a time when we really need to know where the chain of food has come from and need to know that, as Mr. Hardecke suggested, in a very short period of time. And your comments, Mr. Chairman, I think reflect the views of, I am guessing, all of us, that the private sector, the voluntary program with a private sector base is going to be much more effectively run and much more acceptable.

Mr. Mooney, on the issue of the transportation cost system, give me a little bit of a sense of what was the case before the late 1990's and what was the goal of the system we have today when it was put in place, and how have we fallen short of that goal. Or have circumstances just been different than we thought they would be?

Mr. MOONEY. Well, obviously with fuel cost, circumstances have changed. Prior to the 1990's, there was not any transportation credit in the market. In 1997, I think, we got a transportation cred-

it that helped pay for milk coming into the Southeast from other orders. So it would come in from order 106 or order 30 into orders 5 and 7, is what you guys represent. And what we are asking for in that specific piece is to increase the funding to help us pay more for this transportation credit. As I said in my testimony, currently or prior to the last 2 or 3 years, that paid for 95 percent. Now it is paying for 40 percent because the fuel cost has went up so much. So we need an increase in that piece.

The other thing we are asking for is a fuel cost adjuster that would go along with that, so we would not have these delays, if fuel costs go up. We could either go up or down with fuel costs, so that way that exact cost would be passed to the consumer instead of having to wait for another hearing process.

The third piece that we are asking for is the intra-market piece and that is the piece that we do not have in the Southeast now. They have it in order 30 up around Chicago, but what that would do, it would recognize where milk is produced and if you picture the Southeast Federal Order in your mind, most of the milk is produced in east Texas, southwest Missouri, Kentucky, Tennessee, the Shenandoah Valley and probably a lot in North Carolina. And all that milk has to funnel into Atlanta and into the center. And that cost right now is being put on dairy producers. And what we are asking for is this intra-piece so the market would recognize this cost and the cost could be passed on through the Federal Order system to the consumer and all dairy producers would pay the same.

Mr. BLUNT. And if you passed that cost on, what is your estimate of what that would mean to a consumer?

Mr. MOONEY. Oh, probably a penny or two a gallon, I would say. I mean it is not much. What we are seeing now is I personally pay and producers in the Southeast pay about a 60 cent haul plus an 18 cent fuel surcharge. But out of the pool then, for milk that goes beyond that, is another 50 to 60 cents. So if you put 50 to 60 a hundredweight on the rest of the milk, that would be what the cost would be.

Mr. BLUNT. Mr. Hunton and Mr. Pharr, starting with Mr. Hunton, just any more thoughts on the challenge of energy and the challenge of litter. We have had some good discussions in our district in the last week trying to find ways where this goes together, where we try to get the litter to better cropland and maybe look for ways we can use some of that crop, maybe corn or whatever, as a way to provide some energy on the farm. But those are obviously beginning discussions trying to find some win-wins are really challenging.

And on CERCLA, Ralph Hall from Texas and I have the legislation that would take care of the EPA's CERCLA problem and we are hopeful to have a hearing on that in the next few weeks in Washington.

But energy and litter, any more thoughts on that beyond your testimony?

Mr. HUNTON. Well, there has been a lot of conversation about research on finding ways to heat these poultry houses, alternatively to natural gas and propane. The problem is even if you were to come up with say a piece of machinery that could burn litter to pro-

vide heat for these chicken houses, you are going to have this additional investment in this machinery. I do not know too many poultry farmers right now that can stand much more additional investment.

These chicken houses cost anywhere from \$150,000 to \$200,000 apiece. I do not know how many times I have refinanced my farm. It is not a case where you can just simply go in, amortize for 15 years, pay these things off and then bulldoze them and start over again.

My first chicken house I built when I was 20 years old in 1971 and I raised in it until a couple of years ago and I am not sure I ever paid that thing off and it cost \$15,000—because of continual change in waterers and feeders and this and that. So this energy issue is just one more opportunity now. It is not the companies' fault, there are some representatives back here behind me, I want to make sure they understand it is not the companies' fault but it is an issue that the companies are the logical place to start trying to find the answer because we as growers have no voice in that. Farmers in this country now, what are we, down to less than 1 percent of the population? Maybe 0.02 or something, I do not know what it is. We do not have a voice any more. This is the voice we have here, and we are counting on you all to really listen to what we have to say and help us.

But my fuel bill is up couple hundred percent, that is fuel. Electricity is up. I wrote a check the other day for 4 weeks on electric for 8 chicken houses that was a little over \$4,000 just for the electric. I had one water bill that was \$1,500. Gas bills runs \$20,000 for a 4-week section of chickens that takes 7 weeks to raise them and get your paycheck, so you are borrowing money to pay \$20,000 gas bills while you are waiting for your chicken check to come in 4 weeks in the future. The operating cash is not there.

I am fortunate in a way, my mortgage interest rate is 6.15 today. But when I refinance that in about a year and a half, what am I looking at, 9 percent?

And I live on a farm that we started, my dad started and mom started in the mid-1940's. Actually, dad bought it for \$3.00 an acre I think in 1939, the land itself. And then we added to that.

We are struggling, and I do not know what the answer is. And I know one thing, borrowing more and more and more money to come up with more and more and more pieces of equipment to make this work is not the answer. We are going to have to have some new inventions thought up to make this work.

Mr. BLUNT. I am out of time. Mr. Pharr, do you have anything you want to quickly add on that topic?

Mr. PHARR. Well, I believe there has been a lot of talk about burning chicken litter, but I think the best use for chicken litter is as fertilizer for crops and those crops can certainly be used to produce energy. That is my personal opinion.

I think as far as the chicken houses, I have played with burning coal, I have got a stove that can burn wood pellets or corn. That is good, but it takes a lot of effort, a lot of time to keep up with these sorts of things. We really do not have it.

So my opinion is we need to make houses tighter, insulate, and save energy that way.

Mr. BLUNT. Thank you. Thank you, Mr. Chairman.

Mr. HAYES. Thank you. Congressman Boozman, if you would ask your questions, introduce your staff folks.

Mr. BOOZMAN. Yes, thank you, Congressman Hayes.

I want to thank Congressman Blunt for holding the hearing in the sense that it really is unique to have the heavy hitters here that we have got here. The district that he represents here and my district in northwest Arkansas, we are all the same family, what affects you affects us, and because of that, there has been a long history of the two Congressmen working together. And certainly Congressman Blunt has been very, very helpful to us. So we do appreciate the hearing.

I have a couple of staffers here, Philip Knorr from Washington, who does our agriculture issues, and then Kathryn Gough.

It is interesting, we had our agriculture hearing 2 or 3 weeks ago and heard the same things—interest is up, fuel is up, many areas are in drought, especially in northwest Arkansas; and commodity prices, in many cases, are down. So that is not a good situation. We have been having those now for the last several years and I think probably have never heard things quite in the tone that we heard them 2 or 3 weeks ago.

On the animal ID, I think one of the big problems I am seeing in Arkansas is that there is kind of a disconnect between the leadership sometimes and the actual producers. The people I talk to out in the field are very much opposed to the animal ID. I do not know what the percentage is that have signed up and if they signed up tomorrow, it would be very much less than it is today. Really the things that they are concerned about, they are concerned about confidentiality, that is certainly a concern. But also the expenses, who is going to bear that, what is going to happen there. And then the other thing is liability. What is going to happen if you ID a cow and 2½ years later something is found, are they going to come back to you as the producer that got rid of it like a year earlier.

So those are the main things, but like I say, there is a real disconnect. The producers themselves, because of those problems are struggling.

The other thing is that again, where do you do that? Many of our producers have 20 or 30 cows, they do not have any working facilities. Sale barns do not want to do it because the technology is not there to actually get it done without stalling things dramatically, and then when you stall things down, you have more shrink, the whole bit.

Mr. BOOZMAN. Can any of you comment a little bit about some of those things?

Mr. HARDECKE. Well, I will be glad to comment and I agree totally with you, there seems to be a disconnect between a lot of the producers out there and our leadership.

I guess what we believe or I believe as far as the beef industry is concerned is that if we can ever show those individual producers that there is some economic benefits to the animal ID program, this is where it has got to come from, because like we have said all up and down the line today, we are in this to make a living, it is a matter of economics. We saw what happened to our beef prices when the BSE crisis occurred a few years ago. And if we can

prevent these types of crises, if we can show that by having our animals ID'd, that we will not suffer these economic consequences, but it is going to be a long or a complicated convincing process. Because I know exactly—you are right, I would say the majority of the producers are very much opposed to it and it is going to take some real convincing to get them to see.

As far as the small producers, yes, I agree with that too. In Missouri, our average herd size is about 30 to 35 head of cattle. But there are some things that you have just got to do. And this may be one of those. In my lifetime, I have had to do a lot of things I did not really like, just to survive. And maybe this might be one of those things, even for the small producers.

Mr. BOOZMAN. Mr. Pharr mentioned, as we were talking earlier, that he had sold his chickens last week, so in Arkansas, it started raining and cooled down immediately upon his selling those. So that is kind of how things work.

You and Jerry, we talk about this Superfund thing, what are the ramifications? And this really goes to cattle too, I mean there is no way this thing is going to stay with poultry litter. What are the ramifications if this actually became such that poultry litter was toxic waste?

Mr. PHARR. Well, certainly if the attorney general of Oklahoma got his way, as I understand it, our land would be considered a toxic site and there is no telling what would happen. I am in a position, I did not start farming full time until about 4 years ago, so I worked for some poultry companies for 26 years and paid off my land, but selling my land when I get through farming is really my retirement. So it would certainly affect the value of my property, my retirement and what I leave for my child.

Mr. HUNTON. Well, he probably said most of that. Right now, it is a huge distraction because I think that is one of the reasons that there is maybe not enough attention being paid to the individual farmers and their plight because we are too busy watching Oklahoma and what is going on over there. And the big picture is, if the worst case scenario happened, the Federal court, I do not know what the companies would do. All of the producers depend on the companies, our contracts are with them. If they cease to exist or if they downsize their operations, farmers are going to go out. If farmers go out, then they are going to go bankrupt and lose all of this and in some cases, farms that have been in the family for generations.

There has got to be some sanity brought to the table and it has got to be past politics, it has got to be based on good science. And I do not think that is occurring. I think it is kind of like the issue with the horses, I think there are a lot of emotions out there and very little common sense right now has really been applied to the science of this thing.

But it has got us all very, very concerned and if this were not on the table, maybe then we could get back to worrying about fuel prices and those types of real issues we have got to deal with.

Mr. BOOZMAN. Thank you, Mr. Chairman.

Mr. HAYES. Thank you, John.

Chairman Goodlatte.

The CHAIRMAN. Thank you, Mr. Chairman.

First, on the issue of animal identification, let me say I do see some important benefits from having a workable animal identification program from the standpoint of being able to track down and deal with disease outbreaks and obviously some trade benefits as well. But I really side with those that believe it should be a voluntary system. I am very concerned about having the bureaucracy in Washington choose the technology, choose the information that someone else other than the livestock owner would keep control over. And very much want to see this driven from the grassroots up. So Chairman Hayes and I have worked very closely with a number of livestock organizations to encourage that voluntary aspect of this. And we have also had some success in getting the Department of Agriculture to cooperate, particularly Secretary Johanns, who has made it now possible for the voluntary system to take effect by simply setting forth the two criteria that we need for a voluntary system to work. One is what information needs to be gathered and how will that information be interfacing with the State and Federal Government agencies when they need to have access to it because there is a disease outbreak.

And our problem is that we do not know what the Animal and Plant Health Inspection Service is doing, we do not know what they are doing with their plans, because even though there is now new discussion about a voluntary system, they have not put their cards on the table, they have not produced a plan.

So with the help of Congresswoman Emerson, Congressman Blunt and others, we included in the agriculture appropriations bill a funding limitation, a cutoff of all funds for a national animal identification system until an advance notice of proposed rule-making is published so that we can see what they are doing and then the Congress and the livestock industry can respond. But until we get some sunshine brought to this issue, we are going to continue to have a problem with that.

I also share your concern about the developments in Oklahoma with regard to CERCLA and whether spreading poultry litter or any other kind of livestock waste on land would constitute a Superfund site. It just boggles the mind that anybody would think that would be what was intended with the Superfund law.

But let me ask Mr. Hunton and Mr. Pharr, because I know you are both poultry producers, but really any of you, because you are all—I think the chairman is correct, ultimately affected by this. Are any of you participating in the EPA's Clean Air Act monitoring program under the recently signed consent agreement? Mr. Pharr?

Mr. PHARR. I did not participate because as I understand it, to participate, they were going to—if there was anything found that was coming out of the chicken houses, that you would have to do whatever remediation that the EPA considered necessary before you would get any protection anyway. Unfortunately, I think a lot of the remediation type things, the only people, the only entities going to benefit from those might be chemical companies that would be selling something to take the ammonia out of the air, for example. And I just do not see that there was any benefit for me to join in that process. I may be foolish, but I did not join.

The CHAIRMAN. Well, I know a number of other people who have said the same thing.

Mr. Hunton, have you—

Mr. HUNTON. Well, about the same opinion, except in my case, I was able to consult with an attorney familiar with the poultry industry, and his advice was not to participate at this time. Take the advice of your attorney.

The CHAIRMAN. Mr. Mooney.

Mr. MOONEY. The dairy industry is participating, as you probably know, so we are participating in it.

The CHAIRMAN. Let me ask you, looking ahead a few years, do you think the current conservation programs, such as the EQIP, will be adequate to meet producers' needs to comply with any EPA orders that might be forthcoming as a result of the agreement?

Mr. MOONEY. That is hard to tell, because you never know what is going to come out of EPA. But as I said in my testimony, the EQIP is a great program to help producers to comply with the environmental. So we would certainly recommend a continuation of that program, it is a great program.

The CHAIRMAN. Are there any improvements that you would recommend or anything you would recommend to the EQIP or other conservation programs that addresses—obviously, whether we like what is happening in Oklahoma or not, we are going to have to address the issue of animal waste, but I think there are better ways of going about doing it than have transpired thus far.

Mr. Pharr.

Mr. PHARR. I cannot really see that the EQIP would do a lot to satisfy anything that the EPA has got on line, but certainly the programs that EQIP does cover, and that is soil and water conservation, I think are very important and I really feel that they need to be continued.

The CHAIRMAN. I also appreciate all of your testimony regarding livestock issues. However, since the animal agriculture sector of agriculture is the largest single consumer of program crops, I am curious about your view—we will hear more about this I am sure with our second panel, Mr. Chairman, but I am curious what all of you think about our Federal programs relating to feed grain. Could you take a moment to tell us what you would like to see in the next farm bill with respect to these commodities?

Mr. PHARR. I am certainly not an expert, I do not know that much about the crop programs but—

The CHAIRMAN. Do you think they help keep your grain prices low?

Mr. PHARR. Yes, sir, I think they have kept them stable over the years and that has helped the poultry and certainly the hog industry grow because of an adequate supply of corn and soybeans to feed animals. And certainly we complement each other. We are a big market for the crop farmers and I think it has been a very good thing to keep the supply leveled out, rather than having big ups and downs in the supply and prices as well.

Mr. MOONEY. In the dairy industry, it is same way, obviously if grain prices are low it helps our bottom line. One of the things that we are looking at now is obviously conserving energy, and ethanol production is good to reduce our reliance on foreign oil. But as we also know, the increase in ethanol and corn usage in fuels, our

grain prices are going to go up. So it is a double-edged sword for as much grain as the dairy industry uses.

The CHAIRMAN. You make a very good point. Obviously my poultry producers and dairy producers are very concerned about that and so one of the things we obviously want to do, because we do want to encourage more domestic production of energy, is to increase production of all of these different types of grain that can be done. Do we need to have these programs to do that, or will simply the laws of supply and demand keep enough people into grain production to meet the needs of both livestock and consumers as well as the demands of the ever-increasing numbers of ethanol and biodiesel plants?

Mr. MOONEY. I do not know that I am well versed enough to answer that question. That is a big question.

The CHAIRMAN. That is one that we are going to have to answer next year.

Mr. MOONEY. That is right. The one thing that we do need to figure out is better ways to use byproducts from some of these ethanol plants and we have a history of using them, but there is probably ways that we can use them more efficiently and that is something that we really need to start looking at.

The CHAIRMAN. Very good point.

Mr. Hardecke.

Mr. HARDECKE. I will just go ahead and add much of what they have said, the livestock feeding industry, we are very concerned about how the advancement of ethanol and biodiesel sources is going to affect the feeding industry because there is just so much grain, corn, soybeans, et cetera, available and livestock feeding has been the primary use of these and so we are very concerned about as they develop these renewable sources, what is going to happen to the livestock feeding industry.

The CHAIRMAN. Well, I share your concern, from a parochial standpoint representing a district very similar to Congressman Blunt's district, but also as the chairman of this committee and looking ahead to writing the next farm bill.

There are those who say that the development of cellulosic ethanol, which will be derived from a whole host of other types of plants, that will in the intermediate future supplant corn and soybeans as the leading sources of renewable fuels. But in the meantime, we have got to make sure we do not drive out our livestock industry.

Mr. Chairman, I have abused my time limit. Thank you.

Mr. HAYES. Not at all. We are going to do one more round of one question each if someone has it and then we will take a 15-minute break and those of you that want to ask any of us or staff members questions, please do that.

So another one question round, Congresswoman Emerson.

Mrs. EMERSON. Thank you, Chairman Hayes.

By the way, I just want to say for the record that the work that you and Chairman Goodlatte have done on trying to maintain and push USDA towards a voluntary NAIS system is tremendous and I appreciate that. Obviously we are trying to work with you as closely as possible on the Agriculture Appropriations Subcommittee. I just think based on conversations with producers in our dis-

strict, keeping it voluntary is fine, making it mandatory is the kiss of death, is all I can say.

But let me just ask a question and this really goes to Randy Mooney, with regard to the Milk Income Loss Contract Program. It is interesting because 2 weeks ago, I spent 8 days on my farm tour and we have such a diverse agriculture that it really takes that long, and I have a much bigger area to cover. And we all know that a lot of times, at least my dairy producers don't agree with each other. So it is always very educational for me.

But on page 7 of your testimony, you say how important the safety net of MILC is, but you also say "As long as there are no caps limiting access to benefits." Now I want to follow up on that part just a little bit because as we were talking about this at my dairy stops during my farm tour, I think at least judging from what the producers told me, they just want to have MILC and whether there are direct payments or payment limits, not like the ones that we have on commodities, but I mean they do not care, they just want to keep MILC intact. Can you tell me from talking to different producers around the State, what are their thoughts with regard to limits or no limits?

Mr. MOONEY. Most dairy producers would tell you we do not want any Government support at all.

Mrs. EMERSON. Right.

Mr. MOONEY. So start off with that. But then when you get into times like this when we have extremely low milk prices, it is awful nice to get that check at the end of the month. So when you get into the debate on—and it is a large versus small debate. If you look at the producers that Congressman Blunt and you, Congresswoman Emerson, represent, probably most of the producers do not exceed the cap. It is a two-edged sword. Now from a DFA perspective, we represent the dairy farmers from across the United States. So we want to continue the MILC payment, any payment that is beneficial to dairy farmers we want to increase, but we do not want to differentiate between large or small.

Now we realize that you have some constraints that have, budget constraints, so that is our position, for MILC, for Government payments to dairy farmers, as long as it does not differentiate between large and small.

Mrs. EMERSON. But across Missouri, you would agree that—

Mr. MOONEY. Across Missouri, this program helps Missouri dairy farmers.

Mrs. EMERSON. Right. OK, thank you very much.

Thanks, Mr. Chairman.

Mr. HAYES. You are welcome.

Mr. Blunt.

Mr. BLUNT. Mr. Hardecke, I have one question, and others might answer this, particularly based on the drought situation. We have clearly had problems created there. If we look at EQIP and the next farm bill, what is the situation there versus the land that is set aside? If we had earlier access to that land in a drought situation, would that eliminate some of the need for other kinds of relief?

Mr. HARDECKE. Yes, I definitely think it would. I did comment on that in my written testimony. If we could have this like CRP

land that would be available earlier for grazing purposes or even put in hay, I think this would help.

Mr. BLUNT. That is the only question. I think that is an important thing as we look at EQIP. Somebody else, maybe Mr. Pharr, mentioned that so much of EQIP has now become more of a wildlife program, which we are not opposed to at all, as opposed to a conservation program, and in normal years that may be fine. But in years where you truly have a disaster, the taxpayers are going to be asked to move in and do something about in the foreseeable future, quicker access to that EQIP land, Chairman Hayes and Chairman Goodlatte, I think is something we really ought to seriously look at as we look at what has been a great program for southwest Missouri and northwest Arkansas. No question but that the growth of these programs have been good for us, we need to be sure that we try to find the right ways and all those challenges, but that could be part of the answer to disasters, if we can figure out how to know that they are there or see them coming and then do something with EQIP land rather than have to come in every single time and have the discussion about now what do we do when we are at the end of the year about forage, about hay for the winter. I just think that is something we ought to be thinking seriously about as we look at this really good addition to the last farm bill, but see what we can do so that it makes more sense to meet the foreseeable problems we are going to face.

Thank you, Mr. Chairman.

Mr. HAYES. Thank you. John.

Mr. BOOZMAN. Jerry, as a county judge in one of the fastest growing areas of Arkansas, you mentioned the clash of ideology. We have tremendous growth not only in that part of Arkansas but also that part of Missouri. It really is a problem, we have got the clash there that as the city moves out and then you have also got the loss of population in many parts of Arkansas with the rural communities moving to town. That really is going to create a problem for the future. It is already created a problem there.

For the panel, what do we do, how do we fix that? I mean how we educate that 97 percent that you mentioned, is a big problem.

Mr. HUNTON. I think, like I said in my testimony, if we keep funding those organizations that come on the front line both educating and helping the rural area but also urban areas at the same time. We are doing things in northwest Arkansas like we had the White River Group that is trying to take the White River, we have the Illinois River Group, made up of not only people that live in town, but people who are farmers and everybody in between. We are getting more and more people to the table to discuss all these different issues and it seems to be working. The other day I saw where the Oklahoma Scenic Rivers Committee actually voted to ask the attorney general of Oklahoma to drop the lawsuit. That is an indication that there is good conversation going on and that people are understanding more and more about issues.

But still, we are losing good agricultural land. We have got lots of people who are moving in from New York City into Fayetteville, Arkansas and they do not understand our ways and they do not understand the rural way of life. My biggest concern is, and I heard it awhile ago talking about the crop situation, is it not a ter-

rible thing that one section of agriculture has to have low prices for the other section of agriculture to have better prices? Shame on us. It should not be that way. We are losing our farmers and we do not realize it, but you can compare that to using up all the oil in the world. We are going to use up our farmers one of these days and then who is going to be left to produce the food? It is one thing to drive a car around. It is another thing to have an empty belly.

Mr. BOOZMAN. The EQIP and things like that, I see the beef producer, that type of producer, at a disadvantage because they do not understand how to work the system. Crop guys are used to applying for programs and doing the paperwork and stuff. Do you all see that as a problem? And I guess the other is how do we fix that?

Mr. PHARR. I certainly do not have the answer but we have got to spread it around and help all farmers rather than the poultry, beef, whatever. I think we have got to do a better job of having programs where the small producers are not at a disadvantage to big producers.

Mr. MOONEY. And probably one of the other problems you have is the livestock producers, as I said earlier, the average size in southwest Missouri is 30 cows, so he has got an off-farm job that does not have time to research these projects and look into them as much as a dairy farmer which would be full time or poultry.

Mr. HARDECKE. And I think another factor, as I emphasized in my report, you know, speaking from the beef farmer's standpoint, we are a very independent lot and we do not rely on subsidies the way a lot of the other segments of agriculture do. And so I agree with your point totally, most of us in the beef industry in particular do not know a lot about these programs because we I guess have prided ourselves in being able to survive on our own.

Mr. BOOZMAN. Thank you, Mr. Chairman.

Mr. HAYES. Thank you. Mr. Chairman.

The CHAIRMAN. Thank you. I think I got my questions in already.

Mr. HAYES. OK. To wrap this panel up, thank you all so much for the knowledge that you bring to the table. We appreciate you being here.

A couple of quick closing comments on my part. The animal ID system that we envision on a voluntary basis is not aimed at the small operator. If a cow is born on a farm, stays on the farm, we have no intention of causing that person extra expense to have that. Makes no sense. Market should mandate the ID. The market mandates if you ID your animal, we are going to pay you more for it. That is the only way that mandatory makes any sense at all to me. What we want to do is stimulate the competition in the voluntary program to create better, more innovative and less expensive ways to monitor the location of these cattle. We do not want the Government to take it over and stifle and stop the competition that would provide you the lower prices and more competitive way to do it. We will talk about it some more.

Thank you so much, this panel. We will take a short break and we will be right back.

[Recess.]

Mr. HAYES. We are ready for the second panel. We have Ron Hardecke from Owensville, Missouri and we have got Mr. Will Spargo from Neelyville, Missouri. His wife is here managing him,

so he is well supervised today. We have got Mr. Cory Bomgaars from Rocheport, Missouri and Mr. Bill Thiel. We welcome you all, we appreciate you being here, and Ron, you want to start off?

STATEMENT OF RON HARDECKE, HOG, CATTLE, CORN AND SOYBEAN PRODUCER, OWENSVILLE, MO

Mr. HARDECKE. Thank you. Good morning. My name is Ron Hardecke and I am a fourth generation farmer from Owensville in east central Missouri. My family and I raise livestock and crops.

Mr. Chairman, members of the committee and members of the Congressional delegation, thank you for holding this hearing and others across the country to listen to and gather input from farmers and ranchers on the next farm bill.

Like many producers in Missouri, I support the Farm Security and Rural Investment Act of 2002 and the programs it authorized for agricultural production, conservation and rural development. While some individuals and organizations have been critical of the 2002 farm bill, particularly the commodity title, we must not forget that the American consumer is the ultimate beneficiary of the safest, cheapest and most abundant food supply in the world.

Given the status of the WTO negotiations, I believe the current farm bill should be extended for at least another year. Significantly overhauling our farm programs at a time when we are trying to get WTO member countries to negotiate on market access does not make sense.

It is important though to discuss future farm policy and the issues affecting crop and livestock producers.

Oftentimes, agricultural production and the conservation of natural resources are viewed as conflicting goals. As a farmer and landowner, I disagree. Farmers and ranchers are the front-line conservationists and if given necessary resources, we can and will do more to enhance environmental quality.

I am in favor of working lands programs like EQIP. From my perspective, EQIP is one of the most valuable conservation programs available to producers, especially livestock and poultry producers, because it achieves conservation goals while at the same time stabilizes production agriculture.

In the 2002 farm bill, Congress directed the NRCS to allocate 60 percent of the EQIP funds annually to practices related to livestock production. I support this provision and hope Congress will include a similar provision when EQIP is reauthorized.

With regard to species habitat, it is important to note that the practices implemented by producers through conservation programs secondarily benefit wildlife.

Opponents of commodity programs often point out that producers get paid for not growing crops. As our Nation looks for ways to lessen our dependence on foreign oil and traditional energy sources, perhaps we should be looking at how best to use lands such as CRP land for the production of renewable energy.

The bright spot in the U.S. energy sector right now is the production of renewable fuels, primarily from corn and soybeans, but in the future more producers will be involved in producing renewable energy from a variety of sources. As we look to the next farm bill, I believe some of the land enrolled in CRP should come out of the

program and be used to produce renewable energy. This would provide an economic boost to rural economies and make opportunities available for young producers to enter production agriculture.

Finally, I would be remiss if I failed to share my thoughts on the development of the National Animal ID System. Through my involvement with the Farm Bureau, I have worked to express to USDA and elected officials my concerns and the concerns of other livestock producers about liability, confidentiality and cost. Liability protection must be granted to producers to safeguard them from the consequences of the actions of others after their ownership of the livestock ends.

In recent months, apprehension about the NAIS has grown as producers have learned about the 2005 draft strategic plan. I have seen this apprehension first hand at meetings in my area. From my perspective, there has been little response by USDA to concerns raised by producers about components of this plan. If the USDA is to succeed in developing a workable animal ID program, it is crucial for the Department to engage in meaningful and continuous dialogue with producers. Current farm programs are not mandatory; thus, the development of a mandatory animal ID program concerns some producers.

Thank you for the opportunity to participate in the hearing.

[The prepared statement of Mr. Hardecke appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, sir.

Our next witness is Mr. Will Spargo, and I particularly enjoyed his testimony as I read it last night, "As the morning sun rises and I begin my day, I sneak one more peak at the blessings God has given me." What a great way to start your day. Thank you, Terry Beth, for keeping him on the right road here. The Creator is still in charge, thanks to the farmer taking advantage of the Creator's blessings.

Will, with that introduction, the microphone is all yours.

**STATEMENT OF WILL SPARGO, RICE AND SOYBEAN
PRODUCER, NEELYVILLE, MO**

Mr. SPARGO. Thank you very much. Good morning. I am Will Spargo from Neelyville, Missouri. My wife, Terry Beth, and I farm rice and soybeans in the southeastern portion of the State in Butler and Ripley Counties. We also farm in Clay County, Arkansas. We have two children; Ricanna, who is just starting pre-K, and Bryce, who is just starting to walk. I wonder if they will be the next generation to care for our farm. Only time will tell, but one thing is for sure—America needs to have a strong food security farm bill if there are going to be future generations of farmers.

In order to make the new farm bill even better, it is important to relay the current situation of agriculture in the south. Agriculture in the 21st century has become big business. Farming, just like any other business, must turn a profit. Because of rising input costs and lower crop returns, farmers in my father's generation are using up their equity that has been built just to make ends meet. Some are simply giving up while others are being forced out. Thus far into the crop year, my wife and I have exhausted our crop loan funds and used two-thirds of our personal savings. We still have

harvesting, storage and hauling expenses to cover before any return can be seen.

As farmers, we are told to be more efficient with our resources, both natural and monetary. In response, we use no-till and minimum-till technology and GPS technology to lessen the time spent in a field, thus reducing labor and fuel costs. We contract a crop scout to ensure that fertilizer and chemicals are applied correctly. We use market advisors to help get the best prices out of our crops. These specialists and these technologies that we use allow us to farm better, but they do not come cheap. We are now forced to lay off a long-time employee, thus saving salary, social security and workers' compensation insurance.

These are just a few examples to illustrate that farmers are not getting fat bank accounts from Government payments. In rural America, we are all family farms, some are just simply bigger than others. We are trying to make an honest living doing something that we love that is essential to human life.

I support the Farm Security and Rural Investment Act of 2002, and believe it should be extended for at least a year. I believe the following changes need to be made in future farm legislation:

Loan deficiency payments and counter-cyclical payments need to be deleted to become more compliant with the WTO rules.

The money saved from these deletions should be applied to direct payments, paying for 100 percent of the base that has been built. We need to stop making our farm payments smaller. Every bill, there is less and less money going to the farmer, regardless of what the media says.

The bases and yields used to calculate the direct payments need to be updated. we are farming in 2006, not in the 1980's when these standards were established.

We need to make the Conservation Security Program available to all farmers and ranchers. By allowing producers in only a few watersheds to take part in CSP, farmers in other watersheds are being placed at a great disadvantage.

There is great support in our community for the 2002 Farm Security and Rural Investment Act. Until something better can be developed, the current farm law should be extended. Not only does it ensure the American consumer will continue to enjoy a safe, abundant and affordable food, it also provides the American farmer with a safety net to protect against low prices.

My kids came to the shop the afternoon I was preparing for this. Ricanna was oblivious to the fact that she was coloring on marketing sheets and fuel bills. Bryce, in all his grace, was stumbling across the gravel to get to the tractors. This is their farm and their home. With a strong food security farm bill in place, the possibility of farming in the future will be more certain.

And a note that I simply forgot to include in my written testimony is we need trade with Cuba. As rice farmers especially, it is so close and could be such a large market that I really would like to encourage you to look into that more.

And with that, I would like to thank you for the opportunity to participate in the hearing and for allowing me to share my thoughts.

[The prepared statement of Mr. Spargo appears at the conclusion of the hearing.]

Mr. HAYES. Well, thank you and your family. Will has got more degrees than a thermometer, so anybody that says agriculture is not sophisticated—

Mr. Cory Bomgaars from Rocheport, Missouri.

**STATEMENT OF CORY BOMGAARS, GRAPE AND WINE
PRODUCER, ROCHEPORT, MO**

Mr. BOMGAARS. Thank you, Chairman Hayes and members of the committee. Thank you for inviting me here today and for holding this meeting in Springfield, Missouri. As you said, my name is Cory Bomgaars. I am the head wine maker and a partner at Les Bourgeois Winery in Rocheport, Missouri. I serve as a member of the Grape and Wine Board, focusing most of my—Missouri Grape and Wine Board—focusing most of my efforts through the Research and Advisory Subcommittee. I am a college level instructor, teaching winery sanitation through Viticulture and Enology Science and Technology Association. VESTA is a National Science Foundation initiated program, housed here in Springfield at Missouri State University and is designed to help educate current and future grape growers and winemakers.

Through my position at Les Bourgeois, I oversee all winery operations and vineyard operations, manage grower relations and help with wholesale sales and marketing of our products. Les Bourgeois has been in business for over 20 years and is the third largest wine producer in the State of Missouri with distribution in four additional States. Over 65 percent of our business is sold in wholesale markets or directly to other wineries through custom production contracts. The remaining is sold at one of our three retail outlets, consisting of an outdoor wine garden, gift shop and 6,000 square foot restaurant. We employ over 70 employees in our peak season with an annual payroll of over \$1 million. We current farm 30 acres of grapes and contract with 8 independent growers to produce 42,000 cases of wine or over 100,000 gallons.

I am sure that many of you are aware of the recent growth in the wine and grape industry, and to my knowledge, all of you have grape growers and wine maker in your districts and a couple of barrel producers as well. All these people are examples of how the grape and wine industry is influencing agriculture in the United States. Grape and wine crops are produced in more than 40 States. Grapes are the sixth largest agricultural crop in the United States with more than \$3 billion worth of fruit. Grapes are the highest value fruit crop, significantly ahead of apples and oranges.

I will skip ahead a little bit. In the last decade, Missouri alone has seen tremendous growth in our wine industry, nearly doubling the size of Missouri wineries. Missouri hosts 62 wineries in all regions of the State, including one in downtown St. Louis. Most of these wineries are in rural settings, drawing consumers into communities which receive large economic boosts in restaurants, inns and markets. Many of these markets carry locally produced agricultural products, increasing the agriculture impact of the grape and wine industry.

As I stated above, Les Bourgeois employs over 70 employees, most of which are in their 20's and 30's. This kind of shows the youth of my industry. Many of these employees have chosen life careers in specialty agriculture. Our employees come from various backgrounds, including urban and rural, domestic and international. Each of our employees is exposed to the agricultural diversity of our industry. Over the last 15 years, I have seen many employees move up through our company and leave to further explore vineyard and winery operations of their own. To this date, we have had three employees seek higher education degrees in viticulture and enology, two have started vineyards and wineries of their own, and two have opened restaurants focusing primarily on locally produced products. Being in close proximity to a university town, we cycle through many employees. Not all stay in agriculturally related fields, but they all leave with an understanding of the impact and diversity of specialty agriculture.

Nick Pehle, who is current our vineyard manager, grew up in Burger, Missouri on his family farm. Over the years, his grandparents have reduced the family farm from several hundred acres to 110 acres of row crops, keeping also involved in the hog business. Neither of Nick's parents receive any income off the family farm. What Nick has done, after graduating from the University of Missouri, he has diversified the family farm with grape production. His grapes are currently developing and as they become mature, he plans on returning to his family farm.

Our growers not only include Nick Pehle, but other farmers who have diversified their operations, but also consists of doctors, lawyers and other professionals investing in their property. This style of grower is equally common for us. With a start up cost of nearly \$10,000 an acre and a labor cost of 60 percent of the growth, these gentlemen farmers are adding new income into our agricultural communities.

Over the past 2 years, the grape and wine products segment of agriculture has come together with National Grape and Wine Initiative. NGWI is an industry initiated initiative to promote sustained agricultural growth through significantly increased expenditures for research and effective communication of research results to growers, wineries and processors through enhanced extension and education efforts. The vision of NGWI: "By 2020, the American grape and wine industry will triple its economic impact by aggressively pursuing increased market share, becoming undisputed world leader in consumer value and sustainability and contributing to improved quality of life in rural communities." The target is an economic impact of \$150 billion annually within 15 years.

To accomplish this goal, we want to establish a private-public effort to fund research that will make us the No. 1 producer of quality grape products in the world. Federal investment in agriculture research has traditionally focused on program crops such as corn, soybeans, wheat and hay. A modest increase in the Federal investment for viticulture research is justified based on the industry's contribution to the national economy and its importance as the sixth largest crop in the United States. The industry has done its homework by creating a national strategic plan that identifies clear strategic priorities for research that can help us triple our national

impact in 15 years. It is imperative that we increase Federal research dollars to improve the science and art of making wine and growing grapes in the United States. Such a partnership with the Federal Government would help us level the playing field with our foreign competitors, most of whom are highly subsidized by their governments. It is time to recognize the contribution of grapes and other specialty crops to the U.S. economy and to our balance of trade and the role of providing healthy food for our tables.

In regard to the U.S. farm bill, we would like to provide a mechanism to support industry-government through partnerships such as NGWI; establish a clean plant network; significantly increase funding to Animal and Plant Health Inspection; expand the State block grant programs for specialty crops; continue with Market Access Program; and a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers.

I would like to thank you for your time.

[The prepared statement of Mr. Bomgaars appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, sir. And again, I remind everybody that every written word of testimony will be included in the record and anything you all would like to submit.

Mr. Billy Thiel, cattle and soybeans, among other things.

**STATEMENT OF BILLY THIEL, CORN, SOYBEAN AND CATTLE
PRODUCER, MALTA BEND, MISSOURI**

Mr. THIEL. I would like to thank you for the opportunity to comment on Federal farm policy as we look toward development of the 2007 farm bill. My name is Billy Thiel and I raise corn, soybeans and cattle on a farm near Marshall, Missouri in partnership with my family. We are invested in Mid-Missouri Energy, a farmer-owned ethanol plant in Malta Bend. Also have the opportunity to serve as a member of the Board of Directors of Missouri Corn Growers and Missouri Corn Merchandising Council.

Rural America is undergoing a time of tremendous change and progress fueled by the development of the renewable fuels industry. The impact of farmer-owned, homegrown fuel production is bringing opportunity back to our rural economies. The role of the American farmer is changing, growing to encompass providing food, fiber and fuel for our country. This dramatic growth is changing the way that many of us look at Federal farm policy.

Our family, as well as most farmers that I talk with, are generally satisfied with the programs and safety net provided by the 2002 Farm Security and Rural Investment Act. The farm bill established policy that enables American farmers to be globally competitive and responsive to market signals.

The eventual outcome of the DOHA Round of WTO negotiations is a critical component to future farm policy. As important as additional market access is, we must make sure that the farm safety net remains in place for farmers. American producers would be best served by an extension of the commodity title of the 2002 farm bill until a WTO agreement is reached. It is nearly impossible to formulate comprehensive new policy with unknown farm subsidy and trade variables.

I am sure the members of the committee realize the value of a foreign market access program. While working through such programs and the WTO process, we must ensure that the domestic transportation system of rivers, rails and roads that give the U.S. our competitive advantage is not neglected. Expanded WTO concessions, coupled with a shaky commitment to improving our infrastructure are a recipe for disaster.

While the general satisfaction level with the current bill seems high, the 2002 bill is not perfect. The farm bill's direct and counter-cyclical payments have provided a safety net when market forces and production factors have combined to depress yields and commodity prices. However, years with large crops and low prices allow raiding of the marketing loan program while growers in short crop areas are largely left out of the safety net. Since loan deficiency payments are based on current year production, revenue suffers from lower production as well as lower farm program benefits.

As significant as the WTO is, it is not nearly as important as an energy title in the 2007 farm bill. The demand for corn created by the ethanol industry will influence prices more substantially than export resulting from the WTO agreement. More can be done to cultivate domestic markets rather than dealing with all too unpredictable foreign markets which may or may not materialize with a WTO agreement.

The growth of renewable fuels has been a blessing for rural America. Our rural economy is providing more opportunities for U.S. farmers through self-reliant energy development. The expansion of the farmer-owned ethanol industry can be considered one of the brightest spots in rural economies today.

The Federal Renewable Fuel Standard was a huge accomplishment. Congress should be open to a wise and prudent increase of the standards as needed to help move the renewable fuels industry out of its infancy. As our farmers move closer to providing the energy needs of our Nation through ethanol and biodiesel production, an expansion of the RFS will ensure that our homegrown products have a position in the marketplace.

The livestock industry is a vital component of our agriculture system that does not always receive adequate attention in discussions of Federal farm policy. It is also a segment of agriculture that is coming under increasing criticism from radical groups. Government policy should ensure a vibrant and growing livestock industry in our country, which is needed for our ethanol industry. Animal agriculture and renewable fuels go hand in hand and we must develop sound science-based policies that support current and future growth.

Generally speaking, the conservation title of the current farm bill effectively meets its goal of keeping the most sensitive land out of production. We should seek to maintain current and future funding levels at their maximum level. However, direct payments in the commodity title of the bill should not be sacrificed by replacing them with an increased conservation funding.

Again, I believe the 2002 farm bill is, for the most part, meeting the needs of American agriculture by acting as a safety net for our food, fiber and fuel producers.

Thanks for coming to Missouri to gather farmers' input on the future farm bill.

[The prepared statement of Mr. Thiel appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Billy.

I am going to reverse the batting order, with the permission of the panel. Again, Chairman Goodlatte, we are mighty glad to have you here. He is a hard working guy for the farmer and he has got another hearing coming up in Michigan, so I am going to call on him first for any questions and comments he might make.

The CHAIRMAN. Thank you, Mr. Chairman. I am going to have to slip out before we get to the end of this hearing I am afraid, so I appreciate the opportunity to ask a few questions of this panel.

You, Mr. Hardecke and Mr. Spargo, have testified in support of extending the current farm bill for at least a year and Mr. Thiel, you have talked about extending it until a WTO agreement deal is reached, which I would like to reach a WTO deal, but we do not seem to be anywhere near getting there.

One of the concerns I have and I would like to have you comment on it, is that virtually everybody who talks about extending the farm bill says with some changes, with some improvements. In fact, you had some improvements that you thought could be made to it. That is the position of the American Farm Bureau Federation, that is the position of the Senate Finance chairman. Of course, everybody's changes are a little different from everybody else's. So I am having trouble seeing how that is not simply writing a new farm bill.

And my concern is this: We write these farm bills once every 6 years approximately, so that you can plan on them and rely on them and in this very volatile business that you are in have something that is a consistent policy. But if we extend the farm bill for 1 year with some changes, we are effectively trying to write a new farm bill every year. That is a very difficult thing to do and I wonder if you might just comment on that aspect of this request that we extend the farm bill, if you will.

We will start with you, Mr. Hardecke.

Mr. HARDECKE. OK, thank you.

I guess as I see it, extending the farm bill would be doing so without make any changes. I think the concern I have over—well obviously we do not want to give away our trading leverage in our negotiations of the WTO. That would be the primary reason for extending it.

The CHAIRMAN. But do you have any concern in that regard that in the trade negotiations that go on, that might indeed be exactly what takes place and that we would run the risk if we did that of having a farm bill written in Geneva instead of in the Congress?

Mr. HARDECKE. I guess I am happy with the current farm bill and I do not want to see it written in Geneva, no. But in terms of changes, we have seen the constant migration away from the commodity title to more conservation title and I do not think that is beneficial to the farmers and to production agriculture because you get all these environmental, wildlife, all of those entities coming to the table wanting a piece of the farm bill pie. And I think it is important that we justify it in this country in terms of keeping

a stable food supply and not let the debate over the farm program be drawn off, as it so often is.

My concern over the move to the conservation, such as the Conservation Security Program. I would agree with Will, if you are going to have it, it needs to be available to all, but at the same time, the way I see that program, we are giving the environmental community, who are some of the ones that do not want us to have production agriculture anyway, we are giving them what they want and we are also proving into the accusation that they make that we are getting paid for not farming.

The CHAIRMAN. Mr. Spargo.

Mr. SPARGO. Thank you. I do believe that the current farm law should be extended without changes.

What I was simply suggesting is possible changes for future farm law. I do not want to see our farm bill written in Geneva, but I do not want to see it written in America by the liberal media.

The CHAIRMAN. I totally agree with that.

Mr. SPARGO. You are the folks that need to know what we need as farmers. And it is not simply about us receiving subsidies, it is about providing affordable, abundant supply of food. We have never known hunger in this country and let us hope we never have to.

The CHAIRMAN. Mr. Thiel.

Mr. THIEL. I just think it needs to be tweaked a little. It does not need to be changed for the 2007. But like counter-cyclical payment, it is probably not fair.

The CHAIRMAN. I am going to go back to Mr. Bomgaars because he is on the outside looking in. The suggestions that he has given us are all things that would be either an expansion of what we do now or would be new things for wine grape growers and others.

So when you talk about tweaking something, one person's tweak is another person's opportunity to say well, I would like to see some other things put in there as well.

That is why we do this and we only do it every 6 years. It is tough to do. You put 650 different commercially viable agricultural products, every region of the country and every ideology that is represented in the Congress around one table and try to write one bill. It is a hard thing to do.

And I have said that if we were close to getting a WTO agreement and we wanted to find out if that agreement could indeed pass the Congress so that we could take it into account, that we should delay the farm bill for that brief period of time. But short of that, I would be very worried that we would be leaving ourselves exposed to all of these WTO suits that are occurring under the current environment, that are now taking on the cotton case that is going to expand into some of our other commodities, and so on. And I think we need to write this farm bill in the Congress and with your best interests at heart. That is why we have tried to keep this process moving forward, obviously evaluating circumstances as they arise each day.

Mr. Chairman, if I might—

Mr. HAYES. Absolutely.

The CHAIRMAN. I would like to ask one more question of the same three gentlemen. And that is in taking into account their support for these programs, if they could tell us how they rank the

three major components of our commodity programs—the Marking Loan Program, the Counter-Cyclical Program and the Direct Payment Program. Which is the most important to you? Let us do it in reverse order. Mr. Thiel.

Mr. THIEL. Oh, I would say direct payment is probably the most important.

The CHAIRMAN. Mr. Spargo.

Mr. SPARGO. I would have to say the direct payment as well.

Mr. HARDECKE. Direct pay.

The CHAIRMAN. Very good. Mr. Chairman, that was an easy question to get answered.

Mr. HAYES. Mr. Chairman, I am color blind when it comes to you asking questions. That is still green to me.

Anybody got anything they want the chairman to speak to as far as the farm bill that we have not covered, before he has to go to Michigan?

[No response.]

Mr. HAYES. You have answered all the questions. Thank you, sir.

The CHAIRMAN. Thank you.

Mr. HAYES. Congressman Boozman.

Mr. BOOZMAN. Thank you, Mr. Chairman.

You mentioned about the ethanol and the great possibility there for agriculture. We hear about the possibility that you would put so much into production there that you are not going to have the resources for feeding and things. Tell me about the byproduct. Is it safe to feed? I hear some people say it is, some people say it is not. What do you do with the byproduct?

Mr. THIEL. The DBGs, distiller grain, whatever, have often been—they always said the biggest problem was getting rid of your DBGs. We have a waiting list now for people to pick up to feed cattle. They take them over to Tyson's in Sedalia for their poultry feed too. And it is a safe feed, I mean it is the same as corn. All you did was took the starch out, you still have the protein in the DBGs. So it is still good feed.

Mr. BOOZMAN. So if you fed straight corn prior to this, do you have to feed twice as much or half as much?

Mr. THIEL. Well, there is more protein per pound in the DBGs than there would be corn. The protein is 20 some percent I believe.

Mr. BOOZMAN. If you had how many pounds of corn to start with, how much of this product comes out of the process?

Mr. THIEL. Well, a bushel of corn, which is 56 pounds, would be 17 pounds of DBGs, around that I believe.

Mr. BOOZMAN. Thank you.

Mr. Spargo, you mentioned the fact that you are in the middle of the cycle and you are having to go into your reserve funds and so forth. Prices are down, energy costs are up. What is the primary reason for that, is it the low commodity price versus the energy costs that are killing you when you are pumping water and things like that?

Mr. SPARGO. It is a combination of both. Prices look decent right now and 3 years ago if we had seen a 4 in front of our rice price, we were happy, we could make money, pay off debt. But now that is not the case. Diesel fuel costs are twice or three times as much this year and we have more electric working on our farm every

year. The seed, the chemical, the fertilizer has all gotten so expensive and then the crop itself does not return any money. I mean the labor is paying for itself, the GPS technology is paying for itself, but the crop is not. And that is something that is going to have to change or we are just simply not going to be here.

The old saying is there is always going to be someone there to farm the land, but if it is not profitable, I do not think there will be.

Mr. BOOZMAN. How would you compare what is happening now with the shakeout in the 1980's?

Mr. SPARGO. I was pretty small about that time actually. My dad says it is pretty close to just as bad if not worse. Interest rates are starting back up. I cannot hardly compare it because I do not know. I know it is about the worst I have seen it in my short few years of farming.

Mr. BOOZMAN. Do you have a comment?

Mr. HARDECKE. Well, comments on the ethanol and the biodiesel and the concern over there being enough livestock feed as we divert more to that, I think there are several options to that. You just talked about the DBGs that are available. So we are not using up all of the corn. We are constantly producing more corn in this country. It has not been too many years ago, a 9 billion bushel crop was hard to get rid of, we are getting rid of 11 now.

So really, I see this as a great opportunity for agriculture if we can get energy prices down. As I mentioned in my testimony, we have some 36 million acres of CRP land that people are being paid not to produce on. Now not all of that land is suitable for production, but there is a lot of that could be brought back into production. I have been at meetings over the last several years many times where young farmers said I cannot compete with the CRP payment. So what do we want? Do we want a program that is going to provide economic activity in our communities? We have got several counties in north Missouri that virtually dried up 20 years ago when the CRP program came into being, towns dried up.

So I think as we look to producing energy in this country, instead of relying on our enemies for energy, we have a bright future ahead. It is going to take some fine tuning and that is why I think it is important to keep the focus on the commodity title of the farm bill and not draw everything off to conservation. Because conservation is a side benefit of production agriculture.

Mr. BOOZMAN. Thank you, Mr. Chairman.

Mr. Thiel.

Mr. THIEL. Missouri passed a 10 percent ethanol standard last session. To get enough corn for all that standard, the 10 percent statewide, we are only going to use one-third of that corn crop. We still have two-thirds of the corn crop to do something with. I mean, we are not going to run out of food or feed for our cattle.

Mr. BOOZMAN. Thank you, Mr. Chairman.

Mr. HAYES. Thank you.

Jo Ann.

Mrs. EMERSON. Thank you, Robin.

Let me play off what Ron was saying about the development of biofuels and the fact that you do not think that a conservation title should take precedence over a commodity title. But given the amaz-

ing opportunities for the development and commercial production of biofuels, where would you rank an energy title, if we were to put an energy title into the farm bill? Should that go ahead of commodity, a commodity title?

Mr. HARDECKE. An energy title in to encourage the production of renewable fuels.

Mrs. EMERSON. Let us just say we put in an energy title, yes.

Mr. HARDECKE. Well, I probably would have to put it at or just above the commodity title because it would essentially be doing the same thing, encouraging production. And that is what farmers are here to do, that is what we want to do is produce the goods that America needs.

Mrs. EMERSON. Let me ask Will the same question. In other words, do we put more funding into energy and/or conservation at the expense of the commodity programs?

Mr. SPARGO. I had a good answer and it has left me. I think that they are all three important. We have got to find a balance between all three. What is that balance? I do not know. The large companies would love it if we would take idle CRP ground out and put it into production because they are going to sell more inputs, it is going to be great because it is going to produce more crops to use for biofuels. So I do not have a good answer, but there is a balance there that needs to be found.

Mr. THIEL. Well, in my opinion, the energy deal is probably a bigger thing, but I am more on the corn side. The rice guys and cotton guys may think the commodity deal is a better deal because they are not producing fuel.

Mrs. EMERSON. Well, somehow we do have to keep our producers producing.

Mr. THIEL. Yes.

Mr. SPARGO. We may be in the corn business before too long. [Laughter.]

Mrs. EMERSON. A lot of cotton producers in our area are saying maybe I will switch over to corn.

Let me also raise this issue. Will brought up the whole idea of updating base acres and in our district, oh, my gosh, the wide swings we have seen have just been crazy, and particularly we see that with regard to rice production.

I would be interested in hearing from Ron and Billy if there is a similar desire in your communities to update your base acres or to adjust or whatever we need to do. Go ahead, Ron.

Mr. HARDECKE. I think it would be in order, because it has been a long time. I would not say that is a huge issue in our area, but I think it certainly would be appropriate.

Mr. THIEL. We have got such different ground in my county. We have got 200 bushel corn ground right where I live, and you go 10 miles and have 100 bushel or 120. It is all different and probably the base deal on each farm.

Mrs. EMERSON. So yes or no, you think we ought to update?

Mr. THIEL. Yes, probably update.

Mrs. EMERSON. OK. Let me ask Will a question about shifting to direct pay because you obviously mentioned and I guess Billy actually did as well, that given some controversy with the World Trade Organization over counter-cyclical payments and the LDP, that we

should shift to more direct payments. Now if we did that, would we then be removing a major safety net for producers and would we fundamentally change who receives the payments, No. 1. I am just curious if all of you could speak to the experience in your communities—your counties perhaps is a better way to put it—that direct payments are commonly factored into land rental prices for farmers who cash rent. And is it your opinion that most of the farmers who cash rent land are younger farmers. I am not suggesting that Will is cash renting, I am just saying that Will is a younger farmer, to develop a strong reputation.

Mr. SPARGO. I know in our area, a lot of the farmers, there is still a lot of crop share rent, so those payments are divided up amongst the farmer and the landowner. Yes, they probably do figure in how much crop rent is shared or cash rent. There are several people coming into our area cash renting farms that have tended to have a large base and large payment associated with them. They have bid the rent up on those farms and honestly, I hope they keep going good because they may get to rent some more.

There needs to be some kind of aspect, is there not a way to somehow tie these bases to the farmer, not just the landowner, because without a farmer, the land is not going to produce, whether it is a 500-acre rice base or cotton base or soybean base or corn base. There has got to be some way to make the farmer reap more of the benefits of doing the hard work, assuming the largest majority of the risk and just generally putting it all on the line every day.

Mrs. EMERSON. Could not agree more. Ron.

Mr. HARDECKE. Well, I guess I am in a unique area because there is not a lot of crop production in our county and so there is not much competition. So I do not think those are real factors. But I probably would not be the best to comment on that.

Mrs. EMERSON. OK. What about you, Billy?

Mr. THIEL. We do not have much cash rent right in our area yet, but it is starting to move in the area and I think the direct payments affect it a little. But on your LDPs or whatever, I do not know what is a fair way because we invest more in our crop than someone else would, so we are probably getting more LDPs because we are raising a higher crop. And I do not know what would be a fair way to do that.

Mrs. EMERSON. Well, I think we all want to make sure that the person who, as Will said, is taking the risk gets the benefit.

I have way run over my time, sorry, Mr. Chairman.

Mr. HAYES. No problem. Mr. Whip.

Mr. BLUNT. The advantage, Jo Ann, of you going over your time is you know what you are talking about with these crop issues and I appreciate your leadership on this and what you do on the Agriculture Appropriations Committee as well as these general discussions on agriculture and particularly the crop and the insurance issues.

Let me ask a couple of things, or maybe follow ups of what we have already talked about.

I would think, Mr. Thiel, we will have more corn ground in the foreseeable future. I was talking to Abner Wommack the other day

with FASB, their projection over the next 10 years is we will probably have 7 million more acres in corn. Some of that is transition from other crops and some of it is just CRP land that people decide that there is a market out there and we are going to need it.

Is that your sense talking to corn farmers?

Mr. THIEL. Yes. I talked to a landlord the other day that wants more corn. Not only that, we have got the technology. I am not doing that much different than my dad, but I am raising a lot more corn than my dad. I mean the technology is so much better. You have got a drought-tolerant corn now and I think that you can raise corn in more different places. And we are talking about 15 billion bushels by the year 2015. I mean we are at 11 billion. We are raising it and in this area, it has not been a very good crop year but we are still raising 150 bushel corn in our area where we had a drought. So it is technology that is going to keep moving this.

Mr. BLUNT. Right, right. On the non-support programs, the programs you talked about, Mr. Bomgaars, give us some sense of the application of other specialty crops for the market programs and the programs that grape growers have benefited from. Have you got a sense of how that applies to other areas as well, the other kinds of crops that would benefit from that, that would not be—here we raise lots of cucumbers and there is a Gerber contract for baby food with squash and some other things that clearly are out of—like grapes, they are clearly out of what has been the traditional. Do you have a sense of how those programs can work for the non-support?

Mr. BOMGAARS. When you leave my exact field, I am really lost in agriculture, to tell you the truth, primarily I am grape growing.

A few of the things we are looking for is a national clean plant network, I think they have applications across, way across grapes.

Mr. BLUNT. And how does the national clean plant network work?

Mr. BOMGAARS. Basically it is a network of universities and indexing of plants. One of the major issues we have had with the grape industry is actually having diseased stock planted into our vineyards. So we would come in and have probably 30 or 40 acres pulled out in this State alone. At \$10,000 an acre, that is a lot of loss of revenue and of agricultural dollars.

We have, as does most of agriculture, crossover of biological agents such as multi-colored agent, that is probably a big issue for us; although it is beneficial in the soybean industry, it is causing quite a bit of harm in the grape industry.

Does that answer any of your question?

Mr. BLUNT. Yes. Now here in southwest Missouri, we have a lot of livestock. EQIP has been very good for us. A lot of CRP has been good, but on the CRP, I have only got a couple of questions.

One, Mr. Hardecke, for you, on the current CRP land, do you see a sense of farmers who are willing to look at cellulose products and other things, to take that land toward a fuel type of production?

Mr. HARDECKE. I think as the markets become available, they would. That is a pretty new concept in our part of the country. So I would not really have a feel specifically, but I think people would move to production of energy type crops if given that option.

Mr. BLUNT. I just see us likely in this next 7 years to move toward quite a bit more acreage and production of various kinds. We have had—in the country for a long time, we have been able to produce more food than we can eat and use a lot more energy than we could produce. And here suddenly the opportunity is there. I think the country is ready for it, the Government is ready for it, the producers are ready for it, to see if we cannot take those two things that have both been challenges and create opportunity out of them. And I think we are going to see that.

My last question to you, Mr. Thiel, would be, on that same issue, I mentioned earlier, I think I said EQIP, I meant both EQIP and particularly CRP, the better use of that land when you are anticipating or involved in a drought situation. Do you want to comment on earlier access to CRP land if you need to have access there?

Mr. THIEL. Well, my operation right around Malta Bend or whatever, we do not have any CRP.

Mr. BLUNT. So you are so crop oriented there that—

Mr. THIEL. Pretty much. We have some filter strips long creeks, but we have cattle and we just do not have any; 10 miles south there is. but I do not know, I think if they would use that—they might buy more cattle if they know they are going to get access to the CRP.

Mr. BLUNT. If they had a problem.

Mr. THIEL. If they had a problem. I mean it would make you manage your cattle better without turning out your—if they knew you were not going to let the CRP loose until later.

Mr. BLUNT. It seemed to me some earlier decision system to where you could just have access to some of that CRP land rather than have to go back and ask the Congress and/or the taxpayers to do yet another thing. Better management of that land would have helped us a lot here in the last 2 years I know in southwest Missouri where we do have some land, and in a lot of the cattle raising parts of the State.

My final question, Mr. Spargo, in terms of market access, are you seeing in the rice part of what you do more countries looking for excuses not to let product in?

Mr. SPARGO. Yes, and a good example of that is what has transpired over the past 2 weeks, where they spoke of the genetically modified rice found in our commercial food supply. They are looking at any and all reasons they can to keep our products out, because they had been mandated through WTO and these trade rounds that they have to buy so much of our products every year. It makes it really hard, the person who is going to pay out of this whole thing is the American farmer, because within the first few days, our rice market dropped, I think it was 75 cents a hundred-weight and through the whole week after this happened, it was on a downward run, and that is the last thing we need is for our prices to go down right at harvest time.

Mr. BLUNT. And this is, if I understand it right, where FDA says look, even though this particular strain of rice, they had never actually asked for the final certification, there is no danger here, we are not going to take any action relative to the American food supply because there is not a problem here in terms of human use of this product. But still, other countries really looking, whether it is

Japan and Taiwan on beef or Korea and Japan and other countries on rice, we have got to be sure we are not constantly in the situation where any excuse is an excuse to put up a non-tariff barrier.

Thank you, Mr. Chairman.

Mr. HAYES. Thank you, sir.

John, do you have another question?

Mr. BOOZMAN. No.

Mr. HAYES. Jo Ann?

Mrs. EMERSON. I would like to make a comment on non-tariff barriers if I could just for a second, and a couple of other things.

I realize, and most people probably do not other than our producers, that we do not deal with the issue of non-tariff barriers when we get to the World Trade Organization, but somehow, I hope whenever we decide to write a new farm bill, let us just go on the premise that we are doing it, starting it I guess in February-March time frame—that we somehow can address this whole issue of non-tariff barriers because of hormone-fed beef or because there is a teeny, tiny trace amount in long grain rice from the southern part of the country. I mean this is getting a little ridiculous and somehow we have to knock some common sense into these guys or just pull out of the stupid organization. And I do not mean to press the scary war, but seriously—

Mr. HAYES. Tell us what you really think. [Laughter.]

Mrs. EMERSON. But second, I think it is real important to address also Roy's question to Will with regard to access. I mean yes, there are countries and organizations, whether it be EU or whether it is Costa Rica or Mexico with regard to the rice situation we have. But we also are cutting our nose off to spite our own face by keeping our producers from having access to markets who would willingly purchase from us, like Cuba.

Thank you, Mr. Chairman.

Mr. HAYES. Billy, expand on what you said a minute ago, buying extra cattle is one thing, but it also might keep those from dumping when there is a drought if they anticipate—if you cannot feed the cattle, it kind of drives the marketplace down, so that is a very good idea.

Quick question I had for Ron and Billy. Both of you mentioned the need to keep the conservation programs focused on soil conservation first, wildlife habitat secondary. What is the personal experience that caused both of you to be on that same page, anything in particular?

Mr. HARDECKE. I just see the—well, I serve on the local soil and water district in my county and you see constant draw from non-ag requests for funding of all kinds.

Mr. HAYES. So you see the requests and what they are for.

Mr. HARDECKE. Yes. And here in Missouri, the Department of Conservation has a tremendous amount of money that they give to wildlife programs. So I think that we need to look back at the intent of the NRCS program was to benefit agriculture, not to be an all-encompassing for everyone. There are many other sources available to the other conservation type programs that are not available to agriculture.

Mr. THIEL. There is a lot of people buying ground just for recreation, kind of taking it out of farming and they know they can get

it all paid for, or the improvements paid for, through the wildlife aspect of it. I think it ought to stay more for farmers.

Mr. HAYES. Wildlife leases a significant portion of agricultural income in Missouri?

Mr. THIEL. Not in my area.

Mr. HAYES. Land down south—when I say down south, South Carolina is down south to me—leased a few years ago for \$2 to \$4 an acre. Now people from Florida are paying \$20 an acre for land that is not fit to hold the world together. Ain't quite figured that out. [Laughter.]

Anyway, is there anything that you all would like to ask us—we have been asking you all questions—as we wrap this up? Comments?

Mr. HARDECKE. I wanted to comment on the animal ID, there was a lot of discussion on that in the first panel. I appreciate your commitment to making that system work. I think that there has been a lack of response by USDA and they need to make it clear, because if this system will not work for the producers, it will not work.

I think we need to keep in mind as we go through something this big, and I think, Mr. Chairman, you indicated that the Government does not need to do everything. Well, we have got to remember we have a Clean Water Act, a Clean Air Act and an Endangered Species Act that were enacted for good intentions. But at this point, we cannot get them back and redo them like we would like to. So we have to make sure this is done right and in workable form before we go forward.

And something that I have been very concerned with that has not been mentioned is the liability portion. Mr. Boozman had mentioned that. But as I see it, if we do not get protection as producers from any consequences beyond our term of ownership of that animal, that could lead to a consolidation of the industry very quickly. So I think that USDA needs to go back and—a lot of the concerns have come out of that 2005 draft plan. They need to go back and issue a new document to repeal that or replace that and let people know what is going on.

And I think I see—I raise hogs, we sell hogs and we have been selling on the carcass basis for over 20 years, they still lose probably 10 percent on most every week. Well, that ID system has been in place for more than 20 years and if we have not got that right, we are undertaking a lot more with all these other species. So, as we go forward, I encourage you and I am glad to hear that you are pushing to get it done right.

Mr. HAYES. I could get Pam to testify there is at least once a week, Pam, where are they, have they done anything yet. And I remember very well the day Secretary Johanns came to the office and said yes, I will support the voluntary program. And I quickly referred to Missouri and said OK, Mr. Secretary, show me. And he has done that, but he has got a lot of things that he is pulling in his sled to get to the finished line.

Another comment from anybody else?

Mrs. EMERSON. Mr. Chairman, can I ask Cory one question?

Mr. HAYES. Please.

Mrs. EMERSON. Do you know—I guess one of our largest wine competitors would obviously be France or Australia.

Proportionately speaking, how much does the Government put into research in those countries as compared to us? Do you know those figures or could you get those for us?

Mr. BOMGAARS. I could get those for you.

Mrs. EMERSON. As well as the other types of things that they do to help. And I think they probably help subsidize their wine growers a little bit.

Mr. BOMGAARS. The wine growers a little bit, but they are mainly funding grape research. Australia is the best example, they are now one of the leading exporters of wine in the world. I think 25 percent of our market in wine is from out of the country, and Australia has a big chunk of that. I cannot tell you the numbers.

When I am doing research or looking up concepts of wine making or grape growing, almost all of the information I am getting is out of Australia now.

Mrs. EMERSON. OK.

Mr. BOMGAARS. So if you look on the Web or you look at articles. And they have some of the best—their international wine grape initiative, they have met their goals 10 years ahead of schedule, so their 20/20 vision has been accomplished early.

Mrs. EMERSON. Well, perhaps you can get for the committee some more information about what Australia does versus the United States. At least that gives us a good comparison.

Mr. BOMGAARS. OK.

Mrs. EMERSON. Thank you.

Mr. BOMGAARS. You are welcome.

Mr. HAYES. I want to again thank you all and just kind of in summation, North Carolina has been using corn to produce alcohol for years. [Laughter.]

It has not helped the price of corn, they did not call it ethanol. I think Boozman has got a still over there somewhere too.

But you all have been tremendous today, cannot thank you enough. I have never been more encouraged, excited and optimistic about the future of agriculture. The challenges are great, the problems that you face are so, so numerous, but as you look at alternative fuel and what that can do for our economy and for agriculture, if you look at what is being done in nutrition, ways to preserve food using modern technologies so that youngsters can keep healthy snacks in their lunches and just absolutely if you are a creationist, creation is still going on. We do not need the Government to manage the shortage, if you are on the other side of that debate. But again, with the cooperative spirit and enthusiasm and excitement that you all bring to the table, not to mention courage and commitment, we have a bright future ahead. America has been good to the world and I think part of that is because of the farm community. Endangered Species Act, the farmer ought to be on top of that, all the others coming off the bottom, using sound science as a basis for that.

But again, thank you all so, so much for what you do. And Roy, thank you for letting me come, hope I get to come back at various other times during certain seasons of the year. [Laughter.]

But would you like to wrap up?

Mr. BLUNT. Thank you, Mr. Chairman, very much for holding the hearing today. We want you to come back and we will find exactly the right time and opportunity for you to come back. But it was a great hearing, thanks to you and your staff for all the work you are doing to try to put together the right farm policy for the future, and I know that Jo Ann and I and John are pleased with your leadership and grateful you would come and have this hearing here that could involve the people that we work for in such a real way in the next farm bill.

Mr. HAYES. Thank you, sir. Great working with you, great to be here and folks, honestly, these folks do a wonderful job and we appreciate the relationship we have with them and all the things they do for the State. I told somebody, Roy, if you are in a duck blind and you have got a constituent on each side of you, you can give really give them undivided attention unless a duck comes by. [Laughter.]

Mrs. EMERSON. We are having a dove hunt in a couple of days if you want to stay around.

Mr. HAYES. That would be good too.

Without objection, the record of today's hearing will remain open for 30 days to receive additional material and supplementary written responses from witnesses to any questions posed by a member of the panel. Call us, talk to us, let us know, we are available, they are available. The best information we get is from you.

Without further ado, the field hearing of the Subcommittee on Livestock and Horticulture is adjourned. Thank you.

[Whereupon, at 12:22 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF BILLY THIEL

I would like to thank you for the opportunity to comment on Federal farm policy as we look towards the development of the 2007 farm bill. My name is Billy Thiel and I raise corn, soybeans and cattle on a farm near Marshall, Mo in partnership with my family. We are investors in Mid-Missouri Energy, a farmer-owned ethanol plant in Malta Bend, Mo. I also have the opportunity to serve as a member of the board of Directors of the Missouri Corn Growers Association and Missouri Corn Merchandising Council.

Rural America is undergoing a time of tremendous change and progress fueled by the development of the renewable fuels industry. The impact of farmer-owned, homegrown fuel production is bringing opportunity back to our rural economies. The role of America's farmers is changing, growing to encompass providing food, fiber and fuel for our country. This dynamic growth is changing the way that many of us look at Federal farm policy.

Our family, as well as most farmers that I talk with, are generally satisfied with the programs and safety net provided by the 2002 Farm Security and Rural Investment Act. The farm bill established policy that enables American farmers to be globally competitive and responsive to market signals while environmentally responsible. The programs provide producers access to global markets, access to capital, advances in technology and risk management.

The eventual outcome of the Doha Round of WTO negotiations is a critical component to future farm policy. As important as additional market access is, we must make sure that the farm safety net remains in place for American farmers. Our negotiators have shown that the U.S. will not unilaterally disarm our farm support programs and jeopardize our country and our farmers. American producers will be best served by an extension of the commodity title of the 2002 farm bill until a WTO agreement is reached. It is nearly impossible to formulate comprehensive new policy with unknown farm subsidy and trade variables.

If a WTO agreement is reached, and a green box compliant revenue program is necessary, protection must be provided at the farm level using production history

unique to each grower. Farm level coverage and farm level triggers are paramount as there is too much production variability within counties. With a farm level trigger, when a farm is off its average production, producers are covered and no one is left out.

I am sure that the members of this committee realize the value of foreign market access programs. While working through such programs and the WTO process we must ensure that the domestic transportation system of rivers, rails and roads that gives the U.S. our competitive advantage isn't neglected. Grain belt agriculture relies on efficient, low cost transportation provided by the river systems. The Missouri River should be managed for transportation and flood control and the Mississippi River system needs the money necessary to upgrade its outdated and decaying locks and dams. Expanded WTO concessions, coupled with a shaky commitment to improving our own competitive advantage, are a recipe for disaster.

While the general satisfaction level with the current bill seems high, the 2002 bill is not perfect. While the farm bill's direct and counter-cyclical payments have served to provide a safety net when market forces and production factors have combined to depress yields and commodity prices. However, years with large crops and low prices allow raiding of the marketing loan program while growers in short crop areas are largely left out of the safety net. Since loan deficiency payments are based on current year production, revenue suffers from reduced production as well as lower farm program benefits.

As significant as the WTO is, it is not nearly as important as an energy title in the 2007 farm bill. The demand for corn created by the ethanol industry will influence prices more substantially than will increased exports resulting from a WTO agreement. More can be done to cultivate domestic markets rather than dealing with all too fickle foreign markets which may or may not materialize with a WTO agreement.

The growth of renewable fuels has been a blessing for rural America. Our rural economy is providing more opportunity for U.S. farmers through self-reliant energy development. The expansion of the farmer-owned ethanol industry can be considered one of the brightest spots in rural economies today. This success can be attributed the entrepreneurship of American farmers as well as the assistance of targeted research and business development investments. Programs such as the CCC Bio-energy program have been instrumental in kick-starting the renewable fuel industry and funding should be continued to sustain the momentum of the ethanol industry.

The Federal Renewable Fuel Standard (RFS) was a monumental accomplishment which provides a baseline for renewable fuel usage nationwide. Congress should be open to a wise and prudent increase of the standard as needed to help move the renewable fuels industry out of its infancy and into maturity. As our farmers move closer to providing the energy needs of our nation through ethanol and biodiesel production, an expansion of the RFS will ensure that our homegrown products have a position in the marketplace.

The livestock industry is a vital component of our American agriculture system that does not always receive adequate attention in discussions of Federal farm policy. It is also a segment of agriculture that is coming under increasing criticism from radical groups. Government policies must ensure a vibrant and growing livestock industry in our country. As our ethanol industry continues to grow, so does the need for domestic animal production. Without livestock to consume the abundant quantities of distillers dried grains and other byproducts, biorefineries will be seriously hindered. Animal agriculture and renewable fuels go hand-in-hand and we must develop sound, science-based policies that support current and future growth.

The market development programs included in the farm bill have been a tremendous success which has provided a substantial return on investment. The USDA Value-Added Producer Grant Program has encouraged the development of farmer-owned ventures and would provide an effective model for future programs. Additional programs should be developed and implemented to encourage farmer ownership of our ethanol and other value-added industries. Without farmer ownership, ethanol plants become simply another market looking for the lowest cost corn inputs and lose much of their value to rural areas.

The Federal crop insurance program can be improved with modifications to the program that would offer better protection to our farmers without substantial cost increases.

More uniform crop coverage should be offered to producers as many high risk designations all too often exclude growers that would otherwise participate in crop insurance. A subject close to the hearts of Missouri farmers is coverage for losses caused by the man-made spring rise on the Missouri River. Farmers in the Missouri River valley are being put into an impossible position. The inflexibility of the U.S. Fish and Wildlife Service, U.S. Army Corp of Engineers, and USDA through this

whole process has been monumental. Although we have made it through one spring rise without substantial harm, do not assume that government imposed flooding and crop damage will not happen.

Crop insurance is invaluable to producers in years of devastating crop losses. Producers cannot control the dual risks of weather and price. However, adequate revenue-based risk management tools can help producers avoid the effects of low yields and low prices. The subsidy structure of the Federal crop insurance program should encourage producers to insure adequate revenue to avoid devastating losses but must not artificially stimulate production. In addition, a supplemental policy should be developed that would provide better protection against multi-year crop losses and significant, but shallow repetitive crop losses.

Generally speaking, the Conservation Title of the current farm bill effectively meets its goal of keeping the most sensitive land out of production. We seek to maintain current and future funding levels at their maximum level. However, direct payments in the commodity title of the bill should not be sacrificed by replacing them with increased conservation funding. Current conservation programs are critical tools in dealing with the environmental issues that agriculture will face in the future.

The 2007 farm bill should reinforce the original commitment of the Conservation Reserve Program (CRP) to soil conservation rather than wildlife habitat. With that focus in mind, we should continue to enroll and give deference to taking the most environmentally fragile acres out of production. If soil conservation is the primary focus of the program, allowing farmers to periodically mow CRP acres makes more sense than requiring tillage of those acres.

We need to collectively evaluate the future of the vast resources of the nearly 40 million acres held in CRP. Do we have a long term plan for this resource? Where are we going? Will this be maintained as a land bank? Will it be returned to production? Can those less fragile acres be developed as a cellulosic ethanol reserve bank?

The Conservation Security Program (CSP) provides attractive incentives for producers which make participation worthwhile and offers opportunities to create win-win scenarios for wildlife and crop farming. However, its limited geographic scope leaves most producers out of the program. This program does offer.

Again, I believe that 2002 farm bill is, for the most part, meeting the needs of American agriculture by acting as an effective safety for our food, fiber and fuel producers. It is an honor to have the chance to share my thoughts on such an important topic with you today. Thank you for coming to Missouri to gather farmer input on the future of the farm bill. The farm bill provides valuable tools which ensure the continued growth and success of America's agriculture industry. I appreciate your time and attention.

STATEMENT OF GENE PHARR

Mr. Chairman and Members of the Committee, thank you for the opportunity to testify today. My name is Gene Pharr. I am a poultry and cattle farmer from Lincoln, Arkansas. I own and operate five (43ft x 500ft) broiler houses. Poultry is the primary source of income on our farm. I have been an active participant in the Environmental Quality Incentives Program (EQIP), as I used the cost-share program to build a 40ft x 60ft stacking shed and use alum to tie up phosphorus in the broiler litter. Neither of these two practices contributes much to my bottom line but they allow me to help protect the water quality that leaves my farm.

Poultry farmers have been blamed for polluting the water in northwest Arkansas but I can remember how muddy the Illinois River used to be after a rain when most of the land was tilled each year. The availability of poultry litter has turned the eroding hillsides into beautiful permanent pastures which allow little soil erosion when it rains. These pastures support more cattle to improve the profitability of the farms.

Arkansas produces over 1.2 billion broilers each year and ranks second in the Nation in broiler production. The state ranks third in turkeys and fifth in egg production. The poultry industry accounts for nearly fifty percent of Arkansas agriculture, based on the value of production. Many poultry farmers are in trouble due to rapidly increasing prices of energy.

Outdated U.S. energy policies led to over-dependence on foreign sources to meet our country's energy needs and resulted in severe energy price volatility. High energy costs remain a major uncertainty as farmers try to cope with the high cost of production. In my case propane is the major energy cost and the cost has nearly tripled in the 7 years that I have had my houses. Electricity has recently risen drastically because of transportation problems with coal, forcing the use of higher cost

electricity generated by natural gas. The rise in energy cost has put most poultry producers in a bind where they can barely survive.

In addition to the financial hardship of rapidly rising prices we face an uncertain future as the Attorney general of Oklahoma has attacked the poultry companies claiming poultry litter is hazardous material. The EPA currently is trying to determine if the ammonia that comes from our houses exceeds a threshold that was designed for releases from industry, not from bacterial action in animal manure.

The 2002 farm bill was carefully crafted to provide a safety net to farmers and ranchers while also supporting the rural economy. The conservation provisions resulted in the "greenest" farm bill ever. The farm bill strengthened our economy by encouraging more than \$62 billion in agricultural exports in 2005. Current farm programs enable the U.S. to export production from approximately one out of every four acres. More than 17 percent of the total American workforce produces processes and sells the nation's food and fiber. By any measure, agriculture is the backbone of our nation's economy and an invaluable component to our national security.

The authors of the 2002 farm bill should be commended for the increase in funding working land programs, such as EQIP and CSP. I believe it is important we maintain a balance between the working land conservation programs and land retirement programs.

I know the budget situation is drastically different going into the 2007 farm bill debate in comparison to the 2002 farm bill. I feel that the conservation provisions of the farm bill are important to help producers afford to be good environmental stewards.

I would like to address The Environmental Quality Incentives Program (EQIP) within Title II of the 2002 farm bill. EQIP provides poultry producer's critical financial support on conservation practices such as; stacking sheds, amendments to treat animal manures, fence, stream crossing, and others. EQIP funds should not be used for wildlife habitat over conservation needs since there are other programs to fund habitat.

I would like to see the program continued within the 2007 farm bill, though, with price adjustments included so that the escalating prices of materials are accounted for. For example, my EQIP contract calls for alum for 3 years at \$250.00 per ton. This amount initially covered the cost of the alum. Now the cost is nearly \$500.00 per ton. The new contracts cover the cost and the existing contracts haven't been adjusted.

The Conservation Security Program (CSP) is a working land conservation program that rewards farmers and ranchers for being good stewards of the land. It provides financial and technical assistance to promote the conservation and improvement of soil, water, air, energy, plant and animal life.

CSP works great in conjunction with EQIP, as it rewards the farmer and rancher for being a good conservationist and helps offset expenses for ongoing projects. The one problem CSP has is that not everyone is eligible to participate. I feel the program should be open to all farmers and ranchers across the United States.

The Conservation Reserve Program (CRP) is a land retirement conservation program, which addresses soil, water, and related natural resource concerns. The program is funded through the Commodity Credit Corporation (CCC). The Commodity Credit Corporation (CCC) makes annual rental payments based on the agriculture rental value of the land, and it provides cost-share assistance for up to 50 percent of the participant's costs in establishing approved conservation practices. Participants enroll in CRP contracts for 10 to 15 years.

The Conservation Reserve Program reduces soil erosion, protects the Nation's ability to produce food and fiber, reduces sedimentation in streams and lakes, improves water quality, establishes wildlife habitat, and enhances forest and wetland resources. It encourages farmers to convert highly erodible cropland or other environmentally sensitive acreage to vegetative cover, such as tame or native grasses, wildlife plantings, trees, filter strips, or riparian buffers. Farmers receive an annual rental payment for the term of the multi-year contract. Cost sharing is provided to establish the vegetative cover practices.

At the end of the CRP contract, farmers would like to have the option to re-enter into another contract. The advantage for re-entry is the same for establishing the conservation project in the beginning.

I would ask that consideration be given to support the use of animal manure to replace chemical fertilizers. Poultry litter is in excess in some watersheds like the Illinois and is being moved to areas where crops are grown and phosphorous is needed. The high cost of fuel limits how far it can be moved. Currently the value of broiler litter is about \$40-50 per ton just for the N-P-K, not counting the organic matter and other beneficial soil nutrients. Could something be done such as elimi-

nating Federal fuel taxes on fuel being used to move excess litter out of impaired watersheds such as the Illinois River?

I support full research and development for the increased production of all forms of renewable fuels from agricultural resource for energy use, including biomass, which includes waste wood products. I favor biodiesel incentives through tax credits of at least 10 years in duration and through other appropriate measures such as a renewable fuels standard.

Mr. Chairman, the 2002 farm bill not only established a safety net for our producers, but it also provides leverage for international trade negotiators and needed conservation program support. I support the concepts of the 2002 farm bill for inclusion in the 2007 legislation.

STATEMENT OF HOWARD HARDECKE

Mr. Chairman, members of the Committee, I appreciate the opportunity to express my opinions concerning the upcoming 2007 farm bill. My name is Howard Hardecke, and I am a rancher and farmer from Bolivar, Missouri. I have been in ranching for 33 years and have actively kept abreast of happenings in the agriculture arena and the beef industry in particular. I am the immediate past president of the Missouri Cattlemen's Association and am currently serving on Congressman Roy Blunt's Agriculture Advisory Committee and on the Governor of Missouri Matt Blunt's Agriculture Advisory Committee. I am witnessing as an individual producer before this committee today.

Speaking as a Missouri cattle producer, we are the second leading cow producing state in the United States. Our cash receipts in 2004 was \$821 million, or 19 percent of the states total cash farm receipts. We have beef cattle in all of Missouri's 114 counties, with most of the top ten counties in south Missouri. The majority of the cattle in Missouri are within a 100 mile radius of where we are right now. You are in cattle country. We are dependent upon this nation's agricultural system and infrastructure to feed, transport, and market our cattle in order to provide beef for America's table. As such, we are very interested in seeing this segment of agriculture remain healthy and viable.

As you may well know ranchers are an independent lot who want the opportunity to run their operations as they see fit with minimal intrusion from the government. As the nation's largest segment of agriculture, the cattle industry is focused on continuing to work towards agriculture policy which minimizes direct Federal involvement; achieves a reduction in Federal spending; preserves the rights 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. I would like to address several sections of the 2002 farm bill and how current and future challenges might be addressed during the formulation of the next farm bill.

CONSERVATION AND ENVIRONMENT

Conservation and environmental issues are two areas where Federal agriculture policy and the beef industry can work together to ensure the future of the cattle business in the U.S. Being good stewards of the land makes good environmental sense and is fundamental in making our industry strong. USDA's conservation programs are a great asset to cattle producers. We want to see them continued and refined to make them more producer friendly and more effective in protecting the environment in a sensible way.

One concern of mine involves various USDA conservation programs such as CSP and CRP. To enroll in these programs requires the producer to stop productive economic activity on the land enrolled. I believe economic activity and conservation can go hand in hand. I would like to see the next farm bill allow managed grazing on land enrolled in CRP. This will have tangible benefits on environmental quality, for example, helping to improve lands threatened by invasive plant species.

Environmental issues are a huge challenge for our industry. And I understand we need to have regulations to protect resources and that those producers who knowingly pollute and violate the Clear Air and Clear Water Acts should be prosecuted. However, the use of vehicles such as the EPA's Superfund to sue agriculture producers for the manure in their operation is egregious and threatens the future of agriculture producers both large and small. This, combined with EPA's talk of regulating agricultural dust and other naturally occurring substances makes us all concerned for our industry. And, although I know these items are not addressed in the

farm bill I ask that members of this committee step in and help agriculture producers in their fight to have effective and sensible environmental regulations.

TRADE

U.S. cattlemen have been and continue to be strong believers in international trade. We know that 96 percent of our customers are outside of the U.S. borders, and so we encourage the Committee to have a strong and vigilant oversight of the enforcement of any trade pact to which American agriculture is a party.

I would like to see aggressive negotiating positions to open markets and to remove unfair trade barriers to our product. I also support Congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef. The beef industry certainly appreciates your work in helping to reopen the foreign markets that were closed to U.S. beef after the discovery of BSE in a Canadian cow in Washington state. We ask for your continued support in seeing that sound science is being followed in bringing down these artificial trade barriers.

ANIMAL ID

One of the most controversial and divisive issues currently in the beef industry is the issue of animal identification. I believe that a national ID system is necessary in trying to deal with, and mitigate the effects of animal health emergencies on our business and trade. I strongly feel that a privately held animal identification system, like the one that exists now under the administration of the U.S. Animal Identification Organization (USAIO) 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. Confidentiality of the information is paramount and is one of the greatest concerns for producers. This privately held data base will keep the information much more safe than a public or USDA system would.

RESEARCH

In regards to animal health emergencies, I see a need to keep a strong agricultural research component to the farm bill. USDA's research is critical in all aspects of our business. Their research and extension activities help to find new and improved cattle production methods to help make our business more efficient and effective. Animal health research helps to control and eradicate animal diseases; develop better methods to keep foreign animal diseases out; and to identify, control, and preempt new diseases. These activities keep our national herd healthy and make it easier to export our beef and cattle. In addition, nutrition research is important to show that beef is a healthy part of America's diet.

ENERGY

Research is also needed to identify and develop alternative methods of producing energy. Renewable energy is going to become an increasingly important part of our country's energy supply and there are many ways that cattle producers can contribute and benefit. Research and development is needed to find cost-effective methods of utilizing manure and animal waste as a fuel supply. Gasification and other methods hold a lot of promise for our industry. When looking at ethanol, however, we must be careful not to act in a way that is detrimental to the livestock industry. Livestock consume the majority of U.S. corn. As ethanol continues to grow, we must make sure it does not do so at the detriment of the cattle feeding industry. We must take all opportunities to look at ways to balance feed demand, price, and the benefit of renewable fuels.

PROPERTY RIGHTS

In turning to business matters, one of the biggest concerns to cattlemen right now is their private property rights. The Supreme Court's ruling in *Kelo v. The City of New London* sent a shockwave through the cattle community. The thought that our ranches could be taken by municipal governments and turned over to private developers in the name of economic development is disturbing. Our country is great for many reasons, but one of them is the ability to own property, use it how you see fit, and not worry about it being taken from you on someone else's terms. I believe in the rights of cattlemen to keep their property and applaud the Committee's efforts to protect those rights.

TAXES

Reducing the tax burden on ranchers has always been a top priority for our industry. I continue to support permanent repeal of the Death Tax. Regardless of how many or how few are affected, if even one rancher has to sell off part of their operation to pay this tax is unacceptable. 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. A priority should be to keep families in agriculture, and this tax works against that goal. This is not a tax cut for the rich. Ranchers operate in an asset rich but cash poor business environment. Ranchers are being forced to spend money that would otherwise be reinvested in their businesses to hire the resources necessary to protect their assets and pass their operations on to their children. At the same time, however, they may have several hundred acres of land whose value has been driven up by urban sprawl.

MARKETING ISSUES

I 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.

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 debate for years. I am 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. I don't believe that Congress should tell cattlemen how they can market their cattle. Each producer should be able to make that decision for himself.

Another issue of concern is mandatory Country of Origin Labeling or COOL. Cattlemen across the country realize the benefits 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. 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.

DISASTER ASSISTANCE

As most of you saw as you entered southwest Missouri, we are currently in the throes of a continuing drought. This lack of moisture, combined with the intense heat for several weeks this summer is slowly devastating the beef industry in several states besides Missouri. Ranchers are looking for feed sources, moving cattle to areas that still have some pasture and water, and many are contemplating liquidation of their herds. And, even though we, as cattlemen, are very independent and proud, I believe that in order for the beef industry to remain viable in the international marketplace and to provide meat for our own economy that appropriate assistance should be considered for inclusion in the 2007 farm bill. If we can provide millions of dollars of relief for hurricane and tornado victims, can we not provide some relief for drought ravaged cattlemen. After all, by providing some assistance to cattle people there promises to be a positive return to the economy. I'm not sure this can be said for other forms of disaster relief.

As a cattleman, I just want the opportunity to run my ranch the best way I can in order to provide a high quality product to the American consumer. I am witnessing today in an effort to work together with you 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. And I appreciate the opportunity to address you today.

STATEMENT OF CORY BOMGAARS

Comments by Cory Bomgaars, Head Winemaker and Partner at Les Bourgeois Vineyards and Winery, 12847 Hwy BB, Rocheport, Missouri

Thank you for inviting me to be here today and for holding this meeting in Springfield. My name is Cory Bomgaars. I am the head wine maker and a partner at Les Bourgeois Vineyards in Rocheport, MO. I serve as a member of the Missouri Grape and Wine Board, focusing most of my efforts through the Research and Advisory Subcommittee. I am a college level instructor, teaching winery sanitation through the Viticulture and Enology Science and Technology Association. Vesta is a National Science Foundation initiated program, housed at Missouri State University, and designed to educate current and future grape growers and winemakers. Though my position at Les Bourgeois, I over see all winery and vineyard operation, manage grower relations, develop custom wine contract and am involved in the wholesale sales and marketing of our product. Les Bourgeois has been in business for over 20 years and is the third largest winery in Missouri, with distribution in four additional states. In Columbia, MO, our wine is the number two selling brand, second to Gallo. Columbia is home of the University of Missouri with a population of nearly one hundred thousand, Sixty five percent of our wine is sold in the wholesale market or directly to other wineries through custom production contracts. The remaining wine is sold at one of our three retail locations, consisting of an out door wine garden, gift shop and 6,000 square foot restaurant. We employ over 70 people in our peak season with an annual payroll of over one million dollars. We currently farm 30 acres of grapes and contract with eight independent growers to produce 42,000 cases of wine.

I'm sure that many of you are aware of the recent growth in the wine and grape industry in the United States. Grapes and wine crops are produced in more than 40 states. Grapes are the sixth largest a largest agricultural crop in the U.S. producing more than \$3 billion worth of fruit. Grapes are the highest Value fruit crop in the nation, significantly ahead of apples and oranges.

As vineyards continue to expand, so do the number of producing wineries. There are over 3,000 wineries in all 50 states. Wine production from grapes consumes about half of the average annual grape crop. The Nation's top wine producing states are California, Washington, New York, Oregon, Pennsylvania, and Michigan. California produces about 92 percent of the volume.

While California is certainly the largest producer of grapes and grape products, the growth that our Missouri Company has experienced in the industry is not an isolated situation. It is happening with vineyards and wineries across the entire country and particularly here in the Midwest. In the 1960's, when Missouri re-entered the wine industry from the pre-prohibition era, you could count on one hand the number of wineries in the eight Midwestern states bordering Missouri. By 1990, the number of wineries in these nine Midwestern states had increased to 88, and by the year 2000 the total was at 104. A mere 5 years later, in 2005, the number of wineries in these nine states has increased to 282. Like Les Bourgeois, many, if not most of these wineries, buy a significant portion of their grapes and other fruits from independent farmers thereby providing an excellent opportunity for farm diversification and keeping the land in agricultural production.

Grapes and wine are the ultimate high-value, value-added crop, but they are capital- and labor-intensive. Grapes are the sixth largest crop in the United States (based on farm-gate value measured by USDA Agriculture Statistics Service) at \$3.5 billion. In a recent preliminary economic study by MKF Research, Inc., it is conservatively estimated that the production of wine and wine grapes and their related industries produced more than \$90 billion of economic value to the U.S. economy in 2004. The industry accounts for 514,000 full-time equivalent jobs with \$17.9 billion in annual wages paid. Additionally, about 30 million tourists visit wineries each year, spending approximately \$2 billion. The industry pays \$4.3 billion in Federal taxes and almost \$5 billion in local and state taxes. Wineries are some of the best examples of ongoing viable small family farms. There are currently 3,500 wineries in the United States, 1800 in California alone, and the vast majority are small, family-run, farm businesses.

In the last decade, Missouri alone has seen tremendous growth our wine industry nearly doubling the number of wineries. Missouri is host to 62 wineries in all regions of the state, including one in downtown St. Louis. Most of these wineries are in rural settings, drawing consumers into communities which receive a large eco-

conomic boost, in restaurants, inns and markets. Many of the markets carry locally produced agricultural products further increasing the agricultural impact of the wine and grape industry.

I would like to present two facets of our industries inputs into the agriculture and rural sectors this is a diverse and growing agricultural industry that is bringing income into communities thought the Midwest and United States.

As I stated above, Les Bourgeois employees over 70 employees most of which are in their twenties and thirties and many have chosen life careers in specialty agriculture. Our employees come from varied backgrounds including urban and rural domestic and international. Each of our employees is exposed to the agricultural diversity of our industry. Over the last fifteen years, I have seen many employees move up through our company and many leave to further explore vineyard and winery operation on their own. To date we have had three employees seek higher education degrees in viticulture and enology, two have started vineyards and wineries on their own, and two open restaurants in both rural and urban settings that focus primarily on locally grow products. Being in close proximity to a university town we cycle through many employees not all of them stay in agriculturally related fields, but they do leave with an understanding of the diversity and impact of specialty agriculture.

Nick Pehle, Les Bourgeois Vineyards' vineyard manager, grew up in Burger, MO on his family's farm. Over the years his grandfather has reduced the farms size from several hundred acres to 110 acres of row crops and keeping only some of the hog production. Neither of Nick's parents receives income from the family farm. After graduating from the University of Missouri with a degree in Agriculture, Nick started to work for Les Bourgeois where he has taken over our entire vineyard operation. In addition, Nick has planted 17 acres on his family's property where he plans to return once they are fully producing.

Our growers not only include Nick and other farmers who have diversified their operations, but consist of doctors, lawyers and other professionals investing in property. This style of grower is equally common. With start up cost of nearly \$10,000 per acre and a labor cost of 60 percent these gentleman farmers are adding new income into our agricultural communities.

According to a Gallup poll last year, wine recently passed beer as the preferred alcoholic beverage in the United States. While we have very positive growth occurring in the U.S. grape and wine industry, the fact that we as a country consume only about three gallons of wine per capita is not lost on other grape-growing and wine-producing nations. Roughly 25 percent of the wine consumed in the United States today is imported, and with the strong potential for growth in the U.S. wine market, many countries are viewing our market as a potential wine sponge. In the face of strong international competition, the American wine and grape growing industry must lead in the production of wines with superior quality, excellence and value. The American wine and grape growing industry can and will compete.

Over the past 2 years the grape products segment of agriculture has come together to form the National Grape and Wine Initiative (NGWI). NGWI is an industry initiative to promote sustained agricultural growth through significantly increased expenditures for research and the effective communication of the research results to growers, wineries and processors through enhanced extension and education efforts. The vision of NGWI: "By 2020, the American grape and wine industry will triple its economic impact by aggressively pursuing increased market share, becoming the undisputed world leader in consumer value and sustainability, and contributing to improved quality of life in rural communities." The target is an economic impact of \$150 billion annually within 15 years.

To accomplish this challenging goal, we want to establish a private-public effort to fund research that will make us the No. 1 producer of quality grape products in the world. Federal investment in agriculture research has traditionally focused on program crops such as corn, soybeans, cotton, wheat and hay. A modest increase in the Federal investment for viticulture research is justified based on the industry's contribution to the national economy and its importance as the sixth largest crop in the United States. The industry has done its homework by creating a national strategic research plan that identifies clear, strategic priorities for research that can help us triple our national economic impact in 15 years. It is imperative that we increase Federal research dollars to improve the science (and art) of making and marketing U.S. world-class wines, table grapes, raisins and other grape products. Such a partnership with the Federal Government would help us level the playing field with our foreign competitors, most of who are highly subsidized by their governments. It is time to recognize the contribution of grapes and other specialty crops to the U.S. economy, to our balance of trade and to the role of providing healthy food for our tables.

I request that the 2007 farm bill include the following:

In the farm bill provide a mechanism to support industry-government research partnerships, such as the National Grape and Wine Initiative (NGWI), which will enhance the competitiveness of specialty crops.

Authorize in the farm bill mandatory funding of \$5 million a year from the Commodity Credit Corporation to establish the National Clean Plant Network of Clean Plant Centers for diagnostic and pathogen elimination services to produce clean propagative plant material and to maintain blocks of pathogen-tested plant material in sites located throughout the country.

Provide significantly increased funding to Animal, Plant, Health, and Inspection Service (APHIS) for the prevention of the unintentional introduction of plant pests and diseases, which can destroy the viability of our operations.

Expand the State Block Grants for Specialty Crops Program originally authorized in the Specialty Crop Competitiveness Act of 2004, and funded through appropriations in the Fiscal Year (FY) 2006 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.

Provide continued support for the Market Access Program (MAP). American wineries are experiencing success in penetrating foreign markets, but currently have only a 5 percent share of the world market. There are many more countries and new markets to enter as well as market share to grow in countries where we currently sell our wines such as the United Kingdom, Canada and Japan.

Provide 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 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 operation, et cetera.

The grape and wine industry is faced with tremendous growth opportunities both in the U.S. market and abroad, but we need your help and consideration in the farm bill to realize the growth potential and stay competitive with our foreign competitors. Most importantly, the farm bill must be able to encourage all aspects of farming to continue and prosper. There must be economic reward in farming to encourage future generations of Americans to choose farming as an occupation. We must maintain a viable farming industry to continue to supply our country with a safe, nutritious and healthy food supply. We should never allow our country to come to the point where we have to rely on the rest of the world for the food we eat and drink.

Thank you for the opportunity to testify today and thank you for your efforts to improve American agriculture.

STATEMENT OF RANDY MOONEY

I'm Randy Mooney, a dairy farmer from Rogersville, Missouri. My wife Jan and I operate a dairy farm milking 200 Holstein cows and maintain a cow-calf beef operation. Our dairy grazes the cows nearly year round and we produce over 2.5 million pounds of milk over a 12-month period. We have been in the dairy business for over 20 years. I am first vice chairman of the corporate board of directors for Dairy Farmers of America, Inc. (DFA), a national milk-marketing cooperative based in Kansas City, Missouri. I also serve as chairman of DFA's Southeast Area Council.

In addition to my leadership role in DFA, I serve as a board member of the Midwest Dairy Association, chair Dairy Promotion, Inc., and serve on the boards of the Missouri State Milk Board, the Southern Marketing Agency, the Dairy Cooperative Marketing Agency, and the National Milk Producers Federation.

I appreciate the opportunity to testify at this hearing today.

I have a written testimony document that is more detailed on all of the points that I will touch on today. I'd like to submit that document for the committee's reference. I will spend most of my time discussing some Federal Order issues that my fellow Missouri dairy farm families are most concerned about today.

While organizations that I serve have not officially established positions for all of the 2007 farm bill issues, I would like to share my thoughts on some of the major themes that will define the dairy sections of the bill.

(1) First of all, we support continuation of the Federal Milk Marketing Order program. Marketing Orders are important to us as they under gird all of our marketing and pricing efforts all over the country. Orders assure dairy farmers a minimum

price, assure that all competing milk buyers pay the same minimum price, assure that all dairy farmers share equitably in the returns of the marketplace and assure that the terms of trade are uniform throughout the Order's marketing area. These objectives remain very important ones in the dairy marketplace. Moreover, despite the claims that they are outdated and not relevant, the primary reasons for the institution of milk orders still exist: There are many more buyers than sellers and the average sized milk buyer is much larger than all but the very largest dairy farms. Milk production is still very seasonal. Milk demand has a weekly and seasonal purchase pattern that requires substantial costs to balance producer supplies with buyer demand. Individual dairymen, and even large groups of dairy farmers, continue to need the stability of Orders to deal with these marketing challenges.

Southeastern dairy farmers are in an expanding market—population in the Southeast is growing each year. However, the Southeast is a high cost area to produce milk primarily because the climate is not favorable for raising a dairy herd. With those high costs comes a need for adequate returns for our products to break even or return profits to dairying. From the numbers of farms leaving dairying we can safely assume that many dairy farm businesses are simply not making it.

Milk markets are priced based on national supply-demand situations, which are largely influenced by areas of the country that have a surplus of milk. The national situation does not necessarily reflect the needs of the class I market—especially so in the Southeast; therefore, we feel the need for a separate pricing system that allows all class I milk to be priced differently than current. Because of this situation we are suggesting a policy that would establish a floor for the class I mover at no lower than \$13.00 per hundredweight. This solution would be market based and cause no additional government cost.

We are becoming very frustrated in our attempts to get the Order system to recognize the increasing cost of transporting milk to market, the very real impact that fuel costs play in the transportation equation, and the manner in which these costs are not equitably shared among all producers in the Federal order system. The transportation cost issues have become increasingly important because of: (1) transportation cost increases, especially for diesel fuel, and (2) “flattening” of the class I price surface in the process of implementation of “Order Reform” by Congressional directive in January 2000. Furthermore, the large increase in production nationally seems to cloud the view of what is needed in the Southeast. The national price surface no longer recognizes the cost to transport milk adequately. This is a problem when we attempt to source milk for Southeastern consumers from out of the market or to transport it from my area to other parts of the Southeast.

The dairy farmers who supply the Southeastern markets work together thru the Southern Marketing Agency (SMA) to most efficiently deliver milk to the market. We have asked USDA to look into recovering transportation costs at an Order Hearing. Specifically we asked that the existing transportation credit system be adequately funded. This system has been in place since the late 1990's and helps to share the cost of bringing in milk supplies from outside of the Southeast into the market. In June of 2005 the Southeast had to source 58 percent of its sales from sources outside the Southeast. Outside purchases in August 2005 were double those needed in August 2000. The over-the-road hauling cost in 1997 when the credit was implemented were \$1.75 per mile and last month they were \$2.63 on supplemental purchases from the Southwest and \$2.96 from the Mid-Atlantic and Northeast states. I am sure members of Congress are familiar with diesel fuel cost changes so I don't need to provide any information about them. In 1997 this particular program offset 95 percent or more of the transport cost. And, as documented in the Hearing record, by 2005 the reimbursement rate covered less than 40 percent. The volatility of fuel costs changes is nearly impossible for dairy farmers to pass thru in a timely manner. A gallon of milk must flow thru a processing plant, many times a distributor or wholesaler and then thru a retailer, school or institutional business before it eventually gets to a consumer. So it takes a lot of negotiating effort to pass thru costs—an a lot more time than it takes for gas prices to rise at the pump.

Our proposals updated the 1997 program to levels that reflect current costs and included a fuel cost adjustor that recognized changes in diesel prices in a responsive manner. We also asked USDA to institute an additional transportation credit system that would help move milk produced inside the southeast to customers in the southeast. This new program is very much like the existing program and would be run by the Order system to insure fairness and accuracy. It would require all farms to pay the cost of getting milk to the closest plant to them and then have the market share in the cost of any additional miles. Even though the Southeast is a deficit market there are several pockets of heavy milk production. I live in one of those. But not all the milk produced in the southern Missouri can be sold there—there are not enough local bottling plants or consumers. Milk from my area regularly goes

into other parts of the Southeast every day supplying markets. Every farm in the Order, thru the blend price, shares the revenues from these sales, but not all share in the cost to get it there! Believe me, this is an important issue to southern Missouri dairy farmers and to all the rest of the Southeast.

I'd also point out that our Hearing proposals were supported by all of the major cooperatives in the Southeast who represent over 80 percent of the production and all of our customers. I have attached a summary of the key points that we presented to the Secretary of Agriculture in the Hearing for your review. (See attachment)

But, we seem unable to get the USDA staff to realize the dilemma we face. They seem to understand the problems that energy costs play in manufacturing dairy products and for example have asked for proposals to address energy cost changes in make allowances. But when we try to get the same rationale to apply to the transport costs we face, we seem to be unable to get them to respond.

It is not for a lack of trying that we can't seem to communicate with USDA. We have made several proposals to deal with these issues in various orders with the following not-yet-successful results to date:

- The Central Order (Order 32)—transportation credit proposals rejected in a recommended decision; final decision is pending;
- The Mideast Order (Order 33)—transportation credit proposals rejected in a recommended decision; final decision is pending;
- The Appalachian Order (Order 5)—Hearing held in January, no decision to date;
- The Southeast Order (Order 7)—Hearing held in January, no decision to date;
- The Northeast Order (Order 1)—No action has been taken upon a formal request for a hearing submitted February 3, 2006;

If USDA fails to help dairy farmers in this dilemma we may need legislation to address the issue.

Also, while we too are frustrated with the slow pace of change thru Federal Order hearings, we are hopeful that reforms underway initiated by USDA will speed up the hearing process and make it easier to get a Decision.

(2) DFA members are participating with all the other members of the National Milk Producers Federation's Dairy Producer Conclaves to develop a consensus position on farm bill issues. We will keep you and your staffs informed of our efforts and seek your counsel on issues as we discuss them.

(3) Because we do not think there will be radical shifts in policy direction as a result of the 2007 farm bill we support the view that an extension will work well for most of the nations dairy farm families.

(4) We feel the next farm bill should maintain some form of an economic safety net for dairy farmers. Because dairy products are such an excellent source of nutrition for our nation and due to the high fixed cost of becoming a dairy farmer and the fact that milk production assets have limited use in any other agriculture enterprises, past Congresses have maintained safety net provisions for the dairy industry. We hope this Congress will continue these policies.

The most important safety net provision we have is the dairy price support program. We favor continued operation of the dairy price support program at a targeted \$9.90 U.S. average manufactured milk price. We would oppose granting the Secretary of Agriculture any discretion, which would reorient its intended purpose away from supporting income to farmers just to result in minimizing government costs—and we may need Congress to instruct the Secretary of Agriculture of this fact in some official manner. Under President Bush's proposed agriculture budget the Secretary of Agriculture would be allowed to adjust buying prices for products made from milk (cheese, butter, and nonfat dry milk) so as to reduce the cost to the CCC for products purchased. This could allow for a reduction in targeted support price from that \$9.90 as specified in present legislation.

Additionally, I would request that the Commodity Credit Corporation (CCC) take action and adjust the support program purchase price levels for cheese, butter and nonfat dry milk to reflect the significant additional costs manufacturers face when selling products to the CCC. The current CCC purchase prices for dairy products do not reflect any costs beyond those incurred for commercial sales. As a result, market prices for individual products have, from time to time, fallen below support levels, allowing the price of milk used to produce them to fall below the statutory support level for milk of \$9.90 per hundredweight at average test. NMPF has provided information to CCC but thus far CCC has been unwilling to take action. The result is that manufacturers will sell to buyers other than CCC at prices below the support level in order to gain a higher value than the support purchase price would return after deducting costs of doing business with CCC and the support price targets are not maintained.

Up until the last several days, CCC has purchased some NFDm—doing what safety nets are supposed to do. The last time milk prices fell to safety net levels was

in 2000 when the average class III price for the year was \$9.74 (below the safety net price of \$9.80 for milk of 3.5 percent butterfat test). The 10-year average class III price is \$12.62. Because the price support program is in place and working we hope to avoid a price crash like in 2002—but if it wasn't around and prices did fall to that level the Mooney farm would face a loss in income of \$74,365 on an the most recent years production. That would be hard for our business to withstand. We are very interested in stable policies that help to keep reasonable prices and a safety net that maintains some level of viability for a dairy farm family.

The second safety net provision is the Milk Income Loss Compensation (MILC) program, which we support as long as there are no caps limiting access to the benefits. My farm is affected by the payment limitations, restricting my ability to fully take advantage of this program. Like the price support program, I view the MILC program as a valuable safety net for producers pay prices. It puts cash in the hands of farmers at the very point it is needed most—the lowest point of the price cycle.

In general the guidelines for a safety net program should be that it:

- not discriminate between farmers of differing sizes;
- not discriminate between farmers in different regions of the country;
- not be high enough to encourage additional milk production.

The government's safety net policy should only operate at a point where a collapse of producer prices could force too many producers out of business and our nations milk-producing infrastructure would be damaged.

(5) A majority, but unfortunately not all of the nations dairy farmers, have funded and are operating a self-help program—Cooperatives Working Together (CWT). Dairy farmers voluntarily pay 10 cents per hundredweight on all milk produced in order to structure the size of the nations dairy-cow herd and more closely tailor milk supply to demand. Additionally, the program works to assist exports of dairy products in an attempt to market and promote domestically produced dairy products to the world.

However, the CWT program is not intended to replace Federal farm programs and can never do so because there will always be those who choose to take advantage of the programs benefits but never pay their share. Even after three years of successful implementation there are still over 25 percent of the country's dairy farms that choose not to share in the cost—even though they receive the same benefit as all other dairy farmers. In spite of our success we still need Congress's help in providing policy support to our industry.

(6) Dairy Farmers also see policies outside of the farm bill impacting their future such as:

Environmental Policies. The implementation of conservation practices on our farm is extremely important to our operation. Increasing the funding for the Environmental Quality Incentives Program (EQIP) in the 2002 farm bill was very significant.

I urge you to join the more than 170 House members cosponsoring HR 4341 as part of a bipartisan effort to clarify that animal manure is not a hazardous waste under the Superfund law or its counterpart, the Community Right-to-Know Act. Congress should clarify that it never intended to jeopardize American agriculture by imposing strict, joint, several, and retroactive CERCLA liability on farmers for their traditional farming practices, including the use of manure as a beneficial fertilizer. I would ask you to urge your colleagues to support this important legislation.

My family has always taken our responsibility to protect the environment very seriously. Dairy farmers and other agricultural producers for years have been regulated and required to have permits under the Clean Water Act, Clean Air Act and numerous state laws and regulations—but never under the Superfund Law. It is essential that Congress protect farmers and businesses that depend on agriculture from this potential threat to their livelihoods.

Workable Immigration Laws. I support the AGJobs Provisions contained in the Senate version of the Immigration Reform and I ask your support for passage of legislation that contains such language.

Estate Tax issues. We favor the elimination of estate taxes. If this is not possible, we would be in favor of any compromise that reduces the estate taxes.

(7) Another reason we support extending the current farm bill is so that we can have a more clear view of the Doha Round of the WTO trade talks. We can see no reason to change our programs until we know what the world trade rules will be and more importantly perhaps who will play by them.

- We support multilateral trade talks that level the playing field of dairy export subsidies, tariff protections, and domestic support programs.

- We can't support a final agreement unless it represents a net increase in our ability to compete against our more heavily subsidized and protected competitors in

the EU, Canada and Japan, as well as more balanced trading opportunities with key developing countries.

- We support the continuation of the dairy price support program with or without a successful Doha Round. We strongly disagree with those who claim that the price support program must be phased out or eliminated upon completion of the Doha Round.

- DFA's dairy farmer Board endorsed a renewal or an extension of the President's Trade Promotion Authority to advance the U.S. dairy industry's trade interests.

- We support additional legislation to make the import assessment for dairy promotion (15 cent check-off) WTO-compliant by including dairy producers in Alaska, Hawaii, District of Columbia and Puerto Rico. Their inclusion will allow the collection of the promotion assessment on imported dairy products as authorized in the 2002 farm bill. Such legislative action is obviously long overdue.

(8) We support the Dairy Export Incentive Program (DEIP) and the requirement that the Secretary of Agriculture be directed to see that the allowable amounts of cheese, butter and nonfat dry milk be afforded export assistance equal to what we are allowed under the current WTO agreement. Currently, no government export assistance is being offered, even though, by law, the Secretary is directed to do so, and by agreement we are allowed to do so under the WTO agreement.

In closing, Chairman Goodlatte, I want to thank the House Committee on Agriculture for having this series of field hearings. We know we can't explain all of our concerns here in detail but want to make you aware of them so that when we do provide you with additional details you will better understand our concerns. I will be happy to answer any questions, or provide any additional information that you might want.

STATEMENT OF WILL SPARGO

As the morning sun rises and I begin my day, I sneak one more peak at the blessings God has given me. Ricanna, just starting Pre-K, and Bryce, just learning to walk, have their entire lives ahead of them. I wonder what they will become, maybe doctors, scientists, or teachers? Perhaps, my two children will be the fourth generation to care for the soil on our little piece of Southeast Missouri. A father can only dream and only time will tell. One certainty is America needs to have a strong food security bill/ farm bill if there are going to be future generations of farmers.

Unlike energy policy from years past, America has always had a strong farm bill. In my opinion, the farm bill is more than just "giving" billions of dollars to farmers. The farm bill has provided all Americans with an abundant, safe, and affordable supply of food. The quality of our food is reason enough to extend our current farm bill.

In order to make the new farm bill even better, it's important to relay the current situation of agriculture in the South. Agriculture in the 21st century has become "big business." Farmers, just like any business person, must turn a profit to stay in business. It is becoming harder to make profits given the many changes being forced upon us. For example, banks are tightening the money supply. Farmers in my father's generation are using their hard-earned equity just to make ends meet, while others are giving up and selling out. My neighbor, a 35 year-old man, is searching for employment off the farm to keep his family out of debt. Thus far into the crop year, my wife and I have exhausted our crop loan funds and used two-thirds of our personal savings. We still have harvesting, storage and hauling expenses to cover before any return can be seen.

We are told to be more efficient with our resources, both natural and monetary. In response, we utilize no-till and minimum till planting practices and GPS technology to lessen the time spent in a field, thus reducing fuel use and labor cost. We contract a crop scout to ensure fertilizer and chemicals are applied correctly and efficiently. This year we are left with the unfortunate decision to lay off an employee, saving us salary, workers compensation insurance and Social Security.

We are also told to be better marketers of our commodities. Aside from the hours spent each evening studying markets and reading reports, we use the services of a marketing advisor. We believe we are getting as much out of the market for our grain as we can. Farmers are battling the grain companies. For example, the Chicago Board of Trade (CBOT) may have a good futures price, \$10.20/ CWT, for rice but a farmer must automatically factor in the basis. The price is now \$9.00/CWT. The basis is the spread between the CBOT futures price and the actual cash price farmers receive. In layman terms, this spread is a difference of \$650.00 every time a truckload of rice is hauled away.

These are just a few examples to illustrate the fact that farmers are not making fortunes and getting fat bank accounts from government payments. We are Americans trying to make an honest living, doing something we love, that is essential to human life. No one questions the enormous payments made to doctors. In rural America, we are all family farms, some bigger than others. Today's farmer is too educated, conservation minded and resourceful to be left in the economic situation we face today. Having a strong farm bill/food security act is a necessity.

There are many aspects of the 2002 farm bill that help farmers survive in today's world. Direct payments are essential for cash flow. Loan deficiency and counter-cyclical payments (LDP and CCP) help protect farmers from low prices. While direct payments are constant, LDPs and CCPs will go away when prices are higher, saving the taxpayers money.

I support the Farm Security and Rural Investment Act of 2002 and believe it should be extended for at least a year. As we look to future food security/farm bills I believe the followings changes need to be made:

- LDPs and CCPs need to be deleted to become more compliant with World Trade Organization rules.
- The money saved from the deletion should be applied to direct payments, paying for 100 percent of the base that has been built. The trend of smaller payments with each farm bill needs to stop.
- The loan rates on grains need to be raised, thus establishing a price floor. The price floor will be the lowest amount at which grain can be purchased by anyone. Brazil is doing this as we speak with its soybean auction. If raising loan rates is impossible, adjustments for inflation should at least be made.
- Bases and yields must be updated. We are farming in the year 2006, not 1980, when the standards were established.
- Protection or assistance to help producers deal with the escalating cost of crop inputs and supplies.

Other areas of the farm bill can become blurred with current legislation, but are worth studying. My suggestions include:

- The push for renewable fuels needs to continue in order to reduce and eventually eliminate our dependency on other nations for energy.
- Import duties on fertilizer should be addressed. The question I ask is, "Why are fertilizer manufacturers taken out of America, then American farmers are forced to pay import taxes to bring the same fertilizer back in?"
- Conservation programs are good, when available to all farmers. The farmer's frustration of applying for EQIP just to be told he didn't meet the criteria is heard too often. Assumptions that farmers are the destructors of the Earth are false. Fertilizers and chemicals are too expensive to waste. The soil is only as good as the farmer caring for it.
- Make the Conservation Security Program (CSP) available to all farmers as well. By allowing producers in only a few watersheds to take part in CSP, farmers and ranchers in other watersheds are being placed at a great disadvantage.

There is great support in our community for the 2002 food security/farm bill.

Until something even better can be developed, the current farm law should be extended. Not only does the current farm bill ensure the American consumer will continue to enjoy a safe, abundant and affordable food supply, but it also provides the American farmer with a safety net to protect against low prices.

My kids came to the shop the afternoon I was preparing this. My daughter flattered around my desk oblivious to the fact she was coloring on marketing sheets and fuel bills. My son stumbled across the gravel determined to see the tractors lined in a row. This is their farm and their home. With a strong food security/farm bill in place, the possibility of farming in the future will be a little more certain.

Thank you for the opportunity to participate in this hearing and share my thoughts with you.

STATEMENT OF RON HARDECKE

Good morning. My name is Ron Hardecke and I am a fourth generation farmer from Owensville in east central Missouri. My family and I raise swine, beef cattle, row crops, hay and fescue seed. I am involved in several organizations, including Farm Bureau, where I serve on the state board of directors.

Mr. Chairman, members of the committee and members of the Missouri congressional delegation, thank you for holding this hearing and others across the country to listen to and gather input from farmers and ranchers on the next farm bill.

Like many producers in Missouri, I support the Farm Security and Rural Investment Act of 2002 and the programs it authorized for agricultural production, con-

servation, and rural development. While some individuals and organizations have been critical of the 2002 farm bill, particularly the commodity title, we must not forget that the American consumer is the ultimate beneficiary of the safest, cheapest and most abundant food supply in the world.

Since the Doha Round of negotiations in the World Trade Organization (WTO) broke down last month, the European Union, India and others have pointed fingers and laid the blame on the United States for our unwillingness to do what they believe is necessary to move the negotiations forward - dramatically cut farm program spending and accept little to no new gains in foreign market access. Our trading partners must remember that trade is a two-way street and American farmers will not support a deal that does not provide real, meaningful access to overseas markets.

Given the status of the WTO negotiations, I believe the current farm bill should be extended for at least another year. Significantly overhauling our farm programs at a time when we are trying to get WTO member countries to negotiate on market access does not make sense.

It is important, though, to discuss future farm policy and the issues affecting crop and livestock producers. My comments will focus on conservation, renewable energy and livestock production.

Oftentimes agricultural production and the conservation of natural resources are viewed as conflicting goals. As a farmer and landowner, I could not disagree with that ideology more. Farmers and ranchers are front-line conservationists and if given the necessary resources, we can and will do more to enhance environmental quality.

I am in favor of working lands programs like the Environmental Quality Incentives Program (EQIP). From my perspective EQIP is one of the most valuable conservation programs available to agricultural producers, especially livestock and poultry producers, because it achieves conservation goals while at the same time stabilizes production agriculture. The program is especially popular in Missouri, which is evident by the large number of applications received by our state Natural Resources Conservation Service (NRCS) each year.

In the 2002 farm bill Congress directed the NRCS to allocate 60 percent of EQIP funds annually to practices related to livestock production. I support this provision and hope Congress will include a similar provision when EQIP is reauthorized. In addition, I believe farmers and ranchers involved in traditional production agriculture should be given priority in the distribution of EQIP funds and that the primary goal of the program should continue to be to assist producers in meeting local, state and Federal regulations while optimizing positive environmental impacts.

With regard to species habitat, it is important to note that the practices implemented by producers through conservation programs secondarily benefit wildlife. More emphasis should not be placed on habitat restoration/species promotion in order to be eligible for EQIP and other programs.

Opponents of commodity programs often point out that producers get paid for not growing crops. The same argument can be made about the Conservation Reserve Program (CRP) and similar programs as farmers have been paid to idle tens of millions of acres in the name of resource conservation. As our nation looks for ways to lessen our dependence on foreign oil traditional energy sources, perhaps we should be looking at how best to use these lands for the production of renewable energy.

The bright spot in the U.S. energy sector right now is the production of renewable fuels, primarily from corn and soybeans, but in the future more producers will be involved in producing renewable energy from a variety of sources such as biomass, animal source nutrients and wind power. As we look to the next farm bill I believe some of the land enrolled in CRP should come out of the program and be used to produce renewable energy. This would provide an economic boost to rural economies and make opportunities available for young producers to enter production agriculture.

Finally, I would be remiss if I failed to share my thoughts on the development and implementation of the National Animal Identification System (NAIS). Through my involvement with Farm Bureau I have worked to express to USDA and elected officials my concerns and the concerns of other livestock producers about liability, confidentiality and cost. Liability protection must be granted to producers to safeguard them from the consequences of the actions of others after their ownership of the livestock ends. In addition, producers must be protected from the unintended use of data submitted for the NAIS, and they must not bear an unfair share of the costs of implementing and maintaining the system. All of these issues must be addressed before the system can be operational.

In recent months apprehension about the NAIS has grown as producers have learned about the 2005 draft strategic plan. I have seen this apprehension first hand at meetings in my area. From my perspective there has been little response by USDA to concerns raised by producers about components of this plan. If USDA is to succeed in developing a workable animal identification program, it is crucial for the Department to engage in meaningful and continuous dialogue with producers-from those that raise animals for their recreational and/or individual needs to those involved in commercial production-about the purpose of the NAIS, the motives behind its creation and other aspects of the program. Current farm programs are not mandatory, thus the development of a mandatory animal identification program concerns some producers.

Thank you for the opportunity to participate in this hearing.

STATEMENT OF JERRY HUNTON

I would like to thank this committee for their work and taking the time to listen to issues we see as extremely important.

As County Judge of Washington County, I would like to bring to your attention that poultry is accountable for approximately 12 percent of our economy. A negative impact on poultry would affect our entire Northwest Arkansas economy and everyone living in our area.

I am also a poultry farmer. As we continue to attempt to farm in an environment not friendly to agriculture, we are finding it increasingly difficult to earn a living and pay our mortgages and operating expenses. There was a time years ago when the average citizen understood a great deal about agriculture. This is no longer the case.

In northwest Arkansas we are seeing a huge influx of people coming to the area seeking work and investment opportunities. Washington and Benton Counties, once leading agriculture counties within the State, are quickly becoming municipal counties. As you would expect, this population increase brings with it diversity in race, income, skills, education and, maybe most importantly, views of the environment. Unfortunately, these different views of the environment can lead to demands on farmers that are not based on science, time lines that cannot be met, and, impossible benchmarks that are creating financial hardships leading many farmers to financial ruin. The Natural Resources Conservation Service (NRCS), Conservation District, and the Cooperative Extension Service are attempting to educate, permit, and, in short, keep a lid on this clash of ideologies. These and other organizations on the front line must be adequately funded with the goal of educating the 99 percent of Americans who seem to no longer understand or care where their food comes from.

I am farming the same ground my father and mother bought with money earned while building Liberty Ships in California during WWII. They started dairy farming and raising poultry in 1946. We stopped the dairy in 1998. We now raise purebred Angus cattle and have 12 poultry houses. We raise poultry under a contract with Simmons Foods located in Siloam Springs, Arkansas, which is in Benton County. We provide the houses, the labor, fuel, water, electricity and are responsible for the poultry litter.

Once this litter was seen by most as a valuable organic fertilizer that held no equal in producing pasture and hay. But, with the increasing population in our region which includes Oklahoma and Missouri, litter is now seen as a liability instead of an asset. This has led to lawsuits, the most notable being the one pressed by the Attorney General of Oklahoma. Although he insists this lawsuit is aimed at the integrator, we all know from experience that whatever the outcome, the farmer will suffer. These farmers have never had a place at any table discussing those issues that could determine whether or not they are allowed to continue farming.

Equally important is the fact that ever-increasing interest rates, gas prices, water, electricity and bedding costs are driving these producers toward financial ruin. All poultry producers that I am aware of, no matter who they grow for, are under basically the same contract. These contracts are offered by the companies and our choice is to accept it or stop raising poultry. Of course, the latter means most, if not all, choosing this path would face bankruptcy. There must be a way to help us pass these huge and ever-increasing costs along the food chain. That can only be accomplished with the integrators accepting the fact that we need help and increasing allowances for all these categories of expenses. We, the farmer, have no means to do this without the integrator beginning the process.

At this point, I want to clearly say that I understand the need for the integrators to stay financially strong. I do sometimes feel that better communication between

grower and integrator could solve many issues. Unfortunately, many integrators are suspicious and afraid to allow this communication to occur. This communication should be encouraged for the benefit of all.

We do need direct help from all levels of government in moving poultry litter from farms to those lands suitable for litter application. This help includes offsetting the loss of income to the farmer who historically was able to sell litter to his neighbor and may now have to pay to have it hauled away. Due to the bulk, movement of litter is expensive. Help with funding packaging techniques, such as compression bales and allowing exceptions on state and Federal highway weight limits are just two considerations. This would allow trailers with additional axles to haul more bales of litter, therefore, reducing transportation costs and encouraging more entities to be end-users.

The following are a few ideas on how Congress might help:

1. Structure tax credits to integrators who provide adequate fuel allowances for their growers.

2. Congress could, through a 1 cent/lb. surcharge on all poultry products, establish a fund to aid poultry farmers with moving litter and other environmental issues.

3. A buy-down of interest rates - Farmers who historically operate on very small margins cannot find enough revenue to overcome the sudden increases we have seen in interest rates.

4. Income tax averaging should be considered.

5. Interest rates on beginning-farmer loans should be low and the definition of a "beginning farmer" relaxed to include those who have been farming for up to five years.

6. Tax exemptions for fuel and equipment for those who move chicken litter and bedding.

7. Encourage water districts that have utilized Federal loans and grants to structure water rates more favorable to agriculture users.

There is so much to be said and so little time. Our farmers are the backbone of the Country and many are in danger of losing their seat on this train we call the American Dream.

REVIEW OF FEDERAL FARM POLICY

TUESDAY, SEPTEMBER 26, 2006

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND HORTICULTURE,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 9:30 a.m., in room 1300, Longworth House Office Building, Hon. Robin Hayes (chairman of the subcommittee) presiding.

Present: Representatives Hayes, Pombo, Kuhl, Conaway, Sodrel, Goodlatte [ex officio], Case, Scott, Herse, Costa, Cardoza, Salazar, Boswell, Larsen, Pomeroy, Barrow, and Peterson [ex officio].

Staff present: Pamilyn Miller, subcommittee staff director; Bryan Dierlam, Callista Gingrich, clerk; Christy Birdsong, and Chandler Goule.

OPENING STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. HAYES. Good morning everyone. If it is all right with you all, we will go ahead and start and try to be on time. Our fine ranking member, Congressman Case, is on the way in. He just flew in from Hawaii. That is a pretty good commute but he will be here momentarily.

And if it is all right with you all, we will get started so we will have plenty of time for questions. First and foremost, thank—there is Ed Case, after that gracious introduction. Are you sleep deprived after how many hours in the air?

Mr. CASE. No.

Mr. HAYES. Come on in.

Thanks to all of you for coming today. Very, very important. Don't have a huge number of folks sitting up here today but the record as we proceed is critically important in shaping the farm bill. So the fact that everybody is not here at the moment, they will be coming and going—Congressman Larsen is with us—and, again, your testimony is so, so important to what we are doing here. I think we will call the hearing to order.

As I had already said, we want to welcome you to the Livestock and Horticulture Subcommittee to review Federal farm policy affecting specialty crop industry. As you all know, the full committee and the subcommittees have been very active in holding hearings across the country to listen to producers as to what policies they believe would be most beneficial in the 2007 farm bill.

My subcommittee has traveled to Iowa, Missouri, and this is our first farm bill hearing in Washington. As members of other committees we have also been all over the country as well.

Today's hearing will focus the U.S. fruit, nut, vegetable, wine, nursery and dry bean industries and their needs for the next farm bill. I want to commend, in all sincerity, the specialty crop industry for building a strong coalition and working together on farm bill initiatives. Given the diverse nature of the industry, I appreciate your efforts to come together and agree on consensus policy recommendations.

I recognize there may be a few differences of opinion but, by and large, you have worked very, very hard to become a more united voice and it is very helpful.

Best ideas do not come from Washington. They come from Hawaii; right Dave?

Mr. CASE. That is right.

Mr. HAYES. They come from folks like yourself who have commonsense ideas and work hard to provide for your families and give back to your rural communities. Best way for us to do our job is to get direct feedback from the producers who use programs in the farm bill, and you can tell us what is working and what we may need to change or consider in the next farm bill.

Therefore, your comments today are very, very, very welcome. I know there is great interest among several of my colleagues to introduce legislation that will benefit specialty crop producers and serve as a template for this industry for the next farm bill. I am referring to the bipartisan legislation that will be introduced, I think, today by Congressmen Pombo, Cardoza, Putnam, Salazar and others. Again, that is a vital part in the process and I would certainly expect that to be focused and favorable for the industry and we will work through it as best we possibly can to respond to budget and other constraints that are part of what we try to do here.

I appreciate their effort in crafting this legislation and look forward continuing to work with all of you on these issues.

I would like to welcome America's coach, Tom Osborne, here this morning. Coach, good morning. You all be particularly nice to the coach. He had the unpleasant responsibility of coaching the congressional football team the other night. The cause was worthy: charity for the policemen. The policemen brought in some professionals just to give you a little Washington inside information and Coach Osborne had a hard time getting his Congress people to come to practice and follow instructions and take orders, but it was a great cause. Anyway, welcome, Coach.

Again, thank you all for participating, and I would like to recognize now my outstanding friend, colleague and ranking member, Mr. Ed Case. Welcome.

Mr. CASE. Aloha to all of you. Thank you very much, Mr. Chairman, for convening this hearing. I appreciate the opportunity for us all to talk a little bit about the specialty crop industry throughout our country. I especially want to welcome my friend and constituent Dean Okimoto who has demonstrated exactly what is possible with specialty crops in Hawaii, especially going forward in

kind of a brand-new kind of agriculture in Hawaii as well as throughout the country.

I think sometimes we are a little shy about what the issues are that we are faced with right now. From my perspective, going forward into the farm bill, we are dealing with basic equity. We are dealing with a Federal farm policy that has been heavily directed at program crops while we have seen the specialty crop industry accelerate all across our country in many different ways. In fact, sometimes I think we should think of a new word for it other than specialty crops; program crops and nonprogram crops. People don't like to talk about that because it is considered divisive, but that is in fact the issue we are talking about. We are talking about equitable treatment.

We are also talking about an industry that by and large has some similarities with the program crops but many times does not, both because of the crops that they grow and because of the size of the farms in some cases, and because of the historical patterns that they have come to this point on. But I think that when we are going forward into the next year and those important and crucial discussions leading up to the farm bill, obviously the industry, on balance, needs to hang together a little bit more and argue its case here in Washington and insist on that basic equity.

I do agree with the Chair that we have had a great session, a bunch of listening sessions. We had one in Hawaii last year, which I would like to commend to the record, which highlighted the challenges and opportunities facing the Hawaii agricultural industry which is exclusively, quote-unquote, specialty crops. Certainly want to go back to that as we go into the farm bill. I think that was reflective of some of the other hearings we had; for example, the one that you and I did chair out in California a couple of months ago.

I also want to note that we do have a good foundation with the Specialty Crop Competitiveness Act which was passed a couple years back, which is now being implemented, but we need to get it implemented right. It is not quite implemented right. And I believe that Dean and others may comment on where we want to take that particular initiative from an administrative perspective. We have to work on that.

And I also want to join the Chair in recognizing the bill—that I am among those that will be introducing it today, along with our colleagues from California and elsewhere.

So with that, I thank you very much and I look forward to the hearing.

Mr. HAYES. Will the gentleman yield for a question?

Mr. CASE. Yes, sir.

Mr. HAYES. Responding to your very appropriate remarks, don't you think that in this age of additional emphasis on nutrition and all those sorts of aspects that maybe we haven't focused that much on in the past, that this is a particularly appropriate time for our specialty crop folks to be here and really look even harder at their participation in the farm bill?

Mr. CASE. Absolutely, if you want to talk, but just the entire issue of nutrition as you have put it, but also just participation in our Federal Government's programs having to do with nutrition, school lunches, school nutrition programs. I think some of the wit-

nesses are certainly going to confirm what we all know, and that is that we do not have for the specialty crop industry adequate access to those programs as do other crops, and that is one of the key issues that we have got to deal with as we go into next year.

Mr. HAYES. I thank the gentleman for yielding, and we have been joined by our friend and flying farmer from Iowa, Mr. Leonard Boswell. Good morning, Leonard, welcome.

At this point we would welcome our witnesses: Mr. Kevin Van Dyke who is president of Skinner Nurseries, on behalf of the American Nursery and Landscape Association, St. Augustine Florida; Mr. Phil Brumley, almond producer and second vice president, San Joaquin Farm Bureau Federation, from Escalon, California.

We have been joined by Mr. Pombo of California. Good morning.

Mr. Ervin Lineberger, berry producer of Lineberger's Killdeer Farms and president, North American Bramble Growers Association—I didn't know you had to cultivate brambles, I thought they just grew on their own—from Kings Mountain, North Carolina. Mr. Dean Okimoto, president of Hawaii Farm Bureau Federation, from Waimanalo, Hawaii; Mr. Jay Taylor, chairman of the Florida Fruit and Vegetable Association, on behalf of the Specialty Crop Farm Bill Alliance, from Palmetto Florida; Paul Dolan, president of Mendocino Wine Company, on behalf of the Wine Institute, from Ukiah, California; and Cynthia Brown, president of the U.S. Dry Bean Council, from Menomonie, Wisconsin.

And again, Mr. Pombo, we mentioned the bill that you and Ed and others are introducing on behalf of specialty crops, so thank you all of you for that bipartisan assistance.

Mr. Van Dyke, please begin when ready.

STATEMENT OF KEVIN VAN DYKE, PRESIDENT, SKINNER NURSERIES, ST. AUGUSTINE, FL, ON BEHALF OF THE AMERICAN NURSERY AND LANDSCAPE ASSOCIATION

Mr. VAN DYKE. Thank you, Mr. Chairman and members of the subcommittee, for this opportunity to present testimony on behalf of the U.S. nursery industry on matters relating to specialty crops in the 2007 farm bill. My name is Kevin Van Dyke and I am the president of Skinner Nurseries based in Jacksonville Florida. Skinner Nurseries was founded in 1973 as both a grower and a distributor of green goods and is the leading supplier of green goods used in the landscape construction industry in the deep South.

Our growing operations consist of two farms in north Florida, totaling more than 1,000 acres of production. Our landscape distribution business consists of 23 locations in Florida, Mississippi, Texas, South Carolina, Georgia and North Carolina.

We purchase plants from farmers throughout the United States, including the west coast, and we also service landscape construction throughout the continental United States.

This morning I am happy to be here representing the American Nursery and Landscape Association and my State trade association, the Florida Nursery Growers and Landscape Association. My comments are also supported by the Society of American Florists.

The U.S. nursery industry is a bright spot in American agriculture, is one of the few agricultural sectors that grew over the past decade. In fact, nursery and greenhouse crops are among the

three largest agricultural commodity groups in Florida and will continue to grow.

Last year, despite the hurricanes, grower sales had soared over \$3 billion and the economic value of the entire U.S. green industry was recently estimated to reach \$147 billion.

We are a successful and growing industry that translates into many jobs throughout the United States, and I am honored to discuss how we might make it even more successful down the road. We are proud that our nursery competes in our free market where we strive to meet the needs of our customers and not the dictates of a Government program.

As an industry, we do not want subsidies. We take no official position on programs for other commodities, but we feel strongly that for our industry the farm bill should be an investment that provides the tools for growers to compete domestically and internationally with limited Government interference.

I will begin by discussing disasters. The catastrophic natural disasters, such as a flood or a hurricane, is one threat that I know firsthand. Other natural disasters, such as plant pests and diseases, may also strike just as quickly and may impact an area for many, many years. We have ongoing threats with pests such as *P. ramorum*, the pathogen linked to the so-called "sudden oak death," and emerald ash borer. These are realities and should be taken quite seriously.

As an industry we take precautions necessary on our end, but the reality is that Federal risk management programs, despite recent improvements, offer unrealized potential to assist in protecting against losses related to these natural and pest disasters.

One program in need of reform is crop insurance. Currently the Federal Crop Insurance Commission only covers losses due to drought, flood, or other natural disasters, as determined by the Secretary of Agriculture. Under Federal or State phytosanitary restrictions, some losses may be covered if the plant has been infected or exposed to a covered natural disaster such as a disease; however, these phytosanitary restrictions frequently affect plants that have not been infected or exposed to the pathogen.

Currently there is a shortcoming in the law and there is no authority to provide coverage for plants that are ordered by the USDA not to be marketed even when they are not infected or diseased. This needs resolution in the farm bill.

Federal Disaster Assistance also needs reform as a result of the 2004 and 2005 hurricanes.

In response to these events, USDA provided funds so nursery growers could receive \$250 per acre to offset cleanup costs; however, until December 2005 nursery growers were largely ineligible to participate in the USDA's Emergency Conservation program.

Another Federal program that would be useful for production nurseries is the Tree Assistance Program. Although the program conveys it is designed to assist tree growers, nursery crop growers, such as Skinner, whose crops are the trees themselves have been excluded due to the fact the program covers only trees bearing fruits or nuts.

These programs have been expanded in the aftermath of Hurricane Andrew, and also in 2005, only through congressional action,

but there has not been a consistent application of this program to the nursery industry.

The last thing I want to talk about here is, finally, I would like to touch upon the labor shortages affecting agriculture. According to the last available estimate by the U.S. Department of Labor, at least one half of agricultural workers in our country are undocumented. Although the percentage of undocumented workers in the Florida agriculture industry is not known, it is reasonable to assume that the percentage of Florida nurseries and other labor-intensive farms and ranches mirror this national situation.

The nursery worker in the South is a year-round employee and does not fit the migrant worker often associated with agriculture. Also the nursery industry requires three to four times the labor intensity of many other agricultural operations since U.S. farms are dependent on undocumented workers for at least several decades, it is also reasonable to assume that many Florida nursery supervisors and managers are undocumented.

Let me clarify. Employers have met their legal obligations, yet workers are commonly presenting identification documents that are not valid. The present situation has resulted from years of bad laws and failed policies. While not necessarily a farm bill issue, it is time Congress addressed the situation in a comprehensive manner. Actual labor shortages and crop loss are being reported around the country, including Florida.

The comprehensive immigration reform bill that passed in the Senate last May would provide critically needed reform to the H-2A program and immigration laws as they pertain to labor-intensive agriculture.

We also believe, through years of firsthand experience, a solution will only work well if it incorporates the fundamental elements contained in the so-called agJOBS provisions. Also, any solution must benefit all sectors of the landscape industry, not just agriculture labor.

Bottom line is simply this: The situation is untenable and our agricultural businesses face potential widespread disruption.

Members of the committee, I would like to take this opportunity to thank you for this hearing and for considering these important issues and how Congress should address them. I have covered a few other issues in my written testimony as well that I would hope you would consider.

As you reflect on these comments I have made today, please remember that we would like to see practical solutions for real challenges in the next farm bill. I thank you for the opportunity to speak to these issues.

[The prepared statement of Mr. Van Dyke appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Mr. Van Dyke. I failed to mention earlier we do have a time clock, 5 minutes to make your statement, so everything that is in your statement will be submitted for the record.

You are more than welcome to read all or some of your statement as time permits. If you would rather condense and make comments on your statement, that is entirely appropriate.

And I have developed a practice—unless our fellow members stop me from doing—as we complete the initial panel discussion and

testimony, of course, members will ask questions of you, but I like to end these sessions with you all having the chance to ask questions of us or make additional comments based on things that you have heard or come to mind that you may want to point out. So that is kind of the way we will do this if that is agreeable to everybody.

We have been joined by Mr. Sodrel from Indiana, we have been joined by Mr. Cardoza from California, Mr. Salazar from Colorado, another flying farmer, and Congresswoman Herseth from South Dakota.

Anyway, that is the way we will do it. Enjoy what you are doing this is the House. We do have time limits.

STATEMENT OF PHILLIP L. BRUMLEY, ALMOND AND RICE PRODUCER AND SECOND VICE PRESIDENT, SAN JOAQUIN FARM BUREAU FEDERATION, ESCALON, CA

Mr. BRUMLEY. Mr. Chairman, members of the committee, my name is Phil Brumley. I am a rice and almond farmer from San Joaquin County, California. I would like to thank you for this opportunity to provide testimony on specialty crop needs as they relate to Federal farm policy. I would like to thank the California Almond Board and local growers for providing input into this presentation.

Specialty crop producers and processors face serious challenges that threaten the viability of specialty crop producers and related industries. These threats include increasing competition from lower-cost foreign producers, the declining availability of labor, land, water, and energy resources, persistent and serious pressure from insect and plant diseases, increasing costs and greater management complexity from State and Federal regulations, and greater demand for improved microbiological food safety.

As a specialty crop and program crop grower I understand the importance of the wide array of programs offered by USDA. Our industry is in competition for scarce resources. We recognize the dangers of taking money from one segment of agriculture to benefit another. So I am not here to advocate taking someone else's money but, rather, to encourage the most sufficient use of Federal funds and to encourage examining other sources of potential funds.

For example, conservation programs have long been intended to help farmers improve their resource management practices or comply with regulations under various environmental statutes. Maybe it is time that the Department of the Interior and the other agencies allocate resources to further USDA conservation programs.

We should shift the focus from a mindset that asks for more land to be acquired by agencies to one of conserving resources in the private sector using conservation program dollars. This should apply as well to the Department of Commerce, Army Corps of Engineers, and the Environmental Protection Agency as well as others. All of these agencies have some regulatory oversight when it comes to farmers and ranchers. Maybe it is time that they helped find solutions to the problems they are creating.

For another example, it is great to talk about using chemicals that will have less impact to the environment. But if the end result is multiple applications of a low-impact product, we as farmers are

forced to make a decision. Is it really worth it, or should we go back to one application that we know will work and be done with it?

I would like to comment on legislation that is being circulated by Congressmen Richard Pombo and Dennis Cardoza. We applaud their efforts to bring such standard debate forward in Congress on the need of our growers.

In the following pages I will cover some key priority areas for specialty crop growers, including it is time to increase our investment in specialty crop research, including better disease and pest protection, emerging technologies, the development of cost-effective environmentally responsive programs, and mechanization.

We need to ensure that the maximum outspending for conservation program goes directly to farmers and ranchers for practices that will be implemented on the ground, not the third-party groups.

The focus of any programs under USDA should be clearly defined so they prioritize spending on programs to promote working landscapes. This is especially true when it comes to conservation programs and some priorities we have seen to increase spending on "land abandonment" programs.

We need to expand investment in export-related programs. A number of fine nutrition programs should be expanded with an emphasis on healthy diets and a greater focus on fruits, vegetables, and nuts.

Number 6, more money should be spent on renewable energy programs that promote other energy sources while solving waste.

Number 7, other sections of the proposed legislation by our Congressmen that we believe will benefit crop producers.

Research Extension and Education: We need to have a better understanding and improving quality of our products; understand consumer perception of specialty crops, the role of nutrition in specialty crops, and the economic contribution of specialty crops to rural economics; enhancing processing and production efficiency and developing and promoting sustainable practices.

Conservation Programs. In our initial view of the draft legislation, we see an increased commitment to conservation programs as a potential positive step. What we would stress is that we do not want you to kill us with kindness under this section, meaning we do not want to see a vast increase in conservation program spending that permanently retires agricultural production.

In closing this section, spending on conservation programs must be increased and the focus of this spending should be on getting the maximum amount of money directly into the hands of farmers and ranchers, not specialty groups.

Export and Market Protection. Almonds are California's No. 4 agriculture crop with a farm value of \$2.2 billion. About 70 percent of almond production is exported to more than 90 countries. As you can see from these figures, the exportation of almonds has proven essential to the growth of the industry. This is true also for many other specialty crops.

Renewable Energy. We find it encouraging that agriculture is being looked at as a potential fuel force for this country. We ap-

plaud the efforts to promote ethanol biofuels, electricity and other energy from our farms and ranches.

In closing, specialty crops account for more than \$50 billion annually, which is more than half of our U.S. crop production value. Challenges facing our specialty crop growers continue to increase while research and extension capacity to address these challenges have diminished. It is time to reverse this trend and adequately fund these programs so that we can ensure that our issues of today do not turn into political issues, trade restrictions or an environmental concern in the future.

Thank you.

[The prepared statement of Mr. Brumley appears at the conclusion of the hearing.]

Mr. HAYES. I thank the gentleman.

Let me apologize to my dear friend David Scott—I don't know how I missed you when I was introducing folks—my good friend from Georgia. Congressmen Costa and Cardoza have traveled across campus. They have a California water issue to discuss with Senator Feinstein. They will be back shortly.

Mr. Lineberger, welcome.

**STATEMENT OF ERVIN LINEBERGER, BERRY PRODUCER,
LINEBERGER'S KILLDEER FARMS, AND PRESIDENT, NORTH
AMERICAN BRAMBLE GROWERS ASSOCIATION, KINGS
MOUNTAIN, NC**

Mr. LINEBERGER. Thank you. Good morning. My name is Ervin Lineberger, a fruit and vegetable grower from Kings Mountain, North Carolina. I am president of the North American Bramble Growers Association. I also serve on the steering board of the National Berry Crops Initiative, a network of berry grower associations joining together to support the continued growth and sustainability of berry crop production in the United States. I am pleased to be here as a representative of the berry crop specifically, and specialty crops in general.

Currently, our major concern is having sufficient labor primarily for seasonal harvesting of crops. Berry crops are highly perishable and require hand labor almost entirely. The uncertainty of labor availability places our operations at risk, even in times of good markets and good production.

There are other issues affecting the specialty crops industry where we are respectfully asking your attention at this time.

The 2002 farm bill contained limited provisions for funding and policy directed to specialty crops. Legislation directed to specialty crops in 2003 and 2004 gave more support in several needed areas. The 2007 farm bill is an opportunity to build on the success of these efforts and develop a comprehensive policy for agriculture where all sectors are included.

As a matter of principle, we feel that the specialty crop industry would not be well served by direct program payments to growers. Rather, our emphasis must be on building the long-term competitiveness and sustainability of production and marketing.

As a matter of principle, we are committed to providing consumers with access to and availability of safe, wholesome, healthy, affordable fruits and vegetables. Representatives from all areas of

the specialty crop industry have worked together during the past 2 years to reach reasonable agreement and establish goals based on these principles.

Following are some of the priority areas regarding specialty crops for you to consider as you prepare the 2007 farm bill:

Number 1, Research. Funding for fundamental research in genetics and technology development. Applied research with emphasis on grower utilization of research findings.

Nutrition Programs. Expanded emphasis on increasing the access and availability of fruits and vegetables, especially to children.

Invasive Pests and Diseases. Significant investment in prevention and control of unintentional introduction of plant pests to domestic production areas. These include insects, mites, diseases and weeds.

Food Safety and Security. Expanded programs and policies to focus on food safety and security, especially at the farm level. This should include new efforts to reach small- and medium-sized farms where crops are sold directly to consumers.

State Block Grants. Expansion of the State block grant concept where funds are available to State departments of agriculture and universities that are uniquely able to assist with local needs.

Risk Management Tools. Support for programs that will make crop insurance available for all specialty crops, continued disaster relief, and assist growers with business plan development.

Government investment in the infrastructure of the specialty crop industry will spur growth and sustainability. It will produce a strong return on investment. All Americans will benefit. A comprehensive 2007 farm bill that includes specialty crops will earn widespread support from all sectors of the population due to its relevancy.

Thank you for this opportunity. Personally, I have a passion for my job as a fruit and vegetable grower. Others like myself share in the pleasure of producing and making specialty crops available.

Thank you, very much.

[The prepared statement of Mr. Lineberger appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, sir. Mr. Okimoto. Welcome.

STATEMENT OF DEAN OKIMOTO, PRESIDENT, HAWAII FARM BUREAU FEDERATION, WAIMANALO, HI

Mr. OKIMOTO. Good morning, Chairman Hayes and members of the subcommittee. Thank you for the opportunity to testify here today on specialty crops, an issue critical to Hawaii and many of the States across the Nation.

My name is Dean Okimoto and I am the owner/operator of Nalo Farms in Waimanalo, Hawaii. We grow a wide range of specialty vegetables and service 120 restaurants across the State of Hawaii.

I am a strong advocate of agriculture and serve on the Dean's Advisory Council for the University of Hawaii as well as the boards of many organizations affiliated with agriculture in Hawaii. I come before you today as president of the Hawaii Farm Bureau Federation. Hawaii has been reported as one of the States with an increasing number of farms in the census records.

This is because of a transition from large corporate farms to smaller private farms. Our written testimony goes into much greater detail about our views regarding specialty crop farm policies. I will highlight just a few of the main items at this time.

First, there needs to be a clear understanding of what is a specialty crop. The face of agriculture across the Nation is changing. Farm policies should help farmers make positive changes. This means the Federal definition of "specialty crops" should be broad and all-encompassing to provide maximum flexibility in providing programs in a timely manner. We strongly urge developing a consistent definition for specialty crops that can be used across various programs.

Recognizing differences between States and the entrepreneurial spirit of the farmers that will result in the development of new crops, specialty crops should be defined as nonprogram crops.

Leis and pineapples are two agricultural products that are synonymous with Hawaii. Yet today, due to free trade agreements, most leis in Hawaii are from Thailand now. Pineapple may face new competition due to a new free trade agreement also.

This lei here is from Thailand. The cost of this lei is \$6.50. This lei here is grown and made in Hawaii.

The cost of this lei is \$15. So as you can see, the cost variations are great and so it is hard to compete.

Today, you can only find this if you know somebody that grows orchids.

Yesterday was the deadline for comments for Thailand's request to allow the movement of six Thailand fruits into the U.S. with irradiation as a quarantine treatment. This application occurs just as Hawaii's tropical fruit industry is in the process of expanding due to the success of the area-wide fruit fly program, coupled with an expected access to export markets.

While we understand the need for free trade, it will place a significant burden on our small farmers. We also understand that within the trade discussions is an effort for free trade of coffee into Thailand, using the value added component of coffee to justify it as a U.S. product. We are concerned that this may have unintended consequences. What are the implications to the U.S. farmer if increasing numbers of our value added companies, import cheap, foreign raw materials, and subsequently turn them into high value added goods?

Country of origin labeling requirements could assist in providing an identity to U.S. grown products. Although as we embark on this path, cost, enforcement and other details need to be worked out to ensure market benefit is realized for the effort.

Our growers must constantly develop new crops, new varieties, and new products that are unique to the marketplace. This requires significant resources to be expanded for research and development. Biotechnologies saved one of our flagship crops, papaya. Genetically modified papaya known as Rainbow has brought papaya production back to the big island. We look towards biotech for solutions to banana bunchy top and adding value to our unique crops. Hawaii is also the epicenter for production of corn and soybean seed. Farmers in the continental U.S. and across the world

benefit from research that is done in Hawaii. All corn seed plants grown across the Nation originated in Hawaii.

It is critical for specialty crops that all tools and options be available. The importance of strong science-based coexistence practices cannot be understated.

Increased global traffic of goods results in increased threats from invasive species. By Federal law we as a State are prohibited from controlling, eradicating or preventing a plant pest from entering the State from any foreign origin. While there is a Federal process in place to evaluate the risk of foreign importation, State comments are largely ignored by USDA and USFWS. Recommendations were suggested to help the farmers obtain parity, but many actions required change in current programs and policies.

We respectfully request program language in the new farm bill to help implement these recommendations.

The Hawaii Department of Agriculture, together with our farmers, has developed the Hawaii Biosecurity Plan, an implementation plan to address the various issues to expand specialty crop production. We have attached this plan to our testimony to provide insight on how we as a State plan to move forward in collaboration with various State, Federal, and local agencies, together with the private and nonprivate sectors of the community.

I want to thank you for this opportunity to provide our input into this important matter and look forward to any questions.

Thank you.

[The prepared statement of Mr. Okimoto appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Mr. Okimoto. If I might suggest that those two very pretty leis would look much nicer on Ms. Brown and Congresswoman Herseth than you and Mr. Lineberger.

Mr. OKIMOTO. I think so.

Mr. HAYES. And while you are doing that, we have been joined by the chairman of the full committee, Bob Goodlatte and I will recognize him for any comments he might make.

The CHAIRMAN. I thank you, Mr. Chairman, but I will take a pass on the comments and on the lei. Thank you very much.

Mr. HAYES. Thank you, Mr. Okimoto is coming forward. Mr. Taylor would you like to commence?

Mr. TAYLOR. Sure. I don't know. That is kind of tough competition up there.

Mr. HAYES. You come that far, you have to be creative.

Mr. TAYLOR. That is right. That is a lot of airfare.

I will go ahead and save the time for the committee.

STATEMENT OF R. JAY TAYLOR, CHAIRMAN, FLORIDA FRUIT AND VEGETABLE ASSOCIATION, PALMETTO, FL, ON BEHALF OF THE SPECIAL CROP FARM BILL ALLIANCE

Mr. TAYLOR. Good morning, Mr. Chairman and members of the committee. My name is Jay Taylor. I am the president of Taylor and Fulton, a family-owned farming operation based in Florida, but with farms both in Georgia and the State of Virginia. We have been in business for over 50 years, and I have third generation members currently in the business we hope will be there 50 years from now.

I am currently the chairman of the Florida Fruit and Vegetable Association, and I am providing comments today on behalf of the Specialty Crop Farm Bill Alliance, which is a wonderful organization of producing groups that represent more than 75 different operations.

A list of those groups are attached to my testimony.

The specialty crop industry is a dynamic industry characterized by constantly changing supply-and-demand conditions.

Most of our crops are highly perishable, and they are characterized by high cost of production and relatively inelastic demand. Markets for our crops are highly volatile, yet our growers have never relied on traditional farm programs to sustain our industry.

While it is the clear intention of the Specialty Crop Farm Bill Alliance to be more actively involved in establishing policy, the farm bill alliance members continue to reject payments to growers as policy option.

The Specialty Crop Farm Bill Alliance believes that Government policy should provide incentives for private investments, tools to increase profitability, and help to those producers who are committed to better serving consumer needs.

The tools necessary to drive demand, increased consumption, and not distort production of those products with respect to domestic and international demand are what we are asking for and what we need.

Today I would like to highlight some of the policy areas that the Alliance feels are important to be included in this farm bill.

First is a prohibition of planting fruits and vegetables on contract acres. I grow tomatoes in the State of Virginia all summer, and it would be hard pressed for me to try to compete with a program crop grower that was being subsidized by our Federal Government. It would be very hard for me to try to compete with someone that was getting paid by the Government on one hand, yet growing a competitive crop to mine at the same time. So this is something that would be unbearable.

Disaster Assistance Policy. The \$80,000 payment limit on disaster payments is not equitable for our kinds of crops. You have already heard it from the nursery growers down the row here. When Wilma hit my farms in southwest Florida last year, I had almost \$8,000 invested in an acre of tomatoes; \$80,000 is 10 acres of tomatoes; any kind of disaster payment needs to be indexed to the value of the crop.

Conservation Policy. You know, conservation policies need to be more specialty crop friendly. Most specialty crop growers don't understand programs. We typically make our living on the farm figuring out how to make a crop and to market it, get it packed and shipped, not filling out forms and playing the planting game on what programs coming out of USDA are the most profitable.

International Trade Policy. While we are losing domestic markets to imports, we need help to first stem the tide of imports of fruits and vegetables and other specialty crop items into this country. And then we need the help to be able to turn it back and to increase our exports.

Two programs that have been specifically of help in the past are the Technical Assistance for Specialty Crops and certainly the Mar-

ket Access Program. We would like to see those continue and expanded in the next farm bill.

Invasive Pests and Disease. I was telling some people this morning that our company now spends a million dollars a year for the seed that we use to plant tomato crops in three States. And that all comes from new diseases and new pests and having to invest in technology to continue in business. We must protect our borders.

With all of the talk about protecting our borders, I only wish that they were talking about funding for APHIS, not a wall on the Mexican border.

Research Policy. That is our future. I mean, all we are asking here as specialty crop growers is an investment in our future, not a handout.

Nutrition. I we could only mirror the funding in this farm bill to the new food pyramid that was developed by USDA, I mean fruits and vegetables are the base of the pyramid, and funding should mirror that need in our communities.

You must support and encourage the health and well-being of all Americans.

State Block Grants. Three years ago, the State of Florida was a recipient of a block grant and it was very well used and utilized. I think it is very timely to mention that the Food Safety Program was where the money was invested in the State of Florida, and we were proactive in going out as an industry and developing a system by which we ensure the safety of the food coming off our farms.

Basically, in conclusion, what we are asking for here, the Alliance is asking for, is a seat at the table. You now have a sector of agriculture that is coming forth, wants to be actively involved, and they are asking for a hand up, not a handout. I appreciate the time that you all have spent here and we will be available for questions as we go forward.

Thank you.

[The prepared statement of Mr. Taylor appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Mr. Taylor.

And next we are joined by Mr. Paul Dolan of the Mendocino Wine Company, chairman of the Wine Institute.

STATEMENT OF PAUL E. DOLAN, III, PRESIDENT, MENDOCINO WINE COMPANY, UKIAH, CA, ON BEHALF OF THE WINE INSTITUTE

Mr. DOLAN. Thank you. Seeing the leis this morning, I wish I had brought a little bit of wine.

Mr. HAYES. Must be 5 o'clock somewhere, right?

Mr. DOLAN. Thank you for the opportunity to appear this morning to present some key facts about the California wine industry. I am here in my capacity as the chairman of the board of the Wine Institute, a public policy advocacy, an association of 975 California wineries and associated businesses.

First let me tell you a little bit about my background. My name is Paul Dolan and I am the fourth generation of my family to be involved in the wine business. My grandfather, Edmund Rossi, ran Italian Swiss Colony in Asti, Sonoma County, for many many years; and before establishing my business, the Mendocino Wine

Company, with my family and my partners, the Thorhills, I spent 27 years at Fetzer Vineyards, 15 as a winemaker and 12 as president of that company.

So I believe these deep roots in our business give me a rare and uncommonly informed view of the past, the present, and the future of the winegrape business in our home State of California, as well as in the United States at large and in this increasingly globalized wine market.

My statements here today I would hope that you would include in your bill in the future, and that is this issue of sustainable wine growing practices which I will talk more about here. In the U.S. we have a great interest in these, and the future farm bill's authorization deliberations because grapes are the largest specialty crop and the sixth largest crop overall in farm gate value. Revenues to growers in 2005 are approximately \$2.2 billion for winegrape in the United States.

California makes up 90 percent of all the grapes grown domestically and accounts for 90 percent of all U.S. wine exported. Wine Institute represents almost a thousand wineries turning 522,000 acres of planted winegrape into our grape products. As of 2004 the industry has created more than 200,000 jobs and brought rural development through revitalized agritourism, and generated \$45 billion in economic activity while preserving agricultural land and family farms.

All of this great news comes despite the challenges that we face, including intense global competition, trade barriers around the world, agricultural pests both old and new, and the constant threat of increased taxes and regulation.

California is the home of the most productive agricultural land in the world. It is also the most urbanized and the fastest growing State. The competition for natural resources is intense as rural areas change dramatically with the urban encroachment. Growers and vintners in California face unique challenges due to population pressure, with more than 600,000 people immigrating to our State annually, and more stringent as State and local environmental regulations.

Wine Institute, in partnership with the California State Association of Winegrape Growers, has developed what I would call a proactive response to this challenge with our Sustainable Wine growing Practices Program. This program helps us demonstrate that we are farming and making wine with practices that are environmentally sound, economically viable, and socially just.

Specifically, sustainable practices help California vintners and growers reduce water and energy use, minimize pesticide use, build healthy soils, protect air and water quality, recycle natural resources, maintain surrounding habitat, provide employee education, and communicate with our neighbors about our vineyards and our winery operations.

The program gives growers and vintners educational tools to increase the adoption of sustainable practices and to measure ongoing improvement. A comprehensive workbook and educational workshops provide "how to" information and best practices.

Over the past 4 years, we have held over 150 workshops throughout the State, attended by thousands of growers and vintners and

more than 1,300 workshop participants have evaluated their operations using self-assessment work books and the majority of them have voluntarily contributed that data to measure the adoption of these practices.

Partners from Government, academia, and the community environmental groups have contributed resources and expertise to this program. And we are working with these partners to develop recognition and incentives for wineries and vineyards participants. And we believe that this program has value with other crops.

We strongly believe that it would be a great mistake to simply extend this existing farm bill. We as a country cannot afford to be in denial about the new issues that we are facing around the world. Specialty crop producers face these challenges as well, and this is particularly true in my business. In part, these challenges include increasing competition from lower-cost producers, declining availability of labor, land, water and energy resources, persistent and serious pressure from insects and plant diseases, increased cost and greater management complexity from State and Federal regulations, and greater demand for improved microbiological food safety.

It is because of these challenges that we strongly recommend that the Congress include a specialty crop title in the 2007 farm bill. This component should include funding for research in grape growing in the wine industry, a conservation chapter that recognizes and rewards expanded, sustainable wine making and grape production, and the resources that allow this industry to promote ourselves globally in the state of this fierce competition that we see.

Thanks for the opportunity to present to you this morning.

[The prepared statement of Mr. Dolan appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Mr. Dolan.

We have been joined by Mr. Conaway from Texas, Mr. Earl Pomeroy from North Dakota, and ranking member of the full committee, Mr. Collin Peterson from Minnesota.

Ms. Cynthia Brown, welcome.

**STATEMENT OF CYNTHIA A. BROWN, PRESIDENT, U.S. DRY
BEAN COUNCIL, MENOMONIE, WI**

Ms. BROWN. Good morning. Thank you, Mr. Chairman and members of the committee. My name is Cynthia Brown. I am both a farmer and a dry bean dealer from Menomonie, Wisconsin where my family has farmed since the 1850's. We grow about 3,000 acres of dark red kidney beans, and our processing plant or company is Chippewa Valley Bean Company. We handle about 25 percent of the dark red kidney beans produced in the United States.

As president of the United States Dry Bean Council, I appreciate the opportunity to testify on issues that will impact the domestic dry bean industry in the upcoming farm bill.

The U.S. Dry Bean council is the trade association representing farmers, processors, scanners, dealers and all others involved with the aspects of the domestic dry bean industry. Nearly 20 classes of dry beans are grown in 20 different States. You can think of pinto

beans, black beans, navy beans, great northern beans, just to name a few.

Almost 20 percent of all specialty crop acreage in the U.S. is annually devoted to dry beans. In 2005, USDA NASS statistics show dry bean acreage of nearly 1.57 million acres. Our exports amount to about 30 percent of our production.

In looking at the next farm bill we strongly support maintaining present restrictions on planting nonprogram crops such as dry beans on program crop acres.

While this restriction is beneficial to all nonprogram crops, it is very important to dry beans because we have a unique situation. Most dry beans are grown in areas where other major program crops are grown. Even though dry beans represent nearly 20 percent of nonprogram crop acreage, the dry bean acreage is only a fraction of the major program crop. About 2 percent of soybean acreage, for example, is what dry beans would make up.

So a small percentage shift in program crop acreage to a nonprogram crop that has a delicate supply-and-demand balance like dry beans, will lead to overproduction and price erosion and little, if any, economic barriers to entry exist in converting program crop acres to dry bean production.

Other nonprogram crops typically require high levels of initial and continuing investment for equipment, technical expertise, and specialized labor to raise the crop. We don't have those barriers within dry beans. Farmers with equipment to grow soybeans can also use that same equipment to grow dry beans.

Michigan State University recently validated this concern in a study that indicated that the effects on different nonprogram crops would vary, but that the likelihood of program crops producers entering dry bean production might be quite high. USDBC believes that eliminating the planting restriction would disadvantage the historical dry bean grower by subsidizing a new significant level of dry bean production on program acres, a result which would be neither fair nor equitable, and it would disrupt the present open and competitive market in dry beans.

If planting restrictions are to be eliminated, we believe establishing a WTO compliant program that would provide offsetting direct economic compensation to dry bean producers with a proven history of production must be given like consideration. It would only be fair and equitable to historical unsubsidized dry bean growers in an effort to equalize competition with new producers who will otherwise receive a program crop subsidy for growing dry beans on program crop acres. And it would increase the need for greater Government involvement in other supportive activities, such as enhancing existing and establishing new Federal programs that are annually funded and devoted to dry bean research, nutrition information, consumer education, promotion, conservation practices, risk management and other dry-bean-related activities.

One quick thing to mention as we talk about nutrition within specialty crops: We have recently received permission for a dietary guidance message from the FDA, and dry beans are the only food listed twice within USDA's new food pyramid.

The Market Access Program and the Foreign Market Development Program are effectively used by the U.S. Dry Bean Council.

We strongly support continuing them at the funding levels provided in the 2002 farm bill. And we also support the continuation of in-kind U.S. commodity donations for food aid and for increasing U.S. commitments to these highly successful overseas program. We believe food aid is humanitarian assistance and should not be used as a negotiating tool in the WTO.

In summary, the dry bean industry, and especially its growers, believe the next farm bill should strive to provide equity among commodities while maintaining stability for growers, both now and in the future.

Care should be taken so changes are not made that are perceived to be solutions to problems facing program crops but that will have serious unintended consequences on nonprogram crops like dry beans. Should that occur, equity will demand that offsetting actions must be taken to minimize the harm to growers of other commodities such as dry beans that will be impacted.

Thank you for this opportunity to express the views on behalf of the U.S. dry bean industry and especially its growers.

[The prepared statement of Ms. Brown appears at the conclusion of the hearing.]

Mr. HAYES. Thank you for your testimony. And we will begin the first round of questions now. I am going to pass on the first ground and recognize Tom Osborne from Nebraska for any questions he might have.

Mr. OSBORNE. Well, thank you, Mr. Chairman. I really had not expected to be called on this quickly.

I just want to make a comment which is maybe not relevant to most of you here, but in our part of the world, especially crops are very difficult to come by because of insurance. We have got some areas of Nebraska, for instance, that are declining in water availability, so we are looking at canola; we are looking at mustard and some other specialty crops. But the problem is that right now there is no insurance available because we have no history. If you have no history of growing the crop, then there is nothing much you can do about it.

Now, most of you folks are from industries where you have a history, you have a stable specialty crop; but as we try to figure out how to handle the drought, this has become a real problem in the central United States, and I just want to make that comment.

I did not have any other specific questions, and obviously at some point we have to be able to encourage specialty crops by providing some type of insurance for them or we will not have new specialty crops, and we will simply continue to do the same things we have been doing for years and years and years. And so, hopefully, in the new farm bill, we will be able to take a look at ways of providing more flexibility for farmers as they are impacted.

So, with that, Mr. Chairman, I will yield back and thank you for this opportunity.

Mr. HAYES. I thank the gentleman.

And he made a very appropriate point. This is a big country with lots of different issues, and the farm bill seeks to put all these interests together into a package that works as well as possible for everyone.

I will recognize my friend and ranking member, Mr. Case, for any questions he might have, and next on our side will be Mr. Pombo.

Mr. CASE. Thank you, Mr. Chairman.

I would like to focus on bioenergy with specialty crops and make the observation that we are spending an increasing amount, and a lot of money at the Federal level, to develop energy from agricultural products, whether it be direct subsidies or credits or tax credits or tax breaks of one kind or another; and I would expect that over the next couple of years, there will be increasing pressure to do even more of that.

I also observe that I do not believe that money is getting proportionately to specialty crops and that is an area that we need to work on in the farm bill discussion, and otherwise as we work on energy issues going forward. And, Dean, I wonder if I could just kind of focus this issue with you and get you to briefly outline the bioenergy potential—not just potential, the actuality—of specialty crops in Hawaii, because we tend to be thinking about, mainland crops, to be honest. And, of course, we have some advantages in Hawaii from the bioenergy potential perspective.

Mr. OKIMOTO. Thanks, Congressman.

In Hawaii, yes, we have some expertise in growing, for example, sugar and some energy crops like that. I think it is really important for Hawaii to grow their own energy crops; and a lot of it is for security reasons, of course. We are a very isolated State compared to everybody else, so there are several companies looking at bioenergy.

Sugar, I think, has one of the best potentials still. The reason why sugar is because what I think has to happen is, the energy crop is really a by-product of something else. In other words, it can be a value added product.

If we can produce, for example, high-quality cane sugar as a by-product to be used for bioenergy, then I think that is when it becomes profitable; and companies can look at this as a good way of producing energy and also getting value for their crop, some of the other things—palm oil, of course, and some other subtropical plants that I am not real familiar with.

I know our energy company, HECO, is putting a lot of money into trying to figure this out and several of the larger companies like Alexander Baldwin on Kauai. We are doing some already.

I think the other factor in all of this is, the facilities to produce the energy is something that is hard for them to finance, and I think that is what they are looking at, the Federal Government, for financing.

Mr. CASE. Could I switch gears with you, Dean, and just talk about country of origin and get you to expand a little bit on that?

What specifically is the issue with country-of-origin labeling, and what are the advantages of Federal country of origin for Hawaii-based crops?

Mr. OKIMOTO. For Hawaii, a lot of it is branding. For example, we are the only producers of coffee in the United States, which I think in the future, we might not be the only producers of coffee; and when we compete against people bringing in product from South America and manufacturing it to a high-quality product and

compete against our Kona coffee, for example, things like that and it goes out mixed with 10 percent Kona coffee or something and it is called Kona coffee, then we run into a lot of problems.

So we feel that if we are seeing that the country of origin is put on the label, then people will really know whether it is a U.S.-grown and manufactured product, as opposed to a U.S.-manufactured but grown somewhere else product. I think that is our main contention in that.

Mr. CASE. Reference was made also to crop insurance, which has been an ongoing issue for me with some of our Hawaii specialty crops and having access to adequate crop insurance; not just access, but being identified as crops that can, in fact, receive crop insurance, a much less amount of crop insurance.

Where do you rank that as one of the issues that faces specialty crops in Hawaii? I mean, how important is it to get adequate crop insurance for crops that are not covered?

Mr. OKIMOTO. I mean, we have gone without it for so long, as farmers, we try to protect against that by saving money really.

But, yes, I think it is important to eventually value these crops correctly. Actually, at one time, I did have some FDA people come out and try to value the crops we were growing. And we are specialty crop growers; we grow baby greens and herbs, and it is a very high-value crop. So off of 4 acres, they could not believe how much it was worth to us; and per acre, it is almost a quarter million dollars per acre. That is what our crop is worth.

Mr. CASE. Mr. Taylor cannot believe that. He was talking about \$8,000 an acre for tomatoes.

Mr. OKIMOTO. Yes, because where we are situated, I guess where we are, too. So, to evaluate it that way, I think they went back and could not justify it then, even though they had all my records, so—

Mr. CASE. Thank you.

Mr. OKIMOTO. But I think it is important.

Mr. HAYES. We have been joined by Congressman Randy Kuhl from New York State. Welcome, Randy.

The chair recognizes Mr. Pombo.

Mr. POMBO. Thank you, Mr. Chairman. I do appreciate your holding this hearing because I believe it is something that is—getting into the farm bill is extremely important to all of us on this committee for a number of different reasons.

I would like to welcome my constituent, Mr. Brumley, for taking the opportunity to be here and to testify in front of this hearing. I know this is an extremely busy time of the year for him back at home, and to take a few days to come back here, I greatly appreciate it.

But, Mr. Brumley, as to one of the things in your testimony, you talked about what percentage of the almond crop is exported today. What factors do you think have led to the point where, as an industry, the almond industry can export so heavily into foreign markets?

Mr. BRUMLEY. One of them was by necessity. The almond—if you go back to the 1980's, the industry in California was producing somewhere in the neighborhood of 350 million to 400 million pounds; and as an industry, they said they will rue the day that

they ever reach 500 million pounds because they will never be able to market it.

Well, today, we are producing over 1 billion pounds and selling it all; and as an industry, we have gone out and self-funded market promotion, market research, and have developed a substantial amount of overseas markets for our product. In going forward any help that we can get through Market Promotion programs, Emerging Markets programs that we can use with our grower dollars to help expand those markets is going to be absolutely necessary.

Over the next 5 to 10 years, we will probably reach 1.5 billion pounds production within the State due to increased plantings. The production potential of our orchards has gone up significantly, leading to a lot of the increased production; and I think probably one of the other primary reasons that the export market has been good to us is because of the research that, as an industry, we have done into nutritional benefits.

They have been recognized now throughout the world that a handful of almonds every day is good for your heart, and that, along with our cousins in the wine industry, that is good news to people, and it has helped to sell a lot of our product.

Mr. POMBO. The industry as a whole has been very successful in developing overseas markets.

And, Mr. Chairman, as we look at this next round in the farm bill, I believe that is where our future is; and holding up this one particular industry as an example of how we can expand those markets, I believe, is important.

Mr. Brumley, I would also like to switch gears a little bit and ask you about a different program, EQIP, which has become more and more important to us in California and throughout the country. I would like to ask you if you see any way that program can be improved to meet the needs of the specialty crop industry.

Mr. BRUMLEY. Yes, Mr. Pombo.

The EQIP program in California is becoming well-used. There are more people looking to utilize those funds than there are funds available. As far as making it easier, the time constraints from the time you apply until the time you are finally approved often limit the ability growers have to wait to get those funds.

For some of you, as far as the EQIP program is concerned, some of those dollars are used to help reduce water use. We are using it to install water-efficient irrigation systems in orchards versus flooding orchards. We are using it for programs to help eliminate dust potential from the mechanization part of the operations.

Those funds are being used in all of those areas, and the better access we have to be able to get those funds directly into the farmers' hands are going to make our almond farmers and, actually, all specialty crop growers more efficient in what they are doing, utilizing the resources better and helping to preserve the environment.

Mr. POMBO. I thank you, and I do appreciate your making the effort to be back here.

Mr. Dolan, I have one question for you, and you had talked about the Market Access program as one that your industry utilizes. Can you tell the committee how that has been helpful to you as an industry?

Mr. DOLAN. Well, the Market Access program has been very significant for us in our export program. California produces somewhere in the neighborhood of 9 to 10 percent of all the wine in the world. We are the fourth largest producer, but we only represent 5 percent of the export market, so we can use all of the help we can get in this particular area.

It is difficult for us to penetrate the export markets because of the other low-cost producers from Chile or Australia. They seem to have a leg up on us in this area, so the Market Access program has provided us the opportunity to have some market penetration by being able to bring our wines over into those countries and to sit down and to do tastings, to do other promotional activities; and also to bring those buyers over into California to show them what is unique and what is special about California wines.

So we really appreciate the Market Access program.

Mr. POMBO. Thank you.

Thank you, Mr. Chairman.

Mr. HAYES. Thank you.

Mr. Salazar.

Mr. SALAZAR. Well, thank you, Mr. Chairman.

I just want to thank the panelists for your leadership to try and preserve my way of life, our way of life, agriculture; and I guess my question to you is not really a question. I just wanted you to comment briefly.

You do not hear a whole lot about GMOs. Do you think that we are doing enough to promote genetically modified crops? Or should we? Could each one of you—starting with Ms. Brown—speak from your industry's perspective on GMOs?

Ms. BROWN. One of the problems that we face in export markets are GMOs, and primarily with beans going into the European market, genetic modification is not viewed upon as being very acceptable.

In many areas in the rest of the world, I think GM is a good idea. It allows for more production, more cost-effective production. It just depends on the market that you are going into.

I think it also can bring health benefits and, especially, as we look at cotton in such as Africa—and we are trying to look at food that has opportunities for more nutrients and better medical aspects—genetic modification, in those instances, is very beneficial.

But depending on the given market, we currently have nothing worked on or being worked on within the U.S. in our client breeding programs for GMOs with dry beans.

Mr. SALAZAR. Do you think the Federal Government should take the lead in trying to promote GMOs to gain more market access to foreign countries?

Ms. BROWN. And better acceptance in foreign countries?

Mr. SALAZAR. Right.

Ms. BROWN. Yes, I agree that we should, because it has not come from private industry perhaps as well as what it might have been. It might have, and it would be perceived better, if we had more focus from the U.S. Government in helping promote it.

Mr. SALAZAR. Mr. Dolan.

Mr. DOLAN. Coming from the first and one of the few counties that actually has prohibited the use and the propagation and the

importation of genetically modified organisms into our county, I have been very involved in the genetic conversation for some time. The Wine Institute, actually recently took a position on genetic engineering, and that is to not support the use of genetic engineering in our products.

We still, at the same time, feel it is important for us to look into research into this particular area, primarily because of the diseases that we are dealing with, Pierce's disease in particular. At the same time, we also recognize that the public is not generally in support of genetic engineering, and there is a sense of fear about it.

We have done a number of hearings internally and have tried to get a better understanding of how genetic engineering would impact our business and, actually, how it does impact agriculture in general; and I have come to the conclusion, if you will, that the actual process of genetic engineering probably has some merits. It is when you start to engineer one plant with a gene from another species. Then it starts to become concerning for not only ourselves but also the public.

We pride ourselves in the wine industry and speak a lot about the importance of representation of place—we call it “terroir,” the unique expression of a particular piece of ground and how that shows up in our wines. We have a concern of what impact we could have as a result of genetic engineering through either yeast or the changing of our plants.

Mr. SALAZAR. Mr. Taylor.

Mr. TAYLOR. As a matter of fact, I was the first grower in the United States to grow a genetically modified food for consumption within the country, the “Mr. McGregor's tomato”; and in this venue, I almost hate to admit it, but I grow a lot of soybeans in Virginia, and we are kind of equally located between Wilmington, Delaware, and Norfolk, Virginia, and thus, we are heavily involved in the export market of those soybeans. We actually had to retreat from the use of Roundup Ready beans because of market demands in the export market.

I think there are many opportunities for advancements in specialty crops, of any needs within specialty crops that come before going into trying to promote GMO crops. Under the research and development portions, it is something that has to be there from this time forward. It is the future. Whether we are there yet or not, the market, really, is going to have to tell us.

Mr. SALAZAR. Are we finished?

OK. Yes, sir.

Mr. OKIMOTO. From Hawaii's perspective, a couple of our industries are directly affected by GMOs. Our papaya industry was saved because of the development of the Remo Papaya. It is almost 100 percent back to where it was, prerinse, spot virus.

We are now conducting studies for the banana bunchy top, a problem that we have in Hawaii. If we do not develop something for our banana industry within the next couple of years, we will lose probably the whole banana industry in Hawaii, and that is how critical it is to the survival of that industry.

Of course, the seed crop industry, soybeans and corn, is huge in Hawaii. We do have the same concerns as anywhere else in the Na-

tion. There is a lot of public animosity towards GMOs. Not to single them out, but a lot of it is concerns from organic growers in cross-contamination, so we are right now coming up with the best management practices in a coexistence discussion.

It looks like we will be developing three best management practices, and it is an agreement between the biotech farmers, organic farmers and conventional. So the good thing about it is that we are all sitting down at the table; we are talking about our differences and coming up with at least the ability to come to the table and talk about the problems. And I think in the future it is farmers going back to being farmers and remembering they are your neighbors and how you affect each other that we solve some of the problems with the misunderstandings of biotech.

I agree also. We do need help in the foreign markets as far as penetrating the foreign markets with genetically modified products. We are currently trying to get papaya approved in Japan, and I think it looks promising that possibly by next year, we may be able to export our papayas into Japan.

Mr. SALAZAR. Well, thank you.

Mr. Lineberger.

Mr. HAYES. If you do not mind, let's hold it for just a minute. We are kind of running out of time, and some of these guys may have to leave, and we will come back to that if that is OK. Just hold that thought.

And, Mr. Conaway, do you have a question?

It is important, and I want to get back to it, but I want to get to all the members that are here waiting.

Mr. SALAZAR. Sure.

Mr. CONAWAY. Well, I am going to use all my time, and if not, we can let the guys answer John's question.

In looking at the testimony, I was not here for the first part of the panel, and I apologize for that. I am curious or interested in labor issues that, especially, crops face. We are beginning to see some headlines where crops are rotting in fields because they cannot find workers or people to harvest that.

I know Mr. Van Dyke is a CPA. I hope you pointed that out in your testimony, because I am also a CPA as is Collin, so we appreciate your being here. But if you would, talk to us a little bit about what you are paying on an hourly basis, equivalent with all those payments and that kind of stuff, and your problems with coming up with labor to help with the harvest of crops.

Mr. VAN DYKE. Thank you, Congressman.

I was a little off of the farm bill topic, that for the nursery industry and the landscape industry, the comprehensive reform of Federal labor is vital. There is no farm market if there is no labor in our piece of the industry.

I do not have specific experience with the issue of crops being unable to be harvested per se, but what I am faced with is just the constant nervousness of the people in our industry as to at what point will an event occur that then changes everything; and it is just that day-to-day uncertainty.

At least with a hurricane, you can see it coming, and you can time it. With this immigration and the volatility of it, it just seems

to be too much uncertainty; and so I am not sure if I can really specifically answer your question as to the crops.

Mr. CONAWAY. What is your hourly compensation to workers?

Mr. VAN DYKE. Our hourly compensation is market driven, and we pay whatever it takes to get the best people to do the job, and so it may range from \$10 an hour to \$14–\$15 an hour, depending upon the skills that the individual has.

And I did emphasize that in the nursery and landscape industry, we are not subject to a migratory-type labor workforce. Our workforce primarily is a full-time, 12-month-a-year workforce that can make a career in this industry, some of the generalities of farm labor is that it is very migratory.

Mr. CONAWAY. Does somebody else on the panel want to speak to that issue?

Mr. TAYLOR. Yes, sir.

As it happens, within the last year, our company went through a third-party audit by an NGO on social responsibility, trying to look at the issue of farm worker compensation; and she was amazed to discover how much money there was, the opportunity that was there, with hard work, to make a decent living. In fact, in her report, she found that the lowest paid employees at harvest, on a piecework basis, were making over \$10.50 an hour, whilst the highest paid were making over \$20 an hour; and then add in deeply subsidized or free housing and free transportation to and from work. So the employment package was substantial, to say the least.

So agriculture in general—as Mr. Van Dyke said, market forces are prevailing like never before. For probably the first time in history, agriculture is competing one-on-one for workers with the hospitality industry, with the construction industry. There is a limited amount of labor out there, and market forces are driving the price up; and it is a concern. The amount of people available for employment, it seems to be shrinking. The demand for those people is only going up.

Mr. CONAWAY. Thank you, Mr. Chairman. I appreciate the panelists' answers, and I yield back.

Whoops, Salazar left.

Mr. HAYES. Thank you for reminding me of the time.

If we do not finish on his time, we will finish on my time.

Mr. Lineberger, do you want to comment on the GMO?

Mr. LINEBERGER. Yes, Mr. Hayes, I would also like to comment on the labor issue because the various crop industries are very much affected by the shortage of labor. The appreciability of our crop is critical to the industry. We have to have labor at the time.

The problem that I have on my farm is that local employees are accustomed not to work on the weekends, and when I have an order for blackberries to be delivered Monday, they have to be picked Sunday or Saturday. So the labor that I have available is almost entirely Mexican for that kind of work. So it is very important to me to have available labor.

It is unfortunate, I think, that the specialty crops industry in the labor promotion—or the promotion of a labor resolution, we will recall, may be unaware that the immigration issue or the citizenship issue was going to be the deciding factor in this.

We want a Guest Worker Program. We are not pushing for immigration and citizenship, I do not think. We would like to employ people who want to work and go back home. We are not asking that they become citizens.

On the GMO issue——

Mr. HAYES. Let's hold that for just a minute since we ran out of that time. We will come back to that one again.

Mr. LINEBERGER. All right.

Mr. HAYES. I guess, on that note, Earl, would you like to ask some questions?

Mr. POMEROY. Thank you.

I would like to especially direct questions to Ms. Brown of the Dry Bean Council and I want to talk about trade because it relates so much.

But you are not asking for farm program support. In fact, you are saying, We do not want farm program support, as I understand your testimony. Is that correct?

Ms. BROWN. What we are saying is, we would like to see the planting restrictions maintained; and with the status quo, we are not looking for support.

Mr. POMEROY. You are not looking for price protection, but if acreage is thrown open, especially supported acreage, your price is going to collapse and your members are going to be adversely impacted.

Ms. BROWN. That is right.

Mr. POMEROY. The other side of the equation is, of course, efforts to expand exports; and I want to ask you how we are doing on that one.

Ms. BROWN. Well, we are continuing to work on that, and we have been very appreciative of the Federal Market Development Funding, the Market Access program, the Emerging Market programs, and we see them as an integral part of our industry in helping us to expand our exports.

As we face more and more global competition, those programs bring value back to the industry. They allow us to participate in areas that we had not been able to visit before and bring products to.

Mr. POMEROY. We had the darnedest time keeping that Market Access Promotion funding in place.

Have you tracked that issue? Have you noted the fight for appropriation support for the Market Access Promotion support?

Ms. BROWN. Yes, we have noted that.

Mr. POMEROY. The administration has not supported Market Access Promotion funding at the levels we would like; is that correct?

Ms. BROWN. That is correct, yes.

Mr. POMEROY. Are you aware of the overall trade balance, that the trade balance is highly in the deficit relative to exports versus imports?

Ms. BROWN. Yes, sir.

Mr. POMEROY. You are using these various tools. You indicated they are important to you. How are your overall trade numbers, your export numbers, doing?

Ms. BROWN. As exporting about a third of our production within dry beans, we have been trying to increase that level but have been basically able to maintain—

Mr. POMEROY. So you have not been growing even while the deficits overall in trade have been increasing?

How is the Cuban market looking? There is such potential there, just offshore, a big population, significant bean consumption. How are we doing with Cuba?

Ms. BROWN. It is very difficult to work our way into the Cuban market because of the restrictions that we have. We have a huge market there that is untapped and really offers a lot to the U.S. bean industry if we had allowable open borders to export into that country.

Mr. POMEROY. Now, shy of open borders and the lifting of the trade embargo, we were taking some incremental steps at an earlier point in time toward some type of trading allowed with Cuba.

Have you seen interest and activity continuing to slowly develop, or have we retrenched on that?

Ms. BROWN. No. It is developing, and it is a very positive export opportunity for the U.S. Dry Bean Council.

Mr. POMEROY. Does the Dry Bean Council have to work with the Department of Commerce to explore its new markets in Cuba?

Ms. BROWN. I believe the Dry Bean Council has been working with each individual State to export into Cuba.

Mr. POMEROY. I am not going anywhere with this question. I do not even know.

Is the Commerce Department involved in agricultural exports into Cuba under the present regime?

Ms. BROWN. What I am familiar with at this point is that it seems to be State-led delegations that, yes, are working with Commerce.

Mr. POMEROY. So for you to sell beans into Cuba, you have got to have the Commerce Department involved?

Ms. BROWN. Commerce has restrictions on how the trade occurs within procedure, and I apologize that I am not as familiar, because—

Mr. POMEROY. Oh, no. I have got you well off of your testimony, and I will stop it for today's hearing.

So there is no apology needed. I should apologize for taking you into—I just wanted to see how good a witness you are. I am very interested in this topic. It was a good time to pursue it.

Ms. BROWN. In watching how that trade has developed, it has primarily been individual delegations from various States who have made contacts with—

Mr. POMEROY. I am aware of that, but as you are looking at exports, they are not selling any beans.

Ms. BROWN. No.

Well, yes, they are. Yes, there are beans being sold, yes. Both Cuba and Iraq used to be—Cuba was our largest market, with Iraq being number two, so we have been disadvantaged over the course of the last number of years by trade policy that has taken away some of those markets.

Mr. POMEROY. I thank the gentle lady. I found the testimony very interesting.

Thank you, Mr. Chairman.
Mr. HAYES. Thank you, sir.
Mr. Kuhl.

Mr. KUHL. Thank you, Mr. Chairman. I have just a couple of short questions.

Again, to go back to the issue that Mr. Conaway raised relative to the labor, I am curious as to, particularly, Mr. Dolan, are you dependent on immigrant labor at all in your industry out in California?

Mr. DOLAN. About 100 percent, actually. The reality is that in the vineyards and in the wineries, the majority of our labor is from Mexico. There is a reasonable percentage of folks that actually live in the United States and have citizenship, but I would say probably 60 to 70 percent are immigrants that come over just for the harvesting or to work for short periods of time.

They will generally come just before harvest. They will move through a couple of different crops before us. They will stay for the 6 weeks or so to harvest grapes, and then they may choose to stay on to do some other process, which is essentially pruning, and then maybe a little bit beyond that, and then they will go back. So they will stay for about 6 months.

But we are totally dependent on that, and we are finding now that we significantly increase the amount of harvesting through harvesting machines as opposed to using hand labor. So, for me, having worked side by side with these folks for years, it is very disappointing for me to see the position that we have taken with regard to immigration.

We strongly need these folks. They are part of our society. They are part of our community. We embrace them. They are part of my family in many cases, and for us not to be able to find some way to embrace the commonality, the need for the folks from Mexico to work in this country, I think it is a shame. And we need to quickly figure that out, whether it is a guest program, but I think it could go well, well beyond that.

We would not survive. It is just that simple. We would not survive without the immigrant labor force in our industry.

Mr. KUHL. You could not totally harvest with machines?

Mr. DOLAN. No. There is a large percentage that we could harvest with machines, but there is a large amount of vineyards now that are in the mountains that are just far too difficult to harvest with machines.

We could get by, there is no question about it, but the reality is that it is a very labor-intensive business. In spite of the harvesting, there are other things, other processes, that we need to have hand labor for that we really depend on.

Mr. KUHL. OK.

Also, as to the rest of the panel, I am curious as to what the age of your labor force is for the most part; and the reason I ask the question is—you are probably wondering why. I had an interesting visit in my district by the Assistant Secretary of Commerce in charge of manufacturing—it is the first time we have ever had such a position in this administration—and one of the observations that he made relative to the manufacturing industry was that we

are all facing this baby boomer retirement issue, and there are 70 million people who are going to leave the workforce.

There are only about 40 million people who are coming up to fill those 70 million jobs, and I am just curious as to whether or not any of you find yourselves in that same position of people who are not necessarily of immigrant labor forces, but people who are in the business who are now starting to age out, if you will, and you are wondering where that labor force is going to come from. And I ask this question in anticipation of, really, Congress having come to some sort of a resolution in this industry for a workforce in the foreseeable future.

So I would be interested in your comments.

Maybe, Mr. Van Dyke, you would like to start first and walk through it in the short time that I have.

Mr. VAN DYKE. Our labor workforce—the requirements of the labor varies; and so we have really hard work, really labor-intense work, lifting heavy weight, to other very detail-oriented work; and so the age of the people tends to distribute across the type of work. And the same with the gender. And so you basically have, maybe the elder individuals doing more of the detail work, who are not as robust as the younger folks, who are doing the heavy lifting.

Mr. KUHL. OK. Mr. Brumley.

Mr. BRUMLEY. Yes, sir. As far as the tree fruits and tree nut crops in California, we are absolutely dependent upon these people and need a guest worker program.

In my own personal experience, the crews that I hire, from an age standpoint, they would range probably from about 18 to 60, fairly evenly divided if you took it in 10-year increments. The older members of the crew are typically the foremen and are showing the younger members what to do and keeping an eye on them. The expertise that they have developed over many years helps them to guide the younger people on the crews.

Other than the Hispanic workers that we have coming to the ranch, there are no other people looking for those types of jobs. It is absolutely imperative that we be able to keep them there. In some instances, I know this summer acquaintances of mine who are producing peaches and apricots and are trying to put the their harvest crews together this year were cutting anywhere between 10 to 20 percent short as far as the number of people that were showing up to harvest the, labor was that difficult to get—and in some cases, during wine grape harvest this fall, it has been the same—roughly the same percentage, that they are short people, and there is a lot of competition out there to hire those people.

Mr. LINEBERGER. In the berry crop industry, I guess it mostly depends on the size of the operation. In the larger operations, our farms or growers usually have mainly Hispanic, and their average age probably is going to be between 25 and 30 or maybe even younger. Smaller farms, who are able to tap into local labor supply, sometimes are gaining or getting retired people, local residents, who have retired from one job and want to work part of the time. So there is a great deal of variability in the berry industry in terms of labor.

Mr. KUHL. I am out of my time, Mr. Chairman. I do not know whether you want to let the rest of the panel continue or not.

Mr. HAYES. Let us see if Mr. Conaway has anything on his mind before we give you more time.

Mr. CONAWAY. I am interested in the labor issue and labor comments.

Mr. HAYES. OK. Would you like to—

Mr. KUHL. Well, I just want to give Mr. Taylor a chance and maybe Ms. Brown a chance to comment as well.

Mr. TAYLOR. I can only mirror the concerns that I have heard from other people on the panel.

It is not a matter of the quality of people that are available from within this country. It is not a matter of their qualifications. It is not a matter of their age. They are not there.

We have lost a crop for lack of help in the past. My father and my older brother watched a crop go red ripe on the vine, a crop of tomatoes, right, because of the lack of help to harvest it. Back in the late 1960's, and we have invested over the years in housing and in transportation to try to make up a package that would be attractive, right; and today we have housing that is never filled because there are not enough people.

Like I said earlier to another question, we are competing for labor with other industries like we never have before; and that goes, I think, directly to your concern, right? People are leaving agriculture early. Hispanic workers new to this country are leaving agriculture for employment in other sectors of the economy on a daily basis, and as agriculture, we have to compete to try to draw them back or to retain them.

Mr. KUHL. Ms. Brown?

Ms. BROWN. We have a little bit different situation in the dry bean industry because much of our crop processing and harvesting is done mechanically, so we are not quite as reliant upon the numbers of people. But we are finding that our labor force is aging considerably. We look at employees, as you just mentioned, within manufacturing that are reaching the end of that baby boom era age. There are people that traditionally would not have continued to work in these types of jobs had there been people to replace them.

I think, in bean production, we go back to the aspects of young farmers entering agriculture and whether it is an opportunity for them to own farms and be able to come up, as their parents did, in the business. We are just not seeing as many young people coming into the industry. So that is a major concern for us.

Mr. KUHL. OK. Thank you.

Thank you, Mr. Chairman. I yield back.

Mr. HAYES. Earl, do you have another question? You are back up again.

Mr. POMEROY. Thank you, Chairman, for a second round.

Just to pursue, Ms. Brown, just for a moment. So when we are talking about farm bill support, when it comes to dry beans, basically maintaining support behind our export programs, it is much more what you are looking for.

Ms. BROWN. That is very important to us as well.

Mr. POMEROY. I checked the figures while I stepped out, and the funding recommendation of the administration was a 50-percent reduction in Market Assistance Promotion funding.

Now it seems to me a statement of the obvious, if you are going to sell your product, you have got to promote your product. And at a time when you have got the most out-of-balance trade imbalance in the history of the country, you have got a U.S. Trade Representative promising to give away even more support from agriculture in her negotiations with the Cairn's Group, and you have got a budget recommendation to cut Market Assistance Promotion 50 percent—it all comes together for a very glum picture in terms of the promotion of exports. That is my view, and I am not going to ask you to comment on it, but basically, so we are clear about the bottom line, it is the position of the Dry Bean Council that maintaining Market Assistance Promotion will be very important.

Ms. BROWN. Yes, it is.

Mr. POMEROY. How about Public Law 480?

Ms. BROWN. Well, excuse me. Public Law 480 is also extremely important.

Mr. POMEROY. And this is the principal food relief program funded by our Government; is that correct?

Ms. BROWN. That is correct.

Mr. POMEROY. And what is the funding recommendation on Public Law 480?

Ms. BROWN. That we at least maintain, if not increase, what is currently being funded.

Mr. POMEROY. What have you encountered by way of administration proposals on Public Law 480?

Ms. BROWN. We are continuing to see reductions in funding, but one of the things that is most concerning to us is the aspect of using dollars instead of commodities to go into this program. And we would very much hate to see the shifting of U.S. commodities that would be replaced by dollars to buy products outside of the United States. In development programs or direct feeding programs from other countries.

Mr. POMEROY. Now, this is another issue that has come up in the context of trade talks; is that correct?

Ms. BROWN. That is correct.

Mr. POMEROY. By the Europeans?

Ms. BROWN. Yes.

Mr. POMEROY. And are they, from a shipping standpoint, closer to, for example, areas of Africa that might require food assistance?

Ms. BROWN. The Europeans, they are, but—

Mr. POMEROY. So, if there was a cash deal, their crops would probably go to the relief, as opposed to U.S. crops?

Ms. BROWN. That is, yes, true.

Mr. POMEROY. Now, is it likely, in your view, that funding support for Public Law 480, which is already difficult, would get much more difficult if U.S. taxpayer dollars are buying French commodities, as opposed to U.S. commodities?

Ms. BROWN. Yes, sir.

Mr. POMEROY. I used French just as an example; it certainly could be any other countries of Europe, major trade competitors. I certainly do not mean to single out anybody.

So, in the end, the United States does not use its own commodities in response to these disasters, and indeed, the funding support in Congress for responding to these disasters is probably reduced

significantly, and at the end of the line, people starve that otherwise would not need to.

Ms. BROWN. That is exactly true.

Mr. POMEROY. So, from your standpoint, what we need to do is try and change the administration's mind on cutting Market Assistance Promotion, and we need to redouble our efforts on Public Law 480, the principal food relief program, or one of the principal food relief programs funded by our Government.

Ms. BROWN. That is right. We see the Public Law 480 program as food being given as humanitarian assistance, not foreign aid assistance.

Mr. POMEROY. And the bean, it is like a protein nugget. It is like a little protein pill that keeps starving people alive; is that correct?

Ms. BROWN. That is right. It is a very, very healthy product, and the best part of it is that it is eaten in every country in the world. It is a food source that people are accustomed to.

Mr. POMEROY. I thank the Chair, and I am done with my questions. I yield back.

Mr. HAYES. Are you on the payroll of the bean association? Good job. Good work. All right.

Now, Mr. Conaway, where are you? Are you all done or are you all through?

Mr. Brumley and Mr. Van Dyke, if you have comments to complete Mr. Salazar's question about GMO, would you like to comment on that one so we can close the loop on it?

Mr. BRUMLEY. Yes, sir, I can.

Relative to the tree crops, because of the extended period it takes to bring them into production, they have not really been a candidate for large-scale GMO production. You are looking at approximately 5 years to bring an almond orchard into production from the day you plant an already growing tree.

As far as ongoing, I believe it is absolutely necessary that some research be done. There are all kinds of ways that diseases and pests can be eliminated through that research, and I think, in the future, when more people are willing to accept GMO-type of products, that can be one tool that we use to reduce our pesticide and chemical use. If we can do it genetically to eliminate some of the problems that we have with our trees, rather than chemically, we are going to be a whole lot better off.

Mr. HAYES. Mr. Van Dyke.

Mr. VAN DYKE. My comments go to Mr. Brumley's.

I am not aware of any genetic efforts ongoing today in the wood, environmental and the landscape industry, but as certain threats and disease recur, it would offer an opportunity for us to be able to prevent a canopy, or a street canopy, from being destroyed by the emerald ash borer or the Dutch elm disease, which wiped out the elm canopy years ago, but today, it is not a real active part of our industry.

Mr. HAYES. Thank you all. I have got a couple of questions.

Mr. Lineberger, Dole is building a processing plant. That is the fruit and vegetable company, not the senior Senator from North Carolina.

Would you care to comment on how that is impacting the specialty crop industry in general and the very portion of it in particular?

Mr. LINEBERGER. Oh, yes, sir.

Actually, that plant is located about 3 miles from my farm, and I have become a stopping point for visitation; and I have met a lot of their people, including Mr. Murdock, who has visited my farm a couple of times.

We are all excited about that operation. It is a bagged salad plant that right now will produce salad for the southeastern market, but it also is connected to an operation in Kannapolis that we look to for biotech research and enhancement of all types of crop production in our area.

We are also in active discussion with them for fruits, especially small fruits. I am discussing with them a contract for blackberries. They are looking at Muscat grapes being a healthy, full-of-antioxidant-type fruit. The growers are getting excited about it, but are uncertain about prices, are uncertain about labor.

We are not the California producing area, so we do not have a tradition of production. We are going to have to change people's attitudes and reception to a detailed-type farming. So we have got a big job ahead of us, and we look to some research and some leadership and help on this to do that; but we are embracing the Dole operation because it is also bringing with it other companies that are doing the same thing.

Mr. HAYES. Thank you, sir.

Just for the general panel, of all of the issues—and every one was important today—if you could pick the three top issues facing your industry or the opportunities for your industry in terms of rewriting or ending the farm bill, what would those three issues be?

Ms. Brown.

Ms. BROWN. Thank you.

The first issue would be to maintain within the farm bill the present planting restrictions.

The second aspect for us would be to continue to support the FMD and MAP funding to help us work on our Market Access programs; and,

Third, the enhancement and continuation of existing food aid programs as in Public Law 480.

Mr. HAYES. Mr. Dolan.

Mr. DOLAN. Well, first of all, we need some help with research. When we are dealing with a number of new issues, particularly pests that plague us from time to time—we had a significant issue with fungus flecks around 20 years ago, and we lost a large amount of our plantings at that time, and much of the industry had to replant. So the new diseases, we definitely need some help on. We need the continued support that we have been receiving from the agricultural policy—the farm bill currently.

The second one, I think, would be the concept of creating—we would love the farm bill to embrace this concept of sustainable wine-growing practices, or growing practices, I should say, in general. I believe that we need to get ahead of the game. We are finding ourselves constantly trying to deal with issues that face us in

the moment, and we spend too much time and energy trying to manage through crises.

The benefit that we see inside of our sustainable wine-growing practice program, which addresses about 250 areas and 14 different chapters, helps educate us as farmers and business people and producers in a whole range of areas. It causes us to be much more holistic in our approach to business, less bottom-line-driven and more what we call "triple-line-driven," where we are looking at the financial bottom line, economic, and the social impact bottom line.

And I think it is important for us to start to embrace this not only in our industry, the rest of these specialty crop industries, but as a country. We need to shift our focus and start to look more towards the future so we can start to better prepare ourselves to deal with these issues that are going to come up all the time. We need to know how to address them better.

And the third thing is that we do need some support in the export market. We believe that there are some real opportunities there for us. We have not invested significantly there. There has been more growth on imports, as we were talking earlier, particularly for us.

As well, I should say, in the wine industry, we have seen significant growth by the Australians. The Australian wine industry has committed \$25 million a year for the last 15 years in a partnership, a government-industry partnership, to promote the export of Australian wines, and they have been very effective. They are the number one import in the U.K. now, and they will soon become the number one import of wine in the United States. Very focused, clear goals and the combination of the partnership between government and industry was really well done there.

And I think that we have that available for us in the specialty crops, and we surely have it available for us in the wine industry because we are organized to be able to grow and expand our industry if we are just able to get the resources.

Mr. HAYES. Mr. Taylor.

Mr. TAYLOR. Thank you.

I think, to begin with, I have to agree with Ms. Brown. We need to maintain the planting restrictions on program crops. That would be a death blow to specialty crops and many small growers across the country.

The block grants that the Alliance is proposing and pushing, in our experience in Florida, it is a wonderful opportunity for site-specific needs, assessment and action; that the money, if properly allocated and properly administered, can be very effective for specialty crops across the country where it has the opportunity to meet the specific needs of the State of Hawaii or the State of Florida, that are tens of thousands of miles apart.

But probably most important to myself and, I hope, for the Alliance is secure our borders. Invasive pest and disease are all, in one fell swoop, driving our costs up and decreasing our yields unbelievably, and on a rapid basis. So, I mean, if there is any one thing in specialty crop production in this country that we need to make sure of it is that we do not add to the long list of invasive pests and diseases that are entering this country.

Mr. HAYES. Mr. Okimoto.

Mr. OKIMOTO. I am going to start off with what Mr. Taylor just left off with, which is that I think the most important thing is invasive species. For Hawaii, we are an island State; there are no restrictions from either way, from the Far East or from the States, as far as incoming fruits and vegetables.

We do not have the security that California has, and when we send things to California, it is checked going out. Coming back in, you fill out a statement saying, if you have anything. There is no real security as far as incoming invasive species, so we get anywhere from 20 to 30 new invasive species every year into our State, and we continue to fight that.

We are looking for Federal dollars to really try to figure this thing out because it is unrestricted, coming in from foreign sources. So it is our number one concern.

Research and development is very important for us in Hawaii because, of course, we have to develop new crops to try and stay ahead of the problems that we have with invasive species, but also in our market concerns as far as competition from foreign trade elements such as Thailand. When we have to go up against that kind of competition, where they still have cheap labor and all the good things about agriculture that we had probably 30 years ago, it is hard. It is tough.

So we need to stay ahead of the game and put more money into research and development. It also helps us to survive by supporting the GMO programs that we have in place, especially to try and save our banana industry.

The third thing is, I think we really need a definitive definition of specialty crops in the farm bill. As far as we are concerned, a lot of our crops—we cannot access a lot of the nonprogram funds because of the definitions that are in there. Thank you.

Mr. HAYES. Mr. Lineberger.

Mr. LINEBERGER. Yes, I will be very brief.

Fundamental research is a basic need, I think, for many areas.

Food safety and security I would rank number two, and also with country-of-origin labeling coming behind that we feel, with the security provisions and things like trace-back, we need a great deal of guidance and policy for the future needs.

And then behind that will be nutrition. We need research on nutrition, ways that we can enhance the nutrition of our products and also carry these products to more and more consumers for their benefit.

Mr. HAYES. Mr. Brumley.

Mr. BRUMLEY. Yes, sir.

As it relates to the almond industry, probably the three most critical things—No. 1 would be the Market Access Program, Emerging Market Program, funding for those so that we can continue to export our crops.

To be able to export our crops to be able to sell the additional crops that we know are going to be coming in the next few years. Those funds are going to be essential in that endeavor.

The next item would be research and basically on two fronts. One, in helping to produce a cleaner, better, more nutritious crop, and then also research as it relates to environmental issues. We need research done towards that end, so that we are using good

science to make decisions with respect to the environmental issues that we are all facing.

And I would say that the third thing that, as far as the tree fruit industry in California is concerned, the labor issue. That is absolutely imperative that that be addressed.

Mr. HAYES. Mr. Van Dyke.

Mr. VAN DYKE. Thank you, Mr. Chairman. Our first issue is the improvement of crop insurance that reflects the value of the assets that we have at risk and the ability to insure and better manage our risks. It is interesting the generational issues that are mentioned in the farm bill, memos about bringing in new farmers and the change of ownership that is foreseeable here in the near future. And it is very difficult to find a buyer oftentimes for a nursery operation when they are faced with millions of dollars of exposed risk that is unable to be insured and hence you end up with a real estate development on that farm instead of a continuing farm operation. So crop insurance is a key issue that reflects the value in the nursery business.

The second is improvement of the Plant Protection Act. In the event that a quarantine occurs on a diseased product, there currently is no recovery to the operator for the loss of business, for instance, in my case we had \$20,000 of plants tied up for almost 3½ weeks because it was under quarantine. And in the end there was no recovery whatsoever and we lost all the inventory, all due to about five or six plants of the multitude that were quarantined.

So we need some recognition that in the event of quarantines that there is some recovery.

And finally, the research of, the Floriculture Nursery Research Initiative is a \$6 million program under the previous farm bill. That represents one-half of 1 percent of the farm bill research budget that is dedicated to the nursery industry. Improving, increasing nursery research is important due to improving our ability to maintain urban landscape and to prevent pests and diseases from attacking the beautiful landscape that is outside.

Second, for water conservation issues, third, and finally, to help improve our ability to fight the pests and diseases because right now our farms are becoming more and more closer to the urban environment and our ability to spray pesticides and kind of operate our businesses is becoming more difficult due to the fact that we are now neighbors with the suburbs and so we need more research there as well. So those are my three important things for the farm bill.

Mr. HAYES. We are heading down the home stretch. Do any of you—we covered the additional comments in the three top priorities, but any of our fine panel members like to make an additional comment or ask a question of me or the staff?

Mr. Okimoto, we appreciate the leis today. And best I can tell you met the limits on ethics reform in the gift. I think you are all OK there.

Mr. Dolan, for a comment.

Mr. DOLAN. I never miss an opportunity to make a comment.

I think we are clearly seeing that there is a shift in society, there is a shift in trends, and for me, I don't think we can continue to

operate the way we have, as we have in the past during this great Industrial Revolution.

I think today we are seeing our ecosystems being attacked. They are declining. We are seeing water is no longer sustainable. We are seeing our species go through an escalated extinction that is not too different from the one that happened 65 million years ago.

We are seeing our topsoil being eroded. And it is not to say that the way we operated in the past it was inappropriate. It was perfectly appropriate for what it is we knew. But I don't think it is appropriate for us to move forward in the agricultural community—and I am just going to use the agricultural community because that is what we are talking about here today. I think we need to look at the world differently. We can't look at the world as our super store. We can't see we have unlimited resources because we don't. The fact of the matter is the planet is using, we are using more of the natural capital that the planet is producing on a daily basis than the planet is producing it. And I think we need to take that into consideration. And we need to take that into consideration in this farm bill here today.

We need to recognize that consumers are looking not only for nutrition but they are looking for safety. They are concerned about the health of their children and their families. And we I believe that we need to see that and we need to speak from that perspective and we need to address those particular issues.

I think this is an incredible opportunity inside of this farm bill to start to address those. The reality is we have this incredible infrastructure that has been built over time and years—decades—that is going to be difficult to untangle. But the truth of the matter is I believe we have to. And we have to look at our business and our lives from a more sustainable perspective. We have to recognize that we have the opportunity actually to contribute to everybody on the planet. But it is not going to come from the way we have operated in the past. It is going to come in a new paradigm. We are living in a new paradigm. And we need to continue to address and notice that.

Thanks for letting me speak.

Mr. HAYES. Thank you. I appreciate your comments and one comment I might make, you all have been unanimous in your support for additional funding for research and the committee certainly agrees with you.

One of the interesting phenomenon of your Government is that in Washington we authorize and we appropriate. And we continue to authorize additional funds for research; however, the appropriators don't always appropriate the way we see. So my point to you is be sure that you keep in touch with your Members and others on the appropriations side, again, to see that the research money goes in the most effective direction.

It is interesting, Mr. Dolan's comments, I would agree with him in general, that particular, you have heard today among yourselves, comments about GMO, the wine industry, if I am correct, taking a position that we don't want GMO in this particular segment and certainly that is a sustainable position. But others of you pointed out that to prevent use of pesticides if we can genetically modify, in the process we are sustainable, we can produce more

than we can consume and independence of foreign oil, energy independence through renewable use of crops, wind, solar, all those things are part of what we as responsible citizens are and should be about.

And certainly it is a very important aspect of what we do and the farm bill is a wonderful place to address it, among others, make the point simply to say those things are happening. We can always do better. And we do better when you all are more involved, bringing your ideas and thoughts to the table.

Again, that is kind of where we start the process. It is we the people, not they the government. Thank you for doing your part today. Encourage others to similarly participate because our Government is only as good as the involvement of the people of the United States who make it that way.

Without objection, the record of today's hearing will remain open for 10 days to receive additional material and supplementary written responses from witnesses to any question posed by a member of the panel or, if you have additional written testimony you would like to submit, you have a minimum of 10 days to do that.

The hearing of the Subcommittee on Livestock and Horticulture is adjourned. Thank you again for your presence and participation. [Whereupon, at 11:40 a.m., the subcommittee was adjourned.] [Material submitted for inclusion in the record follows:]

STATEMENT OF KEVIN VAN DYKE

Thank you, Chairman Hayes and members of the subcommittee, for the opportunity to present testimony on behalf of the U.S. nursery and floriculture industry on matters relating to the condition and future success of the specialty crop industry. My name is Kevin Van Dyke and I am the President of Skinner Nurseries, based in Jacksonville, Florida. Skinner Nurseries, founded in 1973, is both a grower and distributor of green goods and is the leading supplier of green goods to the landscape construction industry in the south. The growing operations consist of two farms in north Florida totaling 1000 acres of production. The landscape distribution business consists of 23 locations in Florida, Mississippi, Texas, South Carolina, Georgia and North Carolina. Skinner Nurseries purchases plants from sources throughout the U.S., including the west coast, and services locations throughout the United States.

This morning, my remarks reflect my own view as a member of the leadership team of Skinner Nurseries, as well as the views of our national trade organization, the American Nursery & Landscape Association (ANLA) and my state trade organization, the Florida Nursery, Growers and Landscape Association (FNGLA). This testimony is also endorsed by our sister organization, the Society of American Florists. Over the years I have been personally involved in a number of leadership posts and committees tasked with solving challenges facing the industry on both the national and state level. I will touch on some of those challenges—and opportunities—in my testimony.

Before I begin discussing specific issues and how they relate to the upcoming farm bill, I want to highlight that the U.S. nursery industry is a bright spot in agriculture. It is one of the few agricultural sectors that grew over the past decade; in fact, nursery and greenhouse crops are one of the three largest agricultural commodity groups in Florida, and we continue to grow. In 2000, Florida's nursery growers had farm gate sales of \$2.2 billion. Last year, despite the hurricanes, grower sales had soared to \$3.007 billion. As a national commodity group, U.S. nursery and greenhouse crop production ranks third in farm gate value behind corn and soybeans, but ahead of wheat, cotton, and tobacco. Annual production is in the range of \$14 billion at farmgate. The economic value of the entire green industry was recently estimated to reach \$147 billion. We are a successful and growing industry that translates into many jobs throughout the United States. I am honored to discuss how we might make it even more successful down the road.

Recently, Secretary Johanns has given voice to what we all know: spending directed through the farm bill goes to an increasingly small slice of the pie:

These specialty crops now are equal in value to the program crops, equal in value. But they receive virtually nothing, and they don't even get a subsidy. They don't receive anything. So we have one group that gets the subsidies, another group that's equal in production value, larger in number that really receives nothing. (Remarks of Secretary Johanns to National Farmers Union, September 11, 2006)

Speaking for the nursery and floriculture industry, we are proud that we compete in a free market where we grow to meet the needs of our customers and not the dictates of a government program. What is more, the vitality of the specialty crop industry generally of which the Secretary spoke is directly attributable to the lack of program subsidies and the need to compete and win in the marketplace. Throughout our economy, we see a tailoring of products to meet individual consumer demand—500 cable television channels instead of just three networks, for example. Agriculture is no different and we respond to our customers.

The success of the nursery, floriculture, and other specialty crops argues strongly against extending subsidies to our commodities. We do not want them and do not believe they would help our industry. Yet, the disparity in spending that Secretary Johanns described remains and policymakers like the members of this Subcommittee must address this with an eye to the proper role of government in 21st Century agriculture.

We take no position on the contribution of existing subsidies to other commodities but we argue strongly that the farm bill should be an investment that provides the tools for growers to compete domestically and internationally. This would include protecting agriculture through real and well-funded sanitary and phytosanitary programs and research to unlock future products and solve existing problems.

Risk Management and Federal Response. As agricultural producers, risks to our industry take many forms. The catastrophic natural disaster, such as a flood or hurricane, is one threat that I personally know first-hand. Similarly, pest and disease issues may strike just as quickly and may impact an area for many, many years. The ongoing threat of pests such as *Phytophthora ramorum*, the pathogen linked to so-called "sudden oak death," and emerald ash borer, coupled with specific threats of floods and hurricanes, are issues that nurseries face on a daily basis. We take all of the precautions necessary on our end, but the reality is that Federal risk management programs, despite recent improvements, offer unrealized potential to assist the industry to protect against losses related to plant pests and natural disaster emergencies.

Crop Insurance. Currently, the Federal Crop Insurance Commission (FCIC) only covers losses to the crop due to a "drought, flood, or other natural disaster (as determined by the Secretary)." Under a Federal or State quarantine, stop sales order, or phytosanitary restriction, some losses may be covered if the plant has been infected or exposed to a covered natural disaster, such as disease. However, phytosanitary restrictions frequently affect plants that have not been infected or exposed to a pathogen. Currently, there is a shortcoming in the law as there is no authority to provide coverage for plants that are ordered by USDA not to be marketed even when they are not infected or diseased. This needs resolution in the farm bill.

Federal Disaster Assistance. Hurricanes continue to pose a great threat to our operations throughout southeastern United States. As a result of the 2004 and 2005 hurricanes, nursery growers incurred heavy costs in cleaning up and removing structural debris. For the 2004 hurricanes, USDA provided Section 32 funds so nursery growers could receive \$250 per acre to offset clean up and debris costs. Until December 2005, nursery growers were largely ineligible to participate in the USDA's Emergency Conservation Program (ECP). For the 2005 hurricanes only, nursery growers were eligible for ECP reimbursement up to 90 percent of the cost of emergency measures to remove nursery structure debris, such as greenhouses, shade houses and above-ground irrigation facilities.

Another tool that would be useful to production nurseries is the Tree Assistance Program (TAP). Although TAP conveys that it is designed to assist tree growers, nursery crop growers whose crops are the trees themselves have been excluded due to the fact that the trees are produced as trees rather than trees bearing fruits or nuts. TAP was expanded in the aftermath of Hurricane Andrew in 1992 to assist nursery tree growers devastated by that disaster only. And, for the 2005 hurricanes only, Congress provided TAP coverage for nursery growers.

To ensure nurseries are able to recover after such natural disasters, the upcoming farm bill should permanently expand the Emergency Conservation Program as well as the Tree Assistance Program so production nurseries are eligible to apply. This is a very high priority and would be of great benefit to nurseries not only in Florida but throughout the entire country, as production areas face the threat of various disasters.

Pest and Disease Issues. Despite the threat that pests and diseases pose to U.S. agriculture, farm bills have historically ignored these issues. Regardless of the history, the farm bill has become the primary expression of agricultural policy and must specifically address agricultural pests and diseases.

Access to Federal Funds. One of the biggest hurdles when dealing with pests and the USDA's response when a pest is detected is the inability of the USDA to access funds it deems as critical to fighting the pest in a timely way. Over and over, we have seen pest problems take "a pound of cure" because the system failed to provide an early "ounce of prevention." For the Federal Government to adequately fight against agricultural pests and diseases, Congress must re-establish the Secretary of Agriculture's preeminence. If Congress allows the Secretary of Agriculture access to Commodity Credit Corporation's (CCC) funds without unnecessary bureaucratic hurdles or policy review from the Office of Management and Budget, the original intent of the law will be restored. Currently, OMB time and time again disagrees with the Secretaries' assessments and too often denies funds. Statutory language in the farm bill is needed to ensure this streamlining of government procedure takes place.

Harmonize Equally Plant and Animal Disease Response. We strongly believe that agricultural policy should reflect a level playing field that allows market forces, and especially consumer demand, to communicate the necessary signals to agricultural production. As it now stands, agriculture policy gives livestock producers a preferred position over horticultural growers when it comes to disease and pest issues. In emergencies, livestock producers may receive compensation for the destruction of their property taken as part of an eradication or control effort. Plant growers may not receive compensation except in the highly rare—and obscurely defined—situation of an "extraordinary emergency." Not only is this unfair and unjustified, it creates enormous disincentives for reporting and early detection of infestations. The Plant Protection Act should be amended to harmonize the statutes by allowing compensation to horticultural growers in times of emergency.

National Clean Plant Network. We support the creation of a National Clean Plant Network (NCPN). A lack of funding imperils programs for the production of clean planting stock for several key horticultural crops despite the grape, fruit and nut tree industries' dependence on these programs. The NCPN would establish or maintain centers that have the expertise, facilities and climate necessary to efficiently receive material including produce from abroad, and distribute healthy planting stock free of debilitating viruses and other diseases and advisory committee composed of industry representatives and researchers would establish the funding priorities of the network.

Now that the U.S. is a signatory to various trade treaties, and to comply with international standards, existing precautionary prohibitions to the importation of plants are likely to be modified or eliminated. As trade barriers are eliminated, pest and disease introductions inevitably will occur more often. The proposed National Clean Plant Network will allow scientists and facilities to help prevent pest and disease outbreaks. We consider Federal funding for the establishment and maintenance of a National Clean Plant Network one of our highest priorities.

Pilot Program for Systems Approach to Nursery Regulation. Recent experiences with *Ralstonia* and *Phytophthora ramorum* suggest that the regulation of nurseries is undergoing a fundamental shift. The premise behind a systems approach is that scarce resources of both the industry and the government are best focused on achieving sound production rather than chasing pests and diseases through end-point inspection. A systems approach, properly designed, may offer greater protection from pests at less cost to the government. Unfortunately, start-up costs are significant, as are many of the program costs that ultimately shift from the government to industry. Before a systems approach may be implemented, it must be determined with scientific certainty the systems will prevent the inadvertent spread of agricultural pests. We support creation of a Systems Pilot Program. With annual funding from the Commodity Credit Corporation, this program would fund the innovative development of systems approaches (such as best management practices) for the control of pest emergencies in the nursery or greenhouse setting.

Research. As a distributor of nursery crop goods to our customers, I value the importance of having a strong, healthy crop. I know first-hand the lengths that our staff at Skinner Nurseries goes through to ensure that our crop stays healthy. We are at the front lines of commerce. We sell what we grow to the landscape industry, which in turn designs, installs and maintains landscapes at corporate and residential locations throughout the United States. Our strength as a growing industry is only as strong as the commitment to research.

The nursery and floriculture industry substantially supports its own research needs. Its private foundations fund an average of \$3 million annually. USDA-ARS funding through the Floriculture and Nursery Research Initiative, which I will dis-

cuss shortly, continues adding valuable new tools and support to a segment of agriculture otherwise underserved in the USDA budget. We do believe the Federal Government has a legitimate role to play as a research partner, and that investments in research will pay dividends in productivity and competitiveness.

Floriculture and Nursery Research Initiative. The nursery and floriculture industry substantially funds its own research programs, targeting near-term tangible results. The industry is also part of a three-way research partnership with USDA's Agricultural Research Service (ARS) and land grant universities known as the Floriculture and Nursery Research Initiative. Through the FNRI, the USDA-ARS is able to fund longer-term, higher-risk research that will solve major nursery and floriculture challenges relating to crop production, post-harvest handling, landscape success, pest management and environmental protection. Successful projects already funded by the FNRI have targeted environmental management, mechanization, and emerging plant pest crises such as emerald ash borer and *Phytophthora ramorum*.

FNRI funds leverage strong, collaborative research projects involving ARS' own scientists and facilities with state land grant universities and other institutions that are identified as "centers of excellence" for the type of research targeted. Last year, the FNRI was funded by Congress at \$6.25 million, a little less than a third of the ultimate funding goal of \$21 million per year. This year, the House maintained funding at the same level, \$6.25 million. We ask that Congress consider the past, present and future success that the FNRI brings and will bring to our industry when considering future funding levels.

Phytosanitary Research Fund. The connection between research and pest emergencies is too important not to address in a Federal farm bill. The Plant Protection Act and international treaties demand pest regulation based on sound science, but often times the scientific knowledge lags behind the outbreak and the need for regulatory action.

The creation of a well-funded Phytosanitary Research Fund (from the Commodity Credit Corporation) for applied research directly related to an ongoing or immediately foreseeable pest emergency will supplement current eradication and control efforts and ensure the sound scientific basis of ongoing regulatory actions.

Conservation. Agriculture in the United States is held to a very high standard and we are working every day to live up to the expectation that we produce a quality product, we do so in a manner that respects and protects the environment.

Unfortunately for producers, investments in natural resource management and conservation are rarely recouped. Benefits to the farmer usually do not compare to the ecological and fiscal benefits for the public at large and for future generations. This is the context in which we support voluntary and incentive-based programs to encourage adoption of the most sustainable production methods.

Environmental Quality Incentives Program (EQIP). We believe the Environmental Quality Incentives Program (EQIP) program has been a success story where nursery growers have had access to the program. Some have participated in EQIP and implemented environmental enhancements. However, nursery growers have not always had access to participate. We strongly support a mandatory allotment of funding for specialty crop production, including nurseries, within EQIP similar to what currently exist for the livestock industry. We also intend to work with all allies to expand general support for conservation programs.

International trade issues

USDA's Animal & Plant Health Inspection Service has initiated the process of revising Quarantine 37, the Federal regulation that governs the importation of virtually all types of "plants for planting." So far, we are encouraged by the Agency's demonstrated commitment to working closely with its stakeholders. It is essential that a collaborative relationship continue.

Existing U.S. prohibitions on the importation of certain plant materials could be deemed non-tariff trade barriers under the standards imposed by international trade treaties to which the U.S. is a signatory. Although the U.S. nursery industry recognizes the validity of science-based international standards, a strong quarantine system must be maintained as the first line of defense against devastating pests and diseases, as we work to develop internationally-recognized programs such as national, mandatory certification and the revision of importation regulations based on properly conducted risk analyses.

Labor Shortages in U.S. Agriculture. According to the last available estimate by the U.S. Dept. of Labor (DOL), at least one half of agricultural workers in our country are unauthorized to work in the United States. Although the percentage of unauthorized workers in Florida's agricultural industry is not known, it is reasonable to assume that the percentage in Florida nurseries and other labor-intensive farms and ranches mirrors or even exceeds the national situation. Common estimates today run to 70 percent or higher.

The nursery industry employs a high percentage of skilled workers who work year-round. In fact, many nursery field workers have achieved supervisory or middle management status even though they started as entry-level laborers. Since U.S. farms have depended on improperly documented workers for at least several decades, it's also reasonable to assume that many Florida nursery supervisors and managers are undocumented. Let me clarify—employers have met their legal obligations, yet workers are commonly presenting identification documents that are not valid. The present situation has resulted from years of bad laws and failed policies.

While not necessarily a farm bill issue, it is time Congress address this situation in a comprehensive manner. Actual labor shortages and crop loss are being reported around the country, including Florida.

The comprehensive immigration reform bill that passed in the Senate last May would provide critically needed reform of the H-2A program and immigration laws as they pertain to labor-intensive agriculture. We also believe—through years of first-hand experience—that a solution will only work well if it incorporates the fundamental elements contained in the so-called AgJOBS provisions. The bottom line is simply this—the present situation is untenable. Florida and American agriculture are in a position of deep peril. Problems have existed for decades and are consequently complex. Reform legislation must address this complexity if widespread disruption—or even destruction—of our agricultural economy is to be avoided.

Conclusion

Members of the committee, I would like to take this opportunity to thank you for this hearing and for considering these important issues and how Congress should address them.

As you reflect on the comments I've made today, please remember that it is this emphasis on practical solutions that we look for in the next farm bill.

I thank you for the opportunity to speak to these issues and I look forward to answering your questions.

STATEMENT OF PHILLIP BRUMLEY

Mr. Chairman, members of the Committee, my name is Phil Brumley. I am a rice and almond farmer from San Joaquin County. I would like to thank you for this opportunity to provide testimony on specialty crop needs as they relate to Federal farm policy.

I would like to thank the California Almond Board and local growers for providing input into this presentation.

Specialty crop producers and processors face serious challenges that threaten the viability of specialty crop producers and industries. These threats include:

- Increasing competition from lower cost foreign producers
- Declining availability of labor, land, water and energy resources
- Persistent and serious pressure from insect and plant diseases
- Increasing costs and greater management complexity from state and Federal regulations
- Greater demand for improved microbiological food safety

As a specialty crop and program crop grower, I understand the importance of the wide array of programs offered by USDA. Our industry is in competition for scarce resources. We recognize the dangers of taking money from one segment of agriculture to benefit another.

So I'm not here to advocate taking someone else's monies but rather to encourage the most efficient use of Federal funds and to encourage examining other sources of potential funds.

For example, conservation programs have long been intended to help farmers improve their resource management practices or comply with regulations under various environmental statutes. Maybe it's time that the Department of Interior and the other agencies allocate resources to further USDA conservation programs. We should shift the focus from a mindset that asks for more land to be acquired by agencies to one of conserving resources in the private sector using conservation program dollars.

This should apply as well to the Department of Commerce, Army Corps of Engineers and the Environmental Protection Agency and other agencies. All of these agencies have some regulatory oversight when it comes to farmers and ranchers. Maybe it's time they help fund solutions to the problems they are creating.

Please allow us to also recognize one key concept when you are considering farm programs of any kind. From the bank, to the nursery who sells me my trees, to the chemical company, processor, truck driver, broker and ultimately my neighbors, we all have something in common. We all rely on a healthy marketplace and an ability

to grow, harvest, process and sell our commodity at a profit for us to survive. There are two key points that need to be stressed here. One, the key component in “sustainable agriculture” is profitability. And two, If any one segment of agriculture suffers, we all suffer. New regulations being proposed on Central Valley processors will be felt throughout the entire agricultural industry. Higher fuel costs not only impact the cost of running equipment in the field but also at the processor, not to mention the trucking company who handles our product.

For another example, it’s great to talk about using chemicals that will have less impact to the environment. But if the end result is multiple applications of a low impact product, we as farmers are forced to make a decision-is it really worth it or should we go back to one application that we know will work and be done with it?

I’d like to comment on legislation that is being circulated by Congressmen Richard Pombo and Dennis Cardoza. We applaud their efforts to bring substantive debate forward in Congress on the needs of our growers.

I am the grower of one of the fasters growing export crops in our state, almonds. We believe that additional funding is needed to ensure that our industry may continue to grow and ultimately prosper.

In the following pages, I will cover some key priority areas for specialty crop growers including:

1. It’s time to increase our investment in specialty crop research including better disease and pest protection, emerging technologies, the development of cost-effective and environmentally responsive programs, and mechanization.
2. We need to ensure that the maximum amount spending for conservation programs goes directly to farmers and ranchers for practices that will be implemented on the ground, not to third party groups.
3. The focus of any programs under USDA should be clearly defined so they prioritize spending on programs to promote working landscapes. This is especially true when it comes to the conservation programs and some priorities we have seen to increase spending on “land abandonment” programs.
4. We need to expand investment in export related programs.
5. Nutrition programs should be expanded with an emphasis on healthy diets and a greater focus on fruits, vegetables and nuts.
6. More monies should be spent on renewable energy programs that promote other energy sources while solving waste.
7. Other sections of the proposed legislation by our Congressmen that we believe will benefit specialty crop producers.

Research, Extension and Education Priorities for specialty crops in the areas of research, extension and education should include:

- Understanding and Improving Quality of Our Products
- Understanding Consumer Perceptions of Specialty Crops, the Role of Nutrition in Specialty Crops, and the Economic Contribution of Specialty Crops to Rural Economies
- Enhancing Processing and Production Efficiency
- Developing and Promoting Sustainable Practices

Whether it’s new technology for irrigation or timing of needed chemical application, we need an increased commitment from Congress for research. In the past, agriculture has been able to adapt to an ever-changing regulatory environment based on our ability to become more efficient in our practices. This is especially true in our state where we not only duplicate but exceed most all Federal regulations.

But as new regulatory requirements are adopted, it is essential that Congress step up to meet the challenge for specialty crop growers. An important component is an investment in our University system to conduct this research and distribute the results to area growers through extension agents.

Our Cooperative Extension Programs provide the on-the-ground research and the dissemination of information that is so vital to maintaining an agricultural industry. How they operate under their restricted budgets is a testament to their commitment to agriculture and their expertise. We need Congress to not only continue, but increase their allocation of scarce resources to programs like Cooperative Extension. We believe these programs will enable us to improve the quality and quantity of our almonds, can help enhance processing and production efficiency and will enable us to develop new and innovative practices to address resource concerns.

When it comes to research, I have had the opportunity to review the American Farm Bureau Federation policy 159 on research. We believe this is a good summary of some additional priority issues related to this topic.

Finally, I will leave you with one key thought when it comes to research. We believe it is better to resolve issues by investing in research and technology rather than wait for it to become a political issue. This holds true to sanitary/phytosanitary issues, other trade issues and related to the conservation of natural resources.

CONSERVATION PROGRAMS

In an initial review of the draft legislation, we see an increased commitment to conservation programs as a potential positive step. What we would stress is that we do not want you to kill us with “kindness” under this section, meaning we do not want to see a vast increase in conservation program spending that permanently retires agricultural production.

We support two goals when it comes to conservation funding.

- Get the maximum amount of money directly into the hands of our farmers, ranchers and foresters.

- Clearly prioritize that the programs that are fully funded will be those that emphasize conservation in working landscapes.

We have to admit that increasing funding for the Environmental Quality Incentives Program (EQIP) is essential, but not if it comes with additional requirements for producers. Far too often we have seen interests outside of agriculture who want to re-direct this over-subscribed programs funding to conduct demonstration projects or create new monitoring requirements.

EQIP remains under-funded to meet current demands and this funding needs to be increased. Furthermore, we need to be lessening the requirements under this section, not adding regulations on growers who participate in programs to improve the environment.

No third party monitoring should ever be allowed for EQIP. Again, there are special interest groups who will propose this under the guise of providing greater accountability. The accountability in this program comes from the growers who implement the practices and invest their own time and resources to make sure they succeed. These growers work directly with the agency (NRCS) to ensure they are following agency protocol.

Ultimately, EQIP provides useful programs to address a variety of water and air quality related issues. It is up to USDA-NRCS to continue to develop practices that can be adopted at the farm level to improve our private resources.

We do have concerns with land retirement programs like the WRP and CRP. We believe they should not be expanded and in the case of the WRP, the clear focus should be on term easements instead of easements in perpetuity. The WRP should also be amended to ensure that it could not be used to acquire “other interests” in land. In several cases, WRP funds have been used to facilitate the transfer of private land to public agencies.

Utilizing WRP funds to transfer land to the government is not acceptable and this program should be amended to preclude this from happening in the future.

Under the current CRP, active land management is discouraged. We have seen first-hand how some CRP ground in our state is actually declining in habitat values.

We have had an opportunity to review some language that would encourage the use of USDA conservation programs to protect federally protected species and their habitat under the Endangered Species Act. While we are intrigued by this concept, we must warn that this is a discussion that should move forward jointly with the House Resources Committee.

We firmly believe that there can be great progress made in improving species conditions on working landscapes. But Congress needs to develop and authorize this approach by amending the Endangered Species Act.

This is due to the fact that we have groups in California who file lawsuits on just about anything when it comes to the ESA. We believe that if USDA conservation program dollars were spent to protect listed species, that groups would sue USDA for failure to consult with NOAA-Fisheries or the U.S. Fish and Wildlife Service and that the conservation practices approved by USDA are actually harming species. This type of lawsuit could ultimately place new regulations on growers who are trying to help species.

While this example of the “no good deed goes unpunished” theory has not played out, we believe it is up to Congress to PREVENT this from happening rather than promote the next train wreck under the ESA.

We believe that if Congress wants to promote habitat and species under the ESA, that this will have to be authorized under the ESA and that any requirements for consultation should take place between the USDA agency developing the conservation practices and the wildlife agencies. We believe this consultation should take place at the programmatic level or possibly at the state level where practices are proposed by USDA and approved by the wildlife agencies. No consultation should be required at the project level (the landowner should not have to consult under the ESA).

Furthermore, adequate safe harbor agreements for the participant and surrounding landowners would need to be developed as well as a no-surprises policy that

would ensure that no additional requirements would be placed on the landowner or his or her neighbors.

In closing this section, spending on conservation programs must be increased and the focus of this spending should be on getting the maximum amount of money directly in the hands of farmers and ranchers, not special interest groups. In addition, the funding should be prioritized to projects that promote working landscapes. Finally, it's time for Congress to get creative. Rather than rob from the Commodity title to pay for the Conservation program, let's look to the agency budgets who promote the regulation of agricultural resources. Rather than spend this money on enforcement and an ever-expanding bureaucracy, let's see this funding go directly to farmers who wish to improve the environment. Funds used for land acquisition by any agency should be the first target. Agency budgets at EPA and the Army Corps would be another place to start as we believe we can achieve a lot more in terms of conservation of natural resources through incentives rather than the current approach of regulate first and see if it works later.

EXPORT AND MARKET PROMOTION

- Almonds are California's No. 4 ag crop with a farm value of \$2.2 billion
 - Almonds are California's leading ag export, valued at over \$1.37 billion and the U.S.' No. 1 specialty crop export
 - About 70 percent of almond production is exported to more than 90 countries
- As you can see from the figures above, the exportation of almonds has proven essential to the growth of this industry. This is true for so many other specialty crops.

The continued extension of programs designed to promote the sale of Almonds and other crops overseas is needed by our industry. As phytosanitary and market access issues are increasing, we need to have the resources to ensure our products can be shipped abroad. We need to invest the resources to address these issues prior to shipment, rather than wait for problems to arise.

USDA's market access and emerging market programs (MAP and EMP) need to be expanded along with added funding for the Technical Assistance for Specialty Crops that has helped us address a wide range of issues.

Finally, the eyes and ears for agricultural trade, the Foreign Agricultural Services needs the resources to they can help our industry identify issues before they disrupt trade flows and to assist our industry in opening up new markets.

NUTRITION

From addressing the growing epidemic of obesity, to simply improving the quality of life for all people, specialty crops make up the foundation of a healthier United States. Research has shown the health related benefits of the consumption of fruits, nuts and vegetables. That being said, it's time for Congress to re-invest in our collective health by allocating resources to promote the consumption of specialty crops like almonds.

Expanding the fruit and vegetable program is a good place to start. Further research funded by USDA in the health related benefits from other specialty crops is also essential if we are to compete in this global marketplace.

In reviewing this section, it would appear that there are some missed opportunities to promote local programs that meet the objectives of this section. One example would be the Select San Joaquin Program which promotes the consumption of locally grown products. Right now this program has limited funding, but it does have two supermarket chains the County Health Services and Ag Commissioners office and volunteers looking to promote the consumption of fruits, nuts and vegetables grown locally. We believe this program should be eligible for funding and this is something that needs to be addressed.

RENEWABLE ENERGY

We find in encouraging that agriculture is being looked at as a potential fuel source for our Country and we applaud the efforts to promote ethanol biofuels, electricity and other energy from our farms and ranches. However, we must caution you at the same time USDA is promoting agriculture as an energy supplier, that this supply depends on one factor in California and other arid states, available water supplies. So while USDA is doing it's part to promote this activity, there are agencies in Washington who say that agriculture in California is going to have to live with less water in the future. We will not be able to greatly enhance our energy production without greatly increasing our surface water supplies.

The section in this proposed bill to address biomass waste is absolutely essential for specialty crop growers. As regulations have been advanced in our state to pre-

clude the burning of orchard and other agricultural waste, programs that increase the incentives and allow for a thriving biomass industry that can utilize this agricultural waste need to be expanded.

We have gone from burning our orchard waste in the field to taking several trips through each field to chip the orchard prunings in order to improve air quality. Today there are not sufficient incentives to gather what is now a waste product and turn it into an energy source. This proposed legislation moves us in the right direction.

For agriculture to become a greater provider of energy to the US, we must have the resources (water), incentives and ultimately, a marketplace that encourages this production.

In Germany for example, farmers are paid a premium for their "biofuels" or the solar or wind turbine energy they produce. The incentives are significant enough that more and more growers are contributing to that countries energy supply.

To contrast, there is a California dairy with a methane digester that is producing electricity. So far the local utility will not pay for any electricity generated which means the miles and miles of homes that could be getting their energy from this project are precluded by the utility company.

These are the types of issues Congress should be prepared to address.

OTHER SECTIONS

In evaluating the proposed legislation, we can see where the specialty crops block programs and creating flexible payment limitations for disaster payments are programs that will benefit our producers.

This year alone we have record rainfall in the spring followed by a record heat wave in the summer. The need to address these types of disasters for specialty crop producers is becoming increasingly important. The key point is regardless if we can produce a crop, we still comply with so many different regulations. That this bill would change the focus to reflect a cost of production or our crop value variations is an extremely important step. Funding for this type of approach is essential.

The section on programs for first handlers of specialty crops is equally important. Please see my introduction-we are all in this together and when one segment of our almond industry suffers, we all suffer.

Title III as presented is a welcome addition for specialty crop growers, as it would fund programs to provide a more effective system to address invasive pests and diseases. One word in this section should be noted and that is bioterrorism. As agriculture has been identified as critical infrastructure to the United States, it stands to reason that the investment to protect this industry should reflect it's importance. Increasing inspection, the eradication of any pest that enters our food supply system and emergency eradication programs can provide safety and security to our food supply and distribution system.

In closing, specialty crops account for more than \$50 billion annually which is more than half of our U.S. crop production value. Challenges facing our specialty crop growers continue to increase while research and extension capacity to address these challenges have diminished. It's time to reverse this trend and adequately fund these programs so we can make sure that our issues of today, do not turn into political issues, trade restrictions or an environmental concern in the future.

STATEMENT OF EVRIN LINEBERGER

Chairman Hayes, Ranking Member Case, and Members of the Subcommittee: My name is Ervin Lineberger, a fruit and vegetable grower from Kings Mountain, NC. I am President of the North American Bramble Growers Association (Blackberries and Raspberries). I also serve on the steering board of the National Berry Crops Initiative, a network of berry grower organizations joining together to support the continued growth and sustainability of berry crop production in the United States. I am pleased to be here as a representative of the berry industry, specifically, and specialty crops in general.

Currently, our major concern is having sufficient labor primarily for seasonal harvesting of crops. Berry crops are highly perishable and require hand labor almost entirely. The uncertainty of labor availability places our operations at risk, even in times of good markets and good production. There are other issues affecting the specialty crops industry where we are respectfully asking for your attention at this time.

The 2002 farm bill contained limited provisions for funding and policy directed to specialty crops. Legislation directed to specialty crops in 2003 and 2004 gave more

support in several needed areas. The 2007 farm bill is an opportunity to build on the successes of these efforts and develop a comprehensive policy for agriculture where all sectors are included.

As a matter of principle, we feel that the specialty crop industry would not be well served by direct program payments to growers. Rather, our emphasis must be on building the long-term competitiveness and sustainability of production and marketing. Also as a matter of principle, we are committed to providing consumers with access to and availability of safe, wholesome, healthy and affordable fruits and vegetables. Representatives from all areas of the specialty crop industry have worked together during the past two years to reach reasonable agreement and establish goals based on these principles.

The following are some priority areas regarding specialty crops for you to consider as you prepare the 2007 farm bill:

1. Research—Funding for fundamental research in genetics and technology development. Applied research with emphasis on grower utilization of research findings.

2. Nutrition Programs—Expanded emphasis on increasing the access and availability of fruits and vegetables, especially to children.

3. Invasive Pests and Diseases—Significant investment in prevention and control of unintentional introduction of plant pests to domestic production areas. These include insects, mites, diseases and weeds.

4. Food Safety and Security—Expanded programs and policy to focus on food safety and security, especially at the farm level. This should include new efforts to reach small and medium-sized farms where crops are sold directly to consumers.

5. State Block Grants—Expansion of the state block grant concept where funds are available to state departments of agriculture and universities that are uniquely able to assist with local needs.

6. Risk Management Tools—Support for programs that will: (a) make crop insurance available for all specialty crops, (b) continue disaster relief, and (c) assist growers with business plan development.

Government investment in the infrastructure of the specialty crops industry will spur growth and sustainability. It will produce a strong return on investment. All Americans will benefit. A comprehensive 2007 farm bill that includes specialty crops will earn widespread support from all sectors of the population due to its relevancy.

Mr. Chairman, thank you for this opportunity. Personally, I have a passion for my job as a fruit and vegetable grower. Others, like myself, share in the pleasure of producing and marketing specialty crops.

STATEMENT OF CYNTHIA A. BROWN

Mr. Chairman, and Members of the Committee. My name is Cynthia Brown. I am both a farmer and a dry bean dealer from Menomonie, Wisconsin. I appreciate the opportunity to testify today on behalf of the United States Dry Bean Council (USDDB) on significant issues impacting the domestic dry bean industry that will be the subject of consideration in the upcoming farm bill.

By way of personal background, I am proud to note that my family has continuously farmed on our land in Menomonie since 1858. We presently farm about 3,800 acres, of which about 3,000 acres are devoted to dry bean production, primarily light red kidney and dark red kidney beans. My family started growing dry beans in the late 1960's, and has operated our bean dealer business, the Chippewa Valley Bean Company, since the early 1970's. I currently serve as President of the US Dry Bean Council, as the Delegate to the US Dry Bean Council from the North Central Bean Dealers Association, and as a Member, appointed by Governor Doyle, of the Citizen's Advisory Board of the Wisconsin Department of Agriculture, Trade, and Consumer Protection.

Mr. Chairman, I am pleased to have this opportunity to present views on the upcoming farm bill, from the joint perspective as a grower and as a dry bean dealer, on behalf of the domestic dry bean industry as represented by USDDB. By way of background, USDDB is a trade association representing farmers, processors, canners, dealers, distributors, and others involved with all aspects of growing, processing, marketing, and distributing of dry beans produced in the US. It is composed of state and regional grower and dealer associations from all the major production areas of the US, and individual companies involved in all aspect of the domestic dry bean industry. I should note that we are in the final stages of a consolidation and merger earlier this year of the American Dry Bean Board and the Beans for Health Alliance into USDDB. These actions were taken with the goal of having one voice—USDDB—speak and advocate for the betterment of the US dry bean industry as a whole.

Nearly 20 different classes of dry beans are grown in the US, including pinto, navy, kidneys, black, great northern, small red, pink, lima, and other classes of dry beans. Dry beans are grown in about 20 states with the major production areas being in North Dakota, Michigan, Nebraska, Minnesota, Colorado, Idaho, and California. Typically, more than 15 percent of all specialty crop acreage in the US is annually devoted to dry beans. In 2005, USDA NASS statistics indicate that harvested US dry bean acreage was nearly 1.57 million acres, and that production was about 1.37 million short tons for all classes of dry beans grown in the US. About 30 percent of annual dry bean production is exported with major importing countries for US dry beans being Mexico, the UK, and Japan.

FARM BILL CONSIDERATIONS AND POSITIONS

In looking at the upcoming farm bill, the dry bean industry in general, and growers specifically, are primarily interested in maintaining equity and a level playing field among commodities as it relates to dry beans. We feel strongly that the farm bill should provide a foundation for maintaining the present stability for dry bean growers and the industry, and for achieving long term growth and health for both growers and the industry. Above all we believe it should do no harm to any commodity or producer group, and that it should provide fair and equitable treatment to all segments that comprise the commodities that make up US agriculture. In this regard, it should be kept in mind that dry beans are not a program crop, and that dry bean growers are not presently receiving support payments from the government. In fact, dry bean growers have strongly opposed establishing a loan or other type support program in previous farm bills. As discussed in greater detail later, we strongly support maintaining the status quo for dry bean growers, which includes the retention of planting restrictions on non-program crops on program crop acres for producers who receive support payments on those acres. Because of the unique situation of growing dry beans, any change in the present status quo would require establishing offsetting direct economic compensation to historical dry bean producers to maintain fairness and equity.

Additionally, USDBC believes that it is the continuing proper role of government and government programs to provide general support in a number of areas that contribute to the overall health and long term growth of production agriculture and agribusiness that benefits producers and consumers well into the future. Consequently, we believe the farm bill should reauthorize and provide adequate mandatory annual funding authority for existing programs that benefit fruit and vegetable producers. It should also establish and fund new programs that are devoted to dry bean research, nutrition information, consumer education, promotion, risk management, conservation practices, and other related activities that will sustain the vitality over time of agriculture generally, and dry beans specifically. Our views and suggestions with regard to specific programs and policies follow:

Fruit and Vegetable Planting Restrictions for Non-program Crops on Program Crop Acres. We strongly support maintaining present restrictions on planting non-program crops, such as dry beans, on program crop contract acres for producers who receive program crop subsidy payments on such contract acres. While this restriction has been beneficial to all non-program and specialty crops, it is most important to dry bean growers because of the unique situation of dry beans. Dry beans are typically grown in rotations with, or in areas where, major program crops are grown. While dry beans represent nearly 20 percent of non-program or specialty crop acreage, dry bean acreage is only a fraction of the acreage of major program crops (about 2 percent of soybean acreage, for example). So, even a small percentage shift in program crop acreage to a non-program crop with an existing delicate supply/demand balance, such as dry beans, will lead to overproduction and price erosion. Further, unlike other non-program crops or specialty crops, very little, if any, economic barriers to entry exist in converting program crop acres to dry bean production. This is so because other non-program or specialty crops, most of which are perishable, typically require high levels of investment in equipment to plant, maintain, harvest, and store the crop, along with technical expertise, marketing channels, and specialized labor needs. Unfortunately, such economic barriers to entry do not exist with dry bean production, i.e. any existing farmer with equipment to plant and harvest grains, such as soybeans and corn, can use the same equipment to plant, tend and harvest dry beans. We believe the validity of this concern is justified as we note that Michigan State University recently studied the matter and indicated that the effects on different non-program crops would vary, but that the likelihood of program crop producers entering dry bean production might be quite high. USDBE believes that eliminating the planting restriction would disadvantage the

historical dry bean grower by subsidizing a likely new significant level of dry bean production on program acres—a result which would be neither fair, nor equitable.

Consequently, the United States Dry Bean Council has historically opposed any action that would allow farm program crop producers to receive program crop subsidies for planting non-program crops, like dry beans, on program crop contract acres. As just described, such a practice would have the effect of allowing unfair competition from subsidized producers against unsubsidized non-program crop producers and would likely result in a severe disruption of the present delicate supply/demand balance for dry beans. It would disrupt the present open and competitive market in dry beans, especially since few, if any, economic barriers exist to entering the production of dry beans. As such, dry bean growers across the US oppose any legislative, administrative, or other action that would eliminate the present restrictions on planting non-program crops, such as dry beans, on program crop contract acres for producers who receive program crop subsidy payments on such contract acres. This position was recently unanimously affirmed by USDBC's membership at its annual summer meeting.

Dry bean growers are concerned, however, that recent legislative initiatives and a World Trade Organization ruling have caused some to question continuation of the present planting restrictions in the 2007 farm bill. We strongly question whether the WTO ruling justifies concern over maintaining the planting restrictions, especially since the ruling's reference to the restrictions was only an added comment in the ruling and not determinative in the case. As I mentioned earlier, however, we want to insure a level economic playing field for all future producers of dry beans, whether they are new producers who receive program crop subsidies when growing dry beans on program crop contract acres, or they are growers with a history of producing non-program crop dry beans. Consequently, while dry bean growers continue to strongly support the present dry bean planting restrictions on program crop acres, should serious consideration be given to eliminating the restrictions, we believe establishing a program that would be WTO compliant and that would provide offsetting direct economic compensation to dry bean producers with a proven history of production must be given like consideration. Indeed, we believe that establishing such compensation for existing dry bean growers should be considered a condition to any effort to eliminate the planting restrictions. It would only be fair and equitable to historical unsubsidized dry bean growers in an effort to equalize competition with new producers who will effectively receive a program crop subsidy for growing dry beans on program crop acres. Additionally, such an action would increase the need for greater government involvement in other supportive activities. This, along with the recent enhanced recognition of dry bean nutritional value, i.e. FDA authorizing a dietary guidance message for dry beans and dry beans appearing twice on USDA's new Food Pyramid, has heightened the need for enhancing existing, and establishing effective new, Federal programs that are annually funded and are devoted to dry bean research, nutrition information, consumer education, promotion, conservation practices, risk management, and other dry bean related activities. Again, at its recent annual meeting, USDBC members unanimously voted to support equitable direct economic compensation for historical dry bean growers and for enhancing general governmentally backed supportive activities as minimally acceptable offsetting equitable alternatives to possible loss of planting restrictions.

Maintaining and Enhancing Export Market Assistance Programs. We strongly support continuation of the Market Access Program (MAP) and the Foreign Market Development (FMD) Program as administered by USDA at full funding levels as provided in the 2002 farm bill. Dry bean growers and the industry are heavily dependent on exports, which account for as much or more than one-third of annual domestic production. The dry bean industry, through USDBC, has extensively utilized both MAP and FMD programs and has found them to be tremendously successful and extremely cost-effective in helping maintain and expand exports, protect American jobs, and strengthen farm income.

They are sophisticated and progressive cost-sharing programs, in which the U.S. government and industry work in close cooperation to achieve strategic gains in foreign markets. Export markets provide some of the best economic support to the farm community overall, and the U.S. needs to continue to include these valuable export promotion programs in the "safety net" for farmers.

USDBC supports, at least, continued minimum annual funding of \$200 million for MAP and \$34.5 million for FMD.

Continuation and Enhancement of Existing Overseas Food Aid Programs. USDBC has continuously supported the continuation of in-kind US commodity donations and full funding levels for our highly successful overseas food aid programs—specifically PL 480 Title II, Food for Progress, and the Global Food for Education Initiative. Since the worldwide demand far outstrips present donations, USDBC also has op-

posed any proposals that would further reduce or transfer the present base level of funding for these valuable programs. Although the future of the present negotiation is in limbo, USDBC believes that food aid is humanitarian assistance and should not be used as a negotiating tool in the WTO or other trade negotiations. As such, it has strongly supported the efforts of the US Trade Representative to exclude food aid from such negotiations; to reject the "cash only" approach of the European Community to food aid; to maintain the world leading US in-kind commodity donation food aid programs as they have been successfully developed and delivered for years; and to continue the dual objective of US food aid programs-to provide in-kind commodities for humanitarian relief for emergencies, and for continuing development relief efforts.

Funding and Enhancing Specialty Crop Competitiveness Act of 2004. The dry bean industry believes it is very important to fully fund and enhance the existing block grant program for states set out in the Specialty Crop Competitiveness Act of 2004. A previous block grant program was successfully utilized by states to conduct valuable dry bean research, promotion, nutrition, and information activities needed to enhance competitiveness. Such an approach is very valuable in that state and local entities are uniquely able to assess areas of need and to apply programs tailored to help growers and others in the industry make advancements on issues of local and regional concern. Unfortunately, the program has only been funded at minimal levels (\$7 million), while the program was envisioned to have annual funding of about \$50 million. USDBC strongly supports full mandatory funding of this valuable program, and would encourage consideration to its expansion.

In summary, the dry bean industry and, especially its growers, believe the next farm bill should strive to provide equity among commodities, while maintaining stability for growers, both now and in the future. Being a non-program crop, we are especially concerned that actions not be taken that are perceived to be solutions to problems facing program crops, but that will have serious unintended consequences and repercussions on non-program crops such as dry beans. Should that occur, equity will demand that offsetting actions must be taken to minimize the harm to growers of other commodities, such as dry beans, that will be impacted. Thank you again for the opportunity to express these views on behalf of the US dry bean industry and, especially its growers.

STATEMENT OF PAUL C. DOLAN, III

Thank you for inviting me to testify before the Subcommittee on Livestock and Horticulture, of the House Committee on Agriculture, for its hearing on the upcoming reauthorization of the farm bill. My name is Paul Dolan, and I am the President and co-founder of Mendocino Wine Company in Ukiah, California. It is a pleasure for me to be here today representing Wine Institute, of which I am Chairman.

Established in 1934, Wine Institute is the public policy advocacy group of 975 California wineries and affiliated businesses that initiates and advocates state, Federal and international public policy to enhance the environment for the responsible consumption and enjoyment of wine. Wine Institute also provides its members with support on international market development, scientific research and education programs, and, with the California Association of Winegrape Growers (CAWG), a sustainable winegrowing program that promotes environmentally and socially responsible winemaking and grape growing practices for the California wine community. Wine Institute seeks to broaden public understanding of the wine industry and its legitimate and important role in the American economy, lifestyle and culture. Wine Institute membership represents 95 percent of California's wine production and 85 percent percent of U.S. production.

My name is Paul Dolan and I am the fourth generation of my family to be involved in winemaking and winegrowing in California. My grandfather, Edmund Rossi, ran Italian Swiss Colony, in Asti, Sonoma County, California, where I spent time every summer. Before establishing Mendocino Wine Company, with my family and our partners, the Thornhill family, I spent 27 years at Fetzer Vineyards, 12 as its president.

I believe these deep roots in our business give me a rare and uncommonly informed view of the past, present and future of the wine and grape business in my home state of California, in the United States at large, and in the increasing globalized world market. Given the importance of the wine and grape industries to the future of the United States agricultural economy, the opportunity to join the debate on the reauthorization of the farm bill is invaluable. Let me first share with you some important statistics about my industry.

Grapes and winegrape crops are produced in about 40 states. Grapes are the sixth largest agricultural crop in the U.S. producing more than \$3 billion worth of fruit. Grapes are the highest value fruit crop per acre in the nation, and have the highest farm gate value of any specialty crop.

As vineyards continue to expand, so do the number of producing wineries. There are over 4,000 wineries in the United States and at least one winery in each of the 50 states. Wine production from grapes consumes approximately half of the average annual grape crop. The nation's top wine producing states are: California, Washington, New York, Oregon, Pennsylvania, and Michigan. California produces about 90 percent of the volume.

Winegrapes are the ultimate value-added agricultural crop. Wine production adds value of at least \$2 for each \$1 of farm gate value. It is a signature product for California and a driving force of the California economy. The overall economic impact of the wine industry on the economy of California grew by nearly 40 percent between 1998 and 2002. According to a 2004 study sponsored by Wine Institute and CAWG, *Economic Impact of California Wine*, the full economic impact of wine on the California economy is \$45.4 billion. Wine is the number one finished agricultural product from California.

WINERIES AND WINEGRAPES IN CALIFORNIA

Wineries and winegrape growers are deeply rooted in our communities. There are 2,000 wineries in California. Winegrapes are grown in more than 45 of California's 58 counties by 4,805 growers covering 522,000 acres. The industry generates 207,550 full-time equivalent jobs with \$7.6 billion in wages paid. The retail value of California wine is \$16.5 billion. The state's wineries attract 14.8 million visitors annually. Annual taxes paid by the California industry to the state are about \$1.9 billion and \$5.6 billion total, including other states and the Federal Government.

The industry has grown by expanding its market and creating new products as it continues to improve product quality. American consumers are buying more wine and they are also buying more expensive wine. The most rapidly growing segment of the wine market is "premium" wine—wine over \$15 per 750 ml bottle, a trend that strongly benefits growers and vintners. California is at the center of America's quality wine production, making California the fourth largest wine producer in the world, after France, Italy and Spain.

Statistics alone do not adequately measure the intangible value the wine industry brings in terms of overall benefits to community and individual well-being, enhanced quality of life, limitation of urban sprawl and greater visibility for the State of California worldwide. Working to keep the California wine industry in its premier position in the global wine market and ensure its long-term success will protect the significant benefits it provides to the State of California.

KEY INDUSTRY TRENDS

Production/Consumption Imbalance: In recent years, we have experienced a significant production/consumption imbalance. As a result, nearly 80,000 acres of winegrape vineyards have been removed from production. Some industry experts estimate that as many as 20,000 acres of vineyards have been abandoned. The slowing economy earlier this decade came at a time when new plantings of the late nineties were just coming into production. The aggressive, but painful removal of so many acres of vines, the success of the relatively new "super value" wine category (wines under \$3 per 750 ml.), expanding exports and an improving economy appear to have corrected the supply/demand imbalance for most varietals.

Imports: U.S. imports of wine have risen consistently for the last decade, as the rising U.S. dollar improved the competitiveness of imports and new importers targeted the key middle market wine segment—wines in the \$5–8 or \$5–10 segment.

Imports now represent more than 27 percent (as of 2005) of the wine consumed in the U.S. Since 1984, the value of imported wine has increased from \$954 million to \$3.8 billion in 2005 in revenues to producers. While the weakening of the dollar has increased pressure on importers, many are absorbing the adjustments to avoid increasing prices and potentially undermining their hard-won market shares.

A significant structural change has occurred in the U.S. market for imports, with "New World" wines, particularly Australian, claiming an accelerating market share. Concurrently, sales of "Old World"—European—wines have been rising at a much slower rate and, in volume terms, sales of French wines have been flat or declining.

Australia surpassed France in volume of imports to the U.S. in 2002 and is poised to overtake Italy as the number one importer to the U.S. Australia's success reflects skilled marketing in a focused, export-driven campaign, strongly supported by government and a well-organized industry. A strong partnership between the Aus-

tralian industry and its government has also created one of the best research programs for viticulture and enology in the world. In fact, its annual \$25 million investment in research over the past fifteen years can be seen as the key driver to improving quality and marketability of Australian wines into the export market. According to the Australian Broadcasting Corporation, the Western Australian wine industry is requesting AUS\$1.8 million from the state government for a U.S. marketing push. In addition, the French government recently launched a multi-million euro program to rescue France's struggling wine industry, including 12 million euros to develop a "France" wine brand and to support exports to fast-growing markets including the United States.

Sustainable Winegrowing Practices: Even though California is one of the most productive agricultural regions of the world and by far the most productive in the U.S., we farm in the country's most populated state. 12.5 percent of the U.S. population resides in California. Our current population is 36 million and we are growing at about 550,000–600,000 people a year. By 2050 we will have 55 million Californians—and we will need 7 million more homes for them, 10 million more jobs for them, and roads for 12 million more motor vehicles. These factors cause an intense competition for natural and agricultural resources in the State.

California's rural areas are changing dramatically as a result of our population explosion and urban encroachment. The wine community has responded proactively. More than four years ago Wine Institute and CAWG partnered to create the Code of Sustainable Winegrowing Practices. We knew that if we wanted to maintain a positive business and public policy atmosphere we needed to demonstrate that we produce wine with practices that are environmentally sound, economically feasible, and socially responsible. That means being able to maintain market share in a fiercely competitive global market while keeping good neighbor and community relations. In addition to the decrease in available farm land and water for agriculture, we were also witnessing trends in consumer demand for products produced in a sustainable manner, both in the U.S. and abroad.

Food and wine companies—like autos and electronics—are viewing their value chains in a broader and more holistic way as they take moves to manage risk at every step. Brand identity and company/industry reputation have increasing importance in today's global marketplace. Documented sustainable practices increase our value to the consuming public and the market's gatekeepers, like retailers and others in the distribution chain.

On a long-term basis, growers and vintners see sustainability as a way to differentiate their product in a very competitive world market. But, it's much more than that. Being good stewards of the land and good neighbors are important business and personal values in the wine community. Most owners and employees live at or near their vineyards and strive to maintain a healthy and beautiful environment for themselves, their neighbors and wine country visitors. They work to produce high quality grapes and wine and they want to pass the legacy of these family-owned businesses to future generations.

In order to help us achieve our vision to be a world leader in sustainable practices, a 50-member joint committee was formed by Wine Institute and CAWG to develop and implement the Sustainable Winegrowing Program. An evaluation of what we needed to do showed that we had a rich foundation of programs at the regional level and a number of innovative individuals and companies. Our committee quickly came to a consensus that a voluntary self-assessment tool that includes best practices for both vineyard and winery operations would best serve the industry and appeal to the broadest array of growers and vintners.

The resulting publication of California's Code of Sustainable Winegrowing Practices Self-Assessment Workbook includes six chapters licensed from the Lodi Woodbridge Winegrape Commission and all new materials for winery practices and neighbors and communities. The workbook allows us to benchmark our practices relative to regional and statewide data in 221 criteria addressed in 13 chapters: viticulture, soil management, vineyard water management, pest management, wine quality, ecosystem management, energy efficiency, winery water conservation and quality, material handling, solid waste reduction and management, environmentally preferred purchasing, human resources, and neighbors and communities. We have recently added a chapter on air quality.

Since November 2002, we have held over 150 educational workshops throughout the state, attended by several thousand winery and vineyard enterprises. More than 1,300 workshop participants have evaluated their operations using the workbook. In October 2004, we released the first statewide California Wine Community Sustainability Report based on the submission of self-assessments to help us establish baselines and identify targets for improvement. We are now in the process of holding action plan workshops to help participants identify their goals and create action

plans for improving practices in their vineyards and wineries. Follow-up reports will track ongoing progress.

Our work on sustainable winegrowing benefits California's social, environmental and economic needs and has received recognition as a model by:

- Governor Schwarzenegger (Governor's Environmental and Economic Leadership Award, 2004)
- California Council for Environmental and Economic Balance (Governor Edmund G. "Pat" Brown Award, 2005)
- California Department of Pesticide Regulation/Environmental Protection Agency (Integrated Pest Management Innovator Award, 2003)
- The White House Conference on Cooperative Conservation recognized the program as a model for conservation (August 2005).

California farmers and processors face unique environmental challenges because of our more stringent state and local environmental regulations. Viticultural practices and the cost of doing business are directly impacted by new air quality rules and emerging water quality regulations. Wineries are facing additional compliance costs for the treatment of winery process water and stringent rules to reduce ethanol emissions created in the fermentation of red wine and brandy.

This new era of intense regulation requires producers to demonstrate success in solving environmental problems and to reduce current and future environmental liabilities. The Sustainable Winegrowing Program provides practical best practices designed to generate tangible results that benefit our industry and the general public.

Export Expertise: The expansion of exports of California wine over the last decade has been dramatic: from \$196 million in 1994 to \$672 million in 2005. Sustaining these exports while the U.S. dollar was rising earlier this decade made this growth particularly notable. New markets have been penetrated, new products introduced in all price segments and market share has increased.

Wine Institute manages the California Wine Export Program, using resources from USDA's Market Access Program (MAP). This program provides up-to-date information on export market dynamics, marketing opportunities and promotion in over 20 countries. The MAP is essential to the continued growth of California wine sales overseas.

U.S. wines continue to face substantial competition in the international market and cannot afford to be saddled with restrictive trade barriers. U.S. producers must contend with a heavily subsidized and protected EU wine industry. The popularity of wines from Australia, New Zealand, South Africa, Chile, and Argentina combined with relatively weak currencies in those countries makes them formidable competitors.

Previous multi-lateral and bi-lateral trade negotiations have created situations for the wine industries of the U.S. trading partners that are much more advantageous for them than they are for the U.S. wine industry itself. Only a concentrated effort by the wine industry, the Administration and Congress will overcome trade barriers and unfair trade practices throughout the world. Subsidies, protectionist policies and tariffs all inhibit the competitiveness of the U.S. wines.

California has the water, the soils and the climate to produce a broad range of wine styles to please any palate. We can compete but we need continued Congressional support for the matching funds provided through MAP and for the reduction of foreign wine tariffs to help us break into heavily subsidized markets.

Pests and Disease Issues: On behalf of the industry, I want to take this opportunity to once again express our appreciation to Congress and the Administration for helping to create and support the Pierce's disease/Glassy-winged Sharpshooter Program. Pierce's disease (PD), a fatal infection of grape vines and dozens of other plants by the bacterium *Xyella fastidiosa* (Xf), is being spread throughout California by the Glassy-winged Sharpshooter (GWSS). GWSS was first detected in California in 1989. It has invaded much of Southern California and is established in the southern San Joaquin Valley.

This vigorous and difficult-to-control insect vector, indigenous to the southeastern United States and northern Mexico, threatens California's entire grape and wine-producing community. Commercial grape varieties grown in California cannot tolerate infection by the Xf bacterium and are quickly killed or rendered uneconomical. There is no cure for Pierce's disease. The onslaught of the GWSS and its spread of Pierce's disease triggered a massive and expensive cooperative response by Federal and state agencies, California nurseries, citrus and winegrape growers to contain, control and eradicate new infestations of the GWSS in California. There are many crops and commodities threatened by the agents that cause Pierce's disease, including almonds, citrus, stone fruits, alfalfa and oleander. The risks to California agriculture presented by the GWSS and PD were recognized by a USDA declaration of

emergency on June 23, 2000, and a subsequent allocation of CCC funds to conduct research, manage and fight the disease.

The immediate response of state and Federal Government working with industry to stop the movement of the pest and implement a research program to find long-term management solutions for the disease is truly appreciated by growers and vintners. In fact, earlier this year, almost ninety percent of the growers and vintners voted to extend an assessment on winegrapes for another five years to fund research for the control of Pierce's Disease and the Glassy-winged Sharpshooter. Since the program was created, the industry assessment has raised more than \$21 million to help fund over 100 research projects and to partner with the state and Federal Government to implement an effective program. The total state, county, university and commodity contributions in the form of in-kind services, budget allocations and compliance to prevent pest movement are estimated to be about \$24 million a year.

The control and containment program, which is a function of state and Federal Government, is resource intensive. Congress has appropriated money for the program beginning in FY 2001 and every year thereafter. However, the program has not been fully funded on an annual basis forcing ongoing reliance upon emergency CCC funding for containment and control activities. We have just learned that the Office of Management and Budget has denied the release of \$5.2 million in emergency funding despite a FY 2005 Agricultural Appropriations conference report request. While progress is being made, events this spring have shown the need to fully fund this vital program. Multiple GWSS egg masses were found on nursery plants shipped to Napa, Sonoma and San Joaquin counties, underscoring the importance of an aggressive containment and control program with a strong nursery shipping inspection program.

We cannot afford anything less than a fully funded program to prevent the movement of the pest and the potential for infestations that spread the disease. Full funding of the program, approximately \$28 million, is being sought for the next fiscal year.

Currently, the industry is fighting an infestation by Vine Mealy bug. The Vine Mealy bug is an exotic pest first found in the Coachella Valley, Riverside County in 1994. Since then, it has spread to an additional 18 counties. The pest feeds on grapes, fig, pomegranate, avocado, date palm, apple, quince, and certain ornamental plants. Not only does the pest feed on sap, it also excretes large amounts of honeydew as it feeds, fouling the plant. The pest's activities provide a food source for sooty mold, attracts ants, and reduces the quality of harvested grapes.

Vine Mealy bug threatens over 900,000 acres of wine, raisin and table grapes and over \$3 billion in derivative annual income in California. To meet this threat, a cooperative work group has been formed, including representatives of the grape industry, the Animal and Plant Health Inspection Service (APHIS), the University of California, the California Department of Food and Agriculture and California County Agricultural Commissioners. This group has developed a program that includes public education; detection, monitoring and mapping surveys; research; and a control program implementation plan. The industry has invested more than \$1 million for research and is seeking \$1.2 million from APHIS for a biocontrol program to eliminate this pest.

The constant introduction of new pests and diseases with the free and easy movement of people and products underscores the critical importance of an adequately funded exotic pest/disease exclusion and detection program at the state and Federal levels. APHIS must have all the resources it needs to assure the highest possible level of pest exclusion activities to protect agriculture, natural resources and public health from exotic pest and diseases.

Research. California winegrape growers and vintners are innovative, adaptive and willing to meet new challenges. Success in maintaining a competitive edge is directly tied to investment by industry and government in research and extension of research results to stimulate innovation by industry and early adoption of best practices. Countries such as Australia have taken the investment model and are now outpacing the United States in product development and improvements. The Australian government has a matching dollar program for grape and wine research that is part of a \$25 million (US\$) annual investment program for the grape and wine sector—significantly higher than the United States. The U.S. needs to expand its investment in grape product research and development if we hope to continue our record of growth and economic success.

In 1996, the industry created the Viticulture Consortium, administered by Cornell University, Pennsylvania State University and the University of California (Davis). The Consortium funds grants for state researchers in about twenty states through a competitive process. The Consortium raises funds from both the industry and state sources to match Federal support. As an active partnership of Federal, state

and industry resources, it is a keystone of grape related research in the United States.

In addition, in 2004, to gain the broader perspective of the grape and grape product industry, we created the National Grape & Wine Initiative, an alliance of wine and grape producers to promote sustained growth through increased spending on research and extension activities. Members include national representatives for wine, juice, raisins and table grapes; and wine and juice producers; as well as academics and government officials.

The initiative's goal is to triple the industry's economic impact to \$150 billion by the year 2020, by strongly increasing market share and becoming the world leader in value and sustainability, as well as contributing to the quality of life in rural communities by identifying shared priorities for research and development and working together to see them implemented.

For example, the Initiative is collaborating with ARS and CSREES at USDA to incorporate industry priorities into their programs. We are also working with the House and Senate Committees on Appropriations to fully fund the Viticulture Consortium, ARS viticulture research, the Market Access Program, Pierce's disease and other key research and development programs.

At the same time, we are pursuing aggressive fundraising within the winegrape and wine community to provide matching funds. We recognize that meeting the competitive challenges we've outlined here today will require an unprecedented commitment and cooperation by the industry and its supporters.

The farm bill debate is a perfect forum for this discussion to crystallize in earnest. I commend the members of the Subcommittee for calling this hearing to listen to the views of those of us in the specialty crop sector. I know that several of its members are working on specialty crop legislation to be introduced soon, and Wine Institute applauds your efforts. The drafts of the bill that we have seen are thoughtful, and contain provisions essential to ensuring the continued economic viability of our industry sector. Wine Institute pledges to work with the authors and the members of this committee on this important legislation.

To that effect, we are delighted to share with you what we would like to see included in the next farm bill to achieve our worthwhile goals. We look forward to working with both our colleagues in the specialty crop sector and key policy makers to help Congress craft a farm bill for the 21st century, one that will contain innovative ideas and concepts that can be transferred from one agricultural sector to another and tailored to meet the needs of all users.

We strongly believe that it would be a grave mistake to try to simply extend the existing farm bill. We as a country can not afford to be in denial about the new issues we face in agriculture. Specialty crop producers face serious challenges. This is particularly true for my business. In part, these challenges include: increasing competition from lower cost foreign producers; declining availability of labor, land, water and energy resources; persistent and serious pressure from insect and plant diseases; increasing costs and greater management complexity from state and Federal regulations; and greater demand for improved microbiological food safety.

While the challenges facing specialty crop producers have increased, research and extension capacity to address specialty crop producer problems has decreased in the US dramatically. I am aware that this combination of increasing challenges and fewer resources to address serious problems leaves you with hard problems to solve as you work to readdress agricultural policy. But I believe that this is what this farm bill debate needs to address.

Mr. Chairman, we look forward to working with you, your Committee and the Senate in the coming months as you undertake the challenge of writing a farm bill for the 21st century. Your support for our industry is much appreciated and I thank you for this opportunity to testify.

STATEMENT OF DEAN OKIMOTO

Good Morning Chairman Hayes and members of the subcommittee. Thank you for this opportunity to testify here today on specialty crops, an issue critical to Hawaii and many of the States across the nation. My name is Dean Okimoto and I am the owner operator of Nalo Farms in Waimanalo, Hawaii. We grow a wide range of specialty vegetables, as well as assist farmers on Oahu, Maui, Kauai and the Big Island in direct marketing of their products to restaurants.

I am a strong advocate of agriculture and serve on the Dean's Advisory Council for the University of Hawaii, as well as on the Boards of many organizations affiliated with agriculture in Hawaii. I come before you today, as the president of the

Hawaii Farm Bureau Federation, representing 1,600 farm families and organizations across the State.

None of the crops grown in Hawaii are included in USDA programs that receive direct payments from the Federal Government. Our crops range from pineapples to kawa. As interest in renewable fuels increases, alternative crop such as *Jatropha* for biofuel production are also being explored. In terms of size, our farms are small—almost micro in size with a 25 acre farm considered large in the State. My own farm is just 5 acres in size. As such, innovation to improve productivity, seeking ways to obtain a larger market shares in an increasingly global market, meeting regulatory requirements and invasive species threats, and containing increasing costs are challenges that face us everyday.

Hawaii has been reported as one of the States with increasing number of farms in the census records. This is because of a transition from large corporate farms to smaller private farms.

DEFINITION OF SPECIALTY CROPS

The definition of a specialty crop varies widely within various Federal Programs. The House Subcommittee on Specialty Crops and Foreign Agriculture Programs, lists peanuts, sugar and tobacco while the just released rule for the Specialty Crop Block Grant Program defines specialty crops as: “fruits and vegetables, tree nuts, dried fruits, and nursery crops(including floriculture)” .

The Specialty Crop Block Grant Program does so, recognizing the comments by various states about the need for inclusivity of various other crops. The report his definition justifying its’ decision by saying that “additions beyond the language reflected in the Act would be counter productive given the numerous commodities that come within the definition of specialty crops. USDA will work with State departments of agriculture in providing further assistance with this definition.”

It would appear that the Federal definition should be broad and all encompassing to provide flexibility to the States in carrying out the intent of this Block Grant Program efficiently. Working with each individual State to look at crops falling outside of the existing definition appears to be counterproductive. The definition is also unusual in identifying “dried fruits” as a specialty crop. A dried fruit would be the result of a process compared to the crop would just be a fruit.

In our testimony we are addressing the needs of all of the crops grown in Hawaii that are not program crops. We strongly urge developing a consistent definition for specialty crops that can be used across various programs. Recognizing variations between states, specialty crops should be defined as “non-program crops” .

Trade Agreements. Yesterday was the deadline for comments to Thailand’s request to allow the movement of six Thailand fruit into the U.S. with irradiation as a quarantine treatment. Thailand may have gotten a somewhat accelerated review because Thailand prepared its own pest risk assessment and USDA policy is to generally review these kinds of requests on a faster tract than requests where USDA has to do the PRA. This application occurs just as Hawaii’s tropical fruit industry is in the process of expanding due to the success of the Areawide Fruitfly Program. Hawaii has long been isolated from the continental U.S., not only because of our geography but because of the presence of fruitflies in our State. The areawide control program has been a tremendous success and has prompted other countries to come to Hawaii to learn from this program. More importantly, our farmers have been provided an opportunity to begin planning niche fruit crops—rambutan, mangosteen, lychee .exotic fruits with significant export market potential. There has been much enthusiasm about a major expansion of tropical crops into currently idle agricultural lands with expectations of access to export markets. Yet, now, these are the very fruits that Thailand seeks to have fast tracked for export into the United States, and we understand that Malaysia will be next. While we understand the need for free trade, it will be very difficult for a small state such as ours to compete with these countries. We have already seen many of our local orchid farmers go out of business due to the free trade agreement with Thailand. When you come to Hawaii and are greeted with a lei, chances are, that lei is made with flowers from Thailand, not grown in Hawaii. We find it a shame that what is taken for granted to be a trademark of the islands is one that is often times made from flowers grown outside of our state.

We also understand that within the trade discussions is an effort for free trade of coffee into Thailand, using the value added component of coffee to justify it as a U.S. product. We are concerned that this may have unintended consequences. What are the implications to the U.S. farmer if increasing numbers of our value added companies import cheap foreign raw products and subsequently turn them into high value added goods? Country of origin labeling requirements could assist

in providing an identity to U.S. grown products. However, as we embark down this path, cost, enforcement and other details need to be worked out to ensure market benefit is realized for the effort.

Both of these examples emphasize the need for the Farm Policy to recognize that while there can be overriding benefits to American Agriculture, there may be commodities or groups that will be negatively impacted. These impacts are greater with specialty crops than program crops as the over all volume of any one crop will tend to be small and regional. This emphasizes the need for strong R&D support for agricultural enterprises in negatively impacted areas such as those in Hawaii which must constantly be at the front end of new product development and productivity improvements to remain viable and competitive in the global market.

Water Resources. Agriculture cannot happen without water. Hawaii's delayed statehood has excluded our state from most of the programs under the Department of Interior, Bureau of Reclamation Program. As such, throughout our history major irrigation infrastructure in the State was constructed and maintained using private funds. As Hawaii's water needs have grown, water source development has not kept pace with demand. Also as many of the large agricultural operations exited the scene, many of these systems have fallen into disrepair. Hawaii, through our NRCS and SWCD programs, has used the Small Watershed Rehabilitation Program, specifically, Section 14 of the Watershed Protection and Flood Prevention Act (16 U.S.C. 1012) to construct reservoirs for increased storage capacity or to assist in the repair of some of these systems. We respectfully urge that funding of this provision continue for situations such as ours to allow leveraging of local and State funding.

Farm Policy should have as a priority, Federal assistance to provide affordable and reliable water to farmers and ranchers. Such assistance should be leveraged with local and private funding that currently occurs through the Natural Resources Conservation Service Programs.

Labor. To be successful, farmers are finding themselves needing to transition from traditional commodity crops such as cabbage, lettuce, and broccoli, to specialty crops such as salad greens, kabocha, baby vegetables and exotic flowers and fruits, all of which tend to be more labor intensive.

We are faced with two challenges. Lands previously used for sugarcane and pineapple production have been abandoned, and other farmers have retired or quit due to lack of viability. There is tremendous pressure for non-agricultural development on these lands, and retiring farmers are finding the financial gain from non-agricultural developments far more profitable than keeping their lands in agriculture without a successor or due to lack of labor. New farmers tend to be immigrants, unfamiliar with U.S. laws. As in the rest of the country, we are finding ourselves needing to depend on immigrant labor. Most recently, several of our farms faced several weeks of loss as the local labor contractor, Global Horizons, was found to be in violation of State Workers Compensation and Unemployment Insurance requirements.

Farm Policy should support regulatory mechanisms to provide farmers and ranchers with farm labor and expanded extension capabilities to train workers as well as new farmers and ranchers.

Research and Development. In the area of foreign trade, the challenges that face Hawaii and its' specialty crop production were highlighted. To stay ahead of foreign competition, our growers must constantly develop new crops, new varieties or new products that are unique in the marketplace. This requires significant resources to be expended for Research and Development.

Currently, all of our crops depend on the fresh market with very little value added product development in the State. Much has to do with the very small size of our enterprises that often cannot justify the capital requirements to make the value added operation financially feasible. Efforts need to be identified to facilitate cooperative value added industries. This will help our farmers and ranchers weather production variations as well as expand their revenue base.

The availability of non-competitive funding for Research and Development is important for small institutions such as the University of Hawaii, the primary agricultural research organization in Hawaii. As many of our crops are specialty and are often unique to our State, competitive funding is difficult. This also means that our limited staffing at the University must expend resources to apply for grants that may not be awarded. Formula funds provided by the Hatch and Mackinnis-Stennis funding programs were critical for institutions such as the University of Hawaii to help specialty crop development. We recognize that allowances have been made in the competitive grant process for institutions that have not had their "share" of awards in the past. However, the list is long. So while it increases the chance of award, it does not guarantee it .in the mean time, the research need is immediate.

Research by itself does not contribute to successful agriculture. The research must be translated to actual farm practice. The Cooperative Extension system must be

bolstered to meet the needs of a rapidly evolving specialty farm industry. Unlike commodity crops such as corn and soybeans, acreages of any individual specialty crop will be small with one farmer planting a multitude of different crops. The services of Extension Agents that are current with changing technologies will be invaluable to assist the farmers increase their viability. Additionally, many farmers may be immigrant farmers who are unfamiliar with U.S. laws. They will need to be trained to ensure the practice of good environmental stewardship.

Biotechnology has saved one of our flagship crops, papaya. Genetically modified papaya known as Rainbow has brought papaya production back to the Big Island. We look towards biotech for solutions to banana bunchy top and other diseases that have long plagued our major crops. The ability to grow three to four generations of seed crops in a single year has placed Hawaii at the epicenter for the production of corn and soybeans. Farmers in the continental United States and across the world benefit from research that is done in Hawaii. All of this serves to put Hawaii at the epicenter of the GM debate. We are the focus of activist groups from the mainland as well as globally. To date, we have been fortunate with only limited vandalism. In addition, the importance of developing communication and strong science based coexistence practices cannot be understated. Under a mandate from the Hawaii Legislature, the Hawaii Farm Bureau has embarked on a task to develop Coexistence Best Management Practices in Hawaii. This is critical as we seek to strengthen our local organic industry due to increasing consumer demand and invasive species threats (covered in Regional Challenges section). R&D support to develop coexistence practices concurrent with biotechnology advancements is important for overall farm viability.

The expansion of wildlife and natural area activities have made wildlife populations greater than ever before. Our farmers are finding themselves attacked by birds, 3½ foot tall turkeys, Chinese ringneck pheasants, axis deer and wild pigs. Unlike insects and diseases, control measures are not readily available. Adequate funding to identify control mechanisms for these pests is critical for expansion of our specialty crops.

Farm Policy must recognize the Research and Development needs of specialty crops. The cost of the research will be more expensive than commodity crops as the total acreage will be less. Yet, it is critical for crop expansion for the country to reach significant levels of self sustainability.

Conservation and Farmland Protection Programs. We applaud increased focus on agri-environment programs over retirement programs in the 2002 farm bill. However, as the United States looks towards more green box solutions to address trade distortion issues, it is important that the programs focus towards increasing farm viability with a side benefit of conservation. Good farmers are stewards of the land, taking conservation as a core value. After all, the land and water associated with it are a farmer's primary asset without which he could not farm. So by increasing a farm's viability, one would ensure that good stewardship of the land can continue. We see this in Hawaii, where lands were in large scale corporate agriculture, soil conservation practices were maintained. As the lands were abandoned, there were no stewards of the land and erosion problems have ensued. Conservation programs funded through the USDA should be focused on working land conservation practices. Conservation practices initiated and not associated with active agriculture should be funded by the EPA or Department of Interior as an Open Space program.

Recently, a series of listening sessions were conducted across the nation, between the Department of Interior, Department of Agriculture and other agencies. The original intent of President Bush's initiative was to form a collaborative relationship between the various agencies to foster the "use, enhancement, and enjoyment of natural resources, protection of the environment, or both, and that involve collaborative activity among Federal, State, local and tribal governments, private, for-profit and nonprofit institutions, and other nongovernmental entities and individuals". However, this original intent seems to have evolved to a total focus on conservation without a balance of the use of resources. We find this very disturbing. There also seems to be a lack of recognition of a very valuable part of USDA—the Natural Resources Conservation Service. This body together with local soil and water conservation districts play a major role in helping specialty crop farmers prepare farm plans. Yet as the number of farmers requiring such assistance is on the increase, our local NRCS is faced with technical program assistance funding cuts due to reallocation to competitive grant programs. We strongly urge reconsideration of such program shifts and request restoration of funding to provide local technical assistance that can be leveraged with local funding. The SWCD program utilized local volunteers to carry out its mission .the core intent of Cooperative Conservation.

The Hawaii State Constitution requires the conservation and protection of important agricultural lands in Hawaii. In 2005, nearly 30 years since its' enactment in

the Constitution, the Farm Bureau along with the Land Use Research Foundation, made up of landowners, successfully enacted legislation to begin the implementation process. The process requires programs and policy changes that will support viable farm and ranching operations which in turn will justify dedication of lands for agricultural use for long periods of time. Transfer of Development Rights and Purchase of Development Rights are expected to be tools used in this implementation process. The USDA Farmland Protection Program is expected to be an important part of our program.

Farm policy for addressing "Green Box" issues should limit its programs to those that benefit working farms. Conservation programs that mainly result in "open space" should look to EPA or DOI for funding.

Regional Challenges. Hawaii is the 50th State, yet, our isolated location has separated us from the contiguous states of the Union not only geographically but in how interstate movement of goods is accomplished.

Invasive Species. Hawaii relies on the authority of the U.S. Department of Agriculture to prevent entry of pests into our state. In fact, by Federal law, we, as a state, are prohibited from controlling, eradicating or preventing a plant pest from entering the state from any foreign origin. While there is a Federal process in place to evaluate the risk of foreign importations, state comments are virtually ignored by USDA and USFWS. In the case of Taiwan phalaenopsis orchids, a simple pesticide treatment would have addressed Hawaii's concerns on red imported fire ants, snails and slugs, and biting midges, any of which, if introduced, poses a serious threat to our agriculture, economy, tourism, and native biota.

The State has 55 Plant Quarantine Inspectors. The Federal quarantine system has 450 USDA inspectors and staff in Hawaii, with Customs and Border Protection having 55, outnumbering the State by ten times. And yet, in the last five years, while our 55 inspectors found 31 ants in foreign and 217 in domestic shipments, over 500 Federal inspectors found not one single ant in any foreign or domestic shipment. We have serious concerns when one single ant species alone, such as the red imported fire ant is estimated to cost Hawaii almost \$200 million annually if it should get established in the State.

The rate of invasion in Hawaii by invasive species is more than a million times the natural colonization rate and nearly twice the number absorbed by the entire North American continent. Federal agencies acknowledge these findings but have failed to implement any corrective actions that would provide substantial protection. As such, we are left vulnerable to having additional quarantines placed on Hawaii and Hawaii's agricultural products in order to protect the continental U.S. or to other Pacific Island regions, countries and territories.

While we recognize that interference of foreign trade is not acceptable, stronger emphasis for phytosanitary certificates and other inspection procedures prior to export should be a condition in Free Trade negotiations. Otherwise, subtropical states such as ours, where bugs and diseases thrive, with no seasonal kill as in temperate regions will be disproportionately disadvantaged from global traffic. Farm Policy should strongly address protection of American agriculture from invasive species, as we pursue Free Trade Policies.

Transportation. Alaska and Hawaii face unique challenges not faced by their peers on the continental U.S. When shopping for their farm inputs, more often than not, our specialty crop growers are faced with a statement "Free shipping within the contiguous U.S. See *** for Alaska and Hawaii." The 2002 farm bill authorized a report to identify transportation disadvantages for farmers and ranchers located in the non-contiguous states. The report found:

"Inadequate port infrastructure, limited access to freight service, and the low priority often given by transportation providers to handling agricultural commodities often create physical and economic barriers that make it difficult for farm producers and ranchers in geographically insular areas to compete successfully with U.S. mainland producers. Furthermore, many of the non-contiguous U.S. States and Territories consist of islands or chains of islands, where local farmers and ranchers are obliged to rely exclusively on either sea or air transportation to ship their cargo to the U.S. mainland and other destination markets."

Recommendations were suggested to help the farmers obtain parity but many actions require change in current programs and policies. We respectfully request programs language in the new farm bill to help implement these recommendations.

Farm Policies should recognize regional differences and help farmers and ranchers have a reasonable level of parity within the nation. The Specialty Crop Block Grant Program is a good example of implementing such policies.

In closing, as Hawaii moves forward to transition for large scale corporate farms to a mixture of corporate farms and small specialty crop farming, we find a need to have a cohesive plan of accomplishing this task. All of our crops are specialty

crops. The Hawaii Department of Agriculture has developed, together with industry input, a Hawaii Biosecurity Plan. We have attached this plan to this document to provide insight on how we as a State plan to move forward, in collaboration with various Federal, State, and local agencies, together with the private and non-profit sectors of the community.

In summary, we respectfully request that specialty crops be clearly defined to include all non-program crops and that all Farm Policies have programs that assist working farms and ranches as their goal, for without viable farms we do not have agriculture—we have open space.

Thank you for this opportunity to provide our input into the important matter. I will be happy to answer any questions.

ATTACHMENT A

HAWAII BIOSECURITY PLAN

The introduction of new, non-native pests whether 1) unintentionally through commodities moved in foreign and domestic commerce, vacationing visitor carried commodities, military personnel and equipment, etc. or 2) intentionally by smugglers or bioterrorists can greatly harm Hawaii's agriculture, environment, economy, and its citizens. Only a comprehensive, effective biosecurity system will prevent the harm that new, non-native pests and bioterrorist acts can cause.

The world is growing increasingly smaller due to globalization and other forces. Developing countries are highly dependent on their ability to produce and export products. Public demand for a wide variety of products is increasing rapidly. The demand for food and building and other products that can carry pests is driven by Hawaii's growing population and increase in tourism. Hawaii is 85 percent dependent on imports for its food, building and other supplies. As the quantity and variety of imports increases—especially of high risk commodities, so does the risk that new, non-native pests will enter, colonize, and spread. Hawaii's citizens and conservation, invasive species, and environmental groups are increasingly aware of and concerned about the potential pest incited damage to Hawaii's vulnerable ecosystems, biodiversity, and special habitats. Already, Hawaii possesses more threatened and endangered species than any other state in the union.

Last year, the Hawaii Department of Agriculture used a systems approach to analyze to more clearly identify the pest risks, pathways, methods of risk mitigation, and identify the gaps in the existing system. The results were conveyed to Department Administration and the Legislature. In response, the Legislature appropriated and the Governor approved in July 2006, a budget augmentation totaling \$2.8 million to fund 56 additional biosecurity positions, additional equipment, and operations.

At present, the Department is working diligently to more fully elaborate a comprehensive biosecurity system for Hawaii, to be known as Biosecurity Hawaii.

BIOSECURITY HAWAII ACCOMPLISHMENTS

- Developed a draft Biosecurity Hawaii program outline and interagency organizational charts.
- Assist with the development of the Hawaii Department of Agriculture, USDA-Plant Protection and Quarantine, Department of Homeland Security Customs and Border Protection joint use inspection facility at the Kahului Airport on Maui will be completed and dedicated in August 2007. The \$3 million cost of this facility is funded by the Federal Aviation Administration and the Hawaii Department of Transportation.
- The Department has obtained a \$100,000 State Civil Defense grant for preliminary planning and design for a joint HDOA, PPQ, CBP use facility at the Honolulu International Airport.
- The Department has initiated a pilot program for the inspection of sea and air container cargo at an off-port transition inspection facility to ensure more timely, efficient and effective quarantine enforcement; and to comply with chain-of-custody food quality standards.
- Pest risk assessments have been performed at major state ports of entry, including the Honolulu International, Kahului, Lihue, Keahole, and Hilo Airports. These risk assessments provided the data needed to allocate staffing and resources to better address pest quarantine risks at these facilities.
- Plant Quarantine and inter-island quarantine and export rules to minimize the pest risk associated with the intra- and inter-island movement of potted plants and plant products.

- Construction of a prototype hot water treatment unit at the Department's Plant Quarantine Facility in Honolulu. The treatment unit is designed to prevent the movement of Coqui frogs and other pests in nursery stock.
- Took actions at the 2006 Western and National Plant Board (NPB) annual meetings that lead to the formation of a PPQ-NPB working group to analyze international standards, state and Federal quarantine laws and regulations to determine how the USDA can meet state pest risk mitigation needs for pests not covered by Federal foreign quarantine requirements.

BIOSECURITY HAWAII PROGRAM NEEDS

Because Hawaii is a pathway, it is vulnerable to the introduction of alien pests: Introduction and spread of invasive alien species is the predominant cause of ecological loss in Hawaii and have negatively impacted Hawaii's agricultural industry. Biological studies have determined that because of the unique environment, it is 500 times more susceptible to the establishment of alien pests.

The USDA has recognized the state's uniqueness but has yet to provide any substantial protection to the State.

1. Allow the State of Hawaii, Department of Agriculture to participate in the inspection, quarantine and treatment of foreign goods entering the State of Hawaii through a joint use inspection facility.

2. USDA's risk based analysis only targets specific "actionable" pests of national concern but fails to consider those which are of critical importance to Hawaii and does not address the broad spectrum of pests which may be hitchhiking on the commodity or packing material.

3. Proposed change to legislation: Because the Federal Plant Protection Act expressly preempts state regulation over foreign commerce, Federal legislation is needed to permit the State of Hawaii, Department of Agriculture, to take the action necessary to control, eradicate, or prevent the introduction or dissemination of imported plant pests.

- Proposed legislation to amend the Federal Plant Protection Act, 7 USC section 7756 subdivision (a), to provide for an exception to the regulation of foreign commerce.

- Under existing law, 7 USC section 7756 subdivision (a) "[n]o State or political subdivision of a State may regulate in foreign commerce any article, means of conveyance, plant, biological control organism, plant pest, noxious weed, or plant product in order (1) to control a plant pest or noxious weed; (2) to eradicate a plant pest or noxious weed; or (3) to prevent the introduction or dissemination of a biological control organism, plant pest, or noxious weed." There are presently no exceptions to the regulation of foreign commerce.

- Under the proposed law, 7 USC section 7756 subdivision (a), would be amended to add an exception, which would allow the State of Hawaii to work cooperatively to assist the Secretary of Agriculture in the administration and enforcement of such Federal laws and regulations governing the control and eradication of plant pests in foreign commerce. Such work may include the carrying out of inspection and quarantine activities.

Hawaii is falling further behind foreign countries as it pertains to access to U.S. domestic markets. New USDA foreign importation rules such as the proposed rulemaking for Quarantine 56 allows for expedited rulemaking processes for foreign importations of fruits and vegetables without linkage to Hawaii's Quarantine 318.13 on fruits and vegetables. Consequently, when Quarantine 56 becomes final, it will be critically clear that USDA shows preference to foreign countries over Hawaii, and Hawaii's farmers, and consequently, Hawaii's economy will suffer from the lack of parity.

1. Proposed rule changes to Quarantine 56 should not be finalized until there is equivalency to Quarantine 318.13.

2. Allow the Hawaii to proceed with a risk assessment of the state which is already being done for China as a country. This replaces the commodity by commodity risk assessments being performed now.

ADDITIONAL STATEMENT

Chairman Hayes and members of the subcommittee:

I want to thank you again for inviting me to share our insights on Federal farm policy as it relates to specialty crops and Hawaii overall. I would also like to extend an appreciation from our members of the Hawaii Farm Bureau Federation as many of your decisions impacts the livelihoods of each and every member.

As requested, we are submitting additional testimony regarding Farm Policy on Specialty Crops, specifically, in the area of labor and biofuels.

Labor: The labor needs of specialty crop farmers range from the unskilled to the highly skilled employee. As globalization challenges face specialty crop farmers, it is incumbent that they are able to transition rapidly into technologies to produce not only high end innovative products but commodity products at the lowest possible price. A combination of both of these types of specialty crop production is critical if the United States is to have a level of self sufficiency to meet the needs of National Food Security. Food security issues are especially critical to isolated areas such as remote rural America and island states such as Hawaii. Regions with very low unemployment rates additionally place specialty agriculture at risk due to competition from other industries for a limited labor pool. This results in an increased dependence on immigrant labor. Challenges facing these farmers seeking farm worker labor at reasonable costs include:

- Housing; Medical and Worker's Compensation Insurance Costs; Training; English literacy; Familiarity of local laws to allow integration into local society
- Job training, including regulatory awareness e.g. pesticide, food safety, water quality regulations

Agriculture must compete with other industry sectors for employees causing a disconnect between competitive wages to retain employees and competitive labor costs to ensure farm viability. A reasonable means to provide immigrant labor without overly burdening the agricultural sector of responsibilities of being an "immigrant cop" is needed.

Strategically, long term viability and growth of specialty crop production in the United States, requires focus on mechanization and other technical improvements to reduce or minimize actual farm labor requirements. This means significant investment into research and development of labor saving methods as done by the automobile industry in the past decades.

Therefore, farm policy on the short term must provide for affordable labor without placing excessive enforcement responsibilities upon the farmer. Strategically it must provide incentives and other support for development of farming methods that minimize farm labor requirements.

Biofuels: The Biofuels Initiative announced by President Bush in his 2006 State of the Union address supports the need for increased development of local energy supplies. This is especially critical in remote and isolated rural areas as well as islands such as

Hawaii that are especially prone to critical shortages due to lack of deliveries from distant sources during emergencies.

While commodity crops such as corn and soybeans provide feedstock for temperate locations, subtropical areas such as Hawaii will be dependent on other crops that will fall in the specialty crop category. We are fortunate in Hawaii to have a working model of renewable energy from sugarcane, but the technology in use today must be expanded and advanced for it to provide true benefit to Hawaii. Agro residues currently burnt in the fields prior to harvest offer the best opportunity for energy recovery. Additionally, there may be potential development of other low cost feedstock that can be grown on lands with scarce water supplies or other limited resources. Ultimately, regional development of biofuel crops and processing technologies is needed to provide maximum benefit to Rural America which is in most need of these resources.

Therefore, Farm Policy supporting biofuels development must address identification of crops suitable for various regions of the country, methodologies to recover agro residues at affordable costs (this area is often not included in research grants) and finally processing technologies to produce the energy product.

As technologies move from research to commercial applications, significant investments are needed. Mechanisms to provide funding support and methods to facilitate regulatory permitting for commercial biofuel and bioenergy production installations is critical for timely reduction in dependence on foreign oil as stated in the President's initiative. Wind, solar and hydroelectric are valid renewable energy alternatives. However, it is biofuels that offer true "firm" power to the utility grid to afford reliability to the system.

Strategically, farm policies must provide, in addition to Research and Development, support for base infrastructure needed to grow affordable biofuel feedstock (this will also be needed for food crops considered important for National Food Security). This includes irrigation and transportation infrastructure basic to growing and transporting of material to and from the fields.

Biofuels along with specialty crops critical for National Food Security, should not be considered strictly from an agricultural context, but rather, as part of an entire system that include all agencies of government and public sectors.

Thank you again for this opportunity to expand on our written testimony.

STATEMENT OF R. JAY TAYLOR

Good morning Mr. Chairman and members of the committee. My name is Jay Taylor. I am president of Taylor and Fulton, Inc., a family-owned farming and packing operation which I have helped manage for the past 30 years. We grow approximately 7,000 acres of tomatoes in three states—Florida, Georgia and Virginia. I am the current chairman of the Florida Fruit and Vegetable Association, and today, I am providing comments on behalf of the Specialty Crop Farm Bill Alliance. More than 75 organizations representing growers of specialty crops have indicated their support for the policy priorities developed by the Specialty Crop Farm Bill Alliance. A list of those groups is attached to this testimony.

I appreciate the opportunity to testify before the subcommittee regarding the future direction of the 2007 farm bill and what role Congress and the administration will play in shaping policy for specialty crop growers across the United States.

INDUSTRY OVERVIEW

The specialty crop industry is a dynamic industry characterized by constantly changing supply and demand conditions. Yet, we work hard to remain profitable, satisfy consumer demands, and develop new technology in order to be competitive in the domestic and the global market place.

Most of our crops are highly perishable and are characterized by high costs of production, high crop value, and generally inelastic demand which can result in large price decreases based on small amounts of excess production. Markets for specialty crops are highly volatile, yet our growers have never relied on traditional farm programs to sustain our industry. While it is the clear intention of the Specialty Crop Farm Bill Alliance to be more actively involved in establishing policy in the 2007 farm bill, Alliance members continue to reject direct payments to growers as a policy option.

The marketplace in which we operate is growing more difficult. Meeting the demands of consumers is increasingly complicated and requires growers to address challenges in logistics, product packaging, and changing lifestyles and preferences. Regulatory challenges from state and local governments have also become exponentially more challenging. The threat of crop loss or trade disruption from the accidental or intentional introduction of pests of concern has expanded as the volume of trade has increased.

As the policy discussion for the 2007 farm bill takes shape, we look forward to working with you to develop new programs and enhance existing programs that will improve the competitiveness of the specialty crop industry. We are working with members of Congress to develop specific legislative language consistent with our priorities and expect to have a bill introduced in the House later this month. We expect this to begin a constructive discussion of specialty crop farm policy and allow us to fine tune the legislation prior to reintroduction in the 110th Congress.

TIMING OF THE NEXT FARM BILL

The Specialty Crop Farm Bill Alliance believes that government policy should provide incentives for private investment, tools to increase profitability, help to those producers who are committed to better serving consumer needs, and to maintaining environmental quality. Ultimately, the goal of specialty crop farm policy should be to enhance the tools necessary to drive demand, increase consumption, and not distort the production of those products with respect to domestic and international markets. The Alliance believes that Congress should complete the process of establishing U.S. farm policy prior to the planting of the 2008 crop. We should develop policies based on the needs of our growers and not on the expectations of future developments in bilateral or multilateral trade agreements. The Doha round setbacks should not dictate either the timing or the policy options for U.S. agriculture. To the contrary, now is the time for policy makers to take the lead and demonstrate commitment for programs that benefit all domestic producers. Modernizing the farm bill remains a top priority for specialty crop producers. Domestically grown specialty crops need better access to overseas markets, and the delay in WTO agricultural talks likely prolongs that inequitable trade situation. Additionally, specialty crop producers face ever-increasing competition from imports, as well as challenges that threaten the viability of producers—making a revision of farm bill programs that address these needs essential for the specialty crop industry.

I would like to highlight today some of the policy areas that we believe Congress should incorporate into the 2007 farm bill that will help the fruit and vegetable in-

dustry and enhance the foundation of policy tools available to this important segment of U.S. agriculture.

KEY SPECIALTY CROP PRIORITIES

1. Prohibition of Planting Fruits and Vegetables on Contract Acres. The specialty crop industry strongly supports maintaining or strengthening the current U.S. policy, which restricts producers from growing fruits and vegetables on acres receiving program payments. Specialty crop producers are concerned that any alterations in this provision would allow program crop producers to reduce the risk inherent to fruit and vegetable production resulting in unfair competition. The market conditions and the potential for market disruptions that led to the industry's support for this provision in 1985 have not changed. Currently, there are several studies being conducted to determine the potential economic impact on specialty crop growers from the loss of the planting flexibility restrictions. Preliminary results indicate that the impact would be in excess of \$3 billion per year.

2. Disaster Assistance Policy. The current \$80,000 payment limit on disaster payments is not equitable for specialty crop producers. Due to higher input costs, the loss per acre experienced by specialty crop producers as a result of a disaster is generally much greater, on a per acre basis, than for program crops. We believe that cost of production and crop value should be used to index disaster assistance payments to allow specialty crop producers to receive more equitable disaster payments.

3. Conservation Policy. Consumers want an agricultural production system that not only produces abundant, affordable, and safe food supply but also conserves and enhances the natural resource base. The public benefits of working land conservation programs are a more stable and productive farm economy and an improved environment.

For the specialty crop industry, there continues to be decreased availability of crop protection tools. Environmental regulations continue to put pressure on the industry's ability to be competitive in a world economy. Because of these factors, the industry supports expanding cost share and incentive programs such as the Environmental Quality Incentives Program and the Conservation Security Program that encourage producers to invest in natural resource protection measures they might not have been able to afford without such assistance. There is also a need for targeted technical assistance to help specialty crop producers access conservation programs. This assistance should provide both education on available programs and technical assistance in preparing the documentation and farm assessments that are necessary to apply for the conservation programs.

4. International Trade Policy. The economic well-being of the specialty crop industry and other agricultural commodity sectors depends heavily on exports which account for one-third or more of domestic production, provides jobs for millions of Americans, and makes a positive contribution to our nation's overall trade balance. This year, the value of U.S. agriculture exports is projected to be a record \$64.5 billion compared to imports of \$61.5 billion. The 2006 agriculture trade balance is likely to be at its lowest level in the past 20 years. The U.S. surplus in agricultural trade, which has declined over 90 percent since 1996, will continue to fall unless there are significant changes to the existing trade policies. Our government must provide the necessary tools for domestic producers to remain viable in the global marketplace.

U.S. specialty crop growers face significant obstacles in the development of export markets for their commodities and unique challenges due to the perishable nature of our products and the complexity of the phyto-sanitary issues that are often raised by potential trading partners. Without further commitment to export market development by the Federal Government and focused efforts to reduce tariff and non-tariff barriers to trade, the U.S. specialty crop industry will continue to lose market share to global market competitors. Farm bill programs that have worked well to increase access to foreign markets for domestically produced specialty crops are the Technical Assistance for Specialty Crops and the Market Access Program. These programs should be continued and expanded in the next farm bill.

5. Invasive Pests and Disease. Due to the tremendous volume of plant material that moves in domestic and international commerce, the potential for introduction of pests of concern into the United States is great. In addition, many of our potential trading partners are either unwilling or unable to complete the analysis necessary to develop risk mitigation strategies to allow the shipment of domestically produced specialty crops to their countries. We support enhancing the structure and resources of APHIS to better identify and prioritize foreign pest threats, provide timely adequate compensation to producers impacted by emergency eradication programs, and

create an export division to more quickly process export petitions from U.S. specialty crop growers.

6. Research Policy. Federal investment in agricultural research dedicated to improving the competitiveness of the U.S. specialty crop industry has been shrinking in real terms and is not adequate to meet the needs of the industry. Fruit and vegetable crops and their research needs are unique. We support expanded Federal investments in research and development for fruit and vegetable crop production, including plant breeding, pest management, production, physiology, food science, mechanization, marketing, product development, food security, food safety, and processing. Additionally, funding that emphasizes nutrition will provide a significant return on investment through better health for the U.S. population.

7. Nutrition Policy. Fruits and vegetables offer consumers healthy and nutritious food options that are critical to preventing cancer, reducing obesity and diabetes, and maintaining overall good health. The Dietary Guidelines for Americans call for the consumption of 5 to 13 servings a day of fruits and vegetables as a cornerstone of good health. Yet, on any given day 45 percent of children eat no fruit at all, and 20 percent eat less than one serving of vegetables.

To this end, future farm policy will not only support American agriculture; it will support and encourage the health and well-being of all Americans. The School Fruit and Vegetable Snack Program is an effective and popular nutrition intervention program proven to increase fresh fruit and vegetable consumption among children in participating schools. This program should be significantly expanded in the 2007 farm bill in order for all states to participate in this program.

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

We look forward to working with the Committee on the development of the next farm bill. We believe that the policy options we have outlined for specialty crop producers can improve our long-term competitiveness. We ask for your assistance in building a successful, constructive partnership with the government.

Thank you.

2007 SPECIALTY CROP FARM BILL ALLIANCE INDUSTRY SUPPORTERS

Alabama Watermelon Association, American Mushroom Institute, Arizona Winegrowers Association, Blue Diamond Growers, California Association of Wine Grape Growers, California Citrus Mutual, California Grape and Tree Fruit League, California Strawberry Commission, California Table Grape Commission, California-Arizona Watermelon Association, Cherry Marketing Institute, Colorado Potato Administrative Committee, Colorado Wine Industry Development Board, Connecticut Farm Wine Development Council, Connecticut Vineyard & Winery Association, Empire State Potato Growers, Florida Citrus Mutual, Florida Citrus Packers, Florida Fruit and Vegetable Association, Florida Strawberry Growers Association, Florida Tomato Exchange, Florida Watermelon Association, Georgia Fruit and Vegetable Growers Association, Georgia Watermelon Association, Grower-Shipper Association of Central California, Idaho Grape Growers and Wine Producers Commission, Idaho Grower Shippers Association, Indian River Citrus League, Indiana-Illinois Watermelon Association, Maine Potato Board, Maryland-Delaware Watermelon Association, Minnesota Area II Potato Growers Research and Promotion Council, Minnesota Grape Growers Association, Missouri Wine & Grape Board, Missouri-Arkansas Watermelon Association, National Berry Crop Initiative, National Potato Council, National Watermelon Association, National Grape and Wine Initiative, New England Vegetable and Berry Growers, New Mexico Wine Growers Association, New York Wine & Grape Foundation, North American Blueberry Council, North American Bramble Growers Association, North American Strawberry Growers Association, North Carolina Grape & Wine Council, North Carolina Potato Association, North Carolina Strawberry Association, North Carolina Watermelon Association, Northern Kentucky Vintners & Grape Growers Association, Northwest Horticultural Council, Northern Plains Potato Growers, Ocean Spray Cranberries, Inc., Ohio Wine Producers Association, Oregon Raspberry & Blackberry Commission, Oregon Strawberry Commission, Oregon Winegrowers Association, Peace River Valley Citrus Growers Association, Peerbolt Crop Management, South Carolina Watermelon Association, Sunkist Growers, Incorporated, Tennessee Farm Winegrowers Association, Texas Citrus Mutual, Texas Produce Association, Texas-Oklahoma Watermelon Associa-

tion, The National Grape and Wine Initiative, U.S. Apple Association, United Fresh Fruit & Vegetable Association, Virginia Wineries Association, Washington Association of Wine Grape Growers, Washington Red Raspberry Commission, Washington State Potato Commission, Western Growers, Wild Blueberry Commission, WineAmerica, Winegrowers Association of Georgia, WineMichigan

STATEMENT OF OCEAN SPRAY CRANBERRIES, INC.

Mr. Chairman and members of the committee, thank you so much for holding this oversight hearing today to review the impact of Federal farm policies on the specialty crop industry. Ocean Spray is pleased to submit written testimony for the subcommittee's review and consideration.

COOPERATIVE HISTORY/OVERVIEW

For over 76 years, Ocean Spray Cranberries, Inc. has proudly represented the views of its grower owners which now total over 650 cranberry producers and 150 grapefruit producers. Formed in 1930, by three growers who shared a common goal of expanding the market for their crops, Ocean Spray is now the number one brand of canned and bottled juices and juice drinks in America and employs over 2000 people worldwide.

Cranberries, unlike any other fruit in the world, are unique to the culture of the United States, representing one of America's few native crops. Native Americans enjoyed cranberries as a food source—as well as for various medicinal uses. Since these early years, numerous research studies have been conducted including most recently National Institutes of Health (NIH) clinical trials on the general health benefits of cranberries and the abilities of compounds found in the cranberry to prevent certain bacteria from sticking to the urinary tract and enhance the body's immune system.

That same spirit of resourcefulness and innovation on which the cooperative was founded 75 years ago is what drives Ocean Spray's mission today, to develop nutritious and innovative products to meet customer demand worldwide. To ensure Ocean Spray's future ability to fulfill this mission as a cooperative, public policy must continue to support and enhance cooperatives' current ability to join together to market their products. Equally important for Ocean Spray is the continuation and expansion of Federal policies that continue to bolster co-ops and the fruit and vegetable industry's ability to respond and navigate the numerous and complex global issues facing the industry today. For Ocean Spray, key areas include: (1) continued and new market driven policies that help drive consumption and expand market access such as the Market Access Program, Specialty Crop Block Grant Program, USDA nutrition and feeding program and section 32 purchases; (2) targeted mandatory funding for research investments in specific sectors of fruit and vegetable production such as berry crops, including production; and (3) increased investments in conservation and pest exclusion.

2002 FARM BILL/SPECIALTY CROP COMPETITIVENESS ACT

For Ocean Spray and the specialty crop industry a number of important new provisions were included in the 2002 farm bill. These provisions addressed concerns involving conservation, research, pest and disease, farm export programs, and USDA purchases of fruits and vegetables and domestic food assistance program. Key provisions strongly supported by Ocean Spray included:

- Mandated USDA purchases of a minimum of \$200 million per year fruits and vegetables including cranberry products for USDA feeding programs;
- A new USDA Fruit and Vegetable Pilot program to provide free fruits and vegetables as snacks to school children in selected school districts throughout the United States;
- Increased authorization funding level for the Market Access and Foreign Market Development programs to \$200 million and \$34.5 million respectively, and;
- Increased funding for the Environmental Quality Incentives Program (from \$200 million to \$1.3 billion), authorized funding for cranberry producers to retire bogs or set aside production, and create a new conservation incentive program that provides payments to producers who adopt or maintain conservation practices on lands in production.

In addition to these important farm bill provisions, the 108th Congress also passed the first law intended to address selected issues of importance to the specialty crop industry. Included in this legislation, known as the Specialty Crop Com-

petitiveness Act, was a provision authorizing new block grants to states to support programs such as marketing and promotion efforts to increase the competitiveness of each state's specialty crop sector. Ocean Spray strongly supported mandatory funding for this program; however, in final negotiations this funding was removed in lieu of authorized funding that was subject to annual appropriation by the Congress. To date, only \$7 million has been appropriated.

Programs like the specialty crop block grant program included in the 2002 farm bill and the Specialty Crop Competitiveness Act represent market driven that help growers market their crops, improve production practices, enhance returns, and bring stability to the market place, particularly in oversupply situations. However, unless adequate and stable funding is provided the specialty crop sector will continue to receive minimal benefits.

CONTINUATION/ENHANCEMENT OF KEY MARKET DRIVEN POLICIES

Foreign Market Development Programs—Over the past several years, a number of USDA's foreign market development programs have been very instrumental to the U.S. cranberry industry in growing and maintaining key foreign markets. This has been largely due to the fact that U.S. cranberry industry exports account for more than 25 percent of its domestic production or 1.5 million (100 pound) barrels exported a year. This has grown by 70 percent since 1999 when foreign promotions first began. As domestic production increases, cranberry exports will play a large factor in the future of the U.S. cranberry industry.

Since the inception of the 2002 farm bill the cranberry industry has utilized over \$4.8 million in Agricultural Export Assistance Programs to develop foreign markets. Expansion into these export markets, coupled with government purchases and product innovation, has been instrumental in helping to reduce over supply situations over the past several years, thus stabilizing market conditions. Toward this end, increased funding for Market Access Program (MAP) to its original authorized level of \$325 million is a top priority for Ocean Spray in the farm bill.

While the U.S. cranberry industry only receives a very small percentage of total MAP funds on an annual basis, the benefits have been significant. For example, through MAP and related market develop programs, Ocean Spray has received funding for market development activities in 16 countries including Argentina, Brazil, China, Columbia, Costa Rica, Czech Republic, the Dominican Republic, India, Jamaica, Malaysia, Mexico, Peru, Poland, South Korea, Trinidad and Tobago and the United Kingdom. Some of the important cost-shared activities in the countries have included consumer promotions, market research, technical assistance, and trade servicing. These efforts have returned exponential benefits to our growers with cranberry juice now the leading juice product in the United Kingdom (UK). In addition to MAP, the Emerging Markets Program, Section 108 Program, Quality Samples Program, and Value Added Producer Grant programs have been utilized to bolster Ocean Spray's foreign market development efforts.

Continued support for MAP and other USDA's foreign market development programs, as well as technical assistance by the Foreign Agriculture Service (FAS), will continue to be critical to address international barriers to trade as well as help Ocean Spray compete with other major foreign competitors whose governments outspend the U.S. four to one in the area of market promotion. For example, given the significant emphasis that Australia's wine industry and government has placed on wine promotion in the European Union, Australian wine is now the number one import. And, it is predicted that Australian wine will soon be the top wine imported into the US. There are many more examples where our competition is outspending the U.S. and where there is direct correlation to market penetration efforts. With high tariffs and other market barriers hindering our export efforts, foreign market development efforts can make the difference in successfully obtaining market share in key export markets and building demand for U.S. agricultural products.

USDA Nutrition Programs/Government Purchases—In addition to foreign market development, domestic feeding programs such the School Lunch Program, Department of Defense Fresh Fruit and Vegetable Program, and the Fruit and Vegetable Pilot Program have been instrumental in influencing healthy eating habits during children's formative years as well as influencing consumption patterns. These important programs would not be possible without a dedicated funding source for purchases, which to date has come primarily from the Section 32 Program. While nutrition policy is not solely a farm bill issue, we believe that there is a direct link and programs such as government purchases with ties to the USDA feeding programs nutrition must be included in the farm bill debate.

Government purchases in particular have been instrumental in addressing over supply situations. In response to the oversupply of cranberries and adverse market

conditions impacting cranberry growers in recent years, Congress has made both direct purchases from growers and directed Section 32 purchases by the USDA to stabilize the market. These purchases by USDA have served as a vital component to improving growers' economic condition and the surplus generally. Toward this end, Ocean Spray strongly supports legislation that would maintain and increase funding by \$200 million above current Section 32 purchases. Such legislation should ensure that a variety of fruit and vegetable products are available throughout the school year including fresh, fresh/frozen, juice and dried fruit products, and at the same time ensure that USDA can proactively respond to projected oversupply situations that could adversely impact grower prices.

Specialty Crop Block Grant—Ocean Spray also strongly supports providing mandatory funding for the Specialty Crop Block Grant Program which allocates funding to the states to address targeted needs of specialty crop growers in a state or a particular region. With over 300 commercial varieties of fruits and vegetables grown in the U.S. it would be very difficult to develop individual commodity programs like other major commodities assisted over the years through government assistance. Conversely, for cranberry producers and other fruit and vegetable producers, the block grant program represents a mechanism for states and regions across the country to assist producers and address the specific needs of so-called "minor" crops like cranberries whose needs may be much different than major crops grown throughout the United States.

Unfortunately, the block grant is subject to annual appropriations unlike other major commodity programs and minimal funding has been provided through the annual appropriations process. This has resulted in minimal assistance being provided to the Cranberry industry. As the Congress examines this program, we strongly encourage the Subcommittee to look at the feasibility of providing mandatory funding as well as carefully examining the need to provide more direction to the states to ensure that funding is allocated to benefit the interests of specialty crop growers and proportionately among commodity interests.

FEDERAL RESEARCH FUNDING

Two of the key factors to the future success and sustainability of the U.S. cranberry industry among other related berry crops is the increased ability to produce crops with greater efficiency while reducing chemical inputs, and to promote the important health benefits of our commodity. To date, the USDA Agriculture Research Service (ARS) fruit programs at the Beltsville Fruit and Phytonutrients Laboratories have been vital to the continued development of cultivars with resistance to newly emerging diseases and insect pests and have been essential—as many pesticide alternatives have been eliminated in recent years.

Moreover, over the past decade research at Beltsville, Maryland on the health benefits that cranberries provide has been well-documented. Thus, continuing and enhancing ongoing research is critically important as we realize the significant health benefits that cranberries and other related berry crops provide. Cranberries in particular are rich sources of anti-oxidants and known for their ability to help reduce the incidence of urinary tract infections and other related anti-adhesion benefits. Other health research has encompassed anti-atherosclerotic, anti-carcinogenic, anti-inflammatory, and anti-bacterial activities. Additionally, limited cranberry research has also been shown to have some potential activity against age-related neurodegenerative disorders. To ensure this vital research is continued which has been targeted for budget cuts by the Administration, Ocean Spray strongly supports a specific authorization for increased research funding for ongoing berry crop research at the USDA-ARS Fruit and Phytonutrients Laboratories to enhance efforts for this important research program.

CONSERVATION PROGRAMS

USDA's conservation programs and the Environmental Quality Incentives Program (EQIP) have been a huge success story for the cranberry industry at large. Cranberry producers in particular have made huge investments in enhanced conservation and production practices such as use of integrated pest management techniques, improved chemical application techniques that reduce runoff and drift, and enhanced water management and cultural practices that conserve water and reduce pesticide runoff.

However, while the EQIP program has helped producers offset some of these costs, benefits to the environment have been much greater than the financial benefit to the producer due to constraints of the program. Ocean Spray applauds recent efforts to address the needs of the specialty crop industry, however, in order to provide greater incentives and ensure that there is a financial benefit to the producers

who make such investments, Ocean Spray strongly supports a separate EQIP allocation similar to what currently exists for the livestock industry, in order to address unique needs of the cranberry industry and other specialty crop growers. Such an allocation would not only provide greater incentives to producers, it would also ensure that unique conservation and environmental issues are adequately covered under the EQIP program.

As the committee, reviews policies surrounding the 2002 farm bill, we encourage the Committee to reexamine the importance of cooperatives and the specialty crop sector to our nation's economy, which now accounts for over \$26 billion in farm receipts or 28 percent of total U.S. crop value. While the Specialty Crop Sector has not had traditional commodity programs and funding in the budget baseline that accompanies existing commodity programs, we ask that the Committee reexamine how to best ensure that all crops benefit equally from mandatory farm bill funding included in the next farm bill. Just like other major commodities, as cranberry producers attempt to seek more income from the marketplace they face challenges of a rapidly changing food and fiber system. The path of globalization and new technologies has fueled this transformation. Without the continuation of Federal policies and increased support for the non-traditional government programs that have proven to assist the fruit and vegetable industry increase consumption, create and expand key markets, reduce production costs and enhance conservation techniques, the U.S. will continue to lose market share to our competitors.

Ocean Spray looks forward to working with the Congress to ensure the needs of cranberry and grapefruit growers are adequately addressed in the next farm bill. Toward this end, we encourage and hope that the subcommittee will use Ocean Spray and its growers as a resource for any questions that you may have regarding any segment of our businesses and look forward to additional opportunities to share our views with the committee.

