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REGIONAL FARM BILL FIELD HEARING: LUBBOCK, TEXAS

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

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COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

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SEPTEMBER 8, 2006

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY,
Lubbock, Texas

The committee met, pursuant to notice, at 9:03 a.m. in the Helen DeVitt Jones Auditorium, at Texas Tech University, Lubbock, Texas, Hon. Saxby Chambliss, chairman of the committee, presiding.

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

The CHAIRMAN. This hearing will now come to order.

Good morning and welcome to the Senate Agriculture Committee's eighth and final farm bill field hearing. The Committee has travelled to Georgia, Missouri, Pennsylvania, Iowa, Oregon, Nebraska and Montana to hear directly from producers on the next farm bill. And I can't tell you how pleased we are to have our final hearing today in Lubbock, Texas. And I am particularly pleased to be back in Lubbock. I kind of like the way you people talk out here. I don't have to bring my interpreter with me when I come to Lubbock. And this is not my first visit here and won't be my last. And frankly, it's not by coincidence that we are here or by accident that we're here in Lubbock. And I've had the opportunity to visit with any number of folks from this area relative to agriculture over my years in the House and in my years in the Senate; and of course, one of my dearest friends in the world is Larry Combest and his wife Sharon. Where is Larry? Larry, wave at us.

There they are, right here. Larry and Sharon are truly two great Americans, and Larry and Sharon have always been a great inspiration to me in their personal lives, but particularly professionally. Larry has been somebody that I not only have had the opportunity to work very closely with and have had the opportunity to look up to as a mentor, but he's somebody that taught me what principle is all about early in my career in the U.S. House, and cast a very tough vote for me as a freshman member of the U.S. House of Representatives. Along with Larry, we made sure that farmers and ranchers not just in Lubbock, Texas but in the State of Georgia were also protected in the 1996 farm bill. And Larry was not only a great friend, but as I say, a great mentor through that process and through all of my years in the House and the Senate. So I'm pleased to be in his hometown. I also am in the hometown of one of my staff members.

When Keith Williams says “I’m from Lubbock, Texas,” he means I am really from Lubbock, Texas, born, raised and schooled here from elementary school all the way through Texas Tech. Where is Keith? He’s right down front here also. Keith does a great job in running my press shop on the AG Committee. And I asked him 1 day why he went to Texas Tech, and he said “Well, I couldn’t get into the University of Georgia.” But he’s a great Texan, and we’re sure pleased to have him on our staff on the AG Committee. I’m also pleased to be with my good friends Randy Neugebauer and Mike Conaway. These two guys truly know what agriculture is all about and truly have a great appreciation for what agriculture is about. I know we’re in Randy’s district this morning, and I am very proud of the way that he represents you folks here from this part of the state. And he and I have had the opportunity to dialog on any number of issues, both related to agriculture and otherwise, and I’m just very pleased, as I say, to be in this district.

Mike Conaway has been gracious enough to come from next door over to be with us. Again, both these gentleman were with us back in February when we were here. And again, Mike Conaway just truly has a great appreciation for the problems in agriculture and for what we need in the next farm bill. So I’m pleased that both these gentlemen could join us here this morning.

And when I say I’m glad to be in Lubbock, I truly mean that because I know that I’m in the heart of ag country, not just cattle and cotton, but in the heart of ag country. When I pick up a newspaper normally and read about agriculture, I see criticism of the farm bill and constant criticism of farm programs. When I get up this morning, I pick up the Lubbock paper, I don’t know who your editor is, but I want to put him on my regular list. I want to quote from his editorial here this morning because I’ve never seen an editorial in any paper in any part of the United States that summed it up better than what your editor—the way your editor summed it up this morning. He says in part: Farm subsidy payments could better be described as consumer subsidy payments. Keeping our farmers and ranchers in business means keeping the U.S. cornucopia overflowing. Our farm policy accounts for little more than one half of 1 percent of the 1U.S. budget but allows American shoppers to spend only 11 percent of their income for food, far less than consumers in any other country.

You know, that is what farm bills are all about, and I’m very pleased with the way the current farm bill is working to do exactly what he describes in the editorial this morning. Though Congress has some challenges ahead as we approach the reauthorization of the farm bill, for a time it appeared Congress would have to adjust our domestic programs to respond to the new trade agreement. But now that the Doha rounds has been suspended, the debate has shifted and Congress must now decide how far to go to ensure our existing domestic programs are consistent with our trade obligations. We also face new and growing concerns about the distribution of farm program benefits and how programs and policies interact with each other. One example is what the increased use of grain for energy production of ethanol or biodiesel will need for livestock producers.

Of course, one of the biggest challenges is the influence of the budget deficits on—deficit on farm program spending. Unlike 2002, it is highly unlikely that we will have the additional funding available for our farm bill programs. A more likely scenario is one where we will have to aggressively defend what we already have. I expect to face these attacks even though the 2000 farm bill has spent 12.9 billion dollars less than was originally estimated by CBO.

My goal as always is to develop a farm program that provides a safety net for producers. It should help them manage the inherent risks of farming while being responsible with the taxpayers' money, conserving our natural resources and complying with our trade obligations.

One immediate concern for most of the witnesses here today is the drought situation across the South and Midwest. I understand the drought losses in Texas alone have been estimated at more than $4 billion, and the good portions of Texas are rated extreme to exceptional on the U.S. drought monitor.

I understand Texas has gone through a multiyear drought planning process to assess water needs for the next 50 years and that this process is admired around the Nation for its focus on local solutions. Given the long-term nature of drought cycles and the need to be prepared, a question that Congress needs to address should be: If the authorizing committee should restructure existing farm programs to fund a permanent disaster program.

I would appreciate thoughts from the witnesses this morning and anybody else, for that matter, on this particular concept. I would like to thank the witnesses for being here today to provide testimony and to the audience for your interest in farm policy. I want to particularly thank President John Whitmore and Texas Tech University for allowing us to use this very nice facility that we're in this morning.

In Addition, Pat Burns and Ronald Phillips deserve special recognition for their assistance in arranging the hearing. Thank you for hosting the Senate Agriculture Committee in the Lone Star State today.

And now I'd like to turn to my colleagues Congressman Neugebauer and Congressman Conaway for any comments they'd like to make. Randy.

STATEMENT OF HON. RANDY NEUGEBAUER, A U.S. CONGRESSMAN FROM TEXAS

Mr. NEUGEBAUER. Thank you, Chairman Chambliss, for having your eighth and final hearing here. I think that's a real honor for our folks. I want to thank the producer groups and the panelists that are here today. I think one of the things that I'm most proud about is during this process, both as we begin to sit down and write the next farm bill, we've had both now of the House agriculture and the Senate agriculture committees to have hearings in this region.

We've also had Secretary Joe Hins who's here, and so I think one of the things that you're going to hear today is there's a very consistent message that all of these folks have heard, and that is that many of the producer groups in this area believe that the 2002 farm bill has performed just exactly the way it was designed, and I've seen those numbers that you've seen this week, Senator, about that it actually not only provided a safety net but it also was a fiscally responsible farm program and that it actually cost less than what was originally projected.

And so I'm pleased to have you here. I appreciate that. I told the Chairman last night when he got off the plane that he's been here twice now within nearly a 6–month period, one more visit in this year and he has to start talking to a realtor about buying a house in this—in our community. So we're glad to have you here.

I'm also particularly glad to hear you talk about the drought assistance and the problems that we've had with weather patterns over the last few years and whether we should look at the next farm bill should have some kind of a permanent disaster program, and whether it's a permanent disaster program, I have been a strong proponent, Senator, of having—improving our crop insurance programs so that producers know exactly when they actually incur a loss that they're going to be able to know that, in fact, they're going to have the proceeds to pay for those losses and to reimburse them for their costs and not have to wait on whether the policies and the politics of Washington are going to shine favorably upon them.

And so I think as we begin to look at the next farm bill, I think particularly either improving the crop insurance program or looking at some kind of permanent drought or permanent disaster program is certainly in some dialog that we would have.

Again, thank you for being here. I'm appreciative of my neighbor Congressman Conaway being here today. One of the things we kind of, Mike and I, understand we cover a lot of real estate, and when you look at agriculture in Texas, we primarily represent the major part of agriculture in this state. And Mac and Mike and I continue to work together as a team when it comes to agriculture, and really in any other issues because there's just not many of us out here, but we do have a strong relationship. And so I'm proud to have Mike here with us. And again, Senator, thanks for having your eighth and final hearing here in Lubbock, Texas, and we welcome you and look forward to hearing from these producer groups today.

The CHAIRMAN. Thank you, Randy. Mike.

STATEMENT OF HON. MICHAEL K. CONAWAY, A U.S. CONGRESSMAN FROM TEXAS

Mr. CONAWAY. Thank you, Senator. I appreciate your kind words earlier. Thank you very much.

Thanks for coming to West Texas, and in particular Lubbock, and Randy, thank you for your hospitality as always. There's an old adage in politics that everything has been said, just not everybody has said it, so I'm going to avoid the temptation to repeat things that the Senator said and

Randy said, because as I agree with them, and look forward to the testimony. This issue—or the hearing today is just that, and so I'll once again thank everybody, and I'll shut up so we can get to the hearing part of this and allow the folks who know the most about agriculture and feed their families and take those risks day in and day out to share with us what their concerns are, and hopefully their solutions and ideas on how we can go forward collectively in a better manner than we currently have. So Senator, again, thank you for coming to West Texas. Thank you for your kind words. Randy, thank you for being here. And I look forward to hearing from the producer groups this morning. Thank you.

The CHAIRMAN. Well said. Short speeches are the way to get reelected. I said that, in my comments, that we certainly welcome comments not just from our witnesses today but anybody who has an interest in agriculture. And the way you can do that is to go to our Web site, and our Web site on the Senate Ag Committee is www.agriculture.senate.gov. Don't worry about writing that down. If you'll see any of these staff members afterwards, they'll be happy to give it to you, and we would welcome your comments coming over the internet.

I have a couple of other folks on our staff that are Texans that I want to make sure that we introduce this morning. First, Vernie Hubert. Vernie, raise your hand. Vernie is a gentleman that I have gotten to known—gotten to know since my original election of Congress. He worked for former chairman of the AG Committee, Kiki DelaGarza for a while for my first 2 years there and then he worked for Charlie Stenholm after that. Charlie was also a very dear friend of mine as well as agriculture, and I got to know Vernie then and I recognized his talent. So when we became—I became chairman of the Ag Committee, he was one of our first hires. And Vernie is from Riviera, Texas and does a tremendous job of helping us out on the staff.

And Dawn Stump, where is Dawn? Right behind me here from Oilton, Texas. Dawn also is one that we have known for a long time. She's a former Combest staff, and anybody that worked for Larry knows everything in the world there is to know about agriculture. And Dawn has just come back to the Hill, as we refer in Washington. She was downtown making a lot of money and decided to come back to the Hill because she's committed to agriculture, and make a lot less money. And that says a lot about her. But she is a very bright young lady and does a terrific job on our staff.

On our first panel this morning is a group of very distinguished gentlemen, some of whom I've had the opportunity of knowing for a long time and working with for a long time. So I'm particularly pleased to see you gentlemen here. We have Mr. Tommy Womack of Tulia, Texas who is speaking on behalf of the National Association of Wheat Growers, Mr. Troy Skarke of Claude, Texas on behalf of the National Sorghum Producers, Mr. Jimmy Wedel, I guess that is, Jimmy, I hope I got that right, of Muleshoe, Texas on behalf of Corn Producers Association of Texas, and Mr. Rickey Bearden of Plains, Texas on behalf of the Texas Cotton Producers and the National Cotton Counsel.

Gentlemen, we welcome you. We will certainly submit your entire statement for the record, but we look forward to any opening comments you might have to make. And Tommy, we'll start with you.

STATEMENT OF TOMMY WOMACK, PAST-PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, TULIA, TEXAS

Mr. WOMACK. Thank you, sir.

Mr. Chairman, thank you for coming to West Texas, rest of the members of the committee. My name is Tommy Womack. I'm the past president of the National Association of Wheat Growers. I am a wheat farmer in Tulia, Texas, and represent the Texas Wheat Growers. I think the main thing is I like the way you talk. Agriculture needs somebody like you three gentlemen that stand up. I know you have the battle scars to prove it, but just to let you know that I thank you very much for that. USDA has had some 50 plus meetings such as this, the House and Senate has had some 20 plus meetings such as this over the period of this farm bill. And with a resounding yes, most all the commodities testify that they would like to keep this farm bill intact as it is with only minor critiques within it. I think that's a must for us.

I think the second thing would be, as you boys mentioned, a disaster program. The last 2 years has been devastating. The United States tries to help people all over the world when natural disasters occur. These two disasters that we've had last year and this year have really been devastating to the farmers across the United States, and so we would ask that you would work on some type of a disaster package to let the farmers either choose the year 1905 or 1906 to participate in some type of disaster package.

I think I would like to mention a little bit about wheat straw for ethanol. I know that's one thing you spoke highly about. I think that's really on the right track, and we appreciate your thoughts holding up agriculture today but not only in the future, an energy that would certainly be one that we could help grow and keep from buying so much oil from overseas. I think the last thing that I would say, and I'm just kind of talking to you from my heart here, I turned in a paper, but I just wanted to—really wanted to let you know would be a type of insurance program. Congressman Neugebauer has worked on that and mentioned some of that. The insurance program is working as a whole, but when you have a place that you buy 65 percent, that leaves 35 percent uncovered when you have a loss.

The diminimous yield is something that a farmer cannot recover even though it's charged against him within that insurance package. To maybe get us out of asking for a disaster package every year, we might somehow want to raise where we could afford to buy insurance at a higher level and not have 35 percent out there, maybe 10 or 15 percent of it, and buy insurance to cover us at a fuller rate than what we have in that crop that way.

I think the last thing that I would like to say to you is that I've been farming 35 years, and the last 2 years has been the toughest that have been involved in farming, and that's primarily because of fuel adjustment and the high cost of equipment that we need to buy. But that aside, those people need to make a job and work as well. But the American farmer agrees to jobs for 27 other people and through that turnover of the money, that's what helps the government payments keep us in business and keeps us going so that other companies could share in that as well.

Thank you for inviting me to come today. You have a nice day, and God bless you.

[The prepared statement of Mr. Womack can be found in the appendix on page 112.]

The CHAIRMAN. Thank you, Tommy. Troy.

STATEMENT OF TROY SKARKE, NATIONAL SORGHUM PRODUCERS, CLAUDE, TEXAS

Mr. SKARKE. Gentlemen, thank you for this opportunity to present my views for the next farm bill consideration. My name is Troy Skarke. I farm in Claude, Texas and the Texas Panhandle. I raise dry land sorghum and dry land wheat and I run 50 cow-calf pairs on my grassland.

This has been a very trying year in my area of the country. From January to August we had less than six inches of rain, and that's 15 inches below the 21 inch average. The second week in August, 2 months late, we received two inches of rain which germinated the sorghum I had planted earlier in the year. Normally, I can count on sorghum for a crop, but not this year. Assuming the good Lord changes the weather pattern and gets us out of this drought, I have no doubt that we producers have the ability to grow the crops needed to feed and fuel the world, given the fair market access.

As a family farmer, there are four topics of interest that will affect my profitability in farming for the future. The four issues are: Farm policy, water, energy and technology. Let me address the farm programs first. I strongly support the 2002 farm bill. Currently direct payments and marketing loan programs provide our operation with the most protection. If Congress is to change our current programs, I would ask that the committee preserve the equity relationship between all commodities.

On conservation programs, the Ogallala Aquifer is slowly being depleted by irrigation, and I'm concerned about the water supply for future generations. I have made the choice to implement farming practices that conserve underground water. Grain sorghum works very well in my crop rotation practice because of its water sipping qualities. Generally I can make a good yield without much rain during the growing season using sorghum in my fallow rotation which builds up the soil moisture profile during the winter months.

The Conservation Security Program is a good fit for my farming practices and for grain sorghum. Although I believe the program should focus more on quantity measures instead of just water quality measures. The program directs conservation funds for good stewardship practices while allowing me to continue to produce a crop. I realize that many of my fellow producers have not had the opportunity to participate in this program and may not share my feelings.

On the energy issue, private industry is investing millions in my region on ethanol plants. 15 percent of the sorghum crop is currently going to ethanol. That's about the same percentage as the corn crop. I believe the next farm bill needs to continue to invest in alternative energy to reduce our dependence on fossil fuel. Sorghum will play a very important role in grain, sugar, and biomass ethanol industry as it's developed in order to meet the goal of 25 percent renewables by 2025. Just the increased ethanol demand alone for my grain should increase my price 15 to 20 cents per bushel.

My last priority deals with technology. Gentlemen, the increased cost of fertilizer, fuel, equipment, repairs continue to skyrocket. Producers must keep pace and adapt to better farming practices with more effective and efficient cropping systems. The initiative to adapt does not come cheaply for producers, and I'd emphasize that now would not be the time to weaken the safety net that's in place. Strong farm programs are critical when the agriculture economy slows. You have a challenge to re-write the nation's farm policy. The sorghum industry will work with you, Mr. Chairman, as you develop a new farm program. Thank you.

[The prepared statement of Mr. Skarke can be found in the appendix on page 94.]

The CHAIRMAN. Thank you. Jimmy.

STATEMENT OF JIMMY WEDEL, CORN PRODUCERS ASSOCIATION OF TEXAS, MULESHOE, TEXAS

Mr. WEDEL. Good morning, Chairman Chambliss and Congressmen. Welcome to Texas. Thank you for holding the hearing today to allow those of us involved in Texas agriculture an opportunity to offer our views on U.S. farm policy. My farm is located about 70 miles northwest of Lubbock in Bailey County. My main crop is corn, but I, like many Texas producers grow multiple crops. I produce cotton, wheat, soybeans, peas and peanuts.

The 2002 farm bill is very popular with farmers. I believe it has lived up to what it was designed to do and what farmers must have, a safety net during times of low prices. I support extending the 2002 farm bill and its budget baseline.

If it is necessary to re-write the farm bill I hope that many of the basic concepts of the 2002 farm bill will be included. The system of direct payments and counter-cyclical payments, combined with the marketing loan, has provided the level of support that growers need during times of low prices while saving taxpayers' money when prices are adequate. But again, rather than write a new farm bill, an extension of the current farm bill with a few minor revisions might better serve the farming community.

The 2002 farm bill however does not address the significant challenge of rapidly inflating energy prices and other expenses of production. Since 2001 we have seen the cost of irrigation double, the cost of diesel and gasoline triple, and the price of nitrogen fertilizer more than double. Obtaining even a modest direct payment in the form of disaster legislation to help farmers recoup a small percentage of their increased financial outlay has not yet been possible. The farm bill or crop insurance should look at the production expense risk associated with modern agriculture.

The commodity title has the most effect on the farmer's bottom line, but I do not want to imply that I am not interested in other titles. Growers need conservation programs that help them to resolve environmental problems on working lands. The EQIP program was expanded in the 2002 farm bill and those results have been very positive, not only for agriculture, but for all of society.

The CSP program has been a disappointment in that too few watersheds have been allowed into the program and rules have made entry into the program very complicated. Some have argued that the CSP and similar programs will replace the commodity title as a means of complying with future WTO agreements. Most farmers, including myself, are very suspicious of this plan because it will not be a program that responds to low prices. Most producers believe the conservation programs should remain a cost share rather than income producing or supporting program.

I believe the Research Title must be structured and funded to levels to ensure the continuation of basic and applied agriculture research. With global competition increasing, now is not the time to cut back on research. The 2002 farm bill for the first time included an Energy Title. I believe that this title should be expanded to encourage faster development of renewable energy from crops and bio-mass. We are dependent on the world for our energy; only sound agriculture policy will prevent us from following the same road in food and fiber. Thank you for this opportunity to comment.

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

The CHAIRMAN. Thank you. Rickey.

STATEMENT OF RICKY BEARDEN, NATIONAL COTTON COUNCIL AND TEXAS COTTON PRODUCERS, PLAINS, TEXAS

Mr. BEARDEN. Mr. Chairman and Congress, welcome to Lubbock. Thank you for this opportunity to talk to you. I'm Rickey Bearden, a third generation farmer from Plains, Texas. I grow cotton, peanuts, milo, wheat and black-eyed peas. My income is completely dependent on the success of my farm. Production agriculture is what drives our small rural economies. The current safety net provides a delicate balance between coupled and decoupled payments. As a producer, this is very important to me because I do not want farm programs to become welfare programs.

Unfavorable weather cut ag production dramatically this year in Texas. For effective producers, emergency disaster for 2006 and 2005 will be critical. We should—we would also wish you to consider developing a permanent disaster program and improve crop insurance programs to address similar situations in the future. The financial safety net provided by our farm policy has never been more critical. The combination of direct and counter-cyclical payments along with marketing loan provides an effective safety net. It is important to maintain the current balance between these three mechanisms.

The marketing loan is extremely important to cotton producers. It is especially important that all production remains eligible to loan. Contrary to popular belief, these do not guarantee a profit. Sound farm policy is of little value if the cotton industry has unworkable payment limitations placed on it. With the natural consolidation of agriculture, it's inevitable that the majority of the program benefits will go to the farmers who account for the majority of the production, just as it should be. We also believe that conservation programs will continue to be an important part, but they will not be a substitute for the safety net provided for by commodity programs.

Mr. Chairman, we understand you and your colleagues will face significant challenges in designing and maintaining farm policy. Cotton producers and the majority of our industry would be satisfied with the extension of the current law. An extension provides a level of certainty to both growers and those financing growers. It is also a great job to fill here in the United States.

Regarding the trade negotiations, I commend you and our negotiators for continuing to demand an ambitious result in negotiations and refusing to allow unwanted pressure or deadlines to undermine the U.S. position. We also appreciate your insistence that agriculture negotiations be conducted as a single undertaking and that cotton not be singled out. But improved trade alone will not provide an adequate safety net for U.S. cotton producers. U.S. Congressional AG Committees in Washington D.C., not international trade negotiators from around the world, must write U.S. farm policy. This is very, very important to us.

I assure you this committee and that the cotton—I assure this committee that the cotton industry is prepared to work with you to interest and develop and support continuation of the balanced farm policy. We look forward to working with you.

Again, thank you for you the opportunity to testify today for this industry that I so dearly love. I would be glad to respond to any questions later. Thank you, sir.

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

The CHAIRMAN. Gentlemen, thank you all very much. And I'm going to start off the questioning by asking a series of questions here that I've asked every commodity panel that we've had all across the country because we want to make sure that we understand where people are on certain issues with respect to the current farm bill.

Tommy, let me start with you and then we'll go right down the row. How would you prioritize farm bill programs generally and the commodity title specifically? How would you rank the relative importance of the direct payment program, the marketing loan program and the counter-cyclical payment program?

Mr. WOMACK. I would think the direct program should be No. 1, the counter-cyclical program would be No. 2, then the market alone would be No. 3. And the reason that I would place them that way is because the direct payment is budgetary, it's WTO compliance, and it's something that farmers can count on.

The CHAIRMAN. Okay Troy.

Mr. SKARKE. I believe the direct payment is most important, it will give cash-flow when there's no crop, you know, disaster year, it helps. And also the LDT payment will be very critical during low prices; and of course, the counter-cyclical payment least.

The CHAIRMAN. Jimmy.

Mr. WEDEL. Pretty much the same. I think the direct payment is very important. And here again, it is WTO compliance so you have a little bit of—a little bit of freedom to move around in that area. And then probably the counter-cyclical and marketing loan I think are probably a toss-up from the farmer's standpoint, although probably the counter-cyclical I think would come first and marketing second on direct payment.

The CHAIRMAN. Rickey.

Mr. BEARDEN. Well, I'm going to differ, I guess, a little bit, which people that know me shouldn't find that too unusual. The marketing alone is the most important thing a producer can have, and I say that because I am a producer of a commodity. And without that base price, I have no promise of any type of price.

Production is what drives these small rural economies, as I said while ago. And if you give these other two payments, you don't have to produce. But that is what drives these economies, and we need to remember that this is a bill that's for rural, and I don't think there's anything that drives rural economies better than the production of those commodities.

Next would be the direct because it is something to base what you do, are able to operate on. Your lender knows that is a guaranteed payment. And last is counter-cyclical. And all of these are very important, but counter-cyclical I'd put last because it affects—when prices are low, it kicks in. But that's also very important. But as I said, once again, marketing loan is the most important one.

The CHAIRMAN. Second question: We can expect an effort to further reduce payment limits in the next farm bill. Do payment limits need to be modified? Tommy.

Mr. WOMACK. You know, I would say yes, but I think they should be increased because they are the same or have went down over the past years, and our cost of production has increased drastically, and so it costs a guy that raises 100 acres the same as it costs 1,000 per acre to raise that commodity. So I would say yes, it needs to be changed, but I would say it needs to be raised.

The CHAIRMAN. Tommy, we need next to bring you the floor of the Senate. Troy.

Mr. SKARKE. Mr. Chairman, I may have to differ with Tommy a little bit. Small farmer, dry land, wheat and sorghum, I've never had to worry about a payment limit. So I just think the payment limit needs to go to the people with the greatest risk.

Mr. WEDEL. I don't know, I tend to agree with Tommy a little bit. As farmers who have to consolidate, as you well know, we're getting basically the same price for our commodities as we have the last 10, 20, 30, 40 years, yet our production prices keep going up every year. The only way we're able to stay in business is to increase our acreage to become more efficient. And of course, as you do, then you begin to you hit those pay limits. So in this day's farming climate and business climate, you have to be—I'm not saying you have to be a large producer, but most people have to continue to get larger to stay at the same income level and then you begin to hit those pay limits. So I agree with Tommy, they really need to be increased. I know that's a very unpopular idea in Congress, but at the very least, they need to be frozen where they're at, and hopefully increased.

The CHAIRMAN. Rickey.

Mr. BEARDEN. Payment limits is a problem, and I look at it simply from the fact of what I just said before, that there needs to be no limit on the marketing loan. And I say that because of last year, I'll give you a prime example. I had a bumper crop, and the year before I didn't have any, I didn't collect any marketing loan on cotton on my dry land acres, and last year I—it gave me a base price on that, and there's no way for me to be able to do that. My marketing loan gains would be all over the floor. But I tend to agree is that it needs to be raised, but I understand that's probably not politically feasible for us to do, so we have to learn to do that. But the main thing is we have to allow the marketing loan to not be capped, and I think we've accomplished that with the fact that we can get certificates, and I think that's worked very well. And it also has not—it has worked well for producers in the fact that it gives us the flexibility that we need to go from commodity to commodity. As it's been mentioned, several of us go from one commodity to the other. And I think that's very important and I think it needs to be addressed.

The CHAIRMAN. Doha round negotiations have sought to provide additional market access for U.S. agriculture goods in exchange for cuts in domestic farm payments. Is this a reasonable exchange for farmers? Tommy.

Mr. WOMACK. Yes, sir, I think that it is. As a wheat grower, we need to rely on, and what we need to do is to export at least 50 percent of our product every year, and that certainly helps us in the export of business to help feed the world. But also I think what would help us along the same line is to lift some sanctions on the countries that would trade with us, such as Cuba.

The CHAIRMAN. Troy.

Mr. SKARKE. Almost half of our crop, Mr. Chairman, is exported. I had the opportunity to go to Africa to watch my grain sorghum feed 80,000 refugees from Angola and Zambia. I still contend we need fair market access, and until we get fair market access, no matter what happens, people will starve in this area, so we have to continue to work on that.

The CHAIRMAN. Jimmy.

Mr. WEDEL. Well, I agree that we do need fair market access, but I'm a little bit troubled that we would base our whole farm program on the perception that with these free trade agreements that we have that we're actually going to export more of everything, because I know typically there have been a lot of agreements signed in the last several years. But corn exports have been relatively flat for the last 10 years, even really going back 20 years, they've been relatively flat.

So there is no guarantee that we will be able to get a higher commodity price or we will sell our commodities at a higher price just because we have a certain amount of WTO agreements. I do agree that a reasonable trade would be good for all us. But as far as a tradeoff for safety net for farm support, I don't think I'm in favor of that.

The CHAIRMAN. OK.

Mr. BEARDEN. Mr. Chairman, I started farming in 1975, and I've heard my whole life that we're going to export our way out of this program of cheap prices, and so far it hasn't worked. Cotton prices are flat over the last 20 years, some spiked. But I do not think that we should give away our safety net, our safety net that's been in place with the same price, the loan price and target price for cotton since 1981 with no cost of living adjustment. It's very, very important that that safety net stay in place and that we—we do need to have trade, don't get me wrong, and we do need to help other countries, but we don't need to do it that way. One way would be very good, I think we could ask the people in this room if they would be willing to give 30 cents more for a

T-shirt. That would double the price of cotton. That would help producers all around the world much more than us giving up our safety net that is in place to ensure us a way of life and a safe and good source of food for the U.S. public.

The CHAIRMAN. Some organizations have explored the possibility of a revenue based approach for the commodity titles. What do you think of a revenue based approach to the safety net as a replacement for the current commodity programs?

Mr. WOMACK. We have wheat growers that have really kicked that around a lot, but I really feel like that if we done a little adjusting within the counter-cyclical program of the original farm bill that we're living with now, we would be better suited. And I think that through WTO compliance rules that would only cover 70 percent of our crop, and the insurance would not cover that either. So we'd have a cap at 70 percent and we'd have a 30 percent loss. So I would not be in favor of that.

The CHAIRMAN. Troy.

Mr. SKARKE. I think the key to a revenue based approach is the crops still have to be produced by the farmer. And zero percent of nothing—or anything is still zero. So I don't—I really think in my semi arid region of the country where the—and especially after the last 2 years of drought, the yields are so low I don't see that being explored.

The CHAIRMAN. Okay.

Mr. WEDEL. Probably from—as a Texas corn producer, I would probably not be in favor of the revenue assistance—or assistance revenue program that I have seen. The devil's in the details. It sounds good on the surface, but when you look at the details and how the program works, it's going to reward inefficient producers. I don't think that's a good idea. And there are some problems with the method of calculation. I know some of the data that we looked at on that program. I have one farmer—one farm in one county that would have paid me maybe $100 an acre and the farm in the adjacent county would have paid me zero dollars an acre under the past farm program. So there's a lot of discrepancies, a lot of details would have to be looked at on that. But I still think I agree with the other two gentlemen, I think if you take the existing farm program and maybe tweak it a little bit in some certain areas, I think we'll come out with a better program.

Mr. BEARDEN. A revenue guaranteed program, personally I do not like, and I don't think it's any type of substitute. As I visited with a guy the other day, I think it would make a great disaster program, a permanent disaster program, but I don't think it would be worth anything as far as production. And I go back to my statement: This is production agriculture. It's not a way of sustaining life. We don't want to end up, like Jimmy said, talking to people and finding out ways to scam the policies.

I think what—this is a farm policy, this has been the basis of our farm policy for a long time. I think it's worked great through the years. I think we've—the 2002 farm bill is probably the best attempt at giving us a safety net that's ever been, and I think we should continue it. And I don't—I think we can tweak it around the edges, but we have to remember that production is what drives these economies, and that's the part that I see in all these programs is it likes the ability to drive production. And I'm not saying overproduction, as the rest of the world would say, but this is—this is production that gives all these people and myself the ability to help this U.S. economy and allows agriculture to be about 15 to 17 percent of the gross national product, and I think we should continue with stuff that rewards us, that doesn't make us turn into welfare.

The CHAIRMAN. Last, should an increase in conservation or energy programs come at the expense of commodity programs? Tommy.

Mr. WOMACK. Mr. Chairman, I would say no, but I would also add hastily that the energy program is very important in the food and fiber industry. Renewable fuels are here on the forefront using wheat straw to make ethanol and such as that. But I think they should be funded out of an energy type program somewhere else, but not out of the commodity entitlement.

The CHAIRMAN. Troy.

Mr. SKARKE. I tend to agree. I don't believe we should—energy should remain a national security issue, and I don't believe we should make food a national security issue. On the conservation program, it has not been as friendly to sorghum, my sorghum crop, as it has been to other crops.

Mr. WEDEL. I too agree, and I think that probably as more and more corn and sorghum goes into ethanol production under the current farm bill system, as prices go up, then actually it will save some money from the taxpayers from the counter-cyclical standpoint and also from the marketing loan as well. So that is already in place in the current farm program as far as those—the savings that will come about as a result of the strong energy policy. But I too agree any funding for energy programs should come out of an energy policy, not be taken away from a conservation title—or I'm sorry, a commodity title.

The CHAIRMAN. Thank you.

Mr. BEARDEN. I think the commodity title should remain the center point. I think conservation is very, very important. I think all of us as producers on this panel would agree that we want to be able to pass down a better farming area than we inherited. We all—I have a son-in-law that wants to farm, and I want him to be able to produce—be a good producer. I think we are conservationists. We know what needs to be done, and I think that it shouldn't be the center point. As far as the energy bill, whatever the U.S. agriculture industry can do to help us become less dependent on foreign oil, I think we should try to do. If that's—if that's doing some things different than what we've done in the past—I don't think it should be taken out of the commodity title though. We're argued as an easy target, but agriculture has something to offer to this U.S. economy, and if that's helping us get through tough times and high energy prices and us help do that in some way through whatever it may be, through vital fuels, I think we should do it but, I think it should come out of an energy title.

The CHAIRMAN. Thank you very much, gentlemen.

Is there any comments you want to make or any questions you have that we haven't covered?

Mr. NEUGEBAUER. Just one question I would have is some discussion about the disaster. If you look back over your operation for say the last five or 6 years, if you had a good crop insurance program, would you—would you have made any change then to the commodity titles moving forward? We have had some disaster programs. One of the things I hear about disaster programs, though, is sometimes there's inequity in that for folks that really didn't get a—have a disaster, you know, may have gotten payments, where people that did have a disaster didn't get as much payment or as much reimbursement as they, you know, thought was necessary.

So if you look back over there, we've had a price safety net with the farm bill, but you've not had really a production safety net, how would that have impacted your operation?

Mr. WOMACK. So Congressman Neugebauer, you're asking me if I always planted wheat and there was a different insurance program, would I change to corn or some other crop?

Mr. NEUGEBAUER. Well, no really, I—obviously we don't want to—we don't want to have policy that encourages you to farm to a program, but I mean, yeah, I guess, Tommy, that would be part of the question. Would you have been able to stick with a particular commodity, or how important would a good crop insurance program be in your continuing operation in allowing you to have flexibility?

Mr. WOMACK. Oh, it would be fantastic. As I said, I farmed a long time, and so I think each farmer kind of finds its niche with its own piece of land and makes it work with the different crops and the weather and the water that he has. And so to exist, he finds that special niche, so there would be no changes there.

But a good insurance program where we could sit down with our banker and discuss: Can I afford to lose 15 percent if I have a tremendous disaster this year? Could I afford to lose 10? And be able to pick and choose rather than—because the Federal Government has kind of honed in on us buying 65 percent coverage because of the premium, and then with the diminimous yield involved, if I go out there and I have 100 pounds of cotton left, then that comes off even though it's not feasible for me to harvest that. So that's kind of a double loss, and I would kind of explain that this way: If I went out and bought a new car and I insured it at $1,000 loss and I had a wreck in it, then I would stand the first—I would know exactly. And the insurance company wouldn't come back and say "This right front tire is still real good, so I've got to deduct that." And that's what happens with crop insurance.

Thank you for the question.

Mr. SKARKE. I have to agree with Tommy. A farmer or producer, it takes a while to learn how to grow that crop, and when you have something, sorghum, wheat, no matter what it is, corn, cotton, you know how to produce that crop. And I'm afraid we're in today—a lot of people are looking at "Well, let's see what the crop insurance will pay me and then I'll decide what I'll plant." And I believe we're headed in the wrong direction right now.

Mr. WEDEL. Congressman, I too agree with Tommy. I think that if we'd had a better insurance program over the last few years, what little I received from disaster assistance, I think it would have been much more—handled much more efficiently through some type of insurance program. And the problem lies with we're only able to insure basically 65 percent of our production which leaves you with huge a risk on top, and no—I don't think any person would feel comfortable, any businessman would feel comfortable insuring their car or their building or whatever at only 65 percent value. That is a huge deductible that you have to stand, as well as taking the diminimous yield loss. If you've got a small yield on the bottom end, you've got to deduct that right off of it. So definitely a better insurance program would be much better than a disaster program.

Mr. BEARDEN. An improved crop insurance program is something that we all strive for. I think this is something that's been going on since the mid-80's trying to figure out how to solve the problem, Randy. And, you know, I don't know if we can. I think we should always be looking for new approaches. It's got to where agriculture operates on such a slim margin that we have to figure out a way to do that.

My—the other thought of a totally crop insurance program that I see is that: Is it going to be affordable to producers, something that we have to pay for? I don't know how we're going to do it, but that would be one concern that I would have. I wonder, though, if we shouldn't take a look at crop insurance as a total product. What we've been doing in ad hoc disasters the last two or three—or last—every 2 years for the last couple of years, put that pool of money together and find out what is the best option for a safety net, a production safety net for the U.S. producers. And I think that's probably where we need to go and really look and study at that. And I know you've been willing to look at it, and I appreciate your help on that.

Mr. CONAWAY. I don't have a specific question. Is there—after having gone through the testimony and thought about what you wanted to say or wish you would have said or could have said, do you want to run back through it one more time and just add any final comments that you might have missed on your first round through, Tommy?

Mr. WOMACK. Thank you for the opportunity.

And you know, I probably missed a lot. I think the important thing that I would just want to reiterate would be that people like you boys are here to listen to the farmers who get the dirt under their fingernails and truly have a heart for agriculture. You boys kind of remind me of a good old country creature, he knows what to say to help you for today, and yet he's helping you if you'll listen to him for the future. And that's what you boys are doing, you're trying to help us for today to feed the United States people and yet looking into the future to be sure there's a good food and fiber program there in place so that the farmers can do a good productive job of that and that we can also help export overseas. Thank you again for the opportunity.

Mr. CONAWAY. Troy.

Mr. SKARKE. Again, thank you. Producers have been taking a pretty strong hit by a lot of special interest groups the past few years talking about the farm program. I appreciate you guys standing by our sides. You know what it's all about. Thank you.

Mr. WEDEL. Thank you again for coming and thank you for listening to us. I think we pretty much have a consensus among this group. I think you've heard that and I think you've heard that through all the hearings that have gone on through the House side and also the Senate side. Most farmers are pretty much happy with the current farm bill the way it's administered. The way it runs, it does provide us with a safety net and at a very minimal cost to the taxpayer.

And I would like to hand over that message. Thank you.

Mr. CONAWAY. Rickey.

Mr. BEARDEN. I guess the one thing I'd like to say is I appreciate you all coming. And the other thing is, it's been mentioned, you three gentlemen have the weight of this industry to help uphold, and you are a part of this industry. When you signed on, you became part of this industry. But we look for you to look to us for ways to make this industry better.

As I mentioned while ago, I have a son-in-law that's farming and he's got a whole career in front of him, and I want to make sure that the farm policy that we make right now helps him and gives him the tools to succeed and to become a farmer if he so chooses. Many of the people in this audience, their children or grandchildren may want to farm. I want us to make sure as we go forth we think about things all the way from trade deals to all the things that we have in front of us that have an impact on our industry, and we make sure that we make good, intelligent decisions that will allow agriculture to still be an industry when I'm getting around on a—in a wheelchair, but my grand kids can, if they so want to.

I want to leave you with one thought: Cotton prices since 1985 have declined 17 percent. Average yields have gone up 39 percent. That gives you a plus 15 percent. It's not the responsibility of the government to make sure that I get a profitable price, it is responsible for us to make sure that we have a safety net. U.S. minimum wage has gone up 54 percent during that time period compared to 15. That's the plight that our young people face. We need to make sure, not only through a good safety net, but through good trade deals, that we leave an agricultural industry that will give our children and our grandchildren a chance to succeed like those before us have given me. Thank you.

Mr. NEUGEBAUER. I want to thank each one of your for your testimony. At this time we're going to dismiss this panel. And thank you again. And turn back over to the chairman and bring on a new panel.

The CHAIRMAN. Thanks very much, gentlemen. We appreciate you being here, and we look forward to staying in touch and continuing the dialog. We now ask—we're going to take about a 10 minute break right now before we move to our second panel.

(Break.)

The CHAIRMAN. We'll continue now with our second panel. We're pleased to have Mr. Dale Murden of Monte Alto, Texas who is here on behalf of the Rio Grande Valley Sugar Growers, Mr. L.G. Raun of El Campo, Texas on behalf of the U.S. Rice Producers Association and USA Rice Federation, Mr. Ted Higginbottom of Seminole, Texas on behalf of the Western Peanut Growers Association, and

Mr. Dennis Holbrook of Mission, Texas on behalf of the Texas Produce Association and Texas Citrus Mutual.

Gentlemen, thank you all very much for being here.

Again, we will submit your entire statement for the record, but we look forward to any opening comments you might have. Dale, we'll start with you and go right down the row.

STATEMENT OF DALE MURDEN, RIO GRANDE VALLEY SUGAR GROWERS, MONTE ALTO, TEXAS

Mr. MURDEN. Good morning, Mr. Chairman. I want to thank you for taking the time to come back to Texas today and listen and speak to those of us who are producers and truly depend on the farm bill. My family raise sugarcane and my son wonders what the future really holds for agriculture. We also produce cotton, sorghum, corn, citrus and vegetables.

Being a farmer for 25 years, I've been active in several farm organizations and currently sit on the board of the Rio Grande Valley Sugar Growers, Incorporated, the sugarcane cooperative that's fully owned by the growers. Why is sugar policy so important to Texas? Simply put, stability. Farming is kinda like bull riding. It's a lot of fun, but a whole lot can go wrong. Just like that rider can't control that bull, farmers can't control Mother Nature, commodity markets, or subsidized foreign competitors.

The U.S. sugar program works even under the most uncontrollable of situations. Look no further than last year. Hurricanes, flooding and drought challenged us like never before. But this country's sugar farmers passed that test, and our no-cost sugar program is one of the main reasons why. Immediately following Katrina, sugar policy gave USDA the flexibility it needed to address supply interruptions.

Domestic stocks were quickly made available and USDA was able to increase imports to address domestic shortfalls. Other countries aren't so lucky and don't have this kind of flexibility when disaster strikes. Thailand and Australia both have experienced weather disasters that have led to short supply. Much of Brazil's cane crop has been diverted into ethanol in the face of high oil prices. It doesn't take an economist to figure out that these events have had a dramatic effect on the world sugar market.

And it doesn't take a genius to see that America cannot become dependent on such unreliable foreign sugar supplies. This country needs homegrown sugar, and America's sugar farmers need a strong sugar policy. We are gravely concerned about talks of buying out the U.S. sugar program and converting it to a traditional row crop program. Such talks are illogical and ill informed. In times of tight Federal budgets, should Congress really ask the taxpayers to take on the extra burden of converting the current no-cost program to a taxpayer-funded subsidy program? The yearly cost of such a conversion would be in addition to the billions of dollars that a buyout itself would cost.

We are also looking at the Congressional Budget Office's sugar program score of up to $300 million per year by 2013. We do not know what assumptions they are using but we are skeptical that amount of sugar would be forfeited to the government. We hope to meet with CBO to discuss the methodology they used to determine those numbers.

I also need to point out that the recent tariff rate quota announcement by USDA has many of us concerned because this allows too much sugar to be imported into the United States. The Department is allowing more sugar into the U.S. than needed and we producers are concerned that this could create considerable market uncertainty and the danger of a disorderly transition to free trade with Mexico in 2008. The current sugar program is working well. It has kept prices low and stable for grocery shoppers in times of a national emergency. It is not costing America's taxpayers anything. It makes sure that we're not dependent on foreign supplies. And, it helps support thousands of sugar farmers and factory workers across the country.

As Congress looks to re-authorize a new farm bill, we humbly ask that the current program be extended.

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

The CHAIRMAN. Thank you.

STATEMENT OF L.G. RAUN, US RICE PRODUCERS ASSOCIATION AND USA RICE FEDERATION, EL CAMPO, TEXAS

Mr. RAUN. Thank you, Chairman Chambliss.

Howdy and welcome to Texas. And thank you, staff, for also being here today. My name is L.G. Raun. I'm a rice farmer from El Campo, Texas, and my family has farmed rice for over 90 years, covering four generations. I am a third generation rice farmer, I have been farming for over 30 years. I'm a board member of the U.S. Rice Producers Association, chairman of the Texas Rice Producers Legislative Group. In addition to these groups, I'm speaking on behalf of the USA Rice Federation. Briefly I will highlight some of the key points from my written testimony.

Preservation of the 2002 farm act's safety net is the industry's top issue. There are clear benefits to extending the farm bill until a multilateral WTO agreement is approved by Congress. No. 1, unilateral disarmament of U.S. policy, is prevented. Second, a new farm bill is written only once after WTO negotiations are concluded and the new trade rules are known. And third, the safety net that provides farmers and their lenders with predictability and stability as maintained. We would also note that farm programs continue to operate in a fiscally responsible counter-cyclical manner.

Mr. Chairman, as you mentioned earlier, the fiscal year 2005 commodity program costs were actually $19 billion lower than projected when the 2002 farm bill was passed. In Texas, the decoupling of payments from production in the 1996 farm bill has had a serious impact on tenant rice farmers, rice acres, and in turn, our rural economies of rice growing areas here in Texas. Although the

Washington Post article on July the 2nd was misleading on the number of residential areas that were collecting program payments, the fact remains many tenant farmers were ousted from rice lands so landowners could take 100 percent of the program payments.

The rice industry would like the opportunity to work with the committee on options to make sure we have equitable administration of the farm program between landlords and tenants.

The U.S. rice industry opposes any further reduction in payment levels provided in the current farm bill. Direct payments were reduced 20 percent in the 1996 farm bill without an increase in the rice loan rates then or since. Pay limits today restrict many Texas rice farmers to planting only 500 acres of rice. Just one tractor or combine today costs us between $200,000 and $300,000. Any further restrictions of pay limits or limiting access to the marketing loan program will force farm size down to an uneconomical size.

On the environmental side, rice farmers are proud of our history of releasing cleaner water from our fields than we put on them, of releasing water during critical periods, for in stream bay and estuary needs and providing wildlife habitat in rice fields second to no other crop grown. Mr. Chairman, we urge you to support an extension of one of the most popular farm bills ever. It is good for farmers and good for America. I thank you for this opportunity to speak today and for your service to America, and I'm ready to answer questions at the appropriate time.

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

The CHAIRMAN. Thank you.

Mr. Holbrook.

STATEMENT OF DENNIS HOLBROOK, TEXAS PRODUCE ASSOCIATION AND TEXAS CITRUS MUTUAL, MISSION, TEXAS

Mr. HOLBROOK. Good morning, Senator Chambliss and members of the Committee. We're grateful that you're here today in Lubbock for this hearing. I'm Dennis Holbrook, owner of South Texas Organics. I'm also the current chairman of Texas Citrus Mutual, a trade association of citrus growers and allied industries. Today I'm representing the Texas Citrus Mutual and the Texas Produce Association. These two associations have been working with other specialty crop groups, as well as the United Fresh Fruit and Vegetable Association on recommendations for the next farm bill.

Our proposals are based on the growing importance of the specialty crop industry and the need for fair treatment of this sector in the next farm bill. U.S. fruit and vegetable production accounts for 30 percent of cash receipts for crops, and with the addition of nursery and greenhouse production, the figure rises to 44 percent. The value to the Texas economy from fruits, vegetable and tree nuts is approximately $635 million.

I will focus on the basic principles that provide the foundation for our recommendation. One, the specialty crop industry is a critical and growing part of U.S. agriculture, deserving of full and equal consideration in the farm bill. Dietary guidelines for 2005 call for the doubling of fruit and vegetable consumption to address issues of obesity and overall health. Strong support for the fruit and vegetable industry in the farm bill will be necessary to achieve this goal. Four, specialty crops face threats from pests, diseases, and bio-terrorism that can destroy an entire crop industries.

I am a citrus grower in the Rio Grande Valley of Texas. The very survival of that industry is now threatened by several citrus pests in Florida and Mexico. We are talking specifically about citrus greening, citrus canker and citrus tristeza virus. The latter two diseases can result in the removal of very large numbers of trees to stop the spread of these diseases.

We are calling on Congress to support an effort by APHIS to prioritize foreign pest threats to domestic production of specialty crops, including bio-terrorism. By the way, citrus greening is on the Select Agent list for bio-terrorism. When disease exclusion is not successful and eradication is necessary, we urge Congress to make Commodity Credit Corporation funds available to the Secretary of Agriculture, without encumbrances, to conduct the emergency eradication.

We are recommending mandatory funding of $200 million per year or 1 billion over 5 years for the Federal School Fruit and Vegetable Snack Program, including in that is the 100 million to the selected 50 schools per state in the current program an addition of another 100 million to be distributed based on the population of each state.

Currently the most discussed thing about the farm bill is whether there should be an extension with limited modifications or a brand new farm bill. I realize my point of view may not be shared by all in this particular audience today, but the specialty crop industry is opposed to an extension of the farm bill. The specialty crop industry does not receive benefits equal to our part of the agriculture economy. As the face of the American agriculture has changed and specialty crops have become more important, we believe it is time for our farm policy to reflect that change.

Thank you for the opportunity to present this testimony before you today.

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

The CHAIRMAN. Thank you very much. Now, Ted, before you present your comments, you see what we've got up here?

Mr. HIGGINBOTTOM. I saw that.

The CHAIRMAN. We've got these great Georgia peanuts. Now, as you know, I am a big fan of Texas red skin peanuts also. We grow runners, we don't grow any Spanish peanuts at home. And I know you've heard my story about I constantly used to go to Larry's office and carry his staff some Georgia peanuts and exchange them for Texas peanuts. I'm going to be disappointed if I leave Lubbock today without some red skin peanuts, now, let me tell you. My friend Ted Higginbottom. Ted.

STATEMENT OF TED HIGGINBOTTOM, WESTERN PEANUT GROWERS ASSOCIATION, SEMINOLE, TEXAS

Mr. HIGGINBOTTOM. Good morning,

Mr. Chairman, and we won't disappoint you. We'll fix you up with some peanuts. Good morning Congressman Neugebauer and Conaway. I'm Ted Higginbottom, president of Western Peanut Growers Association. I would like to welcome you to West Texas. We appreciate your time and willingness to travel to our rural farming region. I started out as a small farmer and had to grow in size to make a living out of farming.

I want to thank this committee for crafting a farm bill in 2002 that makes it possible for producers like me to maintain my livelihood from farming. I would like to make it clear that we do support the current farm bill and the peanut program law. During the first few years of the new program we experienced a significant increase in the consumption and production of peanuts. This growing region also experienced an economic boom with the construction of new peanut handling facilities. Unfortunately USDA's implementation of the law has changed this initial success to a near disastrous situation for our growers as well as our industry. The 2006 crop year should be proof that the method used by USDA to administer the repayment rate does not work for our growers. Depressed prices caused by the buildup in peanut stocks have forced the farmer stock price of peanuts down. Due to these low prices, U.S. peanut growers have reduced plantings in the current year. As an example, the planted acreage for the State of Texas is down by 44 percent.

We ask that this committee mandate that USDA set the peanut loan repayment rate at a market clearing level. I would like to bring to the attention a couple of other issues that are important to us and the rest of the peanut industry. Another issue that receives a great deal of attention in the national media is payment limitations. I am shocked at how misleading this information usually is. I appreciate the Committee coming to West Texas because we are a prime example of an area that would be devastated if some of the payment limitation issues or amendments being considered by Congress were adopted. More restrictive payment limitations would wreck the farm economy of West Texas.

One last issue that I want to mention, we do still strongly support the extension of the peanut storage and handling payment. We do believe this committee did a great job in writing the farm bill, including the peanut program in 2002. Respectfully, this committee only needs to make a couple of minor tweaks in order for the peanut program to regain its initial success and to carry out the intent of Congress when this program was written in 2002. Thank you for conducting this hearing in Lubbock, Texas. And we look forward to working with you.

[The prepared statement of Mr. Higginbottom can be found in the appendix on page 63.]

The CHAIRMAN. Thank you. Dale, let me start with you. On January 1, 2008 United States is set to drop the tier two tariff allowing duty-free imports on sugar from Mexico. How will this affect the current sugar program and how will domestic demand be able to absorb the extra sugar while preserving the basic structure of the program?

Mr. MURDEN. That's a great question. I wish I knew. A whole lot of assumptions, a whole lot of unknowns. I hear the administration makes assumptions based on unknowns. I've lived on the Border my whole life and I've dealt with Mexico my whole life, and my fellow cotton farmers out there will probably tell you the same thing, it's probably like knowing really how much cotton is in China. Do you ever really know? I don't think we know what Mexico is going to do to us.

I know I can compete with them and I know the door swings both ways. I hope I can sell them my higher quality, lower price sugar.

The CHAIRMAN. What's the industry's outlook for commercial production of ethanol from sugar, and do you ever envision a market for ethanol from sugar in this part of the country?

Mr. MURDEN. You know, Brazil is doing it widespread, but there's a lot of reasons Brazil's doing it, government incentive probably being the largest. Sucrose ethanol, probably might work in the future. My particular sugar mill is in the midst of a feasibility study regarding ethanol, but for us in the Valley, you know, we run a pretty green friendly co-op, we manufacture our own electricity, and so there's benefits of probably teaming up with say grain sorghum in our area for ethanol production.

The CHAIRMAN. Is all of your sugar in this region generated from cane?

Mr. MURDEN. Yes, sir, all ours is sugarcane in South Texas.

The CHAIRMAN. L.G., how would you prioritize farm bill programs generally and the commodity titles specifically? How would you rank the relative importance of the direct payment program, marketing loan program and counter-cyclical payment program? Let me address this to you and Ted, which is obviously the same question we had of the previous panel.

Mr. RAUN. Mr. Chairman, the commodity title is by far the most important program of the farm bill. It's what keeps U.S. agriculture operating so that all Americans can benefit from both the conservation and the nutrition titles. Within the commodity program, the marketing loan program is the most important. The non-recourse loan provision continues to be the bedrock of our farm program safety net.

It's a major factor that's looked at by bankers and farmers both on the repayment ability of farm operating loans. Following the marketing loan program then would be the direct payment program and then the counter-cyclical payment program.

The CHAIRMAN. Ted.

Mr. HIGGINBOTTOM. I agree with L.G.. The commodity title is very, very important. The peanut program seems to revolve around the loan program, so I would have to put it No. 1; the direct payment being No. 2; and counter-cyclical No. 3. But I'd also like to reiterate really all three of them work hand-in-hand. And if one of them is tinkered with a whole lot, I think it would hurt all three.

The CHAIRMAN. L.G., some organizations have explored the possibility of a revenue based approach for the commodity title. What do you think of a revenue based approach to the safety net as a replacement for the current commodity programs?

Mr. RAUN. The rice industry has looked at some of those proposals, and right now we don't see how a revenue based product would work for rice in the way that would even minimally replace the current commodity programs that we have. There may be a role for revenue insurance or a revenue product that plays a role as a supplement to commodity programs, but we still don't feel like it could be a replacement for our current farm safety net.

To a large extent in the rice industry, we self-insure by irrigating 100 percent of the rice that's grown in the United States. So we're taking away the drought risk component a lot of other crops have and revenue insurance is based on large drops in yields that we don't have in rice farming. We also do a lot of precision leveling of our fields to self-insure against lower yields on our crops. So our higher risk areas are not on the yield side but they're on the price component and the input cost side. That's where our risks are in rice farming. But we'd be pleased to work with you and the committee if you would like more information from us in this regard.

The CHAIRMAN. We recently had a variety of genetically engineered long grain rice grains which have not been deregulated and were found in commercial samples of long grain rice. Even though this genetically engineered rice is safe for human consumption, what needs to be done in the private sector to reassure markets so the supply and export chain can remain open, product flowing and prices stable?

Mr. RAUN. That announcement on August the 18th, Mr. Chairman, came as a real surprise to us when they found that trace amounts of the GM rice had been found in samples of long grain U.S. grown rice. And the reason being that we've never grown commercially GM rice. GM rice, genetically engineered rice has only been grown in some research trials. The LL–601 protein found in that long grain rice was—has been analyzed previously by both USDA and FDA and both of them agree it imposes no human health, food or food safety or environmental concern and is safe for consumption.

The price of rice has dropped 15 percent since that announcement on August the 18th, so it's certainly a huge issue in the rice industry. More specific to your question, I made a list of a few things that I think we need to do to reassure the markets.

We need to develop a standardized, affordable, verifiable testing procedure that would be used by the whole U.S. rice industry and also a standardized reporting method. We need USDA, GIPSA or the appropriate US agency to issue a standardized certificate once we have this rice tested that can be viewed by the markets. Some key sensitive markets may not accept tests unless the government signs off on them.

Obviously we're going to IP any tested rice once we find if it is contaminated or not. We need to better communicate the fact that the LL–601 is safe and that all U.S. rice is safe. We're in the process of—regulatory process of getting the LL–601 deregulated. We expect deregulation in the next 40 or 50 days. We think that will help the situation a lot. We need—the people that designed and were researching this product, to step forward and provide the necessary commercial assurance agreements, similar to what they did in the BT 10 corn situation, to ensure that exports continue to flow in all of our markets. But we will continue to keep this committee up to date as we proceed, and we look forward to working with you and your staff as we process through this issue.

The CHAIRMAN. Dennis, there are proposals such as state block grants, additional research funding and counter-cyclical payments which have been made to provide more money to the specialty crop industry. Which of these ideas would benefit the industry most and how do you find—how do you propose we fund such proposals?

Mr. HOLBROOK. Well, I would say that the grant proposals for additional research is something that's been badly needed in our particular sector of agriculture. We've got issues with, as I indicated in my comments, of pests and diseases that are constantly coming into the country with greening is the most recent one in Florida. We need to learn how to be able to combat those. You know, that's a $64,000 question, is how you come up with funds. You know, I'm not sure that I have a magic bullet for that answer today because I think it's something that we need to look at and perhaps, you know, there's ways to come up with that additional revenue.

The CHAIRMAN. Brazilian cotton case has raised questions regarding the classification of direct payments as the green box because of the planting flexibility provisions restricting fruit and vegetable production on base acres. Do you have any thoughts about whether or not we ought to relax this provision on base acres?

Mr. HOLBROOK. Well, our particular position on that, Mr. Chairman, is the fact that provides an unfair advantage to those who are receiving those payments that currently the specialty crop industry does not receive. So by having people who are—have that flexibility to go in and out could create some real commodity oversupplies, cause some real market issues in the specialty crop industry.

The CHAIRMAN. You may or may not know that my son-in-law is a special crop grower. He's a vegetable grower, and he has always told me that "What we want is you all just to leave us alone." But at the same time, if we change this planning flexibility, it puts the specialty crops in an entirely different atmosphere within the farm bill. And we have had requests as we've been around the country from specialty crop growers that some say exactly what Joe says, and that's "Do nothing. Leave us alone. Don't change it." We've also had comments from folks who, as a specialty crop grower, would like to have the ability to take base acres, not receive payment on those base acres but to grow under contract specialty crop products. Do you have any thoughts on whether or not that would work and what impact that might have on your industry?

Mr. HOLBROOK. I guess the best way to address that is that specialty crops, they're very sensitive to price fluctuations being the fact that if there's oversupply then, you know, you've got some problems with the fact that prices are going to be reduced. You know, we have kind of—in our industry we've basically survived on—without the support, financial support in most respects in government payments and so forth. I think that, you know, we probably are better off if we can just continue on with the way we're going as we've been going with, you know, perhaps some areas that are like research, some of those.

You know, crop insurance is another issue that needs to be looked at that could be greatly improved to assist us in our particular area of the agricultural sector.

The CHAIRMAN. Gentlemen, do you have questions, comments?

Mr. NEUGEBAUER. (No audible response.)

Mr. CONAWAY. (No audible response.)

The CHAIRMAN. All right. Well, gentlemen, thank you all very much for your input. We appreciate your comments, your testimony, and I really appreciate your taking the time to come to be with us this morning. And we look forward again to continue to dialog with all of you. Thank you.

We will now move to our third panel. I'll ask them to come forward. Mr. Barry Mahler of Iowa Park, Texas on behalf of the Association of Texas Soil and Water Conservation Districts and the National Association of Conservation Districts, Mr. Mike Berger of Austin, Texas on behalf of the Association of State Wildlife Agencies, Mr. Dale Smith of Amarillo, Texas on behalf of Texas and Southwestern Cattle Raisers Association and Texas Cattle Feeders Association, Mr. Keith Broumley of Hico, Texas on behalf of Dairy Farmers of America, Mr. Bill Battle of Tunica, Mississippi on behalf of Catfish Farmers of America.

Gentlemen, thank you very much for being here.

You have heard the process that we use. We will certainly take your full statement and put it in the record, but we look forward to your opening comments.

Mr. Mahler, we'll start with you.

STATEMENT OF BARRY MAHLER, ASSOCIATION OF TEXAS SOIL AND WATER CONSERVATION DISTRICTS AND THE NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS, IOWA PARK, TEXAS

Mr. MAHLER. Thank you, Mr. Chairman. My name is Barry Mahler. I am a producer from Iowa Park, Texas, the 1Rolling Plains where it's been quite dry the last year or two.

And certainly we're getting some change now and we're optimistic about that, but it's been tough. And one of the things that's been extremely tough for us, of course, is increased input cost. And any time you have crop losses and a tremendous run-up in our input cost, it creates problems.

Mr. Chairman, I'm at a little bit of a disadvantage because I do a little farm broadcasting work along with my farming operation, and where I work when the red light comes on that's when you start. So I'm going to have to reverse that thought here this morning, and I'll try to behave. I would love to talk about commodity programs, entitlements, I'd love to talk about crop insurance, I'd love to talk about maybe an ad hoc disaster program or some ways we could make this work. But my goal here today is to talk about soil and water conservation. I do represent soil and water conservation district directors from across the State of Texas and actually across the United States. It's a tremendous effort to protect both the public and private lands, and I certainly am privileged to represent them here today.

But the one comment I will make up front is that we know very well that there will be no conservation in the country without ag profits. It is absolutely imperative that we have a strong economic base for agriculture to enhance soil and water conservation. They work hand-in-hand. We won't have long-term profits without it, we won't have conservation without ag profits, and so the two work hand-in-hand, and we appreciate you for inviting me to be on this panel today.

Just a few comments on some things that I pointed out in my written testimony that I think we should really take a look at, and one of them is technical assistance. And certainly technical assistance is literally the glue that joins our conservation efforts together in these great United States. And of course, that is the ability of the NRCS and USDA to bring that great engineering expertise and application expertise to the country to work with local soil and water conservation districts to make soil and water conservation happen in this country. It's absolutely important, it's going to be one of the goals, I think, of our National Association

Conservation Districts to point out how important that's going to be. EQIP program, Environmental Quality Incentive Program did fantastic in the 2002 bill. We've had great increases. We think we've done a great job putting that money to use, and we would like to see that extended in either an extension of the 2002 bill or new legislation in 2007. The great thing about EQIP, locally led, we've got our work groups, it's a voluntary program and it has been very well received by producers across the country and there's been some great work done, and we need to do more of it.

The CSP program designed by the 2002 bill, mixed reactions. The big problem has been funding. If we could fund it totally, it would be fantastic. We've not been able to do it. Let's look at some different ways to fund it. Maybe some tax incentives instead of direct payments for doing great conservation work. May be something there that we can work out. The main thing is we need to make it available to producers all across the country and not leave it as a have or have not.

Soil and water conservation districts are vital to soil and water conservation in the United States. They're these individuals that give up their time and volunteer to work together with state funds, Federal funds, state organizations, the Federal, of course NRCS, our sister agency, and soil and water conservation to put soil and water conservation on the ground. They do a tremendous job. It's a tremendous service to agriculture, and they help guarantee not only the present of good production agriculture in the United States but good production agriculture for the future of this great country, and we think it's great.

Strong conservation districts across the country, vitally important in my opinion to making this—this agricultural industry to continue to be productive. And with that, I see the red light and I will yield my time. Thank you very much.

[The prepared statement of Mr. Mahler can be found in the appendix on page 72.]

The CHAIRMAN. Thank you very much. Mike.

STATEMENT OF MIKE BERGER, ASSOCIATION OF STATE WILDLIFE AGENCIES, AUSTIN, TEXAS

Mr. BERGER. Good morning Mr. Chairman, and Representatives. I'm Mike Berger. I am the Director of the Wildlife Division of the Texas Parks and Wildlife Department. Today, I represent that department as well as the Association of Fish and Wildlife Agencies that represents all the state wildlife agencies around the country. I want to thank you particularly for your support of those agencies and for support of the Fish and Wildlife Conservation Programs in the conservation title.

We support the current farm bill, and we have, as you won't be surprised, a suggestion or two that we think might make it better.

These include better incorporation of local guidance, improved integration with local and regional resource initiatives and expanded delivery of technical assistance. The current agriculture issues of complexity, diversity and interaction defy the one size fits all model. Incorporating local guidance and integrating regional resource initiatives directed toward solving multiple resource management concerns will ensure the most cost effective means of delivering conservation programs that meet local producers' needs. To this end, we have some suggestions.

Establish Habitat Technical Teams made up of state and Federal conservation agency staff. These teams would seek to integrate state farm bill conservation program delivery into existing state and regional fish and wildlife conservation plans and programs. Create state-level conservation, producer and business advisory groups charged with establishing guidelines for farm bill energy programs which ensure the long-term financial health of farm and ranch families, energy production and the environment.

Institute the associations suggested CRP, EBI scoring system that provides equal weight to soil, water and wildlife issues. Consider the creation of regional EBIs that fairly balance landscape differences, areas of ecological significance and state and regional conservation priorities. Decouple the continuous CRP and Wetland Reserve

Program from the CRP county acreage caps. Local playa wetlands in this area are vital to the Ogallala Aquifer recharge, but because they're in capped counties, they're currently excluded from receiving needed protection and restoration under CRP or WRP.

Restore EQIP'S original cost effective whole farm resource system approach. Expand this system so that it integrates local, state and federal resource goals, including water, soil, air and wildlife.

Increase WHIP funding and focus it on local issues through the use of having the technical teams that I mentioned earlier. Simplify the contracting for Farm and Ranch Protection Program, Grasslands Reserve and Wetland Reserve by using a single easement deed contract, preferably the current Wetland Reserve Program contract.

Expand the Grassland Reserve Program, targeting areas with the highest land fragmentation rates while emphasizing conservation and restoration of native habitats. Create priority areas using state wildlife action plans. Ensure the Forest Land Enhancement Program funding is used for its original purpose of providing technical conservation assistance to Texas' 300,000 non-industrial private forest owners. I have some other remarks, but I see that red light is on and I'll pass those up and answer any questions you have at the proper time. Thank you.

[The prepared statement of Mr. Berger can be found in the appendix on page 53.]

The CHAIRMAN. Thank you very much. Dale.

STATEMENT OF DALE SMITH, TEXAS AND SOUTHWESTERN CATTLE RAISERS ASSOCIATION AND TEXAS CATTLE FEEDERS ASSOCIATION, AMARILLO, TEXAS

Mr. SMITH. Chairman Chambliss, Representative

Neugebauer and Representative Conaway, thank you for allowing me to appear before you today and provide the Texas cattle industry's perspective on the upcoming 2007 farm bill.

My name is Dale Smith. I am a cow-calf producer, stocker cattle operator, and cattle feeder from Amarillo, Texas. I'm also a member of Texas and Southwestern Cattle Raisers Association, Texas Cattle Feeders Association, Panhandle Livestock, and the National Cattleman's Beef Association.

Before I get into the farm bill, I'd like to touch on an extremely important issue that is currently affecting many cattlemen. The Southwest is dealing with a drought of historic proportions. Estimated livestock related losses are $1.6 billion in Texas alone and 77 percent of the state's hay production has been lost. This is in addition to the millions of acres and miles of fence that were destroyed by wildfires that ravaged through the region, especially the Texas Panhandle, earlier this year. As such, I respectfully ask this committee and Congress to act quickly and pass an agricultural disaster package.

As the nation's largest segment of agriculture, the cattle industry is focusing on continuing to work toward agricultural policy that preserves the right of individual choice and 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. As a cattle producer, my livelihood is tied to many other agriculture commodities. Livestock consume three out of four bushels of the major feed grains harvested in the U.S., and beef cattle account for nearly 30 percent of the consumption. As such, cattlemen support the continuation of reasonable, market-oriented programs for crops, but strongly oppose government supply programs. It is not in the farmers' or ranchers' best interests for the government to implement policy that sets prices; underwrites inefficient production; manipulates domestic supply, demand, cost or price.

Likewise, conservation programs and environmental regulations must be based on common sense and sound science. One such program that achieves this is EQIP. Cattle producers across the country participate in this program, but arbitrarily setting numerical caps that render some producers ineligible limits the success to the program. Addressing environmental—addressing environmental problems is not a large versus small issue. All producers have a responsibility to take care of the environment and their land and should have the ability to participate in the programs that establish and attain environmental goals. Therefore we work very closely with the NRCS office to administer the NRCS program and hopefully they will maintain fully staffed to provide technical assistance.

We support efforts to increase our nation's renewable fuel supplies; however, I reiterate that livestock consume three out of four bushels of the major feed grains harvested. And governmental incentives to expand ethanol and other alternative fuel supplies should not function to the detriment of livestock producers.

U.S. cattlemen have been and continue to be strong believers in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our product.

Cattlemen also support Congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef, and I appreciate the Committee's efforts to reopen foreign markets that were closed to U.S. beef after the discovery of BSE. As you all know, foreign markets are key to success in most, if not all, segments of production agriculture.

Last, I want to touch on a few issues that are not addressed in the farm bill; namely country of origin labelling, and in other proposals that limit the cattlemens' ability to mark their cattle or restrict ownership on cattle. But in saying that, we're also very much for the enforcement of the Packers and Stockyards Act.

Thank you very much for allowing me to be here today, and I'd like to answer any questions.

[The prepared statement of Mr. Smith can be found in the appendix on page 103.]

The CHAIRMAN. Thank you. Keith.

STATEMENT OF KEITH BROUMLEY, DAIRY FARMERS OF AMERICA, HICO, TEXAS

Mr. BROUMLEY. I'm Keith Broumley, a dairy farmer from Central Texas representing Dairy Farmers of America. Thank you for the opportunity to address this hearing. And because we don't think there's going to be any radical shifts in the policy direction as a result of the 1907 farm bill, we support the view of an extension of the current farm bill which will work well for most of the nation's dairy farm families. 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. And hope Congress will maintain these policies.

The most important safety net provision we have in the dairy—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 price. We would oppose granting the Secretary any discretion, which would reorient its intended purpose away from supporting the income to dairy farmers just to result in minimizing government costs.

Additionally, I would request that the CCC take action and adjust the support program purchase price levels for cheese, butter and nonfat dry milk to reflect significant additional costs manufacturers face when selling products to the CCC. The second safety net is the Milk Income Loss Compensation Program, which DFA supports as long as there are no caps limiting access to the benefits. This program puts cash in the hands of producers at the very point it is needed, at the lowest part of the price cycle.

In general, the guidelines for a safety net program should be programs that do not discriminate between farmers of different sizes; does not discriminate between farmers in different regions of the country, and it should not be high enough to encourage additional production. We support continual—continuation of the Federal

Milk Marketing Orders program. Marketing orders are important to us as they undergird all of our marketing and pricing efforts all over this country. Another reason we support extending the current farm bill is so that we can have a more clear view of the WTO—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—who will play by them.

We support the Dairy Export Incentive Program and would appreciate the Secretary's use of it. Finally, we support the Senate Bill 1417 offered by Senator Craig that imposes tariff rate quotas on certain casein and milk protein concentrate products. Current tariff rate quota schedules for dairy products were written before these products were mainstream dairy ingredients. Like all other policy areas, this section needs to be reviewed and updated to reflect today's economic realities.

Thank you for your time.

[The prepared statement of Mr. Broumley can be found in the appendix on page 56.]

The CHAIRMAN. Thank you very much. Bill.

STATEMENT OF BILL BATTLE, CATFISH FARMERS OF AMERICA, TUNICA, MISSISSIPPI

Mr. BATTLE. Chairman Chambliss, members of the committee. My name is Bill Battle. I'm currently president of the Catfish Farmers of America, an association representing catfish farmers across the nation. Thank you for this opportunity.

The U.S. catfish industry is a true American success story. 20 years ago, it had limited demand and name brand recognition outside of Mississippi, Alabama, Arkansas, and Louisiana. Since then, U.S. catfish farms have literally built the industry pond by pond making catfish farming the largest agriculture industry in the U.S. today. At the same time, through an innovative and expensive marketing program we successfully developed a significant national market for domestically farm-raised catfish making it the fifth most popular seafood in America.

The catfish industry accounts for significant shares of economic output in jobs in catfish farming and processing areas. The economic health in these regions depends on the health of the industry. If the farmer cannot sell their food size fish, the processors cannot in turn go elsewhere on supply. If the processors cannot sell their products, farmers cannot sell their fish. One of the most serious challenges facing our industry in recent years has been imports, particularly those from Vietnam. The Vietnam fish known as "basa" and "tra" are different species than U.S. catfish. They are able to establish a foothold in the U.S. market by bootstrapping their product to our successful market program using names and labels suggesting that their product is the same as U.S. catfish. Worst yet, they took a significant share of the market by unfairly pricing their product at levels below the cost of our most efficient farmers and processors. By 2002, the sale prices had been depressed to their lowest point in 20 years. A lot of catfish farmers didn't survive during this period and the industry fell on the brink of collapse.

Congress enacted legislation requiring that the different Vietnamese species of fish be labelled properly as to avoid confusion with domestic catfish, but this alone could not remedy the problem of unfair pricing. In 2003, the Commerce Department imposed anti-dumping duties on Vietnamese fish imports which would have provided the necessary relief, however widespread mislabeling of Vietnamese “basa” and “tra” as those species such as Grouper has allowed a large share of import to side step—side step the payment of duties.

The government has been actively investigating these practices and several Federal criminal indictments have already been brought.

However, mislabeling remains a serious problem. American consumers must be allowed to reliably choose the product they prefer to eat. Another important issue is the presence of banned and dangerous substances, including one known carcinogen that had been found in Vietnamese imports. These expose consumers to serious health risks and undermine consumer confidence in seafood products.

The U.S. catfish industry supports free trade and supports establishing permanent, normal relations with Vietnam. Having Vietnam subject to the same rules as many other exporting countries will be a step in the right direction. At the same time, we must continue to address unfair trade, mislabeling practices, safety concerns and other issues that have hindered our industry’s ability to grow.

On behalf of the U.S. catfish industry, I respectfully request this committee take all appropriate steps in the 2007 farm bill to ensure that our agriculture industry is afforded the full benefits of the trade laws.

Thank you for this opportunity.

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

The CHAIRMAN. Thank all of you gentlemen.

Mr. Mahler, given the budget constraints, where should the committee focus its resources which are going to be available for conservation?

Mr. MAHLER. We’ve been very pleased with the

EQIP program because we think it’s put a lot of conservation work on the ground nationwide. And obviously there’s some considerations that need to be taken to make it even a better program. Of course, your EQIP program only functions because you’ve got great technical assistance in your local soil and water conservation districts. So those two would have to almost go hand-in-hand. It’s hard to be as strongly supportive of the Conservation Security Program, although we think it’s a great concept. I think it’s long overdo to realize that there’s some people out there doing a great job and they should be rewarded for that. We also realize that it leans toward being WTO friendly, which is excellent. The problem has been though is that we have not had the level of funding to make it available to producers nationwide. We’ve got haves and have nots.

In my own district, I’ve got a neighbor right across the fence that’s in and I’m not because more of my land falls in another watershed than the one that had been approved in our area. We’re both doing comparable jobs of conservation, but he’s receiving the payment and I’m not right across the barbed wire fence just because of locale. So that’s been the big problem with it. Once again, we think it’s a great concept, we’d love to see it. But we realize budget constraints on it are going to be tremendous.

So to answer your question: The EQIP program we think has functioned well. With some minor tweaking and adjusting a bit, we think we can continue to do a great job managing both the public and private lands in the United States, certainly here in Texas. And along with that, great technical assistance from the NRCS is tremendous. They do such a great job in not only the engineering practices that we need but overseeing it and seeing it through it is a very unique situation that they have, and they do a great job for us.

The CHAIRMAN. We have had some conversation from folks in other parts of the country as we've been around our hearings about possible reduction in authorized acres of CRP. We've got about 44 million acres authorized. I think the most that we've ever had in the program is around 40. Do you have any thoughts relative to what we might do with CRP, particularly as we look toward expanding the energy title?

Mr. MAHLER. Mr. Chairman, as you—as you know and we've mentioned here throughout the morning, we've been in a tremendous drought across the Plains. One of the things that I always think about is that even though we've been in drought that is certainly as bad as what we had back in the dust bowl days, which is when the organized conservation effort in this country really got started was because of the problems we had then, even though we're that dry and drier, we have not had those old red sky days when that dust has moved by. And we always joke in our part of the country "We saw Lubbock come by yesterday," we haven't had that. And the reason we haven't had that is due to great conservation efforts by our producers out there in the country. Not only through EQIP programs and other things, but through CSP. There were so many acres that were so fragile that were covered with permanent grass and other means that protected that it has literally kept us from having another dust bowl in this part of the country. I firmly believe that. So to give that up would be very, very hard indeed. Plus, one of the things I really like about CSP is it——

The CHAIRMAN. Are you talking about CSP or CRP?

Mr. MAHLER. Yeah, CRP. I'm sorry, CRP, I'm sorry. Thank you. The CRP deal actually is a reserve program. Think about where we would be in this country today if we would have had a similar program for energy some 20, 30 years ago and actually had that capability in reserve. We're talking about a tremendous amount of acres out here that are lying idle, under covered, protected. If we got into some kind of national security problem or if we got into some kind of a food problem, we could literally have a lot of that land back in production in, say, eight to 9 months. That's a tremendous reserve for this country. Wouldn't we love to be in that shape in our industry situation today. So it's got some benefits other than just being there to take care of the conservation issues.

Now, how do we pay for it? That's always the big question. We're obviously going to have to have some changes, because I feel like it would be a budget buster if we continued to add to it. Actually, there's some land out there that needs to be added to it.

The commodity programs are telling us right now the markets, we don't need the production. We obviously don't need that extended production to bring it back into production. So we need to find some way that maybe we can keep it idle, keep it protected and utilize it in some other way. But it's been a fantastic program both in conservation and also from supply management. It's been a—it's been a successful program.

The CHAIRMAN. Mr. Berger, let me just say that

I have a great appreciation for what you all are doing with wildlife in Texas. I am—I am a big quail hunter. That is my passion, and I'm fortunate enough to live in part of the country where it is sort of the king of our hunting operations in Southwest Georgia. But I also have had the opportunity over the last several years, and I'm coming back again this year, to Roberts County, Texas to hunt. So I really do appreciate you all continuing to have the hatches of quail that you have managed to have up here, and we're going to continue to try to make the supply and demand issue important in quail hunting as well as in production agriculture.

Mr. BERGER. Very good. We're proud to have you back. The drought that we—that's been spoken of so much here has cost our quail production some this year, but I think there's going to be some birds around for you. We're glad to have a good population of wild birds, and we'll welcome you to come here.

The CHAIRMAN. How should Congress balance agriculture's potential and renewable energy production with wildlife, environmental and feed stock concerns?

Mr. BERGER. As Mr. Mahler said, there's lots of CRP out there, and it is a tremendous reserve. That's probably our largest, it's one of the oldest, one of the original CRPs along with grassland reserve and wetland reserve, and they are great stories items. I think that's one way of balancing the wildlife. And there are other benefits that are associated with that CRP as the storehouse and as ready land.

Regarding CRP, one of the things that has happened here in parts of this country is there are many counties, quite a few, that are overenrolled, they're over that 25 percent cap, and they're not easily converted into farming or ranching at this time without considerable investment and especially on areas that need to be protected from soil and wind erosion. They have already been incorporated into the economy of those counties. I think it would be a real shame, not only for wildlife but for the local people and local businesses if those counties were to come out of CRP in order to meet a 25 percent county by county cap that would be strictly enforced.

But we'd like to see those lands stay in conservation, particularly for some species like lesser prairie chickens which are—up in this part of the country we're trying to save them from becoming on the endangered species list which would be an outcome that would really be damaging for agricultural producers throughout this region.

The CHAIRMAN. The programs you mentioned are all related to cover for wildlife and they work very well. But with the drought situation, and you alluded to that in talking about the quail hatch, we've got the same problem, we've had a lot of drought this year in Southwest Georgia and it has affected our wildlife production. And I'm curious as to whether or not you have any thoughts about the conservation programs that we have in effect from a water supply standpoint as it might affect wildlife. With so many farmers now getting additional income from rental to hunters for various types of wildlife, are there any things that we may need to put more emphasis on from a conservation standpoint to ensure not only we've got cover but we've got water for wildlife also in these draught stricken times?

Mr. BERGER. As you probably know, one of the best and most cost efficient ways of keeping water in underground aquifers and in ponds and streams is to have proper land management all around—around that area. Good land management is good water management and incorporates that water into the—into the soil and it makes it available for wildlife and for people too to use.

The market in much of this part of the world and the Rolling Plains and throughout Texas it seems to be driven these days by the recreational buyer who's coming in and the fragmentation that is created by that is a concern. But I think if we consider the soil, the water and the wildlife when we're constructing the EBI, consider those factors when we're talking about EQIP payments and CRP and all that is the way to keep that in. Keep water and wildlife as integral components of all programs when we consider payments we're making under various conservation programs.

The CHAIRMAN. OK. Mr. Smith, I have to tell you that as we've been around the country, we've kind of had this little rating game going because I'm a big beef consumer. I try to help your industry as much as I can.

Mr. SMITH. I like to hear that.

The CHAIRMAN. So everywhere we go, we have to have an opportunity to have a steak. And as we've compared steaks around the country, I'm going to have to tell you that Nebraska is at the top right now, and that has hurt Vernie's feelings dramatically.

Mr. SMITH. They're probably buying cattle out of Texas.

The CHAIRMAN. As we left the steakhouse in Nebraska the other day—other night, he told us, he said "Well now, you all have not seen anything until you get to Texas." Unfortunately we got in about 11 o'clock last night and we didn't have an opportunity to do our Texas comparison. So I've already told everybody how much I love Lubbock, so I've got one more reason to come back to Lubbock because we've got to have this comparison of Texas beef, and I have no doubt that Vernie is going to find the cow and make sure the steak we get here is the best steak around the country that we've seen.

What effect would bans on packer ownership and forward contracting of cattle and mandatory country of origin labelling have on livestock producers?

Mr. SMITH. No. 1, it would just—it would be just government interference in free trade. I don't see why the government should come in and say who can own cattle and who can't own cattle. And I know we—plus, it hinders cattle producers' ability to forward market their cattle which is an excellent risk management tool. I'd rather have that option available to me than some type of a livestock price insurance that's subsidized by the government. I'd rather be able to make my decisions on how I want to market my cattle and who I want to do business with. But in saying that, I also want there to be, through the Packers and Stockyards Administration, to be of strict enforcement of the antitrust laws and make sure that there's no collusion or price fixing or anything like that. And we are down to four to five major packers right now, and that is a fear that you could have that. But I think with adequate government oversight that should be alleviated.

In regards to country of origin labelling, I see that too is—to me, that's a market program. If Tyson or Cargill want to label their beef that I produce and it's from Texas as compared to Nebraska and that it's—it's that much better, then I'm all for that. To force—for the Congress to force the industry to use country of origin labelling on our imports of cattle from Canada or Mexico and segregate those cattle all throughout the whole production system, you're basically just adding a cost with very little benefit. If there is a benefit, let's let the market decide and let's let the market—let's let the market take advantage of that, including myself.

The CHAIRMAN. We've had this issue of reauthorization of mandatory price reporting law and we've had some conflict between the House Ag Committee and the Senate Ag Committee. It's primarily been whether we do it for 1 year or 5 years. And we've go two census from Iowa who have been firm that that effect ought to be 1 year versus five. So unfortunately we're at loggerheads and we have not been able to get that bill reauthorized, but as you know, we're operating on a voluntary basis right now and I am doing my best to try to figure out some common ground here that we can get this thing done. But how important is mandatory price reporting to the cattle industry?

Mr. SMITH. With more and more trades being made on a formula basis where we're using USDA data that's being published on a weekly basis to market your cattle, and it does help very much that cattle producers use that information to market their cattle the best they can. So it has—it has been important.

The CHAIRMAN. What's your most pressing environmental or conservation concern, and do existing conservation programs help you address them? And any thoughts you have relative to improvements that we might make from a cattle perspective in a conservation programs?

Mr. SMITH. OK. EQIP is an excellent program in a lot of different ways. On a rangeland perspective, it helps us with our brush management, it helps us with water development and properly grazing our rangeland. It helps us recover from the wild fires that we had in the Texas Panhandle. And then from a feed yard perspective or for a dairy perspective, it helps producers be able to build lagoons or sprinkler systems so they can comply with environmental regulations. So EQIP has been a very, very good program and I've been very active in several different EQIP contracts. The Conservation Security Program is also very good.

What I like about it is that unlike a lot of these programs in the past, and this at some point to me was a criticism of when EQIP first came out, is that you got—the worse your rangeland condition was, the higher your score was, or the worse—in other words, if you did—or the worse your brush problem was, the higher your score was and therefore, it penalized good producers and it made—gave poor producers at an unfair advantage when it was applying for EQIP funds. So that's one thing I like about CSP, is it does reward good environmental stewardship. And my family's ranch is in a CSP contract and it has been very good. And I'm proud to say that I'm in it because we've earned it, I feel, through good stewardship.

Some of the old programs basically were rewarded, inefficient producers or in bad stewardship to some degree. Granted their goal was to try to get them from becoming bad stewards to convert them over to being much better stewards of the land.

The CHAIRMAN. Mr. Broumley, we had your DFA folks in Washington this week. I visited with a number of them, my long-time, good friend Gary Hamblin and other executives and directors were in town, and I was very pleased to have a chance to visit with them.

The reported aggregate measure report the dairy is 4.5 billion. And although current WTO negotiations are suspended, if the United States' latest proposal was accepted, the U.S. would be restricted to 7.6 billion in the Amber box.

These reductions will require proportional cuts in all commodities, including dairy. How do you envision dairy adjusting to a scenario of paying your fair share of the reduction in the Amber box?

Mr. BROUMLEY. I'm going to have to get back with you on that. I'm sorry.

The CHAIRMAN. Currently only dairy producer cooperatives have the ability to forward contract with their members. Does forward contracting provide producers with an additional risk management tool to manage price and income volatility in the marketplace, and should this option remain available only to dairy producer cooperatives, or should processors and non cooperative dairy producers also be able to utilize this risk management tool?

Mr. BROUMLEY. As of now, I haven't used that risk management tool. I—and there are others around this country that have. And to my knowledge, those that have utilized this tool, there's been more losses in the situations than there has been gains. Understand that a lot of people are using that to set a bottom on their prices so that they're not—so they are protected on the bottom side. And I have not used that tool today as far as it being able to be used by others in the industry. At this point in time I'd like to see it remain as is.

The CHAIRMAN. OK. Mr. Battle, I've been to Tunica, Mississippi, and I'm glad to know that there are catfish raised there, because just like beef, I'm a big consumer of fried catfish. That's a great southern tradition as you know, and you guys do a great job. But what I didn't know, as I say, is that you grew catfish in Tunica because when I was there, we were playing golf and attending a little facility down the road probably from your catfish farm that probably keeps your catfish awake at night because of all the lights of the casino and all the noise that's made there, and I would much rather made a deposit eating catfish than the deposit I left at the casino that night. What types of consumer marketing strategies have the

Catfish Farmers of America been able to develop to promote U.S. farm-raised catfish as a superior product of the alternatives that you discussed in your testimony?

Mr. BATTLE. Well, the alternatives are not really catfish, is our problem. We can compete with anybody, but a "basa" and a "tra," how many times have you gone to the store to buy "basa"? If they'll label their product what it is, we don't have a problem competing. We spend about $25 million a year that comes off of a feed checkoff to promote U.S. farm-raised catfish. But when they come in here and put it in a box that looks like farm-raised catfish and can raise it for nothing because of labor costs and several other reasons, we can't compete with that. If they don't cheat, we can compete.

The CHAIRMAN. I'll have to admit I didn't know what "basa" and "tra" was. In fact, in looking over these questions I got my staff up here, and I said "What in the world is that? Is that right?"

But we're in the midst of final negotiations now with the Vietnamese on a bilateral trade agreement, and I'm assuming that the Catfish Association has been apprised of what's in there relative to country of origin labelling or whatever. Are you familiar with that enough to know as to whether or not your association is satisfied with the terms of that agreement, and are we putting the right kind of restrictions on them?

Mr. BATTLE. We're putting the right restrictions and everything, if it applies and if it's enforced, is going in the right direction. But enforcement and circumvention is our major concern. They are—the Vietnamese sending their fish to Cambodia now to be processed can circumvent the avenues and the tariffs, and they call it "Grouper," they call it whatever they want to get it into the United States, and it's hard to compete with people that are not honest.

The CHAIRMAN. So irrespective of what we've got in the agreement there, do you think there are current laws in place right now to prevent that mislabeling is just a matter of enforcement rather than requirement?

Mr. BATTLE. Inspection and enforcement.

The CHAIRMAN. Yeah. Is all of that USDA or is FDA involved in that also?

Mr. BATTLE. FDA, USDA, USDC, to some extent, and there have been some arrests and some seizures made, but

I'm not sure by who.

The CHAIRMAN. Randy, Mike, any comments?

Mr. CONAWAY. No.

Mr. NEUGEBAUER. Dale, I wanted to just—as I've travelled the last month of August really through the entire district and, you know, looked at row crop conditions and then the grazing conditions and as we begin to try to formulate some kind of appropriate response to that, kind of assess for me the—where the cattle industry needs—where the needs are for assistance and what form of assistance does that need to be in? Because, you know, we've gotten some rains recently in parts of the district, so that may help our wheat crop. But we did have those fires. We hurt a lot—we had a lot of grass, grazing, burned up that we weren't probably able to utilize this summer on top of that. So as we look at the appropriate response, can you kind of give me a feeling of where you think that response needs to be and what form it needs to be in?

Mr. SMITH. OK. The response that we had on the country that was burned up by the wild fires that we had in

March that burned over a million acres in the Texas Panhandle, we entered into an EQIP contract. The NRCS was very nimble, especially for a government agency, and they had extra funds and they rolled it into a—they paid $5 an acre to defer grazing from May 15th to October 15th on year one on the effected rangeland and then for May 15th—or for the first part of the growing season for the year two, and that was a very large help. And it helped, one, alleviate, or at least helped some on the financial cost of having, you know, an entire ranch burn up, and then it—but it also helped in an environmental standpoint that it was an incentive to—it paid you on a per acre basis, but you had to remove the cattle so they're not sitting there nubbing down that grass when it needs to be rested and allowed time to recover. So it had two different benefits. It helped in the financial hardships, but also helped on the environmental side, for the rangeland health side. So I thought it was very good.

Mr. NEUGEBAUER. Did the emergency grazing and some of that CRP, did that accrue some——

Mr. SMITH. That did help. Yeah, it kind of gave you a place, especially in the extreme fires—I'm glad you mentioned that. When the fires were so bad, you just didn't have any options, I mean, besides buying hay, which is very inefficient to just sit there and feed hay to cows while they're in a dry lot. So it helped producers go to that CRP, I give them some time to make—either find some outside pasture or make some marketing decisions. They weren't forced to sell at the, you know, next county sale. It helped.

The CHAIRMAN. Gentleman, thank you all very much. Again, as I've said to all the other panelists, I can't tell you how much I appreciate you taking time from what I know is a very busy schedule to come here today and to give us very valuable information. As we move forward with ultimately developing the policy and writing the farm bill, we certainly look forward to continuing the dialog with you and making sure that your views are well represented in this next farm bill. So thank you very much.

I want to again thank all of our witnesses for being here today and assure them that their interests, their thoughts on the next farm bill are very important to all of us as we move forward in both the House and the Senate relative to writing the next farm bill.

And I would like to again remind anyone who is interested in submitting a written statement for the record that you may do so for up to five business days following this hearing. Our Web site again is agriculture—let me see, have I got that right? It's www.agriculture.senate.gov for additional details on how you submit that statement for the record. And I've introduced several of our staff members here today. I want to make sure that you know who these other folks are. First of all, my staff director, and I would say she is the first female chief of staff of the Senate Agriculture Committee, but she does one heck of a job. She's been with me off and on for my 12 years in Congress, and that's Martha Scott Poindexter. Raise your hand, Martha Scott.

We also have from the democratic staff, Adella Romas. Adella, we're pleased that you're here. And also Betsy Coker who has been have a very valuable member of our staff. And the reason I'd like for you all to know these staff members is that we are a U.S. Senate committee, we're not a Georgia committee or a Texas committee. And any time you have a question regarding ag policy, we want you to know that you can not only call your Member of Congress or your Senator, but certainly you have the right to contact the Senate Ag Committee at any time. And when you call them, these are the folks that you're likely to be talking to. So if you have any questions relative to policy, just feel free to call on us at any time because that is what we're for.

So I think all of you witnesses. I thank all of you folks for coming out to listen to us today, and we look forward to continuing to dialog with you also as we move forward in writing this farm bill. With that, our hearing will be concluded.

[Whereupon the hearing was adjourned.]

APPENDIX

SEPTEMBER 8, 2006

WRITTEN STATEMENT OF BILL BATTLE

PRESIDENT, CATFISH FARMERS OF AMERICA

BEFORE THE

UNITED STATES SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE

FARM BILL FIELD HEARING
LUBBOCK, TEXAS

SEPTEMBER 8, 2006

Chairman Chambliss, Ranking Member Harkin, and Members of the Committee:

My name is Bill Battle. I am currently President of the Catfish Farmers of America (CFA), a trade association that represents catfish farmers across the nation. My father was a pioneer in our industry, having built one of the earliest catfish ponds in Mississippi, in 1969. I grew up along with the industry, staring to work alongside my father when I was just 12 years old. I have witnessed some remarkable changes over the years.

Thank you for the opportunity to testify before the Committee regarding our industry's concerns and our thoughts on the 2007 Farm Bill and the role that the U.S. Government should play in trade policy that affects the seafood industry.

Background of U.S. Catfish Industry

The U.S. catfish industry is a true American success story. Twenty years ago, catfish was still considered a regional product, with limited demand and name recognition outside of Mississippi, Alabama, Arkansas, and Louisiana. Over the last two decades, U.S. catfish farmers have literally built an industry pond by pond, making catfish farming the largest aquaculture industry in the United States with farms comprising approximately 156,000 water acres of ponds. At the same time, through the considerable commitment of time and resources, catfish farmers and processors developed a significant national market for domestically farm-raised catfish. These efforts have been extremely successful as farm-raised catfish now has name recognition and a vastly expanded market. Catfish is the fifth most popular seafood in the United States today.

The largest cost components of catfish farming are feed expenditures and the capital needed to build and maintain the farm. Farm-raised catfish are fed a diet of high protein feed made primarily from corn and soybeans. This feed floats on the surface, and the catfish swim to the top to eat. They are not bottom feeders like their wild cousins. It takes between one and a half to two and a half years to grow a catfish from a fingerling to food size. Normally, farmers will add fingerlings each year so that there will be a constant supply of food-size fish to harvest throughout the year.

The catfish industry accounts for a significant share of the economic output and jobs in the local catfish farming and processing areas, which primarily consist of the Delta region along both sides of the Mississippi River and the region near the Alabama/Mississippi border. Approximately 13,000 workers, including many family farmers, derive their livelihood from the production and processing of farm-raised catfish. When also considering the jobs created by feed mills, equipment suppliers, fish harvesters and haulers, and other vendors, it becomes readily apparent how the production of U.S. farm-raised catfish is a vitally important component of the economic health in these regions.

Another critical aspect of this industry is the interdependence between the U.S. catfish farmers and processors. There are more than 30 catfish processors, most of whom are wholly or partially owned by farmers. These processors were created for the purpose of processing high-quality catfish products, in particular, frozen catfish fillets. They rely on U.S. farmers to provide them with live food-size catfish because they cannot turn elsewhere for supply. In turn, each catfish farmer depends on one or more of the processors to move their fish to market because there is no other outlet for the fish. If processors cannot sell their products, farmers cannot sell their fish. And, when processors receive less money for their processed catfish products, farmers receive lower pond bank prices for their live fish. As a result, healthy, competitive processors are essential for the catfish farming industry.

Impact of Vietnamese Imports

Things began to change in the catfish industry when Vietnam began exporting frozen fish fillets to the United States. The Vietnamese fish, commonly known as "basa" or "tra," is a different species from U.S. farm-raised catfish, but is similar in appearance, texture, and flavor to U.S. catfish when filleted and fried. As a result, Vietnamese basa and tra fillets compete directly with U.S. catfish in the same market.

There was little consumer awareness of basa and tra when they first began entering the United States. Normally, it takes unknown seafood much time to develop a market. However, the exporters, importers, and resellers, targeted Vietnamese frozen basa and tra fillets at the U.S. catfish market and were able to establish a foothold in the U.S. market by marketing and labeling their products as "catfish." In fact, the Vietnamese fish was being sold in a way clearly designed to confuse the buyer through the use of names and symbols suggesting that the species was the same as U.S. farm-raised catfish.

As of 1998, total imports of frozen basa and tra fillets from Vietnam were approximately 2 million pounds. By bootstrapping their product into the U.S. catfish industry's successful marketing program, the Vietnamese exporters and seafood importers were able to take a significant share of the US market and drive down the prices of processed catfish and the price available to farmers. By specifically marketing their product as cheaper substitutes for U.S. farm-raised catfish fillets, total imports from Vietnam increased dramatically to 19 million pounds in 2000, 30 million pounds in 2001, and 46 million pounds in 2002. As the total imports increased, the prices per pound significantly decreased to levels that were below the production costs of our very efficient farmers and processors. Consequently, imports took a large share of the U.S. market for frozen catfish fillets.

Congress enacted legislation requiring that the different Vietnamese species of fish be labeled properly so as to avoid confusion with domestic catfish. Labeling laws, however, could not redress the flood of unfairly priced basa and tra imports, which continued to compete vigorously with and substitute for U.S. catfish even when properly labeled. The innovative industry that had been built over two decades was literally being destroyed, which had a devastating impact on domestic catfish farmers and processors and the thousands of workers whose livelihoods depend on this important industry.

In particular, the Vietnamese imports eroded the frozen fish fillet prices paid to catfish processors, which in turn caused pond bank prices paid to farmers for live catfish to fall from 70 cents per pound in 2000 to as low as 50 cents per pound in 2002. At those depressed prices, which had been the lowest in 20 years, catfish farming became unsustainable to such an extent that the entire catfish industry fell on the brink of collapse. As a result, sales volume and revenues dropped significantly, while inventory levels increased.

As the U.S. industry rapidly lost market share to Vietnamese imports, many farmers began operating at losses and several were on the verge of bankruptcy. Some were forced out of business while others simply quit. Those farmers who fought to stay in business had to cut back on operations by reducing their overall pond acreage and stocks, curtailing expansion efforts, and laying off or cutting the salaries of their workers. Because the processors could not compete with the low-priced imports, however, they could not purchase as much live fish from the farmers. This meant that the remaining farmers had to keep fish in the ponds longer, which increased feed costs as well as mortality rates. Some farmers responded by feeding their fish less in order to reduce costs, but lower feeding rates meant that the fish yielded less meat. These reduced efficiencies and production yields further damaged the industry.

Imposition of Antidumping Duties

On June 28, 2002, the CFA and several individual processors filed an antidumping duty petition with and the Department of Commerce and the International Trade Commission demonstrating that the catfish industry was being injured by unfairly priced imports of certain frozen fish fillets from Vietnam. After a long investigation, the Department of Commerce concluded that Vietnamese exporters had been unfairly selling their frozen fish fillets in the U.S. market at prices that were 44 to 64 percent below their fair market value. The International Trade Commission also confirmed that unfairly traded Vietnamese imports had caused material injury to the U.S. industry. As a result, antidumping duties were imposed against imports of frozen basa and tra fillets from Vietnam in August 2003.

The antidumping duty order should have provided relief to the industry. However, since its imposition, Vietnamese exporters and importers have engaged in various practices designed to avoid the payment of antidumping duties. For example, Commerce recently determined that circumvention of the order had occurred through an arrangement in which live basa and tra from

Vietnam was marginally processed in Cambodia and then shipped to the United States as a product of Cambodia. Commerce confirmed these products were actually Vietnamese in origin and are subject to antidumping duties.

Furthermore, Vietnamese exporters began unlawfully exporting their basa and tra fillets to the United States fraudulently labeled as other species of fish – for example, as "grouper," "channa," "sole," or "pike." They have done this so that U.S. Customs will not know that the product is subject to an antidumping order and to evade the payment of antidumping duties upon entry into the United States. The mislabeling is rampant: millions of pounds of basa and tra fillets are being shipped to the United States improperly labeled. A recent study by the *St. Petersburg Times* published on August 8th found through genetic testing that half of the "grouper" appearing on restaurant menus in Florida were actually other species of imported fish, including Vietnamese basa.

This practice has been so extensive that several federal agencies have taken action, including the Commerce Department, the Department of the Interior, U.S. Customs and Border Protection, and the Food and Drug Administration. U.S. Customs and the FDA have identified some of this mislabeled fish and seized it, and federal criminal indictments have been brought recently in the U.S. District Court for the Northern District of Florida, some of which have already resulted in the entering of guilty pleas. However, the practice continues to be a serious problem. In fact, since the issuance of the indictments against a number of Vietnamese exporters, the Vietnamese Government has indicated that nine Vietnamese companies in addition to those named in the indictment have been falsely labeling their seafood exports.

The catfish industry applauds the efforts to date and hopes that the U.S. Government will continue to aggressively ensure the proper labeling of imported seafood.

Health Concerns with Vietnamese Fish

There are other serious issues with Vietnamese fish imports. Imported basa and tra fillets that compete with U.S. catfish are routinely found to contain banned and dangerous substances. Among the banned additives that have been found through testing are malachite green (a strong industrial dye and known carcinogen) and fluoroquinolones, a strong family of antibiotics that include Cipro used to treat anthrax. Unnecessary ingestion of these drugs will cause consumers to build-up a resistance to these critical drugs.

Moreover, there is evidence that some Vietnamese fish farms fall far below U.S. standards governing quality of water, feed, and other inputs in the growing and processing of fish. The U.S. catfish industry's standards are demanding. U.S. catfish farmers, for instance, may only use chemicals in fish ponds that are approved for use in drinking water.

American consumers of seafood have a right to know what they are eating. When they eat basa and tra containing banned chemicals, or basa and tra misidentified as other species of fish, they are unwittingly being defrauded and, even worse, exposing themselves and their families to serious health risks.

Free Trade Must be Fair Trade

The U.S. catfish industry supports free trade, and we have supported establishing permanent normal trade relations with Vietnam. We believe that having Vietnam subject to the same rules as many other exporting countries will be a step in the right direction. Enforcement of WTO rules and processes and more stringent testing by the federal government of imported seafood from Vietnam will help protect American consumers by ensuring them the choice of healthful, high quality and properly identified seafood products. At the same time, it will provide a more level playing field for U.S. catfish producers.

We look forward to the day when fully informed American consumers can reliably chose which products they prefer to eat.

Concluding Remarks

In the past few years, the state of the U.S. industry has been improving, with pond bank prices recently reaching 80 cents per pound. However, this is not enough because higher prices of fuel and other inputs continue to cut into our profit margins. We must continue to address the unfair trade, mislabeling practices, and other issues that have hindered our industry's ability to grow. On behalf of the U.S. catfish industry, I respectfully request this Committee to take all appropriate steps in the 2007 Farm Bill to ensure that our aquaculture industry is afforded the full benefits of the trade laws.

Once again, thank you for this opportunity.

STATEMENT
by
Rickey Bearden
Plains, Texas
before the
Senate Committee on Agriculture, Nutrition & Forestry
Hearing in Lubbock, Texas
September 8, 2006

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

My name is Rickey Bearden. I am a Board member of the National Cotton Council and also serve as Chairman of Plains Cotton Growers. I live and farm in Plains, Texas. I have farmed since 1975 and I am the third generation of my family to farm in Yoakum County. My operation consists of a total of 6,000 acres – 2,000 acres irrigated and 4,000 acres dryland. I grow cotton, peanuts, milo, wheat and black-eyed peas. My income is completely dependant on the success of my farm operation.

As you may know, Texas is the largest cotton state, both in terms of acreage and production. In both 2004 and 2005, favorable weather allowed us to average a record 8 million bales each year on just under 6 million acres. And 5 million of the state's 8 million bales were produced here in the Texas High Plains. Unfortunately, the same will not hold true for 2006. Persistent drought conditions have taken their toll on this year's crop. It is estimated that fully one-third of the state's cotton acres will be abandoned, and production will be only half of last year's level. The Senate's previous attempt to meet the needs created by 2005's physical disasters is greatly appreciated but must be expanded to include producers caught in this year's disaster losses as well.

There is no doubt that farming is both difficult and risky. But farming is essential – essential to our economy and essential to our security. We are now faced with a devastating drought at the same time that our energy costs are at record levels. The financial safety net provided by our farm policy has never been more critical and must be preserved.

During my testimony, I will frequently refer to the success of our current farm law. The current program has proven to be a dependable safety net and is not, contrary to popular belief, a guarantee of profit. It is not insignificant that for the past six years no farm organization has called for major modification of current law nor has Congress approved major changes.

The current farm law has and continues to provide a stable and effective national farm policy for our country. The combination of direct and counter-cyclical payments provide an effective means of income support, especially when prices are low, without distorting planting decisions. The primary shortcoming of the 1996 law was the lack of a counter-cyclical payment that triggered when prices are low. As a consequence, farmers were forced to request emergency assistance from Congress year after year. This has been alleviated by the counter-cyclical program provision in current law. The direct payment mechanism helps provide financial stability required by our lenders and suppliers without distorting production decisions.

It is important to maintain a balance between these two mechanisms. Higher direct payments can have unintended impacts. They can provide an incentive for landlords to take their lands out of producers' hands. Higher direct payments can also create unexpected problems with payment limits, which are currently established separately for each program benefit.

It is also important to consider that sudden, significant program changes can have different regional impacts due to historical differences in cropping patterns and yields.

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

It is also especially important that all production remain eligible for the marketing loan so farmers can make informed, orderly marketing decisions. For cotton producers who experience dramatic swings in yield from one year to the next, it is critical that all production be eligible for the marketing loan. In farming, the years of good yields help producers sustain their operations through the bad years. Arbitrary limits undermine the ability to do that.

It is also important to continue to administer the marketing loan in a manner that minimizes forfeitures and allows U.S. commodities to be competitive in domestic and international markets. For example, an ineffective price discovery mechanism or arbitrary limits on loan eligibility signal our competitors that the United States will be competitive on a portion but not all of our production. This is an open invitation for foreign competitors to increase production, even in the absence of, or in spite of, market price signals -- and would return U.S. farmers to being residual suppliers.

The cotton loan structure and world price calculation have served the industry well. There have been minimal forfeitures and robust exports, but some modification may be necessary to respond to the new emphasis on export markets and the termination of Step 2. Simplification of the loan rate schedule and modification of the calculation of a world price should be reviewed as part of any new farm law. We also support elimination of the longstanding prohibition on USDA projecting cotton prices for the purposes of administering the program.

Pima producers support continuation of a loan program with a competitiveness provision to ensure U.S. extra-long staple cotton, also known as Pima cotton, remains competitive in international markets. The balance between the upland and pima programs is important to ensure that acreage is planted in response to market signals and not program benefits.

A sound farm policy is of little value to the cotton industry, including most producers in this area, as well as merchants, cooperatives and processors, if arbitrary, unworkable limitations are placed on benefits. Current law requires USDA to determine if individuals meet certain eligibility requirements and there are statutory limitations on each category of benefits. Unfortunately, these limits have been dictated by public perception, not the requirements of efficient, internationally competitive farming operations. Because there is continuous pressure on USDA to streamline and downsize, it is reasonable to question the cost and efficiency of USDA administering and farmers complying with complicated limitations provisions. Frankly, we believe limitations should be eliminated but at the very least any limitations in future law should not be more restrictive or disruptive than those in current law.

We are deeply disturbed by continual claims that 80 percent of all program benefits go to fewer than 20 percent of the producers and that only the so-called program crops receive direct benefits from farm law. These comments are misleading and serve to divide rather than inspire cooperation. First, it's important to remember that program benefits do not just come as direct payments. Virtually every commodity receives some type of support, whether through direct income payments, price support programs or barriers to import. For example, for some commodities, the U.S. imposes higher tariffs on imports during times when domestic supplies are the most plentiful. In addition, some commodities receive support through government purchases of the product or by mandating use of the product. Favorable tax laws also are used to provide support for certain products but the benefits are not directly attributed to individual farmers. It also should be recognized that our current farm programs provide very real benefits to the livestock sector. Livestock interests benefit because our current farm programs facilitate preservation of a reliable, safe and affordable supply of feedstuffs such as corn, soybean meal and cottonseed.

It is also misleading to compare payments going to the number of farmers. With the natural consolidation of agriculture, it is inevitable that the majority of program benefits will go to the farmers who account for the majority of production. However, it is also true that per-pound or per-bushel support is consistent across producers regardless of size. Plus, payments to producers represent just a fraction of the costs and risks incurred to enable farmers to produce. This is especially true in the current environment of increasing fuel and energy costs. Today's program benefits are an important safety net and not a windfall. Support levels have remained at essentially the same level for the past twenty years while costs have steadily increased. This has pressured margins lower and forced operations to get larger to capitalize on economies of scale. Limiting program benefits unfairly penalizes the commercial-sized family farm operations that are the backbone of our local rural economies. Farm programs are important to our rural communities since much of the support filters through to local machinery and input suppliers. Mr. Chairman, we can not place further financial stress on these operations with unworkable limits. To do so only threatens farming's future and discourages the next generation from entering production agriculture.

Although cotton fiber is our primary product, cottonseed and its products account for 12 percent of the value of the crop at the farm gate. Cottonseed processing facilities provide important markets for our seed, add economic value and create employment. The increasing emphasis on renewable fuels can have varying impact on cottonseed markets. Growth in biodiesel increases demand for vegetable oils, thus increasing the value of cottonseed. Also, the production and ginning of cotton produces cellulosic product that is suitable for the production of renewable fuels. Our members are also closely watching the expansion in ethanol production. Interestingly, as ethanol production increases, one of the by-products – dried distillers' grain – has depressed the value of cottonseed and meal in feed markets. This is clearly an unintended consequence of policies and programs designed to stimulate production of renewable fuels, and also an example of unforeseen impacts due to dramatic policy changes.

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

Access to an affordable crop insurance program also is an important tool for most farmers. However, given the continued inequities of coverage and service in different regions and for different crops it is probably time for another thorough evaluation of the cost and benefits associated with the multi-peril crop insurance program and to investigate if the support currently provided through multi-peril crop insurance and *ad hoc* disaster programs to assist growers could be more effectively delivered in other ways. This type of review is especially important as the concept of a whole-farm, revenue insurance program is gaining attention as a way to devise a WTO-consistent farm program. While we welcome the discussion, I cannot tell you that a majority of cotton farmers will embrace crop insurance as a major component of future farm policy without a great deal more information. In fact, there are those who would support establishment of a permanent disaster assistance program in lieu of funding crop insurance programs.

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

The U.S. cotton industry understands the value and benefits of effective promotion. In addition to being original and continuous participants in FMD and MAP, growers finance a very successful promotion program through a self-assessment (check-off) program. In large part, and as a result of effective promotion, the average U.S. consumer purchases 38 pounds of cotton textile and apparel products each year. In the rest of the world, consumption is less than six pounds per person per year. Promotion works! It is important that the authority for farmers to operate self-help, self-financed promotion programs be continued.

Although the U.S. retail market for textiles and apparel has been steadily growing, the U.S. textile industry has not enjoyed the same growth. In fact, our textile industry has gone the opposite direction, with U.S. mill use being cut in half over the past 10 years. Cotton farmers are deeply concerned about the loss of our manufacturing customer base, which is due to continually increasing imports of cotton textiles. We will continue to work with U.S. textile manufacturers to ensure that there are policies in place that promote and reward fair competition. We also are committed to continue supplying the top quality fiber necessary for U.S. manufacturers to produce internationally competitive textile and apparel products. The loss of the Step 2 program had an adverse impact on our domestic manufacturers given their fragile financial conditions. The remaining manufacturers have indicated strong interest in making revisions to our Step 3 import policy and in developing a possible WTO compliant alternative to Step 2.

The rapid decline in raw cotton consumption by domestic mills has created challenges for all cotton farmers who must identify new export markets to replace domestic consumption lost to imported products. The market has placed new and added pressure on our infrastructure including surface transportation and port facilities. We are working with the industry and with USDA and Congress as appropriate to meet those challenges. In addition, the dependence on export markets adds greater volatility to U.S. cotton demand and increases the influence of international forces on the prices we receive. As producers face increased risk and uncertainty, it places an even importance on maintaining an solid farm program.

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

Frankly, most cotton farmers and a majority of the industry would be satisfied with an extension of current law. An extension provides a level of certainty to growers and those providing financing to the growers. It also puts the U.S. in the strongest negotiating position for when the WTO negotiations resume. We also know, however, that maintaining existing policy will face hurdles, both domestically and internationally.

Regarding the Doha negotiations, I commend you and our negotiators for continuing to demand an ambitious result in the Doha negotiations and refusing to allow unwarranted pressure or deadlines to undermine the U.S. position. It may take longer than anticipated to bring the Doha Round to a successful conclusion, but the determination of the U.S. negotiating team is a positive sign for U.S. agriculture and for the world's agricultural producers.

We also appreciate your steadfast support for **cotton** throughout the WTO negotiations and your opposition to inequitable treatment for cotton. We remain concerned about the continued efforts by certain countries calling for additional concessions for cotton. It is important that we continue to point out that the accusations leveled against the U.S. cotton program are unfounded. Numerous studies have shown that U.S. farm programs have only minimal impacts on world cotton prices. U.S. cotton area and production have not trended higher, and the U.S. share of the world market remains stable. While U.S. retail demand for cotton has grown, the same can not be said for cotton demand in other parts of the world. In addition, rapid increases in world synthetic fiber production continue to pressure cotton prices.

Efforts to single out cotton were originally focused on upland cotton, which is more comparable to the varieties of cotton grown in West Africa. However, the draft modalities developed in June by WTO staff defined cotton to include both upland and extra long staple varieties. It is important to note that the United States maintains different programs for upland cotton and extra long staple cotton, and that West African cotton does not compete with extra long staple varieties.

Mr. Chairman, you and other members of this Committee have clearly stated that your support for the ambitious U.S. proposal made in October 2005 would be realized only if our trading partners match the ambition of the United States. A Doha Agreement that cuts U.S. amber box support by 60%, targets U.S. cotton for inequitable cuts, provides little or no real market access gains for agriculture in general, and exempts China, the biggest cotton user in the world, from liberalizing its cotton quota system will not find a warm reception here. These inequitable demands by our international partners will not work for U.S. agriculture. Resuming the negotiations would be a futile exercise if other countries are not prepared to match the U.S. level of ambition.

Finally, we agree with the assessment that no deal is better than a bad deal. We would be far better off constructing a new farm bill under current WTO rules than we would accepting an agreement with rigid, inflexible, poorly defined limits that contains no real gains in market access. Mr. Chairman, we would rather have a $19.1 billion amber box ceiling and current rules, than a $7.6 billion ceiling and worse rules. We also appreciate the fact that the next farm bill will be written by this committee along with the House agriculture committee.

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

Again, thank you for the opportunity to testify today. I would be pleased to respond to your questions at the appropriate time.

SENATE COMMITTEE ON AGRICULTURE, NUTRITION & FORESTRY
FIELD HEARING ON THE 2007 FARM BILL
TEXAS TECH UNIVERSITY, LUBBOCK, TX
TESTIMONY BY MIKE BERGER, DIRECTOR OF THE WILDLIFE DIVISION
TEXAS PARKS AND WILDLIFE DEPARTMENT
SEPTEMBER 8, 2006

Good morning Mr. Chairman and Committee Members:

It is an honor and a privilege to come before you today. I am Mike Berger, Director of Wildlife for Texas Parks and Wildlife Department (TPWD). I was invited to testify before you today about 2002 Farm Bill programs and the opportunities we see to improve those programs for our constituents through the 2007 Farm Bill. Let me start by thanking Chairman Chambliss and Senator Harkin for their long-standing interest in and support for fish and wildlife conservation and for the role that the state fish and wildlife agencies play in that endeavor. We look forward to continuing to work with you as the next Farm Bill moves through the legislative process.

I come before you today representing the Great State of Texas well as the position of the Association of Fish and Wildlife Agencies (Association), of which all 50 state fish and wildlife agencies are members. The Association represents all of North America's fish and wildlife agencies - promoting sound management and conservation, speaking with a unified voice on important fish and wildlife issues. The Association represents its state fish and wildlife agency members on Capitol Hill and before the administration on key conservation and management policies and works to ensure that all fish and wildlife entities work cooperatively on the most important issues.

Texas Parks and Wildlife Department has identified 3 key areas for improving the Conservation Title of the next Farm Bill that would greatly benefit our farmers, ranchers, and private landowners as well as the fish, wildlife, and habitat that we manage for all generations of Texans. Incorporation of local guidance, improved program integration, and expanded delivery would better serve our constituents.

Habitat Technical Teams should be established in each state. These teams would be made up of state and federal conservation agencies and NGOs, and USDA agency employees. The teams purpose would be to provide state-level guidance and expertise on fish & wildlife habitat restoration, creation, and management for all Farm Bill conservation programs administered by FSA and NRCS. This cooperative conservation effort would improve integration of Farm Bill programs into existing state and regional fish and wildlife conservation plans while addressing multiple resource concerns and increasing the efficiency and effectiveness of technical assistance delivery by both state and federal resource agencies.

TPWD supports strengthening the Sodbuster and Swampbuster provisions in the Farm Bill to prevent the conversion of more fish and wildlife habitat to cropland. Additionally, conservation compliance must be better enforced to be effective and to deliver expected societal benefits from conservation programs.

Conservation Reserve Program (CRP)
CRP's positive impact on both urban and rural economies needs to be acknowledged. A lot has been said about CRP's potential negative economic impact, but studies show that loss of existing CRP may actually hurt county economies. A 1992 NRCS study, "Economic Evaluation of the Conservation Reserve Program in the Southern High Plains of Texas," found that the average age of program participants was 62, only half still had farming equipment, and the main reason that they enrolled in CRP was that it had become economically infeasible to continue to farm highly erodible land. Ninety percent of all wind erosion occurs west of the Mississippi River and 60 percent of all wind erosion in the U.S. occurs in the Great Plains. Wind erosion rates in the Lubbock area have dropped from an average of 37 tons/acre/yr

before CRP to 2 tons/acre/yr after establishment of this program. This reduction in soil erosion has far-reaching air quality benefits for society as a whole. Without CRP, air, water and soil quality and associated human activities would be negatively impacted in the dust bowl region of the Great Plains.

Wildlife must be afforded truly coequal resource consideration by balancing the Environmental Benefits Index (EBI) scoring system so that it provides equal weight to soil, water and wildlife issues, and factors in the combination of both wind and water erosion. TPWD supports the Association's suggested modifications submitted to FSA regarding the current EBI scoring system. Additional improvements should be considered in the next Farm Bill such as the creation of a regional EBI that better incorporates and fairly balances landscape differences, areas of ecological significance, and state and regional conservation priorities.

The Continuous CRP (CCRP) and Wetland Reserve Program (WRP) should be decoupled from CRP county acreage caps. CCRP and WRP target environmentally sensitive acres and are generally small acreage projects. In Texas environmentally sensitive playa wetlands are often plowed to maintain base acres under the current commodities system. Being located in capped counties prevents their enrollment in WRP or Conservation Practice 23A – Wetland Restoration, Nonfloodplain. Such an enrollment would allow the restoration of these important recharge zones for the Ogallala Aquifer, the primary water source for urban and agricultural use in western Kansas, Oklahoma and the Texas Panhandle. CCRP could be used more effectively to integrate multiple small wetlands into larger blocks of habitat rather than setting maximum buffer widths. Integrated wetland-upland complexes are more beneficial to wildlife and increase the ease and feasibility to farm for farmers.

TPWD supports the expansion/creation of CRP priority areas for addressing important state and regional conservation initiatives such as longleaf pine in the Southeast, lesser prairie-chickens in the Lower Great Plains, sage grouse in the West, and the new prairie duck wetlands initiative in the upper Midwest.

Conservation Reserve Enhancement Program (CREP)
TPWD supports the continuation of CREP and suggests reducing the current 20 percent state financial match requirement to 10 percent so that cash poor states can also participate in this beneficial program.

Environmental Quality Incentives Program (EQIP)
EQIP's original whole farm resource management system (RMS) approach should be restored. This would help producers install complete management systems that address multiple resources rather than the current practice of installing isolated individual practices (i.e., fences without grazing management systems). Such systems should also integrate local, state and federal resource goals including fish and wildlife, soil, air, and water. This integration could be accomplished through the use of the recommendation from the Habitat Technical Teams mentioned above.

Grassland Reserve Program (GRP)/ WRP
The administration and management of these programs should be simplified by using a single easement deed contract, preferably similar to the current WRP contract, and placing all easement programs under NRCS rather than splitting responsibilities between NRCS and FSA. The GRP should be expanded and contracts should target areas with the highest land fragmentation rates and emphasize conservation and restoration of native habitat.

Wildlife Habitat Incentives Program (WHIP)
Funding for this program should be expanded and Habitat Technical Teams, the State Wildlife Action Plans, and other state and regional conservation strategies utilized in order to strategically implement programs and provide better integration with state and regional fish and wildlife conservation priorities.

Forest Lands Enhancement Program (FLEP)
Funding for the only non-emergency Farm Bill program available to 300,000 non-industrial private forest owners in Texas should be expanded. In the past, this money has been diverted to fire suppression and other operations while the technical resource assistance and conservation needs of non-industrial private landowners' across the country have gone unmet.

America's need for locally produced renewable energy should be done in an environmentally friendly, sustainable, as well as fiscally responsible fashion. There has been a great deal of interest in expanding the current Farm Bill energy title to include biofuels, biomass and additional sources of wind generation. Conscientious planning is needed to ensure cash flow to farmers and conservation of water and habitat for fish and wildlife. Careful selection and management of appropriate lands and crops are critical to implement alternative energy programs that sustain our current food supply, positive agricultural trade balance and continue to make gains in fish and wildlife habitat quality and quantity while improving our water, air and soil. State and federal fish and wildlife agencies, NGO's and producer groups can work at the local, state and regional levels to establish guidelines for Farm Bill funded energy independence that maximizes conservation opportunities while minimizing unintentional adverse environmental and financial effects. This joint effort can be used to pinpoint critical research needs, identify beneficial implementation practices and improve multiple resource benefits from programs funded in the Farm Bill.

Let me now just share a few thoughts on USDA delivery of conservation programs. Partnerships among USDA, State and federal fish and wildlife agencies, conservation NGO's and producer groups should be enhanced in order to expedite planning and delivery of holistic conservation programs that simultaneously address multiple resource objectives. Such partnerships could provide "one-stop shopping" opportunities for farmers, ranchers and forest landowners interested in enrolling in conservation programs.

Creative solutions delivering conservation programs need to be identified in light of the tight budget circumstances. Expanded 2002 Farm Bill funding has created a massive workload at a time when Texas NRCS field staff numbers have been reduced to half the number they were in 1967. Statewide this year, 497 NRCS field staff processed 10,275 Farm Bill applications worth over $123 million. From these applications they developed 5,378 conservation plans worth $72.5 million. Each year these NRCS field staff workloads increase as they continue to work with landowners to implement parts of multiyear contracts and certify compliance. At public meetings landowners have expressed their preference for working with local NRCS staff who they trust to provide high quality, unbiased technical assistance.

TPWD understands that the Technical Service Provider (TSP) program was created to handle this extra workload by allowing private contractors to be paid at a comparable rate to what it would cost for NRCS staff to accomplish the job. Because many of NRCS's actual costs are below TSP's actual costs, TSP's continue to select a small number of profitable practices leaving the majority of the work to NRCS staff.

Opportunities to utilize state fish and wildlife agencies as TSP's in the Farm Bill delivery system need to be expanded. The current system which requires states to shoulder 50 percent of the cost of promoting and delivering federal programs inhibits state fish and wildlife agency participation, especially for states with tight or declining budgets. TPWD recommends replacing the current system with a noncontributory system that would allow states to fully recover their Technical Assistance delivery costs for these federal conservation programs. A cost recovery system would be more equitable in comparison to private TSP contracts. Multiyear technical service provider contracts with state fish and game agencies would provide the fiscal stability to acquire the additional staff needed to cooperatively deliver fish and wildlife technical and professional expertise with USDA.

Thank you for the opportunity to share our perspectives, and I would be pleased to address any questions that you might have.

Testimony of Keith Broumley
Senate Committee on Agriculture, Nutrition, and Forestry Hearing
September 8, 2006
Lubbock, Texas

I'm Keith Broumley, a dairy farmer from Hico, Texas. My wife Dana, our two sons and I operate a family dairy farm that produces over 13 million pounds of milk over the most recent 12 months. We have been in the dairy business for over 25 years. I serve on the board of directors of Dairy Farmers of America, Inc. (DFA) a national milk-marketing cooperative based in Kansas City, Missouri with dairy farmer member owners in 48 states. As a board director, I sit on the Fluid Marketing and Public Policy Committee and serve on the DFA Dairy Educational Political Action Committee. I also serve on the Southwest Area Council of DFA.

I represent my fellow local dairymen on the National Milk Producers Federation, Animal Health Advisory Committee. I am a trustee of the Hico Independent School District. I am a former member of the Texas Association of Dairymen Board and a former voting delegate of Associated Milk Producers Incorporated.

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.

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.

) 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.

) 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.

) 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 Ag 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.

Up until the last several months, the 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% 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 2000 – but if it wasn't around and prices did fall to that level the Broumley farm would face a loss in income of $383,862 on 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. 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 were pleased with the recent Federal Order Hearing Decision dealing with depooling in the Midwestern Orders and with transportation issues in the Southeastern Orders. However we continue to struggle to get USDA's attention directed towards problems with volatile and increasing delivery costs for milk from farms to markets in the Eastern United States. This situation has been helped by the just announced Decisions in the two Southeastern Federal Orders. But the Decision falls short of a complete solution. The transportation hearings directly affect the farms in my area as we supply milk to the Southeast on a

supplemental basis and know first hand the struggles associated with the high and volatile fuel costs. Because the market for dairy products is so varied and diverse it is very difficult to negotiate volatile input price increases. Our buyers – milk processing plants must negotiate price changes with many retailers of varying sizes plus school districts, institutional businesses, wholesalers, distributors and many other types of buyers. It is very difficult to reach agreement with such a wide and diverse customer base.

The Decision announced on September 6 does recognize the dairy industry's difficulty in recovering transport costs for supplemental milk being delivered into the Southeast. But it does not apply the same logic for milk delivered to the market every day from local dairy farmers. The Decision says that USDA will give us its views and rule on our request for an identical type of solution on a future date. If they fail to extend similar market based assistance to local produced milk we may need Congress's help to convince them.

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 for Class III and IV, 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 is now reviewing a comprehensive study from Cornell University containing data on the manufacturing costs that underlie the product formulas used in Orders. We expect to work with the other cooperative members of National Milk Producers Federation to evaluate the study. USDA has requested additional proposals for product formulas be submitted by September 30. If we have any proposals for consideration we will submit them by the deadline.

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. Over the three-**

year period of the CWT program, participating dairy farmers have contributed over $213 million, which to date, was used to remove a total of nearly 3.2 billion pounds of milk from our domestic market.

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% 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.

I want to thank you Chairman Chambliss for cosponsoring Senate Bill S.3681 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 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.

9) **Finally we support Senate Bill 1417 offered by Senator Craig that impose tariff rate quotas on certain casein and milk protein concentrate products. Our current tariff rate quota schedules for dairy products were written before these products were mainstream dairy ingredients. Like all other policy areas this section needs to be reviewed and updated to reflect today's economic realities. Regulatory personnel are dragging their feet on this issue and interest from Congress can help to accomplish the task.**

In closing, Chairman Chambliss I want to thank the Senate Committee on Agriculture, Nutrition, and Forestry 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.

WESTERN PEANUT GROWERS ASSOCIATION, INC.

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Statement Before the

Committee on Agriculture, Nutrition & Forestry

United States Senate

Lubbock, Texas

Field Hearing

"To Discuss Issues Regarding the 2007 Farm Bill"

September 8, 2006

Presented By:

Ted Higginbottom
President
Western Peanut Growers Association
Seminole, Texas

Mr. Chairman and Members of the Committee:

I am Ted Higginbottom and I am here today on behalf of the Western Peanut Growers Association (WPGA), a trade association of peanut growers located in this part of Texas. We hope to be able to come before you in the near future and present an all-industry position on behalf of a coalition called the "United Peanut Alliance." This proposed umbrella alliance will include every segment of the U.S. peanut industry. However, I should make clear that today I am speaking only for the WPGA.

United Peanut Alliance

The concept of a United Peanut Alliance grew out of a farm bill meeting of the peanut industry right here in Lubbock on August 8 that included all sectors of the peanut industry. It is our goal to eventually have all grower areas actively participating in the alliance.

This alliance will be open to every sector of the peanut industry, and I am pleased to report that we already have growers, buying points, shellers, and manufacturers participating in this group. Our intent is to develop an all-industry position on the peanut program for the next farm bill. An alliance will help the industry coordinate information and serve as a forum to help obtain consensus for a common position on U.S. peanut policies and peanut program features where possible.

We Support the Current Peanut Program Law, But Not the Way It Has Been Administered

The peanut program designed by the Senate and House Agriculture Committees in the 2002 farm bill is a very good one, as evidenced by the dramatic increase in the consumption and production of peanuts in the first few years following enactment of this new program. Unfortunately, the U.S. Department of Agriculture has denied the peanut industry a true marketing loan program such as is available to other program commodities. USDA's actions are turning a program that was initially a great success into a failure.

As outlined in the "Petition for Relief from American Peanut Growers to Congress," in which ten peanut grower organizations asked for relief, USDA has administered the repayment rate in such a way to price U.S. peanuts out of the export market. USDA's unwillingness to provide a market-clearing repayment rate has led to a build-up of excessive peanut stocks that now overhang the market. The reason we now have so many peanuts in the pipeline is because USDA refused to give us the marketing loan that we were promised by Congress. To provide the Committee more detail of our concerns, I ask that this petition be made a part of the hearing record.

Our industry supports the concept of the marketing loan peanut program that was contained in the 2002 farm bill. Why shouldn't we? The concept of a marketing loan, first adopted by Congress in the mid-1980's for cotton and rice, and later extended to the other program crops –soybeans, wheat, and feed grains – has proven itself. For all of these commodities, it has allowed the USDA to get out of the costly business of acquiring and storing huge quantities of farm commodities that overhang markets and depress the price of the commodity for farmers. These marketing loan programs have worked because USDA followed the intent of Congress and set the repayment rate on commodity loans at a market-clearing rate. As a result, these commodities have moved into the marketplace rather than sit in storage.

By contrast, the USDA's administration of the loan repayment rate has caused U.S. peanuts to be priced out of the export market. If we look at the other commodities that have a marketing loan program, we can see that peanuts are the only commodity that has large government forfeitures and huge, price-depressing stocks.

USDA Administration of the Peanut Program Has Caused a Train Wreck in 2006

Up until this year, the peanut program has proved to be profitable for peanut farmers and good for the entire industry. The 2002 farm bill allowed the U.S. peanut industry to go from a declining industry that could not compete with imports to a growth industry. Total peanut usage has increased by almost 32% since implementation of the new program in 2002. U.S. peanut production has followed the increased demand, with more peanuts being produced in new areas across the peanut belt.

However, 2006 is proving to be disastrous for peanut growers. For the past few years peanut industry leaders have warned USDA that a train wreck would happen if it did not properly administer the marketing loan program. **This is the year the train wreck finally happened.** The depressed prices caused by the build-up in peanut stocks have forced the market price of peanuts down to about the loan level of $355 per ton. The 2006 acreage reports prove that farmers cannot grow peanuts for this price. Peanut growers have severely reduced plantings in the current crop year. **Nationally, estimated peanut acreage is down 27%, while the reduction of acreage in Texas is down at least 44 percent.**

Need for Congress to Amend the Law to Force the Establishment of a Proper Repayment Rate

Even though the initial transition to the new program went more smoothly than any of us had anticipated, the program is no longer working properly. It is clear that the peanut program will never work as long as USDA is allowed to deny the peanut industry a market-clearing price that gives us a true marketing loan program like other commodities. We believe the operation of the program and the future of the peanut industry can be put back on course only if this Committee intervenes and writes an amendment that mandates the establishment of a market-clearing loan repayment rate.

We know that USDA has claimed in testimony before this Committee on May 2 that it is impossible to determine the world price of peanuts. However, USDA also has admitted that, after hiring a third party contractor to come up with a solution to this problem, it failed to follow the recommendations of this contractor to use shelled stock prices and convert them back to farmer stock prices to determine the national posted price. The excuse given at the hearing was that it would be too costly.

I submit that there is enough understanding of U.S. and world peanut markets available in the peanut industry to design a formula that would produce a market-clearing loan repayment rate. However, this information will only be available if this Committee or the House Agriculture Committee calls together an all-industry task force. Only if the government calls for such a meeting can sectors of the peanut industry avoid having a problem with anti-trust laws. Therefore, we request that this Committee initiate such an effort and use the information gained to write an amendment that will mandate USDA to set the peanut loan repayment rate at a market-clearing level.

Peanut Handling & Storage Cost

We also are concerned about and strongly support extension of the payment of peanut handling and storage costs. Government payment of these costs expires at the beginning of the 2007 peanut crop year, effective August 1, 2007. We appreciate the help that Chairman Chambliss and others have given us on this issue this year.

In contrast to other program commodities, peanuts are a semi-perishable crop requiring adequate storage to maintain their viability as an edible commodity. To protect the producers and allow orderly marketing, storage and handling are necessary. The peanut handling and storage feature has been an important part of the loan program and should be restored for the 2007 crop year and included in the peanut provisions of the next farm bill.

Payment Limitations Should Not Be Changed

One issue that receives a great deal of attention in the national media is payment limitations. I am appalled at how misleading this information is. I appreciate the Committee coming to West Texas, because we are a prime example of an area that would be devastated if some of the payment limitation amendments being considered by Congress are adopted. More restrictive payment limitations would wreck the farm economy of this area.

West Texas farmers can have hope of making a profit only if they can achieve large economies of scale. We have to be extremely efficient in order to pay for our high input costs. A typical peanut and cotton farmer in West Texas may have to own more than one peanut combine that costs around $250,000 each and a cotton stripper that costs around $175,000 each. Large John Deere tractors cost around $150,000 each. Since we must irrigate everything, we must invest in very expensive irrigation equipment and pay escalating fuel costs to operate this equipment. The current crop year has been extremely dry, so it has become even more difficult to pay the higher energy costs that are necessary to run the irrigation equipment.

When the critics of farm programs talk about large farmers getting big payments from the government, they are misled. These funds are used to pay for expensive seed, fertilizer, and fuel as well as tractors and other farm equipment made by U.S. workers. The "large farmers" are often small farmers who became larger in order to survive. I know of many farmers like myself who started with a few hundred acres and were able to grow to a size that allowed us to make a living farming. However, farming is a tough and unforgiving business. I also know of many more farmers who were not as fortunate and were forced to earn their livelihood elsewhere.

I believe that the current farm programs are essential to maintaining the competitiveness of American agriculture. Unwise payment limitations designed to make us a nation of small farmers would seriously undermine the competitiveness of American agriculture and the abundant supply of food and fiber that we provide for the American consumer.

Conclusion

We believe this Committee did a great job in rewriting the peanut program in 2002. As I recall, it was this Committee that added payment of storage and handling to the program when the farm legislation was considered in the Senate. The Committee needs only to make a few changes in order for the program to regain the initial success it enjoyed after 2002. We thank the Committee for conducting this hearing in Lubbock and we look forward to working with you on an improved peanut program that carries out the intent of Congress when the law was rewritten in 2002.

Testimony
by
Dennis Holbrook
On behalf of
Texas Citrus Mutual and Texas Produce Association
Before
Senate Agriculture Committee
Field hearing
Lubbock, Texas
September 8, 2006

Good morning Senator Chambliss and members of this committee. I am Dennis Holbrook, owner of South Texas Organics. I am also the current chairman of Texas Citrus Mutual, a non-profit trade association of citrus growers and allied industries. Today I am representing Texas Citrus Mutual and the Texas Produce Association. For the past two years these two produce associations have been working with other state and regional specialty crop groups, as well as the United Fresh Fruit and Vegetable Association on recommendations for the next Farm Bill. My testimony today will reflect both the priorities of the Texas produce industry and the national industry as well.

Our proposals with respect to the next Farm Bill are based on the growing importance of the specialty crop industry and the need for fair treatment of this sector in the next Farm Bill. U.S. fruit and vegetable production accounts for 30 percent of cash receipts for crops, and with the addition of nursery and greenhouse production the figure is 44 percent. The value added to the Texas economy by the production of fruits, vegetables and tree nuts is approximately $635 million dollars.

On August 23, Secretary Johanns released projections that agricultural exports will reach a record $68 billion in fiscal year 2006. He also estimated that overall exports will break the record again in 2007 at $72 billion. Fresh and processed fruit, vegetables and tree nuts account for 40 percent of the projected horticultural export growth in 2007.

Due to the limited amount of time for oral testimony, I will focus on the basic principles that provide the foundation for our recommendations.

1. The specialty crop industry is a critical and growing part of U.S. agriculture, deserving of full and equal consideration as other agricultural sectors in the Farm Bill.
2. 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 U.S. specialty crop production.
3. Dietary guidelines for 2005 call for a doubling of fruit and vegetable consumption to address issues of obesity and overall health. Strong support for the fruit and vegetable industry in the Farm Bill is going to be necessary to achieve this goal. The food and nutrition goals of our industry involve every American, and I emphasize that includes every elected official in our country.
4. Specialty crops are a major contributor to the growth of exports but we need help to remove trade barriers that threaten to limit the growth of export markets.
5. Specialty crops face threats from pest, diseases, and bioterrorism that can destroy entire crop industries.

As mentioned I am a citrus grower in the Rio Grande Valley of Texas. Texas grows, if I say so myself, the best quality grapefruit anywhere in the world. The very survival of that industry is now threatened by several citrus pests in Florida, Mexico and other areas close to our borders. We are talking particularly about citrus greening, citrus canker and citrus tristeza virus. The latter two diseases can result in the removal of very large numbers of trees to stop the spread of these diseases. Perennial crops like citrus are not profitable until after they are 5 to 6 years of age. Unfortunately some of these citrus diseases require tree extraction to remove the disease from an individual grove, and in some cases, thousands of trees from many groves. Prevention is by far the most economical solution to these diseases.

We are calling on Congress to support an effort by APHIS to prioritize foreign pest threats to domestic production of specialty crops, including bio terrorism. By the way, citrus greening is on the Select Agent list for bio terrorism. When disease exclusion is not successful and eradication is necessary, we urge Congress to make Commodity Credit Corporation funds available to the Secretary of Agriculture, without encumbrances, to conduct the emergency eradication.

The Federal 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 allows children to experience the delicious taste of fruits and vegetables and thereby creating the potential to build lifelong healthy eating habits. We are recommending mandatory funding of $200 million dollars per year or $1 billion over five years for this program, including $100 million to the selected 50 schools per state in the current program and an additional $100 million to be distributed based on the population of each state.

Currently the most discussed thing about the Farm Bill is whether there should be an extension with limited modifications or a brand new Farm Bill. I realize I am in the minority on my point of view in this particular audience today, but the specialty crop industry is opposed to an extension of the Farm Bill. By most accounts the current Farm Bill has worked well in general for the program crops. That is not the case for specialty crops. We do not receive benefits equal to our part of the agricultural economy. As the face of American agriculture has changed and specialty crops have become more important, we believe it is time for our farm policy to match that change. We also believe that by bringing our industry more into the Farm Bill process that we will add support in Congress from more sectors of the society. For example, the food and nutrition provisions we are recommending have very broad support from consumer, health professional and anti-hunger groups.

Because of the WTO ruling on the cotton case, Congress may remove the restrictions on planting flexibility that would have a negative impact nationally on the produce industry, particularly for some vegetable crops. If Congress removes the current restriction then program crop farmers could plant fruits and vegetables on acres on which they receive a direct payment and thereby compete with people in our industry that do not receive such payments. We understand the WTO has ruled that the current restriction is "trade distorting", but as an industry we feel that if this provision is taken away that other assurances be made to maintain a level playing field for specialty crop growers. The bottom line is that prices in our industry are very sensitive to relatively small changes in supply caused by new entrants into the industry. This could have a significant negative impact on the price of certain fruits and vegetables.

Before I close I would like to mention another area of great concern to the Texas and U.S. produce industry. It is the enormous need for labor to harvest and process our agricultural products for the consuming public. The fact is that a large number of undocumented or improperly documented workers are currently providing these services. No one willfully uses undocumented workers but it is difficult for us to know if their documents are fake or real. This spring we saw some limited but serious worker shortages in the Rio Grande Valley. Onion growers in the Winter Garden area of our state experienced very serious worker shortages. Several of these growers were only able to acquire half of their normal labor needs during this past season. It is critical the immigration issue be dealt with before the end of this Congressional session. We are already hearing about workers not only in Texas but throughout the country who are not showing up for work because increased enforcement is creating fear in the worker community. Lack of labor plus reduced product availability equals higher cost to the nation's consumers. Members of this committee: an enforcement-only policy will be devastating to the Texas and U.S. produce industry as well as disrupt the food supply channels of our nation.

In the next several weeks our industry will be sharing the details of our recommendations with this committee and other members of Congress. Thank you for the opportunity to present this testimony before your committee today.

National Association of Conservation Districts

Association of Texas Soil and Water Conservation Districts

Testimony
Of
Barry Mahler
On behalf of the
Association of Texas Soil and Water Conservation Districts
and the
National Association of Conservation Districts
Before the
Senate Agriculture Committee
September 8, 2006

Mr. Chairman, good morning, I am Barry Mahler, President of the Association of Texas Soil and Water Conservation Districts and a farmer from Iowa Park, Texas. I have served as a conservation district director in Wichita County for 25 years. I also serve on the Wichita County FSA committee and as secretary of the board of the Wichita County Farm Bureau.

I own and operate a 1500-acre wheat and cotton farm in the Rolling Plains of Texas and also run stocker cattle on wheat pasture and 400 acres of native and improved grass. My farms all currently operate under a conservation plan and have seen vast improvements over the years from participation in programs such as Environmental Quality Incentive Program (EQIP) and the old Great Plains Conservation program. My home place is a great success story of conservation in Texas. When my father purchased it in 1963, it was in a state of great disrepair with problems of erosion that dated back to the dust bowl that had not been corrected since. Through cooperation with the Soil Conservation Service (now Natural Resources Conservation Service (NRCS)) and a Great Plains conservation contract the farm was brought back to a productive state and has continued to improve in productivity through the years. My testimony today will address farm legislation as a whole with some thoughts as to how we might proceed as an industry, with conservation not as a side line item but a key tool for producers to use to accomplish sustainability, productivity and profitability.

As we look to the development of the 2007 Farm Bill, I think we must look at the successes of the 2002 legislation as well as the areas where we can do better. If we were told that we had an unlimited budget to accomplish our goals the task would be simple. Since we do have to live within a budget, hard decisions will have to be made.

The 2002 Farm Bill was a major move forward for conservation in this country. It offered a balanced group of programs and brought many resources with which to carry them out. The conservation title grew with the 2002 legislation and brought significant funding and technical assistance to landowners all over the United States. This commitment has allowed producers to protect the soil and water that is so vital to their sustainability in the industry and vital to the ability of this country to provide for every citizen into the future. I believe that our successes in conservation, whether they be the programs of the 2002 Farm Bill or programs from the past, they have all been successful due to the involvement of voluntary conservation efforts by conservation districts across this great country. I think the facts will show that conservation districts have been the perfect link between landowner, producer and the U.S. Department of Agriculture (USDA) to accomplish great things in the past and move to new levels in the future. The relationship of conservation districts and the USDA has provided a strong and lasting partnership. The work done by NRCS and conservation districts continues to be a model for the rest of the world of a public-private effort to protect the environment and advance our ability to feed the people of the United States and many more around the world.

I feel it is important to remind all of us that we are coming off of a couple of crop years in which we have had record or near record production of corn and cotton on a shrinking number of acres. The American farmer has accomplished this while reducing soil erosion. Producing more from less acres proves what we have always believed to be true, "Conservation does not cost it pays".

A recent report from the Economic Research Service (ERS) reports that of the 2.3 billion acres in the United States, agricultural land make up 52 percent of the mix. Grassland, pasture and range make up two thirds of the agricultural lands. From 1997 to 2002, cropland decreased by three percent while urban and rural residential increased by 29 percent. The fact our agricultural land is shrinking not growing at a time when our industry is expected to feed, clothe and now provide energy for a world with growing demands. We must take every measure to protect our working lands. We are talking about more than just sustaining a life style for the citizens of this country we are talking about the basic security of our country. I think history will show that more wars have been fought over the ability of a country to feed its people than any other reason other than religious differences.

Saying that we must protect the resources that feed us is an overstatement of the obvious. A body would be hard pressed to find anyone who would disagree with that goal. The question is, how do we accomplish that goal within the restraints of a budget? To answer that, lets take a look at what is working.

For more than 60 years all across the United States, nearly 3000 conservation districts have been helping people to conserve soil, water, trees and, wildlife. The mission of those conservation districts continues to be to coordinate assistance from all available sources, local, state and national to develop locally driven solutions to protect natural resources. The efforts of districts include working with 2.3 million land managers with efforts to touch more than 778 million acres of land. Districts support voluntary, incentive-based programs that provide both financial and technical assistance to guide landowners in the adoption of conservation practices.

The development of new programs and continuation of successful ones from the past is a very important consideration for the Farm Bill for 2007. There is no area of conservation that is more important than technical assistance. Technical assistance is the backbone of the program and offers the engineering and expertise that allows the NRCS to work with districts, landowners and agencies at the local and state level to address resource concerns. Funding for technical assistance allows NRCS and district employs to meet with landowners, see their operation and help with strategies to address individual resource needs.

Producers need quality technical assistance to maximize the effectiveness of the financial assistance they receive. Even outside of the cost share programs provided in the Farm Bill many producers rely on technical help to ensure that they are putting quality practices on the land. Availability of technical assistance is a limiting factor in program delivery and without adequate funding the full benefits of conservation programs and practice adoption cannot be realized.

Instead of taking time to address all of the conservation programs that are available through the Farm Bill, I would like to address some of the programs with which I have worked. The Environmental Quality Incentives Program (EQIP) has been widely successful across the country, and very well received here in Texas. Even with the substantial increase in funding provided by the 2002 Farm Bill, the demand continues to exceed the available dollars. The key component in making EQIP so successful is the locally led working groups ability to set the priorities of the program. In my own district we have seen attendance and participation in the planning meetings continue to grow each year as more and more producers and land owners realize that they do have a say in how the program will be applied in the local area. We have been able to "pick up the slack" in some areas of conservation that we have not been able to concentrate on in prior years. The program is very successful at putting conservation on the ground. As good as EQIP is, it is necessary to have adequate personnel for technical assistance to carry out the projects and see that they are administered in a way to solve problems and maintain effectiveness well into the future. The main components of EQIP after adequate funding is locally led priorities and technical assistance.

The Conservation Reserve Program (CRP) has long been thought of as the main conservation program of the Farm Bill. Even though there is limited participation in my local area in CRP we all reap the benefits. Consider the fact that we are now in a drought cycle that rivals and even surpasses the drought of the dust bowl era and we are not seeing the massive loss of topsoil that plagued the plains. It is dry and the wind blows, however we don't see the neighboring counties blow by. This is due to good conservation practices including but not limited to the Conservation Reserve Program. I realize that the CRP is maturing with many lands due to come out of the program in the next few years. It is always controversial for the government to idle private lands with program payments but the fact is the market continues to tell us that the production from these fragile lands is not needed right now.

Think about the CRP in another way. It is actually a reserve of productivity. A lesson should be learned from the energy crisis that is upon this country now. We should be pleased as a nation to have thousands of acres of productive land ready to be called upon in case of a shortage of food and fiber due to weather, terrorism or just increase in demand. The CRP holds land in reserve that could be brought to production, some in as little as a few months to add security to this nation.

The Wildlife Habitat Incentives Program or WHIP works with landowners through cost share to increase wildlife habitat with priorities on threatened and endangered species. This is a program that has been embraced by mainstream agriculture as well as areas considered "non-traditional, including municipalities and areas in the urban/rural interface. This program broadens the scope of the Farm Bill conservation programs to address increasing pressures on farmers and ranchers from the Endangered Species Act.

The Conservation Security Program or CSP is a provision of the Farm Bill that has a lot of potential if funded to a proper level. The program was slow to develop after the 2002 bill was completed one reason being it was so different from anything we had seen before. The greatest benefit of the program is it addresses landowner's efforts to do an outstanding job of conserving natural resources above and even beyond the Farm Bill. A farmer that receives CSP benefits is operating at the highest level of conservation. However, there are problems. Budget constraints have limited the implementation of the program and it has been limited to a small number of watersheds across the country. It will be hard to find broad-base support for the program, as only a small number of producers have been eligible to participate. Where it has been implemented it has served as an incentive for producers to move to the next level of conservation and in many instances to move from a good conservationist to an outstanding conservationist.

A problem with the program other than limitations from lack of funding has been broad-based rules that have been hard to implement in many areas with special conditions. I would suggest a system much like EQIP and the local working groups. The would allow the locally led process to tailor the specifications to each area. Conservation district directors should take a lead in this effort.

The 2002 Farm Bill was a hallmark for conservation in the United States. It offers a mix of programs and resources to not only protect the productivity of farmers and ranchers today but also to insure our ability to produce into the future. There are ways to make the 2007 Farm Bill an even more effective piece of farm policy.

A discussion on conservation issues also has to include another topic, the financial security of our industry. It is important to note that even with all of the programs and technology that we can gather you can be assured that there will be no conservation in the country without agricultural profits. It is imperative that we address the financial considerations of our industry as we move toward new legislation or an extension of existing legislation.

The concepts of counter cyclical payments and flexibility planting in the 2002 Farm Bill are good ones. It provides a necessary safety net for producers during times of low prices and allows producers to farm for the market. These concepts should also be compatible with World Trade Organization (WTO) ideas to address competition in the world market without market distortion.

The only problem I see in the counter cyclical payment plan is a situation that has occurred here on the rolling plains a couple of times since the 2002 bill was implemented. We have seen a short wheat crop over a wide region of Texas that has been significant enough to cause prices to rise. Under those conditions, we see producers with no crop to sell and market prices high enough to cancel all counter cyclical payments. This brings about a worst-case scenario for the producer. If it is an individual situation this can be covered by federal crop insurance and would not be significant enough to cause the market to respond. If this situation is over a wide area it can affect the market. In these types of cases some sort of revenue assurance concept would better serve the producer. I think that the corn growers are advocating a plan similar to this.

As we get closer to bringing all of the components of the 2007 Farm Bill closer together there will be many ideas to consider. The bottom line is that this bill will be a compromise effort by many factions and budget considerations. It is essential that we look at the 2002 Farm Bill as a good starting point for discussion. With all of the uncertainties of the World Trade Organization talks and economic considerations we would be well served with a Farm Bill that contains many of the core ideas of the 2002 legislation.

Conservation efforts have been well served by the 2002 Farm Bill. We can do better and accomplish more by giving conservation district directors and producers the best tools available to continue to do the remarkable job that they embark on each day.

Thank you for the opportunity to present this statement before your Committee today. I am happy to answer any questions you or the Committee may have.

Testimony for Mr. Dale Murden

Farmer of Sugarcane, cotton, corn, grain, citrus and vegetables

Lubbock, TX

September 8th, 2006

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

Mr. Chairman, and other Members of the Senate Committee on Agriculture, Nutrition, and Forestry, I want to thank you for taking the time to come to Texas to listen and speak to those of us who are producers and truly depend on the Farm Bill to allow us and our families to stay in the business of producing food in the United States.

My family raises sugarcane and my son Ryan wonders what the future holds for agriculture in general. We also produce cotton, grain sorghum, corn, citrus and vegetables.

Being a farmer for 25 years, I have been active in several farm organizations and currently sit on the board of the Rio Grande Valley Sugar Growers, Inc. This is a sugarcane cooperative that's fully owned by the growers.

Why is sugar policy so important to Texas? Simply put, stability.

Farming is kinda like bull riding. It's a lot of fun, but a lot can go wrong. Just like a rider can't control the bucking bull, farmers can't control Mother Nature, or commodity markets, or subsidized foreign competitors.

The U.S. sugar program works even under the most uncontrollable of situations. Look no further than last year. Hurricanes, flooding and drought challenged us like never before. But this country's sugar farmers passed that test, and our no-cost sugar program is one of the main reasons why.

Immediately following Katrina, sugar policy gave the United States Department of Agriculture (USDA) the flexibility it needed to address supply interruptions. Surplus domestic sugar was quickly released from an industry-funded reserve to address short-term supply challenges.

For more long-term issues, the policy helped USDA bring in additional imports. And because U.S. prices are fairer than prices on the world dump market, foreign suppliers put America first. Amazingly, we have more sugar on the U.S. market today than we had before the hurricanes.

For proof of how well the program worked, visit any grocery store. Shoppers didn't face a run up in retail sugar prices last fall because of the stability our policy provided. I wish I could say the same for gas prices.

Other countries aren't so lucky and don't have this kind of control when disaster strikes.

Thailand experienced its worst drought in recent memory last year and went from being one of the world's largest sugar exporters to actually having to ration sugar at home.

Countries that depend on Brazilian sugar are now feeling the squeeze because Brazil is turning half of its sugarcane crop into ethanol in the face of high oil prices. Consumers looking to Australia for supplies are finding shortages there too because Australian cane fields were battered by storms, causing losses on an unprecedented scale.

It doesn't take an economist to figure out that these events have had a dramatic effect on the world sugar market. And it doesn't take a genius to see that America cannot become dependent on such unreliable foreign sugar supplies. This country needs homegrown sugar, and America's sugar farmers need a strong sugar policy.

We are gravely concerned about talks of buying out the U.S. sugar program and converting it to a traditional row crop program. Such talks are illogical and ill informed. In times of tight federal budgets, should Congress really ask the taxpayers to take on the extra burden of converting the current no-cost program to a taxpayer-funded subsidy program? The yearly cost of such a conversion would be in addition to the billions of dollars that a buy-out itself would cost.

We are also looking at the Congressional Budget Office's sugar program score of up to $300 million per year by 2013. We do not know what assumptions they are using but we are skeptical that that amount of sugar would be forfeited to the government. We hope to meet with CBO to discuss the methodology they used to determine those numbers.

Additionally, funding for the new farm bill is going to be tighter than ever. Are other crops going to give up portions of their program funding so that sugar can have an income support? It seems highly unlikely that they would.

Another major concern for us is the ongoing debate over the WTO legality of income support programs. We don't think it is in our interest to consider converting the sugar program to a row crop loan style program, because we fear we could be setting ourselves up for international challenges. The corn, cotton, rice and soybean loan programs may face challenges from other countries as early as next year.

Sugar is not like other crops. We grow cane but we sell sugar. All of the other traditional programs set a loan rate based on the raw bulk commodity. We have to mill our cane to produce raw sugar in order to have a product. Furthermore, that raw sugar has to be refined in order for it to have value for the sugar users.

Also, because many of our growers produce cotton and other row crops in addition to sugar, payment limits would come into effect and make a traditional program unworkable for sugar.

Some have mentioned a different payment limit for sugar or even suggested that sugar could be exempt from limits in this case. Because the payment limits discussion is such a divisive one that trends toward decreasing payments, this does not seem a realistic solution to me.

I also need to point out that the recent tariff rate quota announcement by USDA has many of us concerned because this allows too much sugar to be imported into the U.S. The Department is allowing more sugar into the U.S. than needed and we producers are concerned that this could create considerable market uncertainty and the danger of a disorderly transition to free trade with Mexico in 2008.

The current sugar program is working well. It has kept prices low and stable for grocery shoppers in times of a national emergency. It is not costing America's taxpayers anything. It makes sure that we're not dependent on foreign supplies. And, it helps support thousands of sugar farmers and factory workers across the country.

As Congress looks to re-authorize a new farm bill, we humbly ask that the current program be extended.

Testimony of

L.G. Raun
Producer
El Campo, Texas

On behalf of

The U.S. Rice Industry

Before the

Committee on Agriculture, Nutrition, and Forestry
U.S. Senate

Lubbock, Texas
September 8, 2006

Introduction

Good morning, Chairman Chambliss and Members of the Committee.

I am L.G. Raun, a rice producer from El Campo, Texas.

I serve as Chairman of the Texas Rice Producers Legislative Group and as a board member of the U.S. Rice Producers Association. My testimony today is on behalf of both the U.S. Rice Producers Association and the USA Rice Federation.

Mr. Chairman, we thank you for holding this hearing and for the opportunity to express our views on the farm bill.

The U.S. rice industry supports maintaining an effective farm safety net that includes a marketing loan program, as well as income support payments and planting flexibility.

At this time, rice producers and others in production agriculture face an uncertain farm policy and financial future due to repeated proposals to cut our farm programs and the Doha Round World Trade Organization (WTO) negotiations.

We supported the efforts of U.S. negotiators in Geneva in July to hold firm for greater market access in the Round. Gaining greater, assured market access is a must if rice producers are to see any net trade gains from the Round.

As you probably know, on August 18th USDA announced the presence of trace amounts of genetically engineered (GE) rice mixed with a commercial long grain rice sample in the Southern rice producing states. This was the first occurrence of GE rice in commercial rice supplies and was a surprise to the industry given that there had been no commercial production of GE rice in the U.S. Both USDA Secretary Mike Johanns and Dr. Robert Brackett, Director of Food and Drug Administration's Center for Food Safety and Applied Nutrition, have clearly stated that their analysis of the Liberty Link 601 protein found in long grain rice poses no human health, food or feed safety, or environmental concerns and is safe for consumption.

Unfortunately, in the face of the uncertainty presented by this situation the value of the US rice crop fell an estimated $124 million to $168 million in the next week, based on the 84 cent per hundredweight fall in the rice futures price in Chicago (from $9.83 per hundredweight on August 18 to $8.99 per hundredweight on August 25). This type of unexpected market event is just one more example of the need for a strong safety net for rice producers.

For these and other reasons, the U.S. rice industry supports an extension of the 2002 Farm Act until such time as the World Trade Organization provides a multilateral trade agreement that is approved by the U.S. Congress.

2002 Farm Act Extension

There are a number of key factors that support extending the 2002 Farm Act until a final WTO agreement is in place.

1. Any unilateral reduction of the current programs and spending levels of the farm bill will result in the effect of "unilateral disarmament" by the U.S. and ultimately weaken our negotiating position with other countries.

2. Writing a new farm bill in advance of a final WTO agreement could result in a very short-term bill that must be rewritten should the WTO negotiations be concluded and new trade rules put in place. Multiple farm bill authorizations in a short timeframe will weaken the predictability and stability that are key components of any effective farm safety net. This predictability is a key requirement for the lending community that provides financing for production agriculture. Any changes that inject uncertainty into this safety net will lead to financing difficulties.

3. Our current farm programs are a fiscally responsible approach to farm policy and provide a safety net when needed. As such, Congressional Budget Office estimates of

commodity program (CCC) spending through 2005 reflect savings of $19 billion relative to the levels estimated by CBO when the farm bill was approved in 2002. Total commodity spending for 2002-2007 is projected to be approximately $17.5 billion below the total level estimated in 2002.

Certain WTO decisions ruling against U.S. programs make clear that crafting a WTO compliant Farm Bill is not easy, even when a good faith effort is made over an extended period of time. We believe it would be nearly impossible to write a farm bill to comply with a future WTO agreement while those negotiations are still incomplete.

Senators Jim Talent (R-MO) and Blanche Lincoln (D-AR) and 6 other Senators have introduced a measure in the Senate to extend the current farm bill through the crop year after Congress approves a WTO agreement (S. 2696). We support such legislation that recognizes these realities while still respecting the multilateral trade negotiating process.

Another concern is the timelines for trade-distorting domestic support and tariff reductions in trade agreements. Any timeline for reductions in trade-distorting domestic supports should be concurrent with the timeline for reduction and elimination of tariffs and duties It only makes sense that similar timelines for the phase-in of measurable market access gains and for any reductions in U.S. trade-distorting domestic support should be required in future trade agreements. Otherwise, how will producers manage their operations in the interim after support is reduced and increased market access is not obtained for several years?

To the extent that there is ultimately a successful WTO round that involves a reduction in so called trade distorting support, rice producers strongly believe that the amount of the reduction should be captured and dedicated to providing a more WTO compliant safety net of equal benefit to U.S. agricultural producers. Even in a world with expanded trade opportunities there will always be a need for a safety net in production agriculture. This will be true so long as other countries continue to employ trade barriers against certain commodities, including rice.

Critical Needs of Rice Farming Families

For the typical family farm that produces rice, economic survival is dependent upon several key factors:

- An effective farm program that provides basic support through marketing loan eligibility for all production and income support through counter-cyclical and direct payments;
- The maintenance of eligibility for farm program benefits for rice operations of all sizes; and
- The development and expansion of global markets for crop off-take.

While U.S. rice yields are among the highest in the world, our production cost per acre is significantly higher than that for other grains.

Even with the safety net in place, much higher production costs, in particular for fuel and fertilizer, have reduced and will continue to reduce rice profitability far below levels previously expected.

These higher costs of production had a direct impact on 2005 crop returns and have impacted producers' 2006 crop planting decisions and returns. In fact, USDA reports that U.S. rice plantings this year are down 14% from last year, and are at the lowest levels in 10 years.

In Texas, rice producers face other unique challenges. We have seen our rice acreage decrease this year alone by 26%, to 145,000 acres. This is the lowest acreage Texas has seen in 100 years. At one time, Texas produced as much as 600,000 acres of rice annually. Almost 350,000 acres of rice were produced as recently as 1994.

Part of this acreage reduction has also been due to the unintended consequences of decoupling more of our farm programs from production. In effect, this has resulted in some rice acreage in Texas being idled while landowners collect the direct payment and potentially the counter cyclical payment. While we support the current farm bill and its continuation, we would caution against any further decoupling of payments from production that could lead to a worsening of this situation.

The current programs do not ensure that individual rice farms can make a profit. In the face of rising production costs many farmers—especially those who must rent much of their land—can and do experience significant losses. We estimate over 75% of Texas rice production is by tenant farmers. These losses are occurring despite the current farm programs and the recent improvement in rice market prices off of their historically low levels.

It is important to note that the marketing loan levels were not increased for rice or soybeans in the 2002 Farm Act, while the loan levels for all other major crops were increased. Rice has maintained the same loan rate since 1989.

Regarding the rice marketing loan program, there was an initiative by USDA this year to adjust the loan rates for long and medium/short grain rice just as planting was starting in some parts of the rice belt. While there were several options under consideration, the ultimate effect would have been a reduction in long grain loan rates and an increase in medium/short grain rates.

The industry raised its concern over this proposal and the poor timing of such a change with USDA and Members of Congress. USDA ultimately chose to set rice loan rates by class for the 2006 crop year as they have consistently for the past 18 years. We greatly appreciate the willingness of USDA to work with the industry on this issue, and to forego any changes in the loan rates for the 2006 crop year. This will allow time for further study and analysis of the production and market impacts of such changes in the loan rate, and the industry is currently undertaking such an analysis.

We look forward to continuing to work with USDA on this issue.

Payment Limitation Policies

To be a viable family farm, we must use economies of scale to justify the large capital investment costs associated with farming today. This is especially true for rice farming, which has the highest cost of production of any major grain crop. Payment limits have the negative effect of penalizing viable family farms the most when crop prices are the lowest and support is the most critical.

The U.S. rice industry opposes any further reduction in the payment limit levels provided under the current farm bill. We also oppose any government policies that attempt to "target" payments or apply a means test for agricultural production payments. It is essential that rice producers maintain non-recourse loan program eligibility for all production. Arbitrarily limiting payments results in farm sizes too small to be economically viable, particularly for rice farms.

The Real Facts on Farm Statistics

When the issue of payment limits is brought up, oftentimes opponents of production agriculture attempt to use misleading statistics taken out of context for the purpose of making their argument. Here are some key points that I know you are all probably aware of, but it's important to be reminded of so that we see the real picture of production agriculture.

1) **Statistics skewed by "Rural Residence Farms":** "Rural residence farms" as defined by USDA represent about two-thirds of the 2.1 million "farms" in this country. Excluding these farms where farming is not the primary occupation of the family results in a very different picture about the percentage of "farms" receiving farm program payments. The universe of farms actually producing this nation's food and fiber is much smaller than 2.1 million. In fact, 38% of farms produce 92% of our food and fiber. While producing 92% of our food and fiber these farms receive only 87% of farm program payments. We appreciate the efforts by the chairman and members of this Committee to cut through the rhetoric of those who apparently would like to see reductions in support of rice and other farm families. Thank you for your continuing efforts to focus on the realities of the U.S. food and fiber production system.

2) **Sector-wide "Averages" Hide Unhealthy Subsectors:** Using only averages for the farm sector as a whole when it comes to income data can be misleading about the true condition of various sectors of the agriculture economy. Certain sectors may be squeezed between high costs and low prices while others are experiencing high prices and average costs. Since program crops are being targeted for cuts, when statistics are given on Net Farm Income, program crops should be examined individually and separate from other agricultural sectors (i.e.: livestock, fruits, vegetables, etc.). A healthy farm economy as a whole does not necessarily translate into all sectors of the farm economy being healthy.

Economic Contributions of the U.S. Rice Industry

The regional concentration of rice production makes it an extremely important crop in key producing states. Rice production is an important economic driver in all states and regions where inputs for rice production are manufactured and where rice is grown, milled, and processed for food or other uses.

Rice production ranks in the top 8 most valuable crops produced in each of the six major rice-producing states (Texas, Arkansas, California, Louisiana, Mississippi, and Missouri). In 2004, rice was the eighth most valuable of all crops produced in Texas.

Given the high costs of producing rice compared to most other basic agricultural commodities, the contribution to general economic activity from land devoted to rice production tends to be much higher than for other crops.

High input expenditures for rice production imply significant economic activity for the sectors that supply those inputs in the regions where rice is produced.

Each dollar's worth of rice produced in the United States generates about 90¢ worth of revenue for the industries that supply variable production inputs.

Based on state estimates of production costs and rice acreage planted in 2005, U.S. rice farmers spent nearly $1.7 billion to produce 3.38 million acres of rice, including both variable costs and basic ownership costs associated with rice production.

Even modest adjustments to the levels of current support could create a more significant reduction in rice acreage. These effects would be even more acute when combined with the current spike in fuel, fertilizer, and other energy input costs.

A reduction in rice acreage would reduce the total economic activity in the region where the reduction occurred due to the impact on the processing, transportation, marketing, and input supply sectors. Some of this reduction in economic activity would occur regardless of whether or not an alternative crop is planted, because rice contributes disproportionately to the revenues of various input sectors due to its higher production costs.

It is also important to note that in many regions, including my area of Texas, producers face few viable alternatives to producing rice, so the adverse impact on the agricultural economy is severe when rice acres decline.

Economic Contribution to Key Industries

In addition to the economic activity generated from rice farming, an extensive transportation and processing infrastructure has evolved alongside farm-level rice production. These allied industries are highly dependent on the continued supply of rice to support their economic contribution to the overall economy.

Mills: The U.S. rice milling industry performs the important function of processing rice into forms useful to the food and feed industries. The U.S. Census Bureau estimates that the rice milling industry employs more than 4,000 people, and supports an annual payroll in excess of $135 million.

Ports: At major Gulf ports, for example, rice accounts for about 35% of all food products shipped. At some West Coast ports (Stockton and Sacramento), rice accounts for 27-37% of total outbound shipments. Studies have suggested that each ton of rice handled by major ocean ports generates $50 to the local economy and $75 to the state economy.

Environmental Contributions of the U.S. Rice Industry

Water Quality

Modern rice production is critically dependent on a reliable supply of water to flood fields. However, the use of this water in responsible rice farming actually produces several environmental benefits that simple irrigation of alternative crops cannot match. For instance:

- **Much of rice irrigation water is returned to its original source.** About 25%-35% percent of the water used for irrigating rice is "recycled" back into the environment. Outflow irrigation water is either reused, percolates to groundwater to recharge aquifers, or drains back into rivers, thereby conserving water that could otherwise be lost from future beneficial use.

- **Modern rice cultural practices preserve water quality.** The practices widely adopted by rice farmers are credited with preserving water quality and minimizing ground and surface-water contamination relative to many alternative crops. The flooding of rice fields is itself a powerful means of weed management that decreases the need for herbicide use, and timely planting and rapid establishment of rice plants at the proper spacing also suppresses weeds by eliminating the space and light that weeds need to grow. When pesticides are applied, water retention in the flooded fields helps to biodegrade the remaining chemical substances and minimizes the potential for contamination.

- **Rice production counteracts other threats facing natural wetlands**. For instance, along the Texas Gulf Coast, freshwater inflow is one of the most important factors affecting the health and productivity of the bay system. Here, freshwater from the land combines with salt water from the Gulf of Mexico, producing brackish water that is the key to estuarine productivity. But as greater demand from industry and residential areas decreases freshwater reaching the bays, high saline conditions threaten habitats that support a multitude of species, including redfish, speckled trout and flounder that fuel the state's recreational fishing industry. To help alleviate this problem, rice farmers release thousands of acre-feet of floodwater in preparation for harvesting their first crop. This inflow of freshwater comes in mid-August when demand is highest, making up for the water tied up in municipal use.

Wetlands, Waterfowl, and Wildlife

Rice farming is one of the few commercial enterprises that actually promotes wildlife habitat and improves biological diversity.

Since the very nature of rice production requires that fields be flooded for many months of the year, evidence shows unequivocally that it plays a vital role in supporting common environmental goals, such as protecting freshwater supplies and providing critical habitat for hundreds of migratory bird species.

Rice fields are typically flooded for at least five months a year, during which time they become temporal wetlands with enormous significance to bird populations wintering and breeding in the rice-producing states of Texas, Arkansas, California, Louisiana, Mississippi, and Missouri. Like natural wetlands, these agricultural wetlands are also indispensable to wetland-dependent bird populations.

Without rice farming, wetland habitats in the United States would be vastly reduced. A loss of this magnitude would have a disastrous effect on waterfowl and a host of other wetland-dependent species.

Rice production areas in Texas correspond with the bird migration corridor known as the Central Flyway, providing important habitat to hundreds of bird species that rely on these artificial wetlands during their migratory journey. According to the Texas Ornithological Society, Texas is home to nearly 650 different bird species, more than half of which can be found in the Texas Rice Belt.

The clear and positive benefits that commercial rice production has for migratory birds and other wildlife species contribute not only to a more interesting and diverse landscape, but also provide economic benefits that support local economies and create jobs.

By providing an environment favorable to wildlife advancement, rice production clearly generates positive benefits to the economy and society.

As commercial development and urban sprawl continue to pressure existing agricultural and wetland resources, rice farming provides an environmental counterweight in the form of "surrogate" wetlands that directly support waterfowl and a wide range of species that would otherwise be even more threatened by habitat destruction. These widely noted environmental benefits accrue not only to current and future generations of wildlife enthusiasts, but also produce economic benefits that support recreational industries and, ultimately, local economies.

Taking rice acreage out of production in favor of other crops would eliminate the environmental benefits of wetland creation and habitat protection. Farmers are good stewards of the land and operate in an environmentally sensitive manner. With regard to rice production, the clear and undisputed benefits of it rank the commodity among the top of all agricultural systems in terms of a positive environmental impact.

Trade Policy Impacts on the U.S. Rice Industry

The U.S. market for imported rice is virtually an open-border market, with U.S. tariffs on rice imports almost non-existent. The U.S. rice industry supports the elimination of all rice duties in other importing countries, and equitable tariff treatment for all types of rice.

Despite the general continuing trend towards market liberalization, rice outside the United States has remained among the most protected agricultural commodities. The level of government intervention in the international rice market through trade barriers, producer supports, and state control of trade, is substantially higher than for any other grains or oilseeds. High tariff and non-tariff barriers, such as discriminating import tariffs on U.S. paddy and milled rice exports, also are used.

These are major factors contributing to price volatility in the international rice market and a fundamental reason why the U.S. industry needs the stabilizing influence of current Federal rice programs.

Because the U.S. rice industry exports between 40 and 50 percent of annual rice production, access to foreign markets is fundamental to the health of our industry. We believe that multilateral negotiations through the WTO are a way to bring down trade barriers worldwide. However, the Doha Round negotiations are also about agricultural domestic supports. If an agreement is ultimately reached, the U.S. proposal tabled in late 2005 would substantially reduce the allowable levels of Amber Box support. It will also substantially reduce the potential for providing support through the Blue Box. Therefore it will be necessary for a Doha Round agreement to foster an open market that provides for the opportunity of a substantial increase in the world price of rice. Only such enhanced market opportunities can begin to make up for the price and income support we will be losing. In addition, we are concerned about the number of countries that will declare rice a sensitive product to block or delay rice imports.

Merely shifting support to the Green Box in the form of conservation payments will likely not work for commodity support. Currently, 63% of U.S. conservation funding goes to operators whose primary occupation is not in agriculture. Conservation support is mostly cost share funding and not price or income support.

With the Doha Round currently suspended, the overall effect of any final agreement on our industry will depend on the overall package that may emerge. We recognize the difficulty in reaching an agreement with 149 countries in the Doha Round that will be beneficial for the US rice industry. Given these factors, Free Trade Agreements on a bilateral or regional basis may be as important an avenue to increase market access for rice.

The United States' share of world rice exports has averaged between about 10% and 13% over the last 10 years, down from a peak of about 30% as recently as 1975.

This decline in world export share reflects increased supplies from traditional exporters like Thailand and Vietnam, among other factors. U.S. sales are also constrained by market access barriers in high-income Asian countries like Japan, Korea, and Taiwan, and the European Union and Latin American countries.

Remember the type of governments we are dealing with when signing trade agreements. We must realize that, unfortunately, they are not always reliable. The U.S. really has limited recourse against a country that fails to follow through on its trade commitments. The EU withdrew a trade concession on brown rice in 2004. It took six to nine months to resolve and they imposed a higher tariff than originally agreed to. Mexico has imposed anti-dumping tariffs on milled rice imports from the U.S., contrary to WTO rules, and is playing the review system as a way to continue these tariffs. Time is of utmost importance when controlling grain inventories. If a surplus arises due to a country's refusal to open its market as agreed to, then our prices start to fall due to over supply.

The recent discovery of trace amounts of GE rice has also raised trade concerns. Even with the strong and continued assurances of our government regarding the complete safety of our rice, concerns have been raised by key importing countries, particularly the European Union (EU), which has put in place a strict requirement for testing of imports of U.S. long grain rice to certify it is free of Liberty Link 601 genetically engineered rice. The EU represents a 300,000 metric ton market annually worth over $100 million. USDA and USTR continue to work on our behalf to help ensure we maintain access to this and other key markets. Given there are no safety concerns with this GE rice and that the Liberty Link protein has been approved in several other crops (corn, soybeans, canola, cotton) in a dozen or more countries also speaks to its safety and level of acceptance. We urge your Committee's support and assistance in working with USDA, USTR and our trading partners to ensure rice exports do not suffer.

We continue to work with USDA as it undertakes its investigation into how the GE rice became mixed with commercial long grain rice. We are also in discussions with Bayer CropScience, the developer and owner of the Liberty Link technology, to help determine the best avenue to address this situation.

U.S. Trade Sanctions Unfairly Impact the Rice Industry

In addition to the distorted international markets faced by the U.S. rice industry, U.S. policies intended to punish foreign nations or encourage regime change disproportionately harm U.S. rice producers.

Unilaterally imposed U.S. trade sanctions have played a key role in destabilizing the U.S. rice industry and in constraining its long-term market potential. U.S. sanctions have and continue to place downward pressure on market prices to U.S. producers.

Trade sanctions have caused disproportionate harm to rice among U.S. commodity groups. At various times within the past four decades, our number one export markets were closed because of unilaterally imposed U.S. trade sanctions policy:

Cuba: Prior to 1962 Cuba was the largest market for U.S. value-added rice, but since then this important market has been largely closed to U.S. exporters. As a result, China, Vietnam and Thailand have emerged to become major suppliers of the roughly 500,000 metric tons of rice that Cuba imports annually. Recent efforts to ease restrictions on U.S. sales of food and medicine to Cuba under the Trade Sanctions Reform and Export Enhancement Act of 2000 have allowed the United States to regain a share of this market, with U.S. rice exports to Cuba reaching nearly 177,000 metric tons in 2004, valued at more than $64 million. However, even these important gains are threatened by restrictive regulations imposed by the U.S. Treasury Department that have resulted in the volume of rice exports to Cuba declining by 25% in 2005. The United States has a considerable freight cost advantage over other exporters, which suggests that the further easing of the restrictions that remain in place could provide substantial opportunities for much larger rice exports to Cuba.

Iran: Similarly, in the 1970's the U.S. rice industry exported on average 300,000 metric tons of value-added rice to Iran. This was the largest U.S. rice export market for value- added rice, and it also was eliminated through the unilateral imposition of U.S. trade sanctions on Iran. But Iran's demand for imported rice continues to grow. In 2004 Iran imported 973,000 metric tons of rice valued at nearly $300 million, mainly supplied by Thailand and Vietnam.

Iraq: In the 1980's, U.S. rice exports to Iraq averaged about 400,000 tons. United Nations sanctions eliminated the market for U.S. producers even while this market grew to nearly 1 million metric tons ($200 million) supplied primarily by Thailand, Vietnam and China through the U.N. Oil for Food program. In 2005, U.S. rice sales to Iraq were resumed with exports of approximately 310,000 metric tons. We appreciate the efforts of our government to reopen this vital market.

The total of these three markets represents more than 2.5 million metric tons of market potential per year that the United States had lost for decades, and that in many cases remains restricted today far below its full potential. This is equivalent to approximately 25% of current U.S. production.

In light of significant market access barriers in many key rice-consuming countries, U.S. rice farmers are denied the opportunity to compete openly and fairly. These further restrictions imposed by our own government interfere with the industry's opportunity to discover a market price structure that could reduce the need for government support.

Conclusion

U.S. farm policy must provide a stabilizing balance to markets and a reliable planning horizon for producers.

We urge you to recognize how well the current Farm Act is working for U.S. agriculture, and to consider ways to maintain its structure as we begin the debate on the next farm bill.

Rice producers:

- contribute a highly-nutritious food product for the nation;
- contribute to the nation's food security;
- contribute to the local, state, and national economies and the nation's balance of trade;
- contribute to conservation efforts and the environment.

Rice producers call on Congress to continue sound, fair agricultural policies in the next farm bill, including those policies in the current farm act that help to provide:

- producers with stability and reliability; and

- consumers with an abundant, affordable, stable, safe, and secure food supply.

Rice producers look forward to working with Congress and the Administration in the development, enactment, and implementation of a sound, equitable farm bill and rice program.

In the interim, however, in light of the need for a strong safety net as part of U.S. farm policy, the U.S. rice industry supports extending the 2002 farm bill until a Doha Round trade agreement is negotiated to completion and approved by Congress.

Thank you, Mr. Chairman, for holding this hearing.

This concludes my testimony.

TEXAS FARM BILL HEARING

Presented to:

Senate Committee
on
Agriculture, Nutrition, and Forestry

September 8, 2006

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Introduction
On behalf of the National Sorghum Producers, I would like to thank the Senate Committee on Agriculture for the opportunity to discuss the farm bill and its impact on the sorghum industry and my farm.

My name is Troy Skarke, and I farm 4700 acres near Claude, Texas. I raise 1300 acres of dry-land sorghum, 1300 of dry-land wheat, and fallow 1300 acres of land each year, and I have 50 cow-calf pairs on our grassland.

This year has been a very trying year in my area of the country. Up to the middle of August, we had 6 inches of rain, fifteen inches below the normal of 21 inches a year. The second week of August, we received 2 inches of rain which germinated the sorghum I had planted earlier in the season. Normally, I can count on sorghum for a crop in the dry years, but not this year.

Regarding the sorghum industry, Ethanol production is the fastest growing value-added market for the sorghum industry. Producers are working to attract ethanol plants to their areas because it can increase the local cash price. Sorghum is a good fit for ethanol production because one bushel of sorghum produces the same amount of ethanol as one bushel of corn.

My written testimony will follow the Titles of the farm bill. However, the sorghum industry is interested in the Energy title and ready for energy production opportunities that are available for agriculture industry. Including sorghum in the Energy title expands the ethanol industry outside the traditional Corn Belt, as one bushel of sorghum produces the same amount of ethanol as one bushel of corn. I ask that this Committee give serious consideration and discussion to this growing segment of the industry. While the commodity title remains the most significant title to most sorghum farmers, the energy title and energy legislation are drawing an increasing amount of attention.

NSP represents U.S. sorghum producers nationwide. Our organization is headquartered in Lubbock, Texas, and our major responsibilities are to increase the profitability of sorghum producers through market development, research, education, and legislative representation.

NSP is committed to work with the Committee and its staff as it works to reauthorize our nation's farm laws. The organization and industry is very supportive of the current farm bill. However, we believe that Congress can clarify rules so that USDA interpretation does not impact producers' ability to use sorghum in a profitable cropping system.

A Brief Description of Sorghum
I would like to give you a brief history of sorghum and outline for you some of the unique opportunities that we have in sorghum. Sorghum originated in Africa and continues to be a staple in the diet of many Africans. Benjamin Franklin first introduced sorghum to the United States in 1725. In the 1850s, the U.S. government began introducing various forage varieties from China and Africa.

This versatile crop is used both in human food systems and, primarily in the United States, as an animal feed. It is currently a non-GMO crop though NSP supports work on moving new technologies into the crop. Industrially, sorghum, like corn, is valued for its starch content. A prime example of this is the ethanol industry, which can use both corn and sorghum interchangeably in ethanol production. Its co-product, distiller's grain, is a valuable and widely accepted feed for both cattle feeders and dairies.

Industry Overview

The U.S. grain sorghum belt is primarily made up of nine states in the Great Plains, although grain sorghum is grown from California to New Jersey. Sorghum is produced in many of the states that you represent. This includes Georgia, Kansas, Nebraska, Mississippi, Missouri, Texas, Louisiana, Arkansas, Colorado, South Dakota, Oklahoma and California. Over the past ten years, grain sorghum has ranged from a high of 13.1 million acres in 1996 to a low of 6.2 million acres planted in 2006. Production from the last 10 years has ranged from 360 million bushels to 795 million bushels, with an approximate value of 1.1 billion dollars annually. In addition, sorghum utilized as silage, hay and grazing represents another 5 million acres of production. The USDA reported that in 2005, 311,000 acres of sorghum were harvested for silage, producing approximately 3.5 million tons of silage.

The U.S. is the world's chief producer and exporter of grain sorghum, and the crop ranks fifth in importance as a U.S. crop behind corn, cotton, soybeans and wheat. Roughly 45% of the crop is exported. Of the 55% of the crop that is not exported, 36% goes into pork, poultry, and cattle feed; 15% goes into ethanol production; 3% goes into industrial use; and 1% goes into the food chain. In fact, sorghum's newest market is the exponentially growing ethanol industry. We saw a 57 percent increase in the last 2 years.

Worldwide, approximately half of total production of grain sorghum is consumed directly as human food. In addition, the U.S. dominates world seed production in sorghum with a billion dollar seed industry focused on 250,000 acres primarily in the Texas Panhandle.

Sorghum is a unique, drought tolerant crop that is a vital component in cropping rotations for many U.S. farmers.

Title 1 -Commodity Programs

We support a commodity title that is based upon direct, loan and counter-cyclical payments. If a WTO agreement requires a change to our farm programs or a new farm bill replaces our current farm legislation, the direct payments and loan rates are most important to my farm safety net. Direct payments are significant since we would receive a payment if we had a crop failure. If WTO or a new farm bill does require the scaling back of domestic support, we would ask that the Committee preserve the equitable relationships in farm program payments and payment rates for feed grains.

In preparation for the reauthorizing of farm laws, there has been a lot of discussion about what a Green Box farm proposal would look like and how it would operate. This task has been more difficult than we anticipated since the program cannot be based on price or production. Because of that fact, we ask that any new programs that may be developed or discussed to replace the current Commodity Title be thoroughly vetted with the agriculture industry after we fully understand any potential WTO agreement.

In addition, Texas sorghum producers would be very, very anxious about switching from our current commodity based farm programs and farm policy to a completely green policy, if that new program would be operated similar to the current administration of the current Conservation Security Program. Our Texas membership is frustrated with the operation of that program in the state. For example, the agency needs to do a better job of including standard practices in qualifications for the CSP program. We have Texas farmers losing significant amounts of their payments because the program was not flexible to meet the management needs of their operations.

Also, if another new policy option, revenue assurance becomes part of serious policy debate, then it will be important for Members of the Agriculture Committee to understand that drought can impact the baseline period for certain regions like mine. Seventy percent of a zero yield is still zero revenue - no matter how high the price. This method of delivering farm benefits may not be "bankable" to many lenders.

Title II - Conservation Policy

First, I would like to talk about some of the comments sorghum producers have been making and have been hearing about the Conversation Security Program. When the program was created, the sorghum industry felt that it was a natural fit for the program. But after a couple years of operation in the state of Texas, we have several members very frustrated with the program.

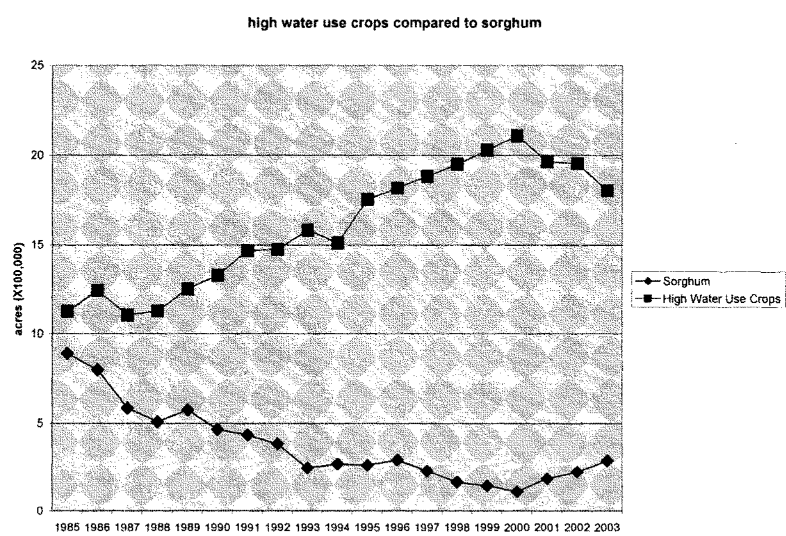
Our members in the Upper plains states feel strongly that serious problems exist with the program. Their first concern is that the Agency started funding the top tier of the programs and focused the programs on what looks like an all or nothing concept. Either farmers were in all tiers or he was not in the program at all. Next, our livestock memberships say that they have numerous more hoops to navigate to be in the program, than they have for the crop side of the program. Finally, the CSP Tiers need to be designed to meet the dynamic management needs of an individual farm and maintain a degree of flexibility to meet the needs of the farm. Our organization feels that a CSP-type program can be an important part of a farm program; however, the rules of the current program and the implementation of the current program are causing a significant amount of frustration among our Texas membership.

NSP applauds the committee for giving serious consideration to the future of water supplies in the semi-arid regions of the Plains, a region highly dependent upon sorghum, by creating the Ground and Surface Water Conservation Program as part of the Environmental Quality Incentive Programs (EQIP). However, more can and must be done to conserve water in the country's semi-arid agricultural producing region. NSP leadership believes that water quantity issues will continue to grow in importance and urgency as non-agricultural uses compete with agricultural uses in the sorghum belt.

Water Use is Increasing

Sorghum is known as a "water-sipping" crop. According to research conducted at the USDA Agricultural Research Service facility in Bushland, Texas, sorghum uses approximately 1/3 less water than either corn or soybeans, and 15% less water than wheat. It is a crop that is adapted to semi-arid agricultural regions; that is, regions that may receive less than 20 inches of rain a year or in higher rainfall areas that have soils with poor water holding capabilities. Corn and soybeans, on the other hand, are primarily grown in areas that receive 30-40 inches of rain a year. Because of its excellent drought tolerance and varied uses, sorghum is a viable option for producers in the Plains states.

Demand for water is increasing in the semi-arid regions of the U.S., especially for non-agricultural uses. NSP is concerned that the demand for water for both agriculture and non-agriculture use could create a climate of tension that is not productive for either group. Since 1985, five million acres of high water-use crops have replaced sorghum acres throughout the country. A prime example of this is Western Kansas, which has had serious drought for the last 5 years. Yet, irrigated acres for high water-use crops continue to increase. As a result, since 1985, Western Kansas has lost 600,000 planted acres of irrigated sorghum. Sorghum producers in Kansas and in other sorghum states believe that this trend needs to be reversed. The following chart shows the decrease in sorghum acres and the increase in higher water-use crops (USDA, NASS 2003 data).



Increasing water demand for agricultural and non-agricultural use is also a global concern. According to the National Water Research Institute (NWRI), 25 percent of the world's population will be facing a severe water shortage by 2025. However, the NRWI says that 50 percent of the increase in demand for water by 2025 can be met by increasing the effectiveness of irrigation and by growing more water-use efficient crops like sorghum. This projection shows that appropriate crop selection and conservation efforts can save water.

Policy Changes

We have some particular concerns that we would like to share with the subcommittee in our efforts to strengthen federal government support for sorghum. Unfortunately, concentrating solely on improving irrigation technologies and increasing efficiencies does not necessarily translate into less water usage. NSP supports conservation programs that encourage planting of appropriate crops based on decisions that are environmentally sustainable and market driven. **Overall, NSP believes that Congress and USDA need to emphasize water quantity, as part of water management, in both current and future conservation programs.**

How Much Water Can be Saved?

A Regional Water Plan prepared for the Texas Panhandle Water Planning Group in Amarillo, Texas, has found that the water savings over 50 years for 524,243 acres spread over 21 counties in the Texas Panhandle would amount to 7,360,000 acre-feet of water if irrigated corn acreage were converted to irrigated sorghum. On average, that's147,200 acre-feet saved per year. An acre-foot of water equals 325,850 gallons, roughly enough to supply two, four-person homes with water for a year. Theoretically, this 50-year water savings would amount to 147,200 acre-feet per year, enough to supply water to 294,400 four-person homes in a year. For reference, the city of Austin, Texas, has 276,842 housing units and a population of 642,994, according to the U.S. Census Bureau.

On a broader geographic basis, the economic impact of converting irrigated corn and soybean acreage in the semi-arid regions to grain sorghum could be astounding. As you can see, encouraging the production of crops that are suited for a given area can save an enormous amount of water.

Current Water Situation

Currently, agriculture uses approximately 95% of the water drawn from the Ogallala Aquifer. Towns and cities within the region have aggressively educated citizens and in some cases implemented new laws that are forcing homeowners and businesses to conserve water. According to NRCS's National Water Management Center (NWMC), water use for irrigation has increased by 125% over the past fifty years. NWMC also found that some aquifers have been permanently damaged because the full recharge of depleted aquifers storage may not be possible where compaction and subsidence has occurred. The sorghum belt remains in a long-term drought, and the water table continues to drop as ground water supplies dwindle. NSP encourages NWMC to proactively consider long-range planning that focuses on ground water, because agricultural and non-agricultural users are critically dependent on water.

Because of these concerns, NSP encourages the subcommittee to promote conservation programs that save water. We have members that tell the organization that they find that they use more total water as they increase the efficiencies of their existing irrigation and add more new irrigation systems. NSP views this as contrary to the goals of a program like the Ground and Surface Water Conservation Program, and contrary to the best interests of producers. We believe that the best way to conserve water is to lower the amount of water used within an agricultural system, not to just improve irrigation delivery technologies.

Improving Current Programs
NSP has encouraged USDA to develop a Ground and Surface Water Conservation Program that includes support for cost share-funds to significantly increase water conservation. NSP believes that EQIP and other conservation programs should be playing an integral part of a system-wide approach that encourages and rewards lower water consumption. For example, the program could encourage producers to change from an irrigated high water use crop that on average uses 30 inches of irrigated water from a center-pivot watering 125 acres, to dry-land sorghum. This would save 3750 acre-inches of water a growing season. An incentive equal to the difference between irrigated land rental rates and dry-land rental rates could entice farmers to make the conversion and help save water.

NSP members are concerned that concentrating solely on the use of efficient irrigation technologies may actually lead to an increase in overall water use. NSP leadership believes that the main priority of conservation programs should be to provide incentives to farmers to recharge ground water by lowering water use. With that in mind, another significant water saving conversion would be the production of less water intensive crops on irrigated land. Using our center-pivot irrigation example previously mentioned, switching from a high use water crop to a water sipping crop saves over 912 acre inches of water a growing season. NSP members believe that an incentive to compensate farmers for changing to a less water intensive crop would result in significant water conservation. NSP urges NRCS to work with the local office and state committees to accurately determine the appropriate payment rate for different regions of the U.S.

Title IX – Energy

Sorghum can, and does, play an important role as a feedstock in the renewable fuels industry. The sorghum industry fully supports the President's call to replace 75% of our imported petroleum products with domestic energy sources, like ethanol, by 2025. The sorghum industry believes that the federal government should provide significant research resources, as stated by the President, to the development of cutting-edge methodology for producing renewable biofuels. These technologies must be both economically competitive and feasible in order to meet the stated goal of reducing our "addiction" to fossil fuel by 2025.

The sorghum industry encourages the Agriculture Committees of both the House and Senate to present bold energy concepts and ideas when it re-authorizes the Energy Title of our nation's farm laws. We believe that the starched-based ethanol industry will play an important role in the renewable fuels industry, even after the cellulosic or biomass technology is perfected.

Background on Sorghum in the Ethanol Industry

Currently, 15% of the grain sorghum crop is used by the ethanol industry to make ethanol, and the number is growing each year. That production provides a source of ethanol and jobs outside of the traditional Corn Belt. Ethanol processing plants routinely mix corn and sorghum together in the production of ethanol. Expanding ethanol production outside of the traditional Corn Belt is a priority for the sorghum industry. Sorghum producers are working to expand their role in the renewable fuels industry.

Biofuels production in the United States has been fairly limited to the use of grain for production of ethanol. Research efforts within the United States have focused on improving efficiencies of the use of grains through optimization of enzyme technologies and feedstock improvements. The USDA and the Department of Energy have been investigating the use of biomass for production of biofuels. That research should translate into any crop that produces high biomass yields.

Sorghum has a unique role in bioenergy since it can and does fit into all three schemes for production of biofuels: grain, sugar-based, and biomass feed stocks. Hybrid grain sorghum is routinely used as a grain feedstock in the U.S., sweet sorghum is used widely as a sugar feedstock in India and China, and the potential to produce high tonnage biomass from sorghum silages is well documented in our forage industry in the U.S.

Starch to Ethanol Production

In the U.S., almost all of the current ethanol production is based on starch conversion, using primarily corn and sorghum grain, to produce ethanol. To the ethanol production process, starch is starch; it does not matter if the starch comes from corn or sorghum. Both starch sources yield identical amounts of ethanol from a bushel, and the distiller's grain has almost identical nutritional value when it is fed to livestock.

Sweet Sorghum Conversion to Ethanol

Most Americans know of sweet sorghum as the type that is used to make syrup or molasses. In addition, it is also used worldwide in the production of ethanol. India and China are producing ethanol from sweet sorghum. DOE is currently supporting a sweet sorghum pilot study in Florida to explore the potential of sweet sorghums as a feedstock for ethanol production.

Under current systems, the sweet sorghum is harvested, and then the stems are crushed and juice extracted at a mill. Some harvesters, though not economically viable at this time, are being developed to extract the juice in one operation and leave the residue in the field to be gathered at a later time. Once the juice is extracted, it is fermented and ethanol is produced. This ethanol is then distilled and dehydrated using the same equipment that is being used in ethanol production from starch sources.

Forage Sorghum's Role in Biomass

Forage sorghums can play a significant role in both cellulosic and lignocellulosic technologies that produce ethanol from biomass. Biomass production is based on utilizing the whole plant (or other organic waste) by breaking down most of the plant's major biological components to produce ethanol. In most cases, tons per acre of convertible biomass would drive the feedstock equation in the conversion to ethanol.

The federal government has been conducting research on the role of switchgrass in biomass production. Switchgrass and sorghum are both from the family Poaceae and probably diverged from each other sometime before the divergence between sorghum and corn. Switchgrass is a perennial plant that can spread by both seed and rhizomes. Though sorghum is thought to be primarily an annual plant, there are related species that are also rhizomatous and perennial. Both plants have open panicles and can be tall and very leafy. Forage sorghums excel in water use efficiency.

Conclusion

You have a big challenge on your hands rewriting our Nation's farm laws and I expect that farm policy in the next five years will look significantly different than it does today because of a potential WTO agreement, efforts to cut the deficient and increased interest in the Energy Title of the farm bill. My industry looks forward to working with you during these efforts. Again, thank you for your interest in sorghum.

Testimony with regard to

Future Agriculture Policy and the 2007 Farm Bill

submitted by

Dale Smith of Amarillo, Texas

Member of

Texas and Southwestern Cattle Raisers Association
Texas Cattle Feeders Association
Panhandle Livestock Association
National Cattlemen's Beef Association

before the

U.S. Senate - Committee on Agriculture

The Honorable Saxby Chambliss, Chairman

September 8, 2006
Lubbock, Texas

Chairman Chambliss, Ranking Member Harkin, and Members of the Committee; thank you for allowing me to appear before you today and provide the Texas cattle industry's perspective on the upcoming 2007 Farm Bill.

My name is Dale Smith, and I am a cow-calf producer, stocker cattle operator, and a cattle feeder from Amarillo, Texas. I am also a member of Texas and Southwestern Cattle Raisers Association, Texas Cattle Feeders Association, Panhandle Livestock Association, and the National Cattleman's Beef Association.

Before I get into the farm bill, I would like to touch on an extremely important issue that is currently affecting many cattlemen. The Southwest is dealing with a drought of historic proportions. Estimated livestock related losses are $1.6 billion in Texas alone and 77 percent of the state's hay production has been lost. Likewise, Oklahoma has an 80 percent poor to very poor range and pasture rating – tying it for the worst conditions in the lower 48 states. This is in addition to the millions of acres and miles of fence destroyed by wildfires that ravaged the region earlier this year. In response, many producers have been forced to scale back their cowherds. If this trend persists, it will have a long-term, negative impact on ranchers, local communities, feedyards, and the economy as it shrinks the cattle industries' contribution to economic output for the foreseeable future. As such, I respectfully ask this committee and Congress to act quickly and pass an agricultural disaster package.

As the nation's largest segment of agriculture, the cattle industry is focused on continuing to work toward agricultural policy that preserves the right of individual choice in the management of land, water, and other resources; provides an opportunity to compete in foreign markets; and does not favor one producer or commodity over another.

As a cattle producer, my livelihood is tied to many other agricultural commodities. Livestock consume three out of every four bushels of the major feed grains harvested in the U.S., and beef cattle account for nearly 30 percent of the consumption. As such, cattlemen support the continuation of reasonable, market-oriented programs for crops, but strongly oppose government supply management programs. It is not in farmers' and ranchers' best interests for the government to implement policy that sets prices; underwrites inefficient production; or manipulates domestic supply, demand, cost, or price.

Likewise, conservation programs and environmental regulations must be based on common sense and sound science. One such program that achieves this is the Environmental Quality Incentive Program or EQIP. Cattle producers across the country participate in this program, but arbitrarily setting numerical caps that render some producers ineligible limits the success of the program. Addressing environmental solutions is not a large versus small issue. All producers have a responsibility to take care of the environment and their land and should have the ability to participate in programs that help establish and attain environmental goals. Accordingly, all producers should be afforded equal access to cost share dollars under programs such as EQIP.

Conservation and environmental programs must also be sufficiently supported to ensure participation. Resources must be allocated to maintain adequate NRCS personnel at the local level that can provide the technical assistance necessary to implement successful rangeland conservation programs. Cattlemen need a dependable and recognized source of technical assistance in order to meet the state's rangeland conservation needs.

We support efforts to increase our nation's renewable fuel supplies; however, I reiterate that livestock consume 3 out of 4 bushels of the major feed grains harvested. Governmental incentives to expand ethanol and other alternative fuel supplies should not function to the detriment of livestock producers.

The cattle industry also supports increasing federal investment in agricultural research. One of our competitive advantages over foreign producers has been quality research and development programs supported by the government and the private sector. It is essential that USDA maintain the scientific expertise to protect producers from the erroneous claims of our opponents – both foreign and domestic. One such recent claim is that manure should be regulated as a hazardous waste. There is neither scientific evidence nor congressional intent to support this ludicrous argument. While this may be outside the scope of the Farm Bill debate, cattle producers would appreciate any efforts by your committee to resolve this potentially disastrous situation.

U.S. cattlemen have been and continue to be strong believers in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our product. We support government programs such as the Market Access Program and the Foreign Market Development Program, which help expand opportunities for U.S. beef, and I urge sustained funding for these long-term market development efforts. Foreign markets are key to the success of most, if not all, segments of production agriculture.

Cattlemen also support Congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef, and I appreciate the Committee's efforts to reopen foreign markets that were closed to U.S. beef after the discovery of BSE. As you are aware, we continue to fight to get our product into several countries. I ask that you continue to support efforts to bring down these artificial trade barriers and ensure that sound science is being followed. I also encourage the Committee to continue its strong and vigilant oversight of the enforcement of any trade pact to which American agriculture is a party.

Lastly, I want to touch on a few issues that should not be addressed in the Farm Bill. I strongly oppose efforts to limit marketing options available to cattle producers. Such proposals limit ownership of cattle, restrict marketing agreements, and place the cattle industry at an unfair, competitive disadvantage with other suppliers of protein both domestically and internationally. Producers must be allowed to take advantage of new marketing opportunities designed to capture a larger share of the consumer food dollar. Having said this, I also support the role of government to ensure a competitive market through strong oversight, including enforcement action against attempts at collusion, anti-trust, and price-fixing. The weaknesses identified in the recent OIG audit of GIPSA should, and can be, quickly resolved by new agency management to improve enforcement of the Packers and Stockyards Act. On another marketing issue, mandatory country of origin labeling should be replaced with a much less expensive market-based, voluntary program.

USDA and producers must also continue working to implement an animal identification and tracking program. Government should manage the premise i.d. data base and the private sector should manage the animal i.d. database with the goal of 48-hour traceback. Hopefully, this issue can be resolved outside the farm bill.

Thank you for the opportunity to share my views with you today.

The United States Senate Agriculture Committee
Farm Bill Field Hearing
Lubbock, Texas
September 8, 2006
Testimony of Jimmy Wedel

Greetings Chairman Chambliss, and Members of the committee. Welcome to Texas. Thank you for holding this hearing today to allow those of us involved in Texas agriculture an opportunity to offer our views on U.S. farm policy.

My farm is located about 70 miles northwest of Lubbock in Bailey County. My main crop is corn but I, like many Texas producers grow multiple crops. I produce cotton, wheat, soybeans, peas, and peanuts.

The 2002 Farm Bill is very popular with farmers. I believe it has lived up to what it was designed to do and what farmers **must have**, a safety net during times of low prices. I support extending the 2002 Farm Bill and its budget baseline. Preserving the budget base line is very important. If it is necessary to re-write the farm bill I hope that many of the basic concepts of the 2002 Farm Bill will be included. The system of direct payments and counter-cyclical payments, combined with the marketing loan, has provided the level of support growers need during times of low prices while saving tax payer's money when prices are adequate. Corn growers worked very hard to ensure farmers were able to update base acres and yields during the 2002 Farm Bill development. Because of this effort farmers were able to update their counter cyclical payment yields and base acres. This was a major improvement but it still left many of our producers stuck with very low direct payment yields. Farm program rules in the 1980s and 90s placed caps on how crop yields could be updated. In my area many producers were forced to continue using non-irrigated county yields for sorghum even though they were growing irrigated corn. Consequently today you see many farms, including one of mine, with direct payment yields of 27 bushels while actual production is well over 200 bushels per acre, about 1/8th of actual. A similar farm right across the road may have a 175 bushel direct payment yield which is substantially better but still far short of actual production. This situation affects corn farmers in many areas of the country but it also affects the producers of other crops too.

There has been a lot of talk about increasing direct payments under a new WTO agreement since these payments can be designated green box. If the direct payment yield is not adjusted then many producers and land owners will be disadvantaged under this plan. Of course the fruit and vegetable planting exclusion issue raised in the Brazilian cotton case will have to be resolved as well.

Another idea that has been advanced is to decouple the marketing loan by making it based on historical production. The marketing loan is the foundation of the farm program safety net providing direct support when prices fall. Many producers are taking advantage of new crop technology to change cropping patterns to adjust to local climatic and economic conditions. For example, producers in my area are adding cotton to their farms but if they lose the marketing loan because they have no base acre or yield history they will be left completely to the extremes of the global market. Other commodities face the same problem in other areas of the country. The marketing loan program should be maintained on actual production, changing to historical production will deprive many producers of the planting flexibility started in the 1996 Farm Bill.

The 2002 Farm Bill (and its predecessors) does not address the significant challenge of rapidly inflating energy prices and other expenses of production. Since 2001 we have seen the cost of irrigation double, the cost of diesel and gasoline triple, and the price of nitrogen fertilizer more than double. The volatility of these markets has made planning and marketing difficult. A terrorist act, war, or hurricane at just the wrong time will be catastrophic. Obtaining even a modest direct payment in the form of disaster legislation to help farmers recoup a small percentage of their increased financial outlay has been impossible. The farm bill or crop insurance should look at the production expense risk associated with modern agriculture. Due to where I live I am not too worried about my home or vehicle being destroyed by a terrorist act but I can lose a life time of work if natural gas were to reach levels where it could not be used during the summer crop production months.

The commodity title has the most affect on the farmer's bottom line but I do not want to imply that I am not interested in the other titles.

Growers need conservation programs that help them to resolve environmental problems on working lands. The livestock sector, my largest customer, also needs conservation programs to help them remain competitive with global competition like Brazil. The EQIP program was expanded in the 2002 Farm Bill and the results have been very positive, not only for agriculture, but for all of society. One direct result from my area is that farmers have been able to implement water saving technology helping producers to maintain production while saving a precious natural resource. Here in Texas the NRCS has sought input from growers and other stakeholders within the local conservation district to determine what conservation practices will provide the most benefit per dollar expended under the EQIP program. This local involvement has led to approval of practices that are solving problems. Prior to this local effort, growers were provided a list of approved practices for a region or even the entire state and if it did not fit their conservation need there was no recourse. This has been a great improvement. The CSP program has been a disappointment in that too few water sheds have been allowed into the program and the rules have made entry into the program very complicated. Some have argued that CSP and similar programs will replace the commodity title as a means of complying with future WTO agreements. Most farmers including myself are very suspicious of this plan because it will not be a program that responds to low prices. Most producers believe that conservation programs will remain to be cost share rather than income producing or supporting.

I believe the Research Title must be structured and funded at levels to ensure the continuation of basic and applied agricultural research. Research, performed by U.S.D.A.'s Agricultural Research Service and land grant institutions like Texas A&M has enabled the United States to have the most efficient farms in the world. We still have problems like drought tolerance and mycotoxins to resolve but also new opportunities for U.S. agriculture. Agriculture has always provided food and fiber but today we know we can also provide renewable fuels and products in an environmentally sound manner. Research has enabled this and only additional research will allow us to continue into the future. With global competition increasing, now is not the time to cut back on research. The 2002 Farm Bill for the first time included an Energy Title. I believe that this title should be expanded to encourage faster development of renewable energy from crops and bio-mass. Often farms and ranches lie within the trade territories of rural electric co-operatives. These co-operatives have done an outstanding job over the years making sure farmsteads and rural residences had electric power. Today these same co-operatives could be providing assistance in developing value added agriculture and renewable energy in rural areas. Some are active supporters, some are complacent about getting involved and even worse, some are impediments to development. Perhaps economic incentives could be added to the Energy or Rural Development titles to encourage the electric co-operatives to be more supportive. Allowing other power companies access to the co-operative's trade territory when the co-operative displays no interest in meeting local needs would also be appropriate.

I also support keeping the Nutrition Title in the Farm Bill to maintain the linkage between agriculture and nutrition; the linkage between rural and urban stakeholders.
I have just touched on the high points of farm policy but I want to switch gears now just a bit from the actual farm bill and its various titles to how U.S.D.A. compiles and reports economic data about farming. This discussion is relevant to our topic this morning because the data is used in ways that undermine support for the farm program, both in the public at large and even among farmers.

Specifically, combining non-farm income with farm income and reporting it all as farm household income distorts the true economic health of U.S. agriculture and its profitability. Many farms, as defined by U.S.D.A., are rural residence farms where the farmer's major source of income is from non-farm sources. Farm household income, as figured by U.S.D.A., recently has been said to be higher than the average city cousin's household income with the implication that therefore, there must be room to cut the farm program budget. Many commercial farmers do not have the ability to take off farm jobs and are totally dependent on their farm's income. Farm income must also allow for return on investment for the large capital outlay farmers have in land and equipment. Another example is that U.S.D.A. considers any entity that sells a minimum of $1,000 of agricultural product a farm. We all know that these are not commercial operations but that distinction is lost on the media and public when someone states that the majority of U.S. farmers do not receive program benefits or the majority of benefits go to the largest operations that need it least. This practice by some, of creating winners and losers, haves and have-nots, is counter productive to producing good agricultural policy for the people of the United States.

We are dependent on the world for our energy; only sound agricultural policy will prevent us from following the same road in food and fiber. Thank you for this opportunity to comment.

National Association of Wheat Growers

Texas Wheat Producers Association
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Tommy Womack, Past-President
National Association of Wheat Growers &
Texas Wheat Producers Association
before the
Senate Agriculture, Nutrition and Forestry Committee
Farm Bill Regional Hearing
Lubbock, TX
September 8, 2006

Mr. Chairman and Members of the Committee, my name is Tommy Womack. I am a wheat farmer from Tulia, Texas, and am a past president of the National Association of Wheat Growers (NAWG) and the Texas Wheat Producers Association (TWPA). I thank you for this opportunity to discuss the Farm Bill, and to share the concerns of wheat growers both in Texas and across the nation.

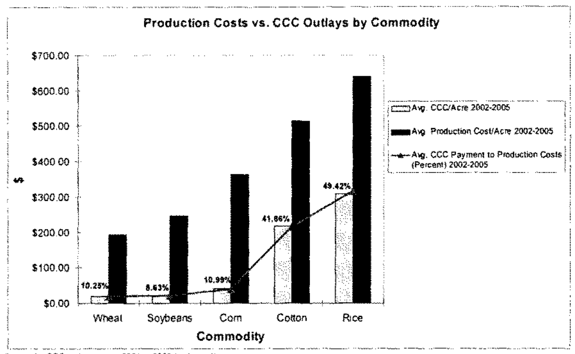
Effective farm legislation is essential, not only for wheat growers, but also for rural economies and American consumers. Farm programs were designed to cushion the boom and bust cycles that are inherent to agricultural production and to ensure a consistently safe, affordable and abundant food supply for the American people.

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

Since 2002, wheat growers have received little or no benefit from two key components of the current bill, the counter cyclical program and loan deficiency payment program, for two main reasons. First, severe weather conditions for several consecutive years in many wheat states have led to significantly lower yields or total failure. The loan program and the LDP are ineffective when you have no crop. Secondly, the target price on the counter cyclical program for wheat was set considerably lower than market conditions indicated, and severe weather conditions in some areas have created a short crop, which has led to higher prices in other areas. As a result, there has been very little support in the form of counter cyclical payments.

As you can see by the chart in my testimony, the support level for wheat compared to other commodities for the 2002 to 2005 (estimated) crop years, even as a percentage of production costs, is relatively low.

	Wheat	Soybean	Corn	Cotton	Rice
AVG CCC/Acre '02-'05E	$19.71	$20.67	$40.68	$216.38	$308.87
AVG Production Costs/acre '02-'05E	$192.64	$245.25	$362.61	$513.81	$638.76
AVG CCC to Production costs (%)	10.25%	8.63%	10.99%	41.68%	49.42%



Source for CCC outlays, years 2001 to 2005 (estimated)
http://www.ers.usda.gov/publications/agoutlook/aotables/2006/03Mar/aotab35.xls
Sources for production costs/acre: http://www.ers.usda.gov/Data/CostsandReturns/testpick.htm

We are not, in any way, suggesting that other crops receive too much support – far from it, they face the same problems our growers face and rely heavily on this safety net. We are simply stating that wheat producers need a viable safety net, too.

There is no doubt that America's farmers would rather depend on the markets than the government for their livelihoods, but the current economic and trade environments do not offer a level playing field in the global marketplace. Many of our trading partners support their farmers at a much higher rate than in the U.S. At the same time, we face continually increasing production and transportation costs. Fuel and fertilizer prices are up an estimated 24 to 27 percent for wheat growers just from last year, according to a recent FAPRI report, and the current disaster situation, including droughts, floods and fires, have been especially troubling for our members.

While we understand that there are likely to be economic impacts from any change in the current program, we believe that wheat growers need an adequate safety net. We are currently examining the impacts - both to farmers and the federal budget - if the safety net for wheat was more in-line with the safety net of other commodities. One option we are currently considering is a proposal to increase the direct payment, and increase the target price to more accurately reflect market conditions. We believe these two programs are the least trade-distorting, and therefore offer the best opportunity to provide support for our members. I expect NAWG's full board will finalize a 2007 Farm Bill proposal soon, and will share that with you when it is complete.

Wheat growers would also like to see conservation programs continue as presently authorized, but with full funding. We would also like to explore opportunities to streamline program sign-up to be less time consuming and more producer friendly. Another area of interest to our members is the pursuit of renewable energy from agricultural sources and support for additional incentives for further research and development of renewable energy initiatives, specifically cellulosic ethanol.

In closing, I would be remiss if I did not express the crop devastation here in Texas. The 2006 Texas wheat crop was the smallest crop harvested in 35 years, and harvested acres were the lowest since

1925. Most producers were unable to run stocker cattle; therefore they lost a large portion of their yearly income. When harvest came, many producers experienced yields of 3 to 5 bushels per acre. In essence, wheat producers lost two major sources of income, while also dealing with record high costs for two of their largest inputs – diesel fuel and natural gas. Today, I would like to express my sincere appreciation to the Senate for its vigilant and unwavering attempts to provide disaster assistance to our drought and fire-ravaged lands. We are truly grateful for your leadership, and we vow to continue our efforts to obtain Emergency Agricultural Disaster Assistance.

Mr. Chairman and Members of the Committee, I must state that we are firmly committed to developing an effective 2007 Farm Bill and welcome the opportunity to work with you to do so.

Thank you for this opportunity. I am ready to answer any questions you may have.

QUESTIONS AND ANSWERS

SEPTEMBER 8, 2006

TEXAS PARKS & WILDLIFE

September 15, 2006

Mr. Robert Sturm, Chief Clerk
U.S. Senate Committee on Agriculture, Nutrition and Forestry
Room 328-A Russell Senate Office Building
Washington, DC 20510-6000

RE: Further Clarification of Committee's Questions to Texas Parks and Wildlife Department (TPWD) from Texas Field Hearing, September 8, 2005, Lubbock, Texas

Dear Mr. Sturm:

TPWD's response to questions from Senator Chambliss are below.

Where should we focus our conservation dollars?

Our current integrated mix of conservation programs deal with a wide range of issues facing American agriculture. Focusing spending on a select few programs upsets this balance and fails to adequately address existing problems. As Senator Chambliss quoted from a recent Lubbock Avalanche Journal article, "Our farm policy accounts for little more than one-half of 1 percent of the U.S. budget but allows American shoppers to spend only 11 percent of their income for food - far less than consumers in any other country."

Instead of reducing funding we should continue to improve the effectiveness of current Farm Bill programs by seeking more efficient ways to make programs work together to maintain and promote conservation of fish and wildlife habitats, soil, air and water quality, and farm income without inadvertently promoting conversion or loss of habitats. State and regional conservation plans and strategies should be used to help identify conservation priorities and to strategically implement programs. Farm Bill programs should be complementary so that those funded in the commodity, forestry, and energy portions of the legislation (including crop insurance) do not counteract programs funded in the conservation portion of the legislation.

What is your position in regard to the reduction in acres of CRP, especially in regard to expansion of the Energy title?

Because CRP is one of the most expensive conservation programs it's a natural target when budget reduction is mentioned. But a recent report by the University of Tennessee's Ag Policy Analysis Center by Dr. Darrell Ray reported that over a projected 2007-2015 study period the elimination of CRP would actually cost the government $32.6 billion in additional farm bill program costs.

Demands for CRP by American landowners has not declined, and the current processes of general CRP sign-ups and continuous sign-ups provides competitive

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enrollment for the most fragile lands while increasing opportunities for nε resource stewardship through buffers. CRP has proven beneficial in the conserva of upland and wetland migratory birds and other species as well as the prevention listing threatened and endangered species. For example if CRP acreage was greatly reduced or eliminated in Kansas, lesser prairie chickens would become a listed species, impacting the way farmers do business throughout the southern Great Plains.

Reducing acres in CRP and shifting them to the Energy Title could have detrimental affects on water quality and fish and wildlife populations that depend on these habitats for survival at a landscape level. Mindful consideration must be given as to the potential unintended consequences of such actions and the possible impacts on fish, wildlife, and their habitats as well as the lands that support them. As a nation, we should have a national energy strategy to meet our energy needs and increase our energy independence, which means utilizing a variety of renewable energy sources including wind, solar, and hydropower as well as fuels made from plant materials to sustain our country's energy independence in the future. Considering the drought disaster this year alone coupled with unpredictable annual precipitation and future climate changes, our nation would be wise to diversify our energy portfolio and not disproportionately weight some renewable fuel sources over others.

We encourage biomass production that provides multiple environmental and financial benefits that includes the wise use of water and forest resources, prevents erosion and incorporates wildlife-friendly practices that sustain plant diversity. If financial incentives for growing biomass are offered, they should be short-term, must encourage the development of the next generation of energy (e.g., cellulosic ethanol) production, and must not be detrimentally competitive with existing market based and conservation programs.

Sincerely,

Michael E. Berger
Director, Wildlife Division

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