

**OPPORTUNITIES FOR GROWTH:
MICHIGAN AND THE 2012 FARM BILL**

FIELD HEARING
BEFORE THE
**COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY**
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

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MAY 31, 2011
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OPPORTUNITIES FOR GROWTH: MICHIGAN AND THE 2012 FARM BILL

Tuesday, May 31, 2011

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY,
East Lansing, MI

The committee met, pursuant to notice, at 9:08 a.m., in the Kellogg Center, Michigan State University, East Lansing, Michigan, Hon. Debbie Stabenow, Chairwoman of the committee, presiding.

Present or submitting a statement: Senators Stabenow and Roberts.

STATEMENT OF HON. DEBBIE STABENOW, U.S. SENATOR FROM THE STATE OF MICHIGAN, CHAIRWOMAN, COM- MITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

Chairwoman STABENOW. Good morning. We are so happy to have all of you with us today for our first official field hearing of the Senate Agriculture, Nutrition, and Forestry Committee. I am particularly pleased to have Senator Pat Roberts, who is my partner, my Ranking Member, and friend, who is here with me, from Kansas. We are doing our first two field hearings, first in Michigan and then in Kansas, and then we will be listening, of course, to folks from across the country. But it was important to me to start here.

As you all know, I have said many, many times, I do not think we have an economy or a middle class unless you make things and grow things, and that is what we do in Michigan. We make things and we grow things and we do, I think, a doggone good job of it. So when we talk about what is important to the farm bill and the fact that I think every page affects us because of the diversity of crops, I think it is really terrific that we are able to start here in Michigan and at Michigan State.

Just last week, we held our first official farm bill hearing in D.C., where we discussed how U.S. farmers and ranchers help to feed the world and the importance of agriculture as part of the global economy. Today in Michigan, where one in four jobs rely on agriculture and where agriculture contributes over \$71 billion to our economy, when we talk about the farm bill, as we all know, it is really a jobs bill.

You know, we had to postpone our hearing back in April due to a looming government shutdown, and even though we were able to keep the government open, we still have a very tight budget to work with and it is going to be critical as we are focusing on larger issues around budgets and deficits that we examine every part of the farm bill, every program, evaluate whether it is working or not.

With the cold, wet spring and planting delays in Michigan, it is more important than ever that the farm bill risk management programs work for our farmers.

Difficult budgets also provide reason and opportunity to simplify and streamline programs so that they work better for the people that are relying on them. We need to stretch every single taxpayer dollar to get the absolute best return on our investment, and that is what we intend to do.

In today's hearing, we will continue the farm bill process with a focus on principles and bottom lines and focus on the folks who actually are using programs and what all of you think—what is working, what is not working, what we can do better, what we should continue to do from the 2008 farm bill. We want to hear about your farms, your communities, our needs across Michigan that should be addressed in the farm bill. And we want your input as to the most effective ways to do it, because that really is what the process of the farm bill and the next several months are all about.

Fundamentally, we write farm bills to help producers in the face of real challenges and to conserve natural resources. We help real people who struggle to put food on the table in difficult economic times. We help rural communities improve their economies and offer good jobs to their citizens. And we help our nation take important steps toward a better energy future.

We have got three great panels today of witnesses. Our first panel features our wonderful hosts, as you know, my alma mater, Michigan State University, founded over 100— yes, let us give a round of applause to Michigan State.

[Applause.]

Chairwoman STABENOW. President Simon, I think you brought your fan base with you today, and I am one of them, so—but founded over 150 years ago as America's first land grant college, MSU's pioneering advances have changed the face of agriculture in our country. It was here that Malcolm Trout first discovered how to link pasteurization and homogenization of milk, which revolutionized the dairy industry. William Beal pioneered the hybridization of corn. And Robert Kedzie organized the forerunner of MSU Extension back in 1876, and I do not think you were there at that time, Pat—

Senator ROBERTS. No.

[Laughter.]

Chairwoman STABENOW. Today, MSU continues that legacy, leading the country in advances in controlling invasive species, fighting plant and animal disease, biotechnology and bio-based manufacturing.

Our second panel is made up of farmers and others involved in agriculture that represent the broad diversity of agriculture in Michigan. We will hear about traditional commodities, specialty crops, the sugar program, dairy and livestock operations. We will also hear about some of the challenges and risks our farmers deal with on a daily basis and how they balance those challenges and risks in their operations.

In our final panel, we will hear about nutrition, rural development, energy, conservation, credit, and forestry, which is also very

important to Michigan's economy, rounding out the most significant titles in the farm bill.

I have to say, Senator Roberts, we are very excited to have you here, and I know you often joke about how the State Tree in Kansas is the telephone pole, but we have got a lot of trees all around Michigan and national forests and great beauty and we are so glad that you are here to be able to hear from key leaders about some of our great natural resources and to meet our wonderful people.

Agriculture in Michigan continues to be one of the bright spots in our economy. Our agricultural sector has grown at a faster rate than the rest of our economy, and as Chair of this committee, I am committed to doing whatever I can to keep that momentum going and to continue supporting the great men and women, the great families of our State who work so hard, day in, day out, to produce a safe and abundant food and fiber supply that powers our nation's economy.

It is now my great pleasure to turn to Senator Pat Roberts for his opening remarks. He indicated a little while ago that he has been through eight farm bills, I understand, and was Chairman during 1995 and 1996 in the House of Representatives of the Agriculture Committee and has a wealth of knowledge and expertise and I am very pleased to have him partnering with me as we go forward in writing the next farm bill. Senator Roberts, welcome to Michigan.

STATEMENT OF HON. PAT ROBERTS, U.S. SENATOR FROM THE STATE OF KANSAS

Senator ROBERTS. Yes, ma'am. Thank you.

[Applause.]

Senator ROBERTS. Good morning and go Green!

[Applause.]

Senator ROBERTS. That sounded pretty good. Let us do it again. Go Green!

[Audience responds.]

Senator ROBERTS. All right. Part of my remarks here, and the appendix I am not going to read to you—it is the playbook of the University of Nebraska—

[Laughter.]

Senator ROBERTS. Dr. Simon, I will just give it to you. It is like everything else. It is "top secret," so I am making it public.

[Laughter.]

Senator ROBERTS. But I got a glimpse of Spartan Stadium. My staff and I were testing my time on the 40. I still have some eligibility left for Kansas State—

[Laughter.]

Senator ROBERTS. —and I got it down to 40 seconds this morning.

[Laughter.]

Senator ROBERTS. But at any rate, thank you so much for bringing the committee to Michigan. This is a tradition of the Senate Agriculture Committee, to go out and have field hearings, and you always get a different perspective than when you have people come into Washington and read their prepared statement, and if you dare ask them to get away from that, they get a little nervous, but

not when you come to Michigan or Kansas, I can assure you, so it is a good thing.

Dr. Simon, thank you so much for hosting this this morning. As I indicated, I do not think that Nebraska will walk onto your field until 2012, but when they do, rest assured, everybody in Kansas will be shouting “Go Green,” as well.

[Laughter.]

Senator ROBERTS. Madam Chairwoman, it is appropriate that our first farm bill hearing takes place at a research institution, and as you have indicated, the first land grant institution. I have said before, we face a great challenge. We have been trying to indicate that to those in the Congress and anybody that will listen, and we had a hearing last week that really concentrated on that, about American agriculture and the global economy, but even more than that, our national security and what agriculture can do as a tool for peace.

Our population is now about six billion—I am talking about our, the world. It is going to go to about 9.3 billion in the next several decades. That is an awful lot of folks to feed, and we are not going to be able to do that unless we have the appropriate research base to give us the technology to enable us to do that, and why on earth would anybody in the Congress of the United States, or for that matter, any one of our numerous critics of production agriculture, why would they pass, or why would they enact spending cuts that would tear at the base of that effort, or for that matter, tax policy, or for that matter, regulatory overkill, which is one of the things that we want to touch on as of today.

The Chairwoman is going to hold a hearing with EPA, or what Chuck Grassley from Iowa says, the End of Production Agriculture Agency—

[Laughter.]

Senator ROBERTS. —but maybe it is not that severe or not. But at any rate, emerging economies are demanding higher-value proteins, grains, and specialty crops, so those prospects are out there. We have to take advantage of that. We must be very aggressive. I am very sad to see that the three trade pacts that we thought that we could pass on a fast track and that have been delayed years are now again in the midst of a political debate, but we will persevere and I hope that we can get that done.

The key factor in doing all this is technology. That starts at universities like Michigan State, Kansas State, the home of the ever-optimistic and Fighting Wildcats, and other institutions where agriculture research is a priority.

And I really want to thank our producers and our witnesses on the second and third panels for joining us today. The three here, we are not allowed to ask them questions. They are at a higher level. But at any rate, it takes time to come here and to testify, to take time out of your valuable schedule, and I really appreciate it and I know the Chairwoman does, as well. It is your perspectives on current agriculture programs and the direction of this next farm bill that are critical to the committee’s work in drafting policies that provide producers in rural America with the tools necessary for success.

And some folks question the need for a farm bill with commodity prices where they are today. I do not have to tell you that prices can fall much more quickly than they rise. We have been through this before and people do not seem to realize the cost inputs and everything else that goes into this.

The worst thing that can happen is happening out in Kansas, and more especially in the Southwest part. We are very dry. I wish you would send some of this rain back, if you possibly could. But here we are with a farmer with— now, this is going to sound to you like a big farmer, but out in our country, it is not particularly that big—maybe 10,000 acres. He had a pretty good crop there, but, bang, we end up with a hailstorm, and then, bang, we get into a drought, one of the worst since the 1930s. We have wheat at over \$8, which is just incredible, and there he is, stuck with no crop. And so that indicates the tremendous value of crop insurance. The Chairwoman and I share that very strong feeling. So it is a paradox of enormous irony that when we have high prices and everybody thinks everything is fine in agriculture, that is fine except if you lose a crop.

So we both believe that without an adequate safety net, many producers will struggle to secure their operating loans and lines of credit to cover input and equipment costs, always rising. We need those producers to stay in business if we are going to meet this global challenge.

Folks, this is not only a challenge for us. It is a moral issue. We started this with Food for Peace in the Eisenhower administration, and if we are going to feed a troubled and hungry world and be able to do that, we must have the base from which we can operate. It is a national security issue. Show me a country that cannot sustain itself in regards to its food supply, I will show you a country that is wavering and having problems and probably getting into a little bit of terrorism, so it is a national security issue, as well.

Unfortunately, our farm programs are not the only policies that affect production. I am looking forward to hearing from today's witnesses about the impact of Federal regulations on their operations. The cost of regulations on an annual basis to American today with existing regulations and some that are now pouring out like a Katrina, it seems to be, in all phases of our economy is now over \$1 trillion. That is incredible. Surely, we can do a better job on a cost-benefit basis, and we hope to get your input.

Our Kansas producers continue to tell me that Federal actions from outside of the Department pose just as great a threat to their ability to feed a troubled and hungry world as anything else. At a time when the future of agriculture production so heavily impacts our national security, why would we do anything from the Federal Government's standpoint to hinder their efforts?

Madam Chairwoman, you have convened a diverse panel representing a wide range of issues under our committee's jurisdiction. I look forward to hearing their testimony, tasting the fruits of their labors—bing cherries—while we are here in Michigan. Thank you so much.

Chairwoman STABENOW. Thank you.

Senator ROBERTS. Thank you all for taking your time to come out. This is a wonderful group. This is a wonderful audience, wonderful turnout. Thank you so much.

Chairwoman STABENOW. Thank you very much, Senator Roberts. Thank you very much.

[Applause.]

Chairwoman STABENOW. We will turn to our excellent hosts this morning, who will bring opening comments, of course, Michigan State University's President, Dr. Lou Anna Simon, Vice President for Research and Graduate Studies, Dr. Ian Gray, and Director of MSU Extension, Dr. Thomas Coon. President Simon, we are so happy to be here. Good morning.

STATEMENT OF LOU ANNA K. SIMON, PRESIDENT, MICHIGAN STATE UNIVERSITY, EAST LANSING, MICHIGAN

Ms. SIMON. Good morning, and we are delighted to have you here, and welcome home. Senator Roberts, this is going to be your second home, particularly if you deliver that playbook in a way that helps us in October.

But it is my distinct pleasure to welcome you to Michigan State University and to pause a moment and to reflect on your title, Chairwoman. It is an extraordinary honor for you, but also for Michigan State University and for the State of Michigan. You have been a tireless advocate for this University, but also for agriculture, from the very beginning of your career, and so this position and this opportunity to have an important role in shaping not simply next week but the future of this country for a very long time, we are so proud of the role that you will play. And Senator Roberts, your record is extraordinary and we could adopt you as a son of Michigan, if that is appropriate.

[Laughter.]

Ms. SIMON. Let me not go through the formal testimony— you have it in front of you—but make about three observations, if I might, and turn it over to my colleagues.

You reflected on the pioneering land grant university, and we are celebrating the Sesquicentennial of the Morrill Act in 2012 and it will be a time in Washington where there will be parties on the Mall and posters and a lot of discussion. But that was an extraordinary time in our history, when the Morrill Act was adopted, in a time of war, a time of great economic stress, and a time when our country needed to chart a future that was simply different than where we had been.

Michigan State University was the prototype, being founded seven years before the Morrill Act as a way of thinking about how we could blend, as Senator Stabenow says, the making and the growing in a way that was not simply about making and growing. It was about economic independence and quality of life and a way in which the research that has occurred at this university could have profound impacts on the people of Michigan and, therefore, the people of the United States. This is a uniquely American institution. It is a bit muddled at times because we try to balance access, being good enough for the proudest and open to the poor, competing in international competition, at the same time being very locally connected.

When John Hannah returned from U.S. AID and a stint in World War II, he understood that this was going to become a global competition, a global society, and that places like Michigan State, with its values, should participate in that global dialogue, establishing the first Dean of International Studies Programs in 1956, well before the issues of internationalization or food were a part of the national security interest that you are talking about today.

So Michigan State University has in its DNA this capacity to be internationally focused and locally relevant and connected, at the same time, trying to open its doors widely, but also expecting the best and to be able to compete with the best, whether it is on the football field or anyplace around the world. That spirit is what animated the Morrill Act and what we should be celebrating in 2012.

Also, the Morrill Act understood that research had to underpin whatever we did, that true democracy was based on the capacity to have people across all walks of life have access to the best information, and that we could be both relevant today, but also forward-looking for tomorrow. So the research agenda for the land grant university had to anticipate tomorrow's problems, not simply address the day-to-day economic issues of difficulties of floods and droughts and all the things that might occur. That balanced portfolio was really important for the growth of America and the growth of Michigan agriculture.

So as you think about the farm bill and its profound impact going forward, it has to have this proactive element so that it can anticipate the problems of tomorrow in this global context that you have described, Senator Roberts, and that Michigan and the United States can play an important role in solving those problems in ways that rebound positively to the prosperity for the people of Michigan and the people of the United States, and those two are not mutually exclusive. And that really is the 21st century land grant university and the role we can play in helping you and others both identify those issues as well as staking out an agenda that is long-term and short-term.

We also must stay connected to the people, and that becomes more difficult, and sometimes as we are all sort of fascinated by our iPads and phones and testing. But Extension needs to be relevant for the 21st century, as well, and that requires some reorganization, and Tom will talk about the challenges that we are facing, but also how we think that technology as well as our connections with people in this room and many across the State can help us find the new rhythm for Extension for the 21st century that blends this technology, but also thinks about the role that Extension must play in bringing and making sure that we are monitoring what is happening around the world so we can learn from the best practices in the world and remain very, very competitive, and Extension needs to play a role in making sure that we are bringing those best practices, not simply from a part of the United States, but from around the world back to Michigan so that we can be competitive.

We have all faced enormous budget challenges. Michigan has been no exception. Those challenges have frayed some of our trust and our relationships. They have put friends at odds with one an-

other over priorities. And they have also, though, been an opportunity for us to reassess what we need to do for the future.

We are very pleased that as a part of the ongoing discussions there will be an ag summit here in Michigan, I think now scheduled for August, as away of having the Department of Agriculture and Rural Development, the University, the State's land grant university, and the various constituents be able to think together about how we can better frame the problems of today and for tomorrow.

The farm bill as it stands now had CREATE-21. It was an opportunity to be able to fund the kind of work needed for work in the State and to really capitalize on the opportunities that are available. We really understand the difficulties that you will be facing but have trust that you will be able to rise above the political nit-picking of the day and be able to find that framework that will be a parallel to the celebration of the Morrill Act in the future.

Ian?

[The prepared statement of Ms. Simon can be found on page 152 in the appendix.]

Chairwoman STABENOW. Dr. Gray?

STATEMENT OF J. IAN GRAY, VICE PRESIDENT FOR RESEARCH AND GRADUATE STUDIES, MICHIGAN STATE UNIVERSITY, EAST LANSING, MICHIGAN

Mr. GRAY. Thank you, President Simon. Good morning, Chairwoman Stabenow, Senator Roberts. Welcome again. And I welcome the opportunity to make a few remarks about research and the need for research and the critical role that USDA-funded research plays in the long-term sustainability of the agricultural system in the United States.

I will divide my remarks into three discrete areas: CREATE-21 and its future and its impact on agricultural research, the MSU research programs and support of Michigan agriculture and natural resources industries, and the need for a balanced research portfolio within the National Institute of Food and Agriculture and in those universities which obtain research support from the USDA.

CREATE-21, and I would like to express our deep appreciation to you, Chairwoman Stabenow, for your strong commitment and support of this initiative. This has been a major change in direction. It is really a need. And the growth of research funding in the United States has not paralleled the need that faces the agricultural industries. Research funding is almost static and has grown at an average annual rate of just 1.85 percent over the last four decades. CREATE-21 called for increasing competitive funding to just over \$2 billion per year over a seven-year period with fundamental or basic research constituting 55 percent of the total and integrated programs the remaining 45 percent. And this would be a wonderful paradigm to follow and bring to completion because that is what is needed to support not only the universities, but the research programs for global and U.S. agriculture.

Michigan agriculture contributes almost \$70 billion annually to the State's economy, making it the second largest industry. We have over 200 commodities, and that makes us second to California in terms of agricultural diversity. Michigan State research relies

heavily on USDA funding, State funding, particularly the Project GREEN, and also commodity funding.

We face a myriad of challenges and, therefore, it is very, very critical that the research grows and the programs within the University grows at the same time to address those unique needs facing Michigan agriculture, and I would acknowledge the importance of the Specialty Crop Research Initiative that was established by NIFA to resolve critical industry issues through research and Extension activities, and Chairwoman Stabenow, I would like to particularly recognize your strong advocacy for this initiative, as it pertains directly to the needs of our specialty crops in Michigan and this is a unique change in how we do research. It was multi-institutional, multi-disciplinary, multi-investigator activity coming together, the sharing, blending of disciplines to address critical, critical problems, and MSU has been successful in those initiatives. As a particular example, we received \$14.4 million to lead a team of scientists from 11 U.S. institutions and six international partners to improve the quality of fruit in the globally important Rosaceae family, and that was very, very good.

There is also a need for flexibility in USDA funding. We do not mind—in fact, we encourage competition. But Michigan, as many other States do, we face some critical problems. So, in other words, we need a pool of funds to address problems such as the marmorated stink bug in Michigan, which is a serious problem that was identified in Michigan, in two counties in Michigan, reported by the MDA in February of this year. Control of this pest and others, such as the spotted wing drosophila, is necessary to secure the viability of our plant industries in Michigan.

The third point I would like to make is about the need for USDA to commit strongly to promoting and funding basic research, and basic research is the basis of the coming up with solutions. Basic research is the underpinning mechanism for problem solving in the State of Michigan. The report, “New Biology in the 21st Century: Ensuring the United States Leads the Coming Biology Revolution,” it was concluded that integrating knowledge from many disciplines will permit deeper understanding of biological systems which will both lead to biology-based solutions to societal problems and also feedback to enrich the individual scientific disciplines that contribute new insights.

So we have been promoting this integrated research approach at Michigan State for many, many years, and I would like to provide a few brief examples. One, the genetics [sic] and improved potato breeding, a project that we get funded through the Specialty Crop Research Initiative. That is a program taking basic researchers and computational biologists to work together to come up with solutions. The Cold Tolerance Project for Arabidopsis with Dr. Tomascho [phonetic] in which we can actually insert cold tolerant genes into canola to allow greater growth of the canola crop in Michigan. The RosBREED project, I just mentioned. The swine production—many of our researchers are integrating genetic technologies to identify DNA markers.

So those are some of the examples, and it is also important that I advocate for the concern of our basic research is for continuation

of basic research support. It is all about research, research, research, and we thank you for your appreciation. Thank you.

Now, I will turn to my colleague.

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

Chairwoman STABENOW. Thank you very much.

Yes, Dr. Coon.

STATEMENT OF THOMAS G. COON, DIRECTOR, MICHIGAN STATE UNIVERSITY EXTENSION, EAST LANSING, MICHIGAN

Mr. COON. Thank you. Honorable Chairwoman Stabenow, Senator Roberts, thank you for the opportunity to share with you some of the important changes that are going on in Extension both here and across the country and the importance of the farm bill in support of Cooperative Extension.

Michigan is a State that we think of ourselves as being a State of innovation and entrepreneurship, and that certainly is part of the spirit that we have brought to the redesign of MSU Extension. Our charge from President Simon was to create a Cooperative Extension System that Michigan needs for the 21st century.

In order to accomplish that, we have had to step back, ask ourselves what is most important and what is really nice but perhaps not something we can afford to do any longer. In doing that, we have come to the realization there are four key program areas that we need to focus on. Agriculture and agri-business comes first. Health and nutrition is also just as important. Working with our youth and preparing them for tomorrow is also important. And then, finally, in our community development and environmental programs, which we call our Greening Michigan programs, because green is such an important color for us. Those are really our four key areas that we focused on, and they are certainly in line with the priorities in the farm bill. But we also feel we have priorities to share back with you in what we can be doing in the future.

Some of the things that we have done in our redesign, in addition to focusing in these four areas, is we reduced our administrative layers and cut our administrative FTEs in half. We have accelerated our use of technology. I am sure you are aware and familiar with eXtension, the online presence of Cooperative Extension across the nation. We have made a very serious commitment to that with our own funds as well as our own people, and what we are finding is that by working together across the States, we have actually created something very new in the spirit of that innovation that I think is serving people in Michigan as well as across the country.

Today, someone can go to eXtension, type in the "Ask an Expert" app, and ask a question about a problem they are having perhaps with their tomatoes or what have you and have an answer in 24 hours, and it goes through—it is like FedEx. It goes through someplace—it is not Memphis, but someplace and comes to Michigan. We answer it here and it gets back to them and they have connected with their Cooperative Extension System in a new way. That is happening in every State.

We have also streamlined our business strategies, trying to be as frugal and as efficient as we can be. If you think about it, we are

an institution that works with three different government levels—Federal, State, and county level. You can imagine the red tape we can find ourselves in at times, and we are really trying to simplify that as much as possible through some of the innovations that the President has led here with our own administrative services, and that is working very well and the counties are now signing on with our new cooperative agreement that really centralizes that a bit more.

Finally, our focus is what is most important, and that is, as President Simon said, on Michigan's economy—creating and retaining jobs, improving the health of individuals, communities, and the environment, and enhancing the quality of life for people in Michigan.

I would like to just showcase a few of the things that we do with the Federal investment through the farm bill. Certainly, the Smith-Lever title and the Hatch title in the research—Hatch and Smith-Lever lines in the research title are fundamental for our support. For every dollar that Michigan State receives from Smith-Lever and Hatch, we leverage another \$16 in State, local, foundation, and other grant funding.

With that, we have also expanded into other areas that are touched by the farm bill, including the Specialty Crops Initiative that Dr. Gray mentioned, certainly with the USDA Rural Development. We now host the North Central Regional Center for Rural Development at Michigan State University. We are very pleased to provide leadership for that, and as part of that, we have joined forces with USDA Rural Development in the Stronger Economies Together program, the SET program. It began last year. The four Regional Centers for Rural Development have provided the lead for this for Cooperative Extension, in working with rural development.

In the North Central Region last year, two States, Ohio and Missouri, were our pilot States, and multiple county regions came together in rural areas in those States, developed proposals for how they might work together to enhance economic development in their regions and have been successful in obtaining funds with this. In 2011, more States were brought on board, including Michigan and Ohio— or Michigan and Indiana, and we currently have two proposals, from Southwest Michigan and from Northeast Michigan, to take advantage of that and build on that regional approach to rural development.

In our agriculture and agri-business programs, we are provided leadership by Dr. Wendy Powers, but her research in Extension program is really exemplary of the kind of things that we see ourselves doing, the kind of integration that Dr. Gray talked about. She works particularly in livestock management practices, evaluating them for the impact that they have on air quality and water quality and then providing translational work that helps producers understand what they can do to reduce the impact that their operations may have on the environment.

We have also showcased some other efforts around the State. We are doing a concentrated effort in Saginaw and Genessee Counties. Those two counties have our highest rates of obesity of any counties in the State and we have a concentrated six-month campaign going on there right now called "I Know My Numbers," helping

people change their eating habits and in the process improve their health, reduce their risk of becoming obese or reduce their obesity, and in the process reduce health care costs.

We have also been innovating in community food systems. We see that Michigan has a great opportunity to become a global center for innovation in metropolitan food systems to help address that challenge of feeding the extra three billion people that we will acquire in the next few decades, most of whom will be concentrated in urban areas.

And then, finally, we are helping to prepare the youth for tomorrow, particularly the sciences, improving science literacy for young people, enriching the experiences that they have in school with science educational opportunities that are really true to the 4-H model, that is, learning by doing.

With these areas, we really see some tremendous opportunities for us to grow and expand Extension. It is ironic to be at a time where the Department of Health and Human Service and the Department of Energy are trying to figure out how to do something like Extension. We keep telling them, work with us. We will show you how to do things like Extension.

Thank you for the opportunity to provide testimony——

Chairwoman STABENOW. Well, thank you.

Mr. COON. —and thank you for your leadership.

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

Chairwoman STABENOW. Thank you very much to all three of you. Let us give our panelists a round of applause. Thank you very much.

[Applause.]

Chairwoman STABENOW. Thank you so much. Again, we are so proud of all that you do and we will excuse you and invite our second panel to come and join us as we continue on with the hearing, so thank you very much.

[Pause.]

Chairwoman STABENOW. Well, good morning again and welcome. We are so pleased to have all of you with us. Let me introduce each of our witnesses on this panel and also remind people, we have asked for longer written testimony, but we will ask, because we have so many people that we want to hear from today, that you keep your comments, remarks, to five minutes, so that is the reason for the clock. So we will ask you to pay attention to that. And then, of course, we want to have follow-up with questions and have the opportunity to receive any other written information that you have for us this morning and deeply appreciate your time in being with us.

Let me introduce all of our panelists. Our first panelist is Mr. Clark Gersticker. He and his brother, Kirk, farm 1,500 acres, I understand, of corn, soybeans, sugar beets, and dry edible beans on a farm that has been in their family for 115 years and four generations. He went to school right here at Michigan State, is a member of the Corn Board of the National Corn Growers Association, has served on numerous positions with the Michigan Corn Growers Association, and we are so pleased to have you with us today.

Our next panelist is Ben LaCross. He is a cherry farmer from Cedar, Michigan, and a graduate of Central Michigan University. He farms on his family farm, where they grow 700 acres of tart cherries, sweet cherries, plums, and now apples, I understand. Ben was elected Chair of the Farm Bureau's Young Farmers and Ranchers Committee this year and is focusing on helping the next generation of farmers become interested in the industry and make their voices heard with policy makers, so welcome. Good to have you.

Ray Van Driessche is a third generation farmer from Bay City. He operates his farm in partnership with his brother, Gene. They grow sugar beets, corn, soybeans, and wheat. He is currently the Director of Community and Government Relations for the Michigan Sugar Company and is former President of the American Sugar Beet Growers Association. Good to have you with us.

Julia Rothwell was raised on Baehre Orchards, where her family farmed over 400 acres of apples, cherries, peaches, and plums, and spent all of her growing up years working in the orchards and the packing shed. For 28 years, she was a partner of those Hersee Brothers [phonetic], a Michigan fruit growing, storage, packing, and shipping organization. Julia currently serves as the Chair of U.S. Apple as well as the Michigan Apple Association. Good to see you.

Ken Nobis has been farming in the St. Johns area since 1968, after completing his college education at Western Michigan University and two years in the Army. He operates Nobis Dairy Farm, a 950-cow dairy farm, with his brother, Larry. In addition, they farm 3,000 acres. He is currently the President of the Michigan Milk Producers Association and has held national leadership positions with the Michigan Milk Producers, as well. He was awarded the Dairy Farmer of the Year from Michigan State University in 2006. Great to have you with us.

Pete Blauwiel and his wife, Brenda, own and operate Blue Wing Farm, a farrow to finish facility in Fowler, Michigan. In addition to being pork producers, they also are committed to educating and engaging young people by being active 4-H leaders. Pete is also involved in the Michigan Pork Producers Association.

So we are so pleased to have each and every one of you with us today, and we are going to start our conversation and testimony this morning with Mr. Gerstacker. Welcome.

STATEMENT OF CLARK GERSTACKER, CORN AND SOYBEAN PRODUCTION; MEMBER, MICHIGAN CORN GROWERS ASSOCIATION, MIDLAND, MICHIGAN

Mr. GERSTACKER. Well, thank you. Thank you. Good morning. And first, I want to thank Chairwoman Stabenow and Ranking Member Roberts for your time today and for selecting Michigan as the site of the Senate Agriculture Committee's first official field hearing.

As the second leading industry in our State, Michigan's \$71.3 billion agricultural industry, as you know, has been a bright spot in our dim economy throughout the recession. We are very appreciative of the Senate Agriculture Committee's consideration of how

our diverse yet strong agricultural sector will impact the upcoming farm bill.

Today, I would like to testify before you not as a member of any organization but as a rural crop farmer who depends on the farm bill to protect my farming operation and to ensure that my centennial farm can be passed on to my children.

Americans enjoy the cheapest food on the planet, as they spend only ten percent of their annual budget on food. In other countries, such as India, as much as 50 percent of one's budget is spent on food. While farmers like me are eager to provide this safe, abundant, and inexpensive food supply, we face increasingly tumultuous markets that rise and fall with the wind. At the same time that we encounter ever-changing market opportunities, farmers also face higher input costs, such as feed, fertilizer, and fuel, all of which are necessary components of a year's harvest.

In addition to market volatility, farmers are also confronted with the constant uncertainty of weather. We wait for the thaw, the sun, the rain, the heat, all of which are conditions completely out of our control. Each of these can present a make-it-or-break-it factor for our crop.

Due to these ever-present vagaries, farming operations like mine are forced to take on a considerable amount of risk each year we cultivate our land. The fact is, we are faced with the task of providing feed and fuel for a growing world population. We cannot simply sit out a planting season until farming becomes more profitable. It is no surprise to anyone in this room that a farmer's entire year's work can result in a loss with as little as a drop in prices, a spike in fuel costs, a drought, or an early frost.

The increased cost of this amplified risk means that farmers and consumers need some stability to ensure a reliable and affordable food supply in our country. Farmers like me need to have access to affordable risk management tools to better mitigate the impact of significant crop losses and sharp price declines. This is why the upcoming farm bill is so important. It is not about providing income to less than two percent of the American population that farms. It is about ensuring that the same two percent can continue to provide affordable food for the other 98 percent of Americans who rely on them.

At Gerstacker Farms, we have utilized a variety of farm bill programs over the years, such as crop insurance, the ACRE program, LDP, CRP, as well as EQIP and disaster assistance programs. Faced with the growing national debt and budget constraints across the board, I realize some of these programs may be changed in the next farm bill. Here in the agricultural industry, we want to do our part to improve the Federal deficit situation. We have already contributed substantially with savings from the Federal Crop Reinsurance as well as taking budget cuts in the areas of rural development, conservation, and research.

I do feel the risk management programs, such as ACRE and crop insurance, are absolutely vital and cannot be lost in the new farm bill. The ACRE program, as an example, can be made more efficient and useful to farmers by increasing the timeliness of payments and bringing program triggers closer to the farm. In States such as Michigan, the average yield differs vastly throughout our

State's various corn regions as a result of diverse soil and weather variations. By adjusting program triggers so they are tied more closely to the individual farm, gaps in the current farm bill programs will be bridged to help protect farmers from shallow repetitive crop losses. I also feel the crop insurance premiums should be adjusted to reflect today's yield trends and Michigan's average indemnity payment ratio of less than 70 percent.

Additionally, programs in the next farm bill should strive to be producer-based as opposed to land owner-based. This will ensure that programs assist the farmers who grow the crops and assume the risk. By improving these risk management tools, we can provide the best possible safety net for America's farmers and for the American food supply.

As you look to the future of Michigan agriculture, our industry continues to be a beacon of promise and I am proud to be a part of this sector. Michigan's farmers and ranchers provide a bounty of fruit, grain, vegetables, and protein which is enjoyed by people across the globe. Crops such as those grown on my farm are utilized as feed, fuel, food, and fiber, and these important resources will continue to play a vital role in our economy throughout the next farm bill and the next century.

Thank you for your time and consideration, and I look forward to your questions and comments. Thank you.

[The prepared statement of Mr. Gerstacker can be found on page 88 in the appendix.]

Chairwoman STABENOW. Thanks very much.

Mr. LaCross, welcome.

STATEMENT OF BEN LACROSS, CHERRY PRODUCTION; CHAIR, YOUNG FARMERS AND RANCHERS COMMITTEE, AMERICAN FARM BUREAU, CEDAR, MICHIGAN

Mr. LACROSS. Thank you, Chairwoman Stabenow. Senator Roberts, welcome. I had the opportunity to visit your State of Kansas this last winter for a Young Farmers and Ranchers conference and you definitely have a great group of young, vibrant, optimistic young farmers in your State.

Before I begin today, I want to take a moment and thank you, Senator Stabenow, for your leadership on the last farm bill. Today, we have a specialty crop title in the farm bill, which is a result of your hard work and determination these past few years. Specialty crop farmers have benefitted from your vision and leadership.

I am here today as a young farmer from Cedar, Michigan. My wife and I farm with my parents, Glen and Judy LaCross, and we grow tart and sweet cherries, plums, and apples. I am currently the Chairman of the American Farm Bureau Federation's Young Farmer and Rancher Committee.

Strong agricultural markets, increasing demand for niche products, and a general public that is showing an increasing awareness of agriculture make today an exciting time to be a farmer or rancher. Young farmers and ranchers face many of the same challenges that have plagued our industries for years—access to credit, limited abilities to transfer ownership from one generation to the next, and marketing limitations, to name a few.

We have a great tradition of family farmers in our country. We measure the longevity of our operations not in years, but in generations. Young farmers and ranchers need your committee to show strong leadership to ensure that the challenges of farming and the risks we undertake as farmers do not eclipse the rewards that family farmers reap every day by working the land. Young farmers need a stable farm bill that consists of research, usable support mechanisms, rural development, conservation, and market access.

Research and conservation are pillars of farm policy whose pay-day is not measured in return on investment but on the sustainability of farmers and ranchers nationwide. Safety nets are crucial for farmers to be confident that the future of their farms will not be devastated by market or weather fluctuations. Most farm families are able to sustain the ebbs and flows of farm income by supporting themselves through off-farm income. Rural development is a jobs initiative, compounded with the benefits it gives farm families and the rural communities that are vital to our nation. Market access provides our crops stay competitive in a global marketplace.

Michigan is second only to California in crop diversity. Michigan farmers produce some of the finest specialty crops in the world. Fresh and processed fruits and vegetables are vital to Americans' diets, and increased consumption of fruits and vegetables has shown to lower the instances of obesity. This is an area of the farm bill we should be celebrating, America's farmers growing nutritious food while the nutrition title gives consumers access to these foods. What harmony.

As a specialty crop grower whose fruit goes mainly into the processing market, it is very important for my crop to be recognized as a healthy snack alternative. I was dismayed that dried cherries, a ready-to-eat form of our perishable crop, were excluded from the snack program. Value-added agriculture is a significant driver of our State's and our nation's economy, and canned, frozen, juiced, and dried fruits can be easily added to healthy menus.

I have two examples of Michigan's value-added processing industry, dried apples and single-serving applesauce. In our on-the-go lifestyles, ready-to-eat processed fruits give consumers the convenience they want while the farmer's fruit gives them the nutrition they need. While fresh fruits and vegetables have their place on the nation's collective plate, so do processed fruits and vegetables, and I urge your Senate committee to restore processed fruits and vegetables back into the snack program.

As a farmer, I understand firsthand the need to spend money wisely. I also understand how to make the difficult decisions to cut expenses when my income comes up short. Chairwoman Stabenow, Senator Roberts, you are both placed in the unenviable position of having to write a farm bill during challenging economic times. I appreciate Chairwoman Stabenow's characteristic of the farm bill as a jobs bill. Agriculture is economic development. It is also crucially important to the well-being of our nation. This farm bill must maintain the vital areas of research, usable support mechanisms, rural development, conservation, and market access.

Young farmers and ranchers are optimistic about their role in American agriculture. I urge your committee to give them the stability they need from their government to continue to produce the

safest, most abundant, most affordable supply of food, fuel, and fiber the world has ever known.

Senator Stabenow and Senator Roberts, I appreciate the opportunity to testify before you today. I would be happy to take any questions you might have.

[The prepared statement of Mr. LaCross can be found on page 122 in the appendix.]

Chairwoman STABENOW. Thank you very much. Ben, you are making me hungry as you are holding up that food.

[Laughter.]

Mr. LACROSS. They are right here. We can pass them over.

Chairwoman STABENOW. We should be passing it out.

All right. Mr. Van Driessche, welcome. Good to have you here.

STATEMENT OF RAY VAN DRIESSCHE, SUGAR BEET PRODUCTION AND CONSERVATION; DIRECTOR OF COMMUNITY AND GOVERNMENT RELATIONS, MICHIGAN SUGAR COMPANY, BAY CITY, MICHIGAN

Mr. Van Driessche. Thank you. Thank you, Chairwoman Stabenow and Senator Roberts, for bringing the hearing to East Lansing here. I appreciate the opportunity to speak on behalf of the more than 1,000 Michigan sugar beet growers regarding the 2012 farm bill. Sugar beets have been grown in Michigan for over 114 years. Family farms have been passed down through several generations because of the stability this industry has provided to us and to our bankers.

In 2004, 1,300 growers of the Michigan and Monitor Sugar Companies merged to form Michigan Sugar Company Grower Cooperative, which is based in Bay City. Our four factories produce about 12 percent of the sugar beet production in the United States. Our farmers took on substantial debt, with many of them mortgaging their farms, to purchase the two companies and save the industry here in Michigan. The significance of that kind of commitment exemplifies why we need a strong farm policy to ensure that we have a viable industry to pass on to the next generation.

Today, the Michigan sugar beet industry generates \$1.2 billion in economic activity and supports over 10,000 farm and factory jobs. We are essential suppliers of the State's diverse food industries, and as the only sugar beet producer east of the Mississippi River, we are also strategically important suppliers to customers in other Midwestern States that do not have their own sugar production, primarily Indiana, Ohio, Illinois, and Pennsylvania.

We need to maintain a strong domestic sugar industry and an effective no-cost U.S. sugar policy for the following reasons. Dependence on unreliable and unstable foreign suppliers is a threat to our food security, which is why a strong, diversified, and reliable domestic industry has long been recognized as important to the nation. Sugar is an essential ingredient to our nation's food supply, and as an all-natural sweetener, bulking agent, and preservative, it plays an important role in about 70 percent of processed food products. The U.S. sugar beet and sugar cane industries in 18 States generate more than 146,000 jobs and over \$10 billion per year in economic activity.

Despite our efficiencies, we are an industry that has been under enormous stress, and from 1985 until 2009, the price support level did not increase, causing a long period of very low prices. As a result, from 1985 to 2009, 54 of America's 102 cane mills, beet factories, and cane sugar refineries shut down and will never reopen.

The United States is the world's fifth largest sugar producer, the fifth largest sugar consumer, and the world's second largest snack importer. We are among the lowest cost producers in the world. Forty countries have duty-free access to our market for over 1.4 million tons of sugar each year, or about 15 percent of our domestic consumption, as required under the trade laws. Trade agreements have given more and more of the American sugar market to foreign producers, even if the foreign producers are highly subsidized and inefficient. In addition, Mexico enjoys unlimited access to our market.

Finally, American food manufacturers, consumers, and taxpayers continue to benefit from a reliable supply of sugar that is reasonably priced, high in quality, and safe to consume. Sugar is the only major commodity program that operates at no cost to taxpayers, and government projections through 2021 feel it will remain at no cost over all those years.

In summary, the U.S. sugar industry has endured a wrenching restructuring over the past two decades. American sugar farmers who remain are grateful to Congress for crafting a sugar policy that balances supply and demand, ensures that consumers have a dependable, high-quality supply of a vital food ingredient, and in improving the market conditions. The policy achieves all of these goals at zero cost to American taxpayers. We strongly urge the continuation of this successful no-cost policy in the next farm bill.

I would like to add a couple other comments very quickly. Agriculture research is one of the most important investments this government can make in the future of American agriculture. Year after year, the USDA ARS has supported leading-edge sugar beet research at the Sugar Beet and Bean Research Unit right here in East Lansing. Unfortunately, the lack of funding and inflation has threatened sustained research and the unit has not received any additional funding since 1994, resulting in reduced staffing. No other public agency or entity in the United States has responsibility for sugar beet genetic improvements to address the challenges that confront our industry nationwide.

My final point. USDA conservation policy is tied very tightly to the improvement and sustainability of sugar production and Michigan agriculture as a whole. For example, on our farm, we participate in the crop program with seven CP-21 contracts totaling 26 acres of filter strips that border miles of drainage ditches to control soil and water erosion. We also have two CP-23 wetland restoration contracts with 23.7 acres under the program. We have established autumn olive windbreaks to control soil erosion from wind on highly erodible soils, and we are gradually increasing the amount of no till factors on our farm each year.

Jean and I believe that incorporating conservation practices into our operation has not only improved production, but it also allows us to maintain sound environmental stewardship in conjunction

with protecting the water quality of the Saginaw Bay Watershed District.

Thank you again, Chairwoman Stabenow, Senator Roberts, for holding this important hearing and for all that you and the committee do for American agriculture. We look forward to working with you on the farm.

[The prepared statement of Mr. Van Driessche can be found on page 155 in the appendix.]

Chairwoman STABENOW. Thanks so much.

Ms. Rothwell, welcome. Good to have you.

STATEMENT OF JULIA BAEHRE ROTHWELL, APPLE PRODUCTION; CHAIR, U.S. APPLE ASSOCIATION, BELDING, MICHIGAN

Ms. ROTHWELL. Thank you. Chairwoman Stabenow and Ranking Member Roberts, thank you for allowing me the opportunity to testify today.

Senator Stabenow, I want to personally thank you for your strong leadership during the last farm bill. At that time, the programs that were included in the specialty crop titles were just concepts. Today, they are fully implemented and yielding significant results for the apple industry and for other specialty crops. We note this is directly attributed to your efforts on our behalf and we thank you.

Senator Roberts, thank you for your strong leadership on behalf of agriculture. I also want to thank you for your military service to our country and your continued support of our troops. My son is a Captain in the Army, based out of Fort Bragg, and he was just redeployed on May 17 to Iraq, so thank you for your support, as well.

My name is Julia Baehre Rothwell, and my family farm, Baehre Orchards, has been growing apples and cherries for generations in the heart of Michigan's fruit ridge. I am married to Michael Rothwell, who is the President of Belding Fruit Storage and BelleHarvest Sales. They handle apples for approximately 120 growers throughout the State of Michigan and they are one of the largest apple shippers east of the Mississippi.

As Chair of the U.S. Apple Association, I represent all segments of the apple industry—growers, packers, marketers, processors, and exporters. I have been a member of and an advocate of the apple industry my entire life.

There are several farm bill programs I would like to highlight. Exports are extremely important for the apple industry, with about 25 percent of crop sold overseas. Apple growers utilize the MAP and TASC programs, which promote American apple consumption around the world.

A foreign pest or disease can easily devastate our orchards. Now, we are dealing with the brown marmorated stink bug. It is in over 30 States, spreading, has over 300 hosts, including apples, cherries, peaches, grapes, tomatoes, corn, and soybeans. Today, our worst fears are being realized as the stink bug activity is rapidly increasing at least two months ahead of where it was last year. Researchers and U.S. Apple staff were in an orchard in Maryland last week just at the time that the stink bug was exploding in activity, the reported damage levels ranging from four to seven percent to the

peach and apple crops already. Last year, the level of damage was not observed until July.

So we have a critical need for research funding to combat this serious invasive pest. Over 50 researchers have submitted SCRI grant initiative proposals to the USDA to develop methods of controlling this monster. If this rate of damage were to occur nationally, the losses would be measured in the billions of dollars. We are asking for approximately \$10 million over the next five years to save billions in agricultural production. The brown marmorated stink bug represents a real threat to the U.S. food supply and I believe it is the greatest pest threat to agriculture in a generation.

Chairwoman STABENOW. I know you are aware China has requested access to our market for their fresh apples. This fall, the USDA moved closer to granting that request when they completed work on the pest list. There are over 60 quarantined pests and diseases on that list that China has and we do not. Each one of them could be the next emerald ash borer, spotted winged drosophila, or stink bug. Funds for pests and diseases in the SCRI initiative are very important to us. These programs are underfunded now and we are worried they will be cut.

I know that immigration issues do not fall under your jurisdiction. However, I must comment on immigration reform and specialty crop agriculture. We strongly favor securing our borders, but if we do not have a workable guest worker program in place and if e-Verify becomes mandatory, the time spent here will be for naught because we will absolutely cease to exist. The lack of workers to harvest our crops and the threat of the brown marmorated stink bug are, in my opinion, the greatest immediate threats to my family's farm and to the whole specialty crop sector.

Our industry believes that our agriculture and food policy should better reflect the dietary guidelines for Americans, and Ben reflected on that very strongly. We support the continuation and expansion of the fresh fruits and vegetables program and a direction to the USDA to buy more fruits and vegetables in all forms for Federal nutrition programs.

The Specialty Crop Block Grant Program focuses on regional and local priorities for specialty crop producers. This has been utilized in Michigan in many ways and much credit needs to be given to the Michigan Department of Agriculture for successfully implementing this program.

There are many other programs in the farm bill that are just as important as the ones I have mentioned today and they are included in my written testimony. We need these programs to grow demand and build long-term competitiveness, and we strongly support the expansion and continuation of all of them. Without, we could see U.S. specialty crop production, apple production, relocate to foreign growing areas. The outsourcing of our food supply would not only be economically devastating to our production areas, but pose a serious threat to our national security.

Thank you for allowing me the opportunity to testify today, and we look forward to working with you in the development of the next farm bill. Thank you.

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

Chairwoman STABENOW. Thank you so much.
Mr. Nobis, welcome.

**STATEMENT OF KEN NOBIS, DAIRY PRODUCTION; PRESIDENT,
MICHIGAN MILK PRODUCERS ASSOCIATION, ST. JOHNS,
MICHIGAN**

Mr. NOBIS. Thank you, Senator. Thank you, Senator Roberts. We appreciate you holding this first official farm bill hearing in the State of Michigan. We greatly appreciate that. And I appreciate the opportunity to testify on dairy policy this morning.

As was mentioned by Senator Stabenow in her introduction, I am President of Michigan Milk Producers Association. We are a cooperative with 2,100 owners, farmer members, are primarily located in Michigan, but also Wisconsin, Indiana, and Ohio.

I would like to add that dairy is the largest commodity group in the State of Michigan. We contribute about \$6 billion to the Michigan economy. We are also the eighth largest dairy State, which many people do not realize, and we are growing very rapidly in both production capacity and processing capacity. The production level in Michigan has increased over 40 percent in the last ten years.

My testimony today is greater and reaches far beyond the Michigan borders. I would like to testify representing the national dairy industry. The dynamic dairy industry of the United States has been marked by continuous change, but dairy policy has remained remarkably constant for the past several decades. Until recently, almost all the milk produced in this country was marketed in this country. World trade in dairy products had been relatively small and conducted at prices below those prevailing in the U.S. domestic marketplace. Until recently, feed grain prices were relatively low, and for the most part were stable. Major changes in world supply and demand conditions together with our nation's need to seek alternative energy sources have made grain prices much more volatile and driven them to levels that put dairy farmers' cost of production far below the support levels fixed in the current farm bill.

Portions of our current dairy policy date back to the late 1940s. It was designed for an industry that has changed dramatically. Current dairy policy cannot serve the needs of dairy farmers, and in some ways is now actually harmful to them. Growing world demand for dairy products has boosted world dairy market prices and rapidly turned the U.S. dairy industry into a commercial exporter. U.S. dairy exports have shot up from the equivalent of less than six percent of U.S. milk production in 2003 to almost 13 percent in 2010. Further growth in dairy exports is expected as world population grows, and more significantly for the dairy industry is the growth in the number of middle-class consumers around the world.

The U.S. dairy industry faced a crisis in 2009. The United States lost a substantial share of the growing world markets during 2008 and the resulting loss of commercial sales volume built up as large unsold inventories here in our domestic market. U.S. dairy exports had reached the equivalent of 11 percent of domestic milk production in 2008. Then, with resistance to high milk prices built up, credit was tight and import buyers with full product type lines held off further purchases when prices showed signs of weakening.

World prices then plummeted, taking U.S. prices down with them. However, the U.S.'s major export competitors, with a more flexible marketing mechanism, were better able to maintain their export volumes when world demand soon picked up, albeit at lower prices, in 2009. U.S. exports dropped off and did not return for almost two years.

During the last half of 2008, total U.S. dairy exports plunged by over five percent of U.S. milk production. The loss resulted in a build-up of commercial inventories of cheese and government-owned inventories of non-fat dry milk that kept milk prices depressed, even though about a quarter-of-a-million dairy cows were removed through the Cooperatives Working Together Program, which was an industry-funded program.

The current price support program also encourages non-fat dry milk and other basic dairy products to be produced to government standards. These standards were developed to ensure long storability and do not reflect the products that dairy importers want to buy in today's global dairy marketplace, where individual end user specifications rule the day. Furthermore, the price support program has increasingly become a price support program for the world, benefitting dairy farmers in other countries, such as New Zealand, more than it does U.S. dairy farmers.

The Milk Income Loss Program, which makes direct payments to dairy farmers when milk prices are low, actually falls short of being an adequate safety net, even with the addition of the feed cost adjustor.

With this as background, it is clear that current dairy policy is no longer serving the needs of U.S. dairy farmers and is in need of a major overhaul. Over the last two years, dairy producers and cooperatives representatives have been meeting through the National Milk Producers Federation Strategic Planning Task Force, which developed a Foundation for the Future, a comprehensive package of dairy policy programs that would bring much-needed change. The Foundation for the Future is designed to help reduce price volatility and protect milk producer income by focusing on producer margins rather than on milk prices alone. Revenue supports are meaningless when the cost to produce exceeds the revenue received.

Any questions we had about the adequacy of our current dairy policy were answered in 2009. If we were to experience another 2009 in the near future, the U.S. dairy industry would be decimated. There is little equity left to borrow our way through another 2009.

The components of Foundation for the Future include, one, replacing the existing Federal dairy support programs; two, introducing a new margin protection program to protect producer equity; three, implementing a market stabilization program to address market imbalances; and four, reforming milk pricing regulations set by the Federal Milk Marketing Order System. Including revisions of the Federal Milk Marketing Order Program in the proposal is important to address some basic concerns that both producers and processors have with the current pricing system. This multifaceted approach dramatically improves dairy policy and pro-

vides for a more economically viable and secure future for dairy producers in the 21st century's global economy.

Thank you. I look forward to answering your questions today and working with you for the completion of a successful dairy policy in the 2012 farm bill.

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

Chairwoman STABENOW. Thank you very much.

Mr. Blauwiel, it is wonderful to have you.

**STATEMENT OF PETER B. BLAUWIEKEL, PORK PRODUCTION;
MEMBER, MICHIGAN PORK PRODUCERS COUNCIL, FOWLER,
MICHIGAN**

Mr. BLAUWIEKEL. Thank you. Good morning, Chairwoman Stabenow, Ranking Member Roberts, and committee staff. I also want to compliment Senator Stabenow and her staff, back when the looming government shutdown was going on, your staff did an excellent job of keeping me abreast of the situation and I—you have an excellent staff, so thank you for that.

Chairwoman STABENOW. Thank you.

Mr. BLAUWIEKEL. My name is Pete Blauwiel. My wife, Brenda, and I own a 150-sow farrow to finish operation near Fowler. I have a daughter who is a technical service provider for a local agriculture supply company and I have a son who next week, probably about this time, will be returning from Afghanistan as an ensign in the SeaBees, so Memorial Day comes next week for us.

Chairwoman STABENOW. Absolutely, and thank him for his service, and, Julia, your son, as well.

Mr. BLAUWIEKEL. I appreciate the opportunity to appear before you today to testify on behalf of the Michigan Pork Producers Association and the National Pork Producers Council.

The U.S. pork industry represents a significant value added activity in the economy. America's 67,000 pork producers generate more than \$34 billion of Gross National Product and help support more than 550,000 mostly rural jobs. Pork producers have a keen interest in the next farm bill, and NPPC has a Farm Bill Policy Task Force to gather input from producers. NPPC is committed to working with Congress on the 2012 farm bill.

As this committee and the Congress begin to write the next farm bill, pork producers like me hope you will maintain, strengthen, and defend the competitiveness of the U.S. pork industry by opposing unwarranted and costly provisions and mandates. In our written testimony, which we have submitted for the record, we lay out how the farm bill can maintain, strengthen, and protect the competitiveness of the U.S. pork industry. Let me discuss several issues.

In the 2008 farm bill, Congress asked USDA to address five specific issues related to the buying and selling of livestock and poultry. Unfortunately, the agency's proposed GIPSA rule goes well beyond those five issues. According to a study by Informer Economics, the rule would cost the pork industry alone nearly \$400 million annually. It would create legal uncertainty, raise production cost, lead to more vertical integration in the industry, and could force producers like me out of business. NPPC wants USDA to scrap the

proposed GIPSA rule and write a regulation that sticks to the five mandates Congress gave us.

Another concern we have is the availability of feed for our animals. Last year was the third highest corn harvest on record. Despite that, USDA estimates we only have about two weeks of corn stocks. If we have a drought in the corn belt or if China, for example, makes a major corn purchase, we could see regional feed shortages. To address those, NPPC would like the productive lands now in the Conservation Reserve Program released without penalty so that they can be planted to feed grains. We also would like a mechanism that ensures producers can feed their animals if there is a corn shortage. This may mean a change in U.S. biofuels policy.

To strengthen our competitiveness and grow our industry, we need to increase our exports, which last year added \$56 to the price of each hog I sold. The best way to do that is through Free Trade Agreements. Currently, the U.S. has pending agreements with Colombia, Panama, and South Korea. When fully implemented, those trade agreements will increase live hog prices by \$11.35 and create more than 10,000 pork industry jobs. NPPC urges the Obama administration to send the implementing legislation for those Free Trade Agreements to Congress soon and urges Congress to approve them before its August recess.

Finally, it is important to adequately fund USDA programs that deal with foreign animal disease and disease surveillance, which not only protect our animals, but our export markets. Also, we must address the country's feral hog situation, which now is a problem even here in Michigan. Feral hogs often carry diseases that put our swine herds at risk and our operations.

Thank you for inviting me to testify. I would be happy to answer any questions.

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

Chairwoman STABENOW. Well, thank you very much, and thank you to all of you.

We would like now to open it up to some questions, and let me start with Mr. LaCross. As we look to the next farm bill, we are obviously looking to the next generation. The average farmer today is 55 years of age or older and we are looking to you. We are looking to the next generation of how we can continue to keep the family farm and to be able to have new farmers as well as those passing down from generation to generation.

But I wonder if you might speak a little bit more about the kinds of things you are involved in to engage young farmers as well as obstacles that you see in finding credit or technical assistance. And as you do that, I want to also mention, we engaged with my regional managers around the State. We asked others that were not able to be here to ask questions today, the kinds of questions they would want us to ask of all of you, and what came up over and over again was what can be done for beginning farmers. We have heard a lot about that, you know, how can we help farmers get started and so on.

So on behalf of folks who submitted questions to us as well as my own interest, I know that there is a great deal of interest from people around Michigan in how we can support your efforts, the be-

ginning farmers' efforts. What should we be doing? What are you doing right now? And what are the biggest obstacles, from your perspective?

Mr. LACROSS. Well, one of the exciting things that my nationwide Farm Bureau committee did this last year, along with Farm Bureau, is we partnered with the USDA to begin a program called Start to Farm. You can find it at starttofarm.gov. And we started the first ever beginning farmers and ranchers conference. That was held in conjunction with our Farm Bureau annual Young Farmer and Rancher Leadership Conference. That brought in a whole new host of new farmers who are looking to get into agriculture but do not know where to begin, do not know where to start with technical assistance, and this showed them some of the avenues that they can utilize through USDA resources to begin farming. I think, by all accounts, that was a rousing success.

Some of the great challenges that I outlined that young farmers and ranchers do have are a lot of the things that have plagued our agricultural industry for years—access to credit, generational transfer of farmland. And I think a lot of young farmers are being creative in how they do that. They are partnering with retiring farmers so that they can build up a sweat equity in the retiring farmer's operation so that when that farmer is ready to retire, they can take over. I think a lot of States are very successful at utilizing a program such as that called Farm Link, where they link retiring farmers to beginning farmers.

I think in our State, we have seen great success in the Farm and Ranch Land Protection Program. That has protected a lot of desirable land for development and that has been able to keep that in agriculture, and so that has been another avenue where young farmers can defer some of those high asset costs and be able to do what they want to do, which is grow food.

So I think young farmers, in general, are very excited. I think a lot of young farmers have been able to utilize niche agricultural markets to be able to get their foot in the door. Sometimes the capital investments are less intensive and the cash flow is a little bit easier to handle than some of the traditional markets.

Chairwoman STABENOW. Great.

Mr. LACROSS. So young farmers are—

Chairwoman STABENOW. Well, no, thank you. We all have a great stake in our next generation of farmers being successful and young people being excited about agriculture as a future, as a profession. So I very much appreciate all that you are doing.

Ms. Rothwell, if you would talk for a minute—you have talked about pests, incredibly important, the challenges that we have on research. I mean, I have heard that from each of you on the panel, talking about the importance of research, and this really needs to be a focus for us. Senator Roberts and I have talked about that as one of the major issues for us going forward.

But could you also talk about the challenges that relate to what has happened on natural disasters. I think about last year, where our grape growers lost about 50 percent of their production in Michigan and what happens in terms of weather. I mean, we have been more fortunate than others this year, but when we look at improving crop insurance or disaster response for specialty crop pro-

ducers, if you could talk a little bit about what has worked and what do we need to do in that area for specialty crops.

Ms. ROTHWELL. Well, the Tree Assistance Program, and thank you very much for your role in that because that was a great asset, a great help to the growers in Southwest Michigan who suffered from fire blade [phonetic], but that funding was made mandatory, so we appreciate that. That has been working well. I think if there are concerns with that, it has to do with the thresholds of loss or the death of the trees and right now that is at 15 percent.

And if you have 1,000 trees to an acre, you would have to lose 150 trees, obviously. But several of the growers that sustained damage from the windstorm a year or two ago and lost, you know, maybe they only lost 12 percent or ten percent, so they did not qualify to be under—to receive assistance from that program. So I think that would probably be very helpful, is to have the threshold lowered so that more—you know, because even a ten percent loss is—

Chairwoman STABENOW. Right.

Ms. ROTHWELL. —I do not want to say even—it is disastrous. It is disastrous for that grower, and sometimes it can ruin a whole orchard block to have just a few trees that are—I say just a few, 100 trees that are not right.

As far as crop insurance, the U.S. Apple Risk Management Task Force has worked with RMA for probably ten years in trying to improve that program, and it is still a work in progress. It has been—the new rules have been in place, and I think the difference for the apple growers that we truly appreciated was that instead of having to declare units of processed and—or we can now declare or ask for coverage for units of processed or fresh apples as opposed to having to ask for all one or the other.

I know there are some concerns with the appraisal of the fruit that has been damaged and the grade standards that are applied to that, that maybe they are not necessarily applicable in today's marketplace.

Another concern is about the salvage and how the salvage can be utilized. So, for instance, if you have a loss and you are paid for that loss, but then the salvage you want to be able to run through a fresh packing line, you cannot do that and you are penalized for that.

I understand that Congress has given a directive to the RMA to be actuarially sound and that may be the issue there, but those are the concerns that the growers are still feeling about the crop insurance program, and—

Chairwoman STABENOW. So what are you doing with the salvage?

Ms. ROTHWELL. I am sorry?

Chairwoman STABENOW. You are saying—what happens, then, with the salvage?

Ms. ROTHWELL. With the salvage?

Chairwoman STABENOW. Yes.

Ms. ROTHWELL. They cannot utilize it—they cannot run it over a fresh line. They have to—it has to go for processing—

Senator ROBERTS. Why?

Ms. ROTHWELL. That is the question they are asking.

Chairwoman STABENOW. That is the question.

[Laughter.]

Chairwoman STABENOW. That is a very good question.

Ms. ROTHWELL. Thank you.

Chairwoman STABENOW. Evidently, that is the question we need to answer—

Ms. ROTHWELL. You know, because a lot of the growers feel—

Senator ROBERTS. Okay. You say it is the RMA?

Ms. ROTHWELL. I am sorry?

Senator ROBERTS. You say it is the RMA folks?

Ms. ROTHWELL. Yes.

Senator ROBERTS. Bless their hearts.

[Laughter.]

Chairwoman STABENOW. I am going to write that one down. Okay. Thank you.

I am going to turn it over to Senator Roberts for a couple of questions, and then I have a couple more.

Senator ROBERTS. Clark, thank you for being here. You mentioned that you signed up for the ACRE program. How is that working out for you?

Mr. GERSTACKER. As of this point, it has been there as the back-stop, have not utilized it.

Senator ROBERTS. Now, you are one of six percent of Michigan farmers who signed up for that. We had two percent in Kansas. Not a very big turnout. You said it would be a better program if it were administered at the county level, but I have talked to a lot of producers in Kansas who did sign up. It is hard to find them, but at any rate, they tell me that even with the county trigger, they would not necessarily receive a payment when they have a loss, and so because of this difficulty with ACRE, our producers opted instead to buy up on crop insurance.

My question to you is, does crop insurance help you on your farm to cover the same type of risk that the ACRE program covers? Do you use crop insurance to cover yield and price risk just like you use, or try to use with the ACRE program? I know you are in it, and if you are in it, you are in it for three years.

Mr. GERSTACKER. Correct.

Senator ROBERTS. It is like the Marine Corps. You sign up and— or Airborne. At any rate, I am sort of giving you a curveball question here. And then there were 23 steps, as I recall, that you had to go through to sign up for the program.

Mr. GERSTACKER. That—

Senator ROBERTS. My Lord, if we cannot offer a program with two steps or one as opposed to 23, it would just seem to me that that was not a very good way to start off with the program. Your comments?

Mr. GERSTACKER. I think a couple issues with the ACRE program moving forward from the last farm bill was the timing and the complexity. I think it was very difficult for growers and our field service teams to really understand it and be able to sell it—

Senator ROBERTS. It was very difficult for the committee.

Mr. GERSTACKER. Agreed. So I think that was a very difficult position for growers to be in, along with our field staffs trying to help us. It is a three-year commitment, so the decision you made at that

time based on the market parameters you were given, I think it is a very viable program and it was one that I was very comfortable with.

The crop insurance additional to it, it is a yearly basis. You know, I may or may not enroll in different crop insurance programs that year. However, I have the ACRE program as the backstop and our decision to choose a particular crop insurance program is really—that decision is made in March based on the parameters and the tables and risk assessment that we can look at for that year moving forward, so—

Senator ROBERTS. And you would sign up for it again?

Mr. GERSTACKER. Yes.

Senator ROBERTS. You would not opt out, you would sign up, even if we—mission impossible—improve the crop insurance program? So you like ACRE?

Mr. GERSTACKER. I do like ACRE. I think it has some very good pieces behind it. You know, one of the other issues with it is getting the, I apologize for the term, but, you know, the rate. You had to get your landowners and everybody else to buy in for a long period of time. I mean, three years is a long period of time if you are looking at arraying out your land and tying it up in someone else's farm unit and so forth.

Senator ROBERTS. Okay. I appreciate that very much. You are sort of a Braveheart here in regards to ACRE.

Mr. LaCross, when you talk to your lender and you go in, of course, given your status and your leadership, I think it would not make too much difference, but what does your banker tell you when you come in to apply for a loan? Do they place any requirements on you they might not place on more established farmers?

Mr. LACROSS. Well, Senator Roberts, I am lucky in that I farm with a family unit, and so I have that established farm and the reputation of my parents when I walk into the banker—

Senator ROBERTS. Okay. Speak for the people who do what I cannot do, and that is to go on the Internet and look up starttofarm.com. I could probably do that, with help, but anyway—

[Laughter.]

Senator ROBERTS. They took away my typewriter some years ago.

[Laughter.]

Senator ROBERTS. At any rate, speak for them.

Mr. LACROSS. Yes. Well, I have heard a lot of negative stories from young producers who claim that when they walk into a lender to get access to credit to put a crop in the ground in the spring, they cannot meet the collateral needs of the bank. They do not have that beginning up-front capital to be able to collateralize that loan, and so they do not have the opportunity to expand their business in the spring. You know, our farms are so cash-flow intensive that we have to put all of our money up front and cross our fingers and hope in the long run that we get a payment, and a lot of times that is hard when you walk into a banker and try to explain that story to them. So I have heard a lot of horror stories from young farmers who have not been able to expand into different areas of agriculture that they wanted—

Senator ROBERTS. Of course, your community banks now are under the gun, too, in regards to Dodd-Frank, the bill that is coming down the road, and also FDIC, who sweeps in and says, let us take a look at your books and the mark-to-market situation. It is just a very difficult situation. But when you said access to credit, I think that is probably one of the biggest hurdles you have.

Mr. LACROSS. Absolutely.

Senator ROBERTS. Okay. My time has run out, Madam Chairman, or do you want me to keep on firing? There is a red light blinking here.

Chairwoman STABENOW. Oh, well—

[Laughter.]

Senator ROBERTS. You usually gavel me down when I am in Washington.

Chairwoman STABENOW. I usually do. I am being polite today.

[Laughter.]

Chairwoman STABENOW. We have a lot of guests here. I am being polite.

[Laughter.]

Chairwoman STABENOW. If you would like to ask one more, that would be fine.

Senator ROBERTS. Okay. Let me go to Mr. Van Driessche. You announced the partial deregulation of round-up-ready sugar beets if producers undertake certain conditions associated with planting. I was pleased that the Department could reach this decision, but I remain concerned about the uncertainty for producers from the repeated lawsuits filed against the Department of Agriculture approving biotech crops. If we could just rename things a little bit, instead of talking about genetically modified organisms—

Mr. Van Driessche. Right.

Senator ROBERTS. I mean, who wants to put—that is like something that you put on your breakfast food or something, and who would want that? We ought to say “scientifically improved” products or something like that.

I changed an acronym once when I was Chairman in the House, the Market Promotion Program to the Market Access Program. You change an acronym in Washington, that is big time, so I hope we can do that.

At any rate, biotech is, as you know, a critical component of our ability to feed what we are talking about here, and we have the science-based regulatory system. How important is this technology for our sugar beet producers?

Mr. Van Driessche. Well, you know, it is a great question and it is extremely important, not only for sugar beets, but for corn, wheat, and soybeans and other crops that are now developing that kind of technology. What it has allowed us to do in the sugar beet industry is essentially go from using three or four different crop protection products. Now, it is down to one. We are making as many as five and six passes across the field to try and control weeds when I can do that in either one or two passes, which means we are burning a lot less fuel.

When we were using each one of these products in spring multiple times, we were setting our crop back each time that we sprayed them, injuring them a little bit. Now, with the Department

that we have there currently, we are not injuring that beet. We are not setting back our crop. Like I say, we are burning less fuel, using less chemicals. Environmentally, it could not be a better thing to do.

And it allows us to—and it has increased our production. We have essentially gone up in the last few years from an average of about 23 ton to the acre just a few years ago to—well, it was in 2008, we hit 28.9 ton as an average across the State of Michigan, which is just unbelievable. So this new technology is extremely important when you look at being able to feed the numbers we are talking about here in the future.

And my concern is that if we start to restrict the ability to use new biotechnologies, you are not going to only hurt sugar beets, you are going to hurt a lot of other crops that go along with it.

Senator ROBERTS. Madam Chairwoman, I have had questions for three. I am going to turn it back to you, and then I am going to save Ms. Rothwell for the last dance.

Chairwoman STABENOW. Okay. Thank you.

Okay. Well, let me ask Mr. Nobis, you have talked about the volatility in the dairy industry. We all know what happened in 2009. I have heard really devastating stories from our dairy farmers and we certainly do not want to go through that again, there is no question about it.

But we also know that our industry in Michigan has grown consistently across the last few years. You talked about that, as well. Have we fared better than other parts of the country, and if so, why is it? Or is that true?

Mr. NOBIS. We have. It is because we are smarter.

[Laughter.]

Chairwoman STABENOW. Well, I figured that. I figured that much, so—

Senator ROBERTS. Is that a softball or what?

[Laughter.]

Chairwoman STABENOW. So share what it is that we are doing that is better than other places.

Senator ROBERTS. I am going to write this down.

Mr. NOBIS. Well, I think—I do not think, I know in Michigan it is the dairy industry that we are very, very proud of. I have the opportunity to travel around the country a lot in my position with National Milk Producers and I am always really happy to come home, because I know I do not have to go to California or Arizona or New Mexico or Idaho to learn the latest and the best in the dairy industry. I can just look at my neighbors.

We have a super infrastructure here. We have the good fortune to be born, most of us, in Michigan, which is an ideal climate for dairy cattle. We have adequate water, which dairy cattle really love. We have a temperate climate. We do have some heat stress issues in the summertime, but they do not go on and on like they do in Florida, for six months at a time. It is more like six days at a time here.

And we think that we have a very cooperative marketing group here in Michigan, that Michigan Milk, for example, works with the other cooperatives in the State to the advantage of all dairy pro-

ducers in this area, and I keep saying Michigan, but it expands beyond the Michigan borders.

We have a very good working relationship with the State regulators and we have had a very good working relationship with our legislators in the State of Michigan. I think we should take a great deal of pride in the cooperative that all levels of the production agriculture has in the State of Michigan, and I look forward to continue.

Chairwoman STABENOW. Great. All right. Well, thank you very much.

Mr. Blauwikel, let us talk for a minute about livestock producers, and I know that there are parts of the farm bill that are not utilized by our livestock producers, but there are others that are, that are very important, and I wonder if you might speak a little more about how you feel as a producer about areas like EQIP and CFP or permanent disaster assistance. I mean, talk from your perspective about what are the most important parts of the farm bill for you.

Mr. BLAUWIEKEL. I think we personally have used the EQIP program and we have some—we went through some of the CRP program initially when it was by watershed. So the CFP program now is quite a bit different from what it was when I signed up. But the EQIP program is a really valuable program for us livestock producers to help us to be more responsive to our environmental impact and to try to design structures and facilities that will minimize any environmental impact we have.

Our CSP program, or contract, also has a component in there that, you know, has a recordkeeping component that makes us aware of where our manure is going, if we have a CNMP, which our farm does. Those types of things help us to be a responsible neighbor environmentally.

Chairwoman STABENOW. Great. Thanks.

I wanted to throw open one question, too, that came again from folks as we reached out across the State saying, what would you like to ask a distinguished panel like this, and we heard—and I am not sure who to direct this to, but I will just throw it out because it is something we have heard a number of times, and this relates to new opportunities for existing farmers and looking at the farm bill as a jobs bill. Agriculture, of course, is jobs. But specifically, we had a number of people ask about what should be considered to help develop and sustain local food systems as well as helping start or sustain new value-added products from our farms, fields, such as bio-based products. What can we be doing for new kinds of value-added products, if anybody would want to comment about that.

Mr. Van Driessche. Well, I would make a couple of comments, if I could, and that is that in the State of Michigan, as you know, we have a lot of production, and we are so fortunate to have over 200 commodities represented in Michigan. What I think we are lacking here in the State is processing, and we have tremendous opportunities to increase our processing, and along with that increase the value-added product opportunities.

And so any type of USDA funding that would help advance this processing would be a very big benefit. You look at the amount of

livestock we have here in the State of Michigan and most of the meat processing is done outside of the State. And whether it is livestock or whether it is vegetables or whatever it is.

And one commodity ties in with the others many times, and if I think about all the different processing that uses sugar, if we had more processing, whether it is a confectioner or an ice cream maker, whoever it is, the more of the opportunity for processing, the more of the opportunity to use the other commodities from the State of Michigan. So any type of funding for increased processing would be helpful.

Chairwoman STABENOW. Great. Well, I know this is something I have talked with the Governor about, and I think I saw our Director Keith Creagh here from the Michigan Department of Agriculture. Good to have you here, Keith. This is something that we have talked about, as well, that this is a real opportunity for us to leverage and expand what we are doing in Michigan as we look at food processing. So it is certainly a priority for me.

Does anybody else—yes?

Mr. GERSTACKER. Yes, Senator. Research is obviously part of that, coming from the governmental side, but on the buy bio products and the government buy bio programs and so forth, and I forget the acronym, but it was BEES—

Chairwoman STABENOW. Right.

Mr. GERSTACKER. —B-E-E-S—it is very difficult to get comparative products favorable stature in the marketplace because of some of the constraints that they have to go through to be looked at, whether it is marketing support or promotion or so forth. We have viable alternatives. It is generating the public buy-in, is one of those things I think the agricultural sector needs support with.

Chairwoman STABENOW. And talk a little bit more about that in terms of the public buy-in.

Mr. GERSTACKER. Well, if it is a plastic replacement, if it is a biodegradable plastic and so forth, you know, as a parent going to the grocery store, do I want a milk jug that will go to a landfill or will need to be recycled or do I want one that can be composted and just go back to the soil through microbial growth? Which is better for the—I would believe it would be better for the environment. But to get that push and that push from our side and the pull from the consumer that they will actually want that, may pay a little premium or something and so forth, but to have that drive. There is just some disconnect there.

Chairwoman STABENOW. There are some real opportunities for us. It is very exciting, and, of course, a lot of work being done by so many people here at Michigan State and related efforts around bio-based alternatives. I think there are great opportunities that meet environmental needs that address a number of concerns that people have today, and it is a matter of getting the word out and continuing the research and making sure that we are bringing that together.

Actually, we have a long history of that in Michigan, I will just say to my distinguished Ranking Member, back to the origins of the automobile industry when Henry Ford was looking for a way to help farmers back in the Great Depression and started looking—and ended up looking at soybeans as a way to be able to bring in

bio-based products for automobiles, and to this day now, we actually—in the new Ford Focus and Chevy Volt, there are soybeans in the seats. So if you get hungry and you are driving a car, you can—

[Laughter.]

Chairwoman STABENOW. But there is a great coming together, I think, and some very exciting opportunities to really expand on that in a way that really creates jobs for us.

Senator ROBERTS, do you have any other questions?

Senator ROBERTS. Yes, ma'am, for the last three, if I could—

Chairwoman STABENOW. Please.

Senator ROBERTS. —and I will try to make them real quick.

Pete, thank you for your comments on the GIPSA rule. We have heard a lot of fears and frustrations over that proposal from pork producers all across the country, and I really hope that the Department will offer the public an opportunity to comment on the economic analysis of this. It is terribly important, and any changes to the proposal, because substantial changes are necessary to ensure our markets are innovative and able to meet the consumer demand. This is one of those where I think they went outside what we told them not to do in the farm bill, which is one of our problems. People might be somewhat amazed at that, but that is something that we have to deal with.

Now, what is the greatest regulatory challenge you face in your operation? Which program in the farm bill is the most important to you in addressing that particular challenge, and how can we improve it to be even more effective?

Mr. BLAUWIEKEL. Well, those are excellent questions. I think when you look at the farm bill and pork production, I think, basically, there are not really specific titles, other than some of the environmental things, that will affect us as pork producers. We kind of want to make sure we do not get hit by the wagging tail of something, some other part of the program. You know, for instance, if you look at some of the biofuel fallacies, I am scared to death going into this fall. I do not know how I am going to access my corn.

But that being said, the GIPSA thing, some of the things that appear to be a little bit government overreach, I guess I would call them, some of the innovation that has occurred in the industry with regards to contracting arrangements that were entered in freely between producers and packers are kind of threatened. Those kinds of things probably concern me more than—I guess specifically on the farm bill, until I actually see what is going to be in it, I really cannot comment on that.

Senator ROBERTS. We will save you and have you come in in a covert room and you can say what you really think.

[Laughter.]

Senator ROBERTS. Thank you for your son's Navy service in Afghanistan. Which deployment is he on now, his first, second, third, what?

Mr. BLAUWIEKEL. This is his first deployment.

Senator ROBERTS. First deployment. Well, you tell him

for us that I am now the last Marine in the U.S. Senate, which is sort of a novel thing, but at any rate, we want to thank him so much for his service.

Let me move real quickly. We have not done dairy yet. I do not do dairy anymore. As Chairman way back in 1996, and my staff member will hit me here for bringing that up, but at any rate, the last thing, Madam Chairwoman, that we always have to deal with is dairy, in any farm bill, 11th hour, 59th minute, here they come.

[Laughter.]

Senator ROBERTS. You know, we had two Senators in particular and we could not even get out of session and it was just really a problem. So I remember when the Leader asked me to come over. He said, "You are Mr. Agriculture," and I said, "No, I am not." And he said, "What do we do about dairy?" I said, "Punt."

[Laughter.]

Senator ROBERTS. But are we considering a reliable dairy supplier to the world marketplace? Could we resolve part of this if we produced more whole milk powder for export and less non-fat dry milk? What do you think?

Mr. NOBIS. I am not sure it is whole milk powder. That is one of the products. But just the current policy of the court of last resort is to sell it to the government, and it is only in that form of non-fat dry milk, and that was done for storability reasons, and that is not a product that is in high demand in the export market.

Of greater concern to us, though, what happened to us in 2009, the dairy industry, was that we had that underpinning of approximately 990 support price for milk, a little higher than that. It depends on how you calculate it. But it was still higher than what the world price was at that point in time. So the co-ops, in particular, were buying that milk, making it into skim milk powder, selling it to the government because it was guaranteed money.

Senator ROBERTS. Right.

Mr. NOBIS. If that had not existed, we would have been forced to sell it, probably at cheaper prices than what the government was buying it for at that point in time, but it would have caused a rebound in the prices in this country much, much sooner than what we experienced. It was almost two years before we saw a rebound here. But we had frozen ourselves—we take ourselves out of the international market because we choose to sell it to the government. Again, that is a sure thing. When we do that, then we are no longer a reliable seller to that international buyer, and they are going to go back to their buyer of first choice who has been dealing with them for many years. We get away from that.

That is why we are asking for a change in dairy policy. The most important part of that is to get rid of the support price so that we can be a—it will force us to be a consistent supplier to the international market, but at the same time, we want that money that is being used, what is left of it, for support in MILC so that we can still have a safety net, because when we run into that situation, that actual pay price on the farm, it will be a shorter period of time, but it is going to get really bloody and we need that safety net for those periods of time.

Senator ROBERTS. I appreciate that so much.

Ms. Rothwell, thank you so much for your comments. There are a lot of us—I think all of us in the Senate and the House want to thank those in uniform who are protecting our freedoms. I notice

you mentioned he was in the Army, but he is a member of the Airborne Division——

Ms. ROTHWELL. Right.

Senator ROBERTS. —so he is right up there in the front lines. What deployment is he on? Is this his first, second——

Ms. ROTHWELL. Third deployment, his first deployment——

Senator ROBERTS. Third deployment.

Ms. ROTHWELL. Well, first deployment was to Iraq. Second—and he was with the 101st Airborne at the time. The second deployment, he was with the 82nd. He went to Haiti.

Senator ROBERTS. Is he married and have a family?

Ms. ROTHWELL. No, he would like to have, and I would like for him to have one.

[Laughter.]

Ms. ROTHWELL. I have to rely on communication from his girlfriend to know what is going on.

Senator ROBERTS. I will give her a call.

Ms. ROTHWELL. Okay.

[Laughter.]

Ms. ROTHWELL. We will tell her that.

Senator ROBERTS. It is so tough when you have third, fourth, fifth, sixth deployment, and more especially with people with families——

Ms. ROTHWELL. Oh, definitely.

Senator ROBERTS. We are wearing a lot of people out and I really worry about that, but this is not a defense hearing.

Would you list the top—I have three, I will put two— the top two programs authorized in the 2008 farm bill that are most valuable to you and your produce operation, and just tell me what that is?

Ms. ROTHWELL. I had a feeling you were going to ask me that question. I thought it was either going to be that or ag——

Senator ROBERTS. Well, we leaked it to you, so I thought it was——

Ms. ROTHWELL. Okay.

[Laughter.]

Senator ROBERTS. No, we did not. I just said that.

Ms. ROTHWELL. I am going to have to go the way of my friend down here at the end of the table. You know, they are all very important. I think they all contribute and help the specialty crop industry in their own unique way.

I think the comments that I made this morning may tell you what is the most urgent at this point in time. I think the research component and the things that are going on with pests and diseases, I think is incredibly important, but I do not want to negate the importance of the others because they all play a significant role in us being productive and staying in business and being able to feed everybody.

Senator ROBERTS. Well, that is the——

Ms. ROTHWELL. You will have to get me alone.

Senator ROBERTS. Right. We will work on that.

[Laughter.]

Senator ROBERTS. You know, Madam Chairwoman, that is really reflective of what our responsibilities are as we deal with a tremendously difficult budget situation and people basically playing the

numbers game and saying, we have to reach this number, and we are making a determined effort to try to discuss with them that number to begin with—

Chairwoman STABENOW. Right.

Senator ROBERTS. and secondly, to let us do that work, let the authorizing committee, the people that at least we think we know something about agriculture to make these cuts. They may be very, very, very painful, but at least let us do that job.

Chairwoman STABENOW. Right.

Senator ROBERTS. And so what you are telling me is, okay, I have got probably three or four or five things I would like to talk about, very difficult to say this is a priority and this is not, and that is our problem, as well, because it is going to be a very difficult task for us to try to settle this out. But we are more than willing to do it. We do not want other people to do it for us.

Chairwoman STABENOW. Absolutely.

Senator ROBERTS. Thank you.

Chairwoman STABENOW. Well, thank you so much. Please join me in thanking our great panel.

[Applause.]

Chairwoman STABENOW. We will ask our next panel to come forward, and we thank you so much.

[Pause.]

Chairwoman STABENOW. I call the meeting back to order. We have got a lot of great energy in the room and we are appreciative of that.

We are going to continue now with our third panel, and we are very excited because there are so many parts of the farm bill. One of our challenges is that—I have always said, every page of the farm bill affects us in Michigan. I am always envious of my colleagues who only have to care about one or two sections. We have everything, and every part of the farm bill matters to us. We are involved in it, and our third panel reflects a number of different issues that are very important to us.

And so let me start with Karen Serfass, who is a lifelong Michigander. She and her husband, Richard, are semi-retired from the family business, a pet store in Waterford, Michigan, which they have owned and operated since 1983. They have been acquiring forestland in the U.P. since the 1990s. They own two properties, one in Chippewa County that is a former hay farm, and the other in Mackinac County. Karen is the Past President of the Michigan Forest Association and is currently serving as the Treasurer of the Michigan Tree Farm Operating Committee, so welcome. It is so good to have you.

Kristen Holt is the President of Quality Assurance International and Senior Vice President of the NSF International Global Food Safety Division. Quality Assurance International provides USDA certification for organic products. Ms. Holt has more than 15 years of food industry experience. In 2010, she was elected to the Board of Directors of the Organic Trade Association as its Treasurer Elect. She now serves on the Board of Directors for United Way of Washinaw County and is also a licensed CPA. We are going to need your help as we put this together here in the farm bill.

Eric Davis is the Director of the Food Initiative at the United Way for Southeastern Michigan—so pleased to have you here—where he is dedicated to promoting food security for the people of Michigan. Eric has been involved in public policy ever since graduating from Michigan State and served as Chief of Staff for two State Representatives as well as Deputy Director for Legislative Affairs for our former Governor Granholm. Welcome.

Dennis West—it is great to see you, Dennis—who is President of the Northern Initiatives since 1997. I appreciate your being with me last week in D.C. for a different session on rural development. Northern Initiatives provides rural small businesses in Michigan and Northeast Wisconsin with access to capital, information, and markets. Mr. West is active on several boards, including the YMCA of Marquette County, so it is great to have you with us.

Jim Reid, welcome. Jim and his wife, Pam, have been farming in Jeddo, Michigan, for more than 30 years. Their son, who I am happy to say is also in MSU's dairy and management program, also farms with them. They milk 170 cows in addition to growing wheat, corn, and soybeans on 1,000 acres. Jim was recently recognized by the Michigan Farm Bill for ecology leadership, and his farm is certified by the Michigan Agriculture Environment Assurance Program, so congratulations.

Dave Armstrong has over 30 years of experience with Farm Credit Services in Michigan. He is also a proud Spartan—that seems to be a theme here—having earned his Bachelor's degree here in animal sciences. After graduate school in Wisconsin, he came back to work for the Production Credit Association of Southeastern Michigan. That company merged with three others in 1999 to form Greenstone Farm Credit Services, where he now serves as President and CEO. Dave is also active in several boards, including Michigan SFA Foundation, Chicago Federal Reserve Bank's Advisory

Committee on Agriculture, Small Business, and Labor, and the Michigan Livestock Expo.

So we welcome all of you. We thank you so much for your time this morning. We will start with Ms. Serfass. Welcome.

**STATEMENT OF KAREN SERFASS, FORESTRY PRODUCTION;
PAST PRESIDENT, MICHIGAN FOREST ASSOCIATION,
DAFTER, MICHIGAN**

Ms. SERFASS. Thank you. Good morning. Chairman Stabenow and Senator Roberts, thank you for the opportunity to testify this morning. I am here today as a tree farmer from Dafter, Michigan, certified by the American Tree Farm System, a program of the American Forest Foundation. My remarks reflect the views of the Foundation and the 95,000 tree farmers like me that the Foundation works with every day.

Most Americans do not realize that much of the clean water we drink and the clean air we breathe, the wood products we use everyday, the wildlife we hunt and fish for, comes from forests owned by families like mine. More than ten million American own large segments of our nation's forests, and here in Michigan, more than 438,000 families own more than half of our State's forests.

Forests in America are the ultimate public-private partnership. Families like mine invest in and make improvements in our nation's forests and keep these forests productive and all Americans benefit. This is why the farm bill conservation programs and the USDA Forest Service Private Forest Programs are so important to family forests and to the public.

My husband, Rich, and I purchased 205 acres of mixed forest in the Eastern U.P. in 1988. This has provided us a place to hike, observe wildlife, cross-country ski, and hunt safely. When we purchased the land, we had no idea how to manage it. With the help of a Michigan Department of Natural Resource Service forester and a private consulting forester, we found very little had been done to manage it, to mimic the natural disasters, and create the diversity needed for wildlife habitat. Our forester explained all this to us and helped us plan out what we could do to improve the habitat by using a Forest Stewardship Plan, which is funded in part by the USDA Forest Service.

The plan recommended diversifying the age of our forest so that wildlife had both younger forests and areas to forage as well as older forests for dens and nests. We also had stands of aspen, which is a good wildlife species, which was aging and not regenerating. We needed to help these stands come back and thrive.

To create this diverse forest habitat for the wildlife, in 1995, we harvested timber on 45 acres to create openings and help our aspen stands regenerate. We do this every ten years or so, moving the harvest to different parts of the forest to keep the forest healthy and keep the wildlife habitat.

The income we earn from these harvests, we invest it in more food plots for wildlife, planting other tree species that are good food sources, such as black cherry and oak, and improving our roads and trails, which help with water quality.

In addition to this woodland, in the mid-1990s, we purchased an old hay farm with 160 acres, which is where we now live. We again put together a Forest Stewardship Plan for this property, even though there were only a few acres of woods and a small stream running through that we wanted to enhance for wildlife value. Since this property is open with heavy winds, we decided we needed a windbreak around the property to keep the soils intact and help to reduce the cost and conserve energy to heat our home in the winter. To improve the wildlife habitat, we also decided to put in wildlife corridors to enable the wildlife to make their way from forage to nesting sites.

We are currently implementing an EQIP contract, which is leveraging our own investment to plant 6,000 trees and shrubs as windbreaks and travel corridors. While we probably could have paid for this project on our own, it would have taken us several years to put together the funds needed for this project. Because of the EQIP cost share, we will get the energy savings for our home much sooner and see the wildlife habitat in our lifetime, since the trees are growing now.

Unfortunately, too many forest owners are not familiar with the benefits of forest management. In Michigan, only 13,000, just three percent, of forest owners who own 1.1 million acres have Forest Management Plans. Nationally, we see similar trends, where less

than four percent of forest owners have management plans. This is a good barometer for how active they are in their forest management.

The farm bill Conservation Program, combined with the Private Forest Owner Program, supported by the USDA Federal Reserve, are an incredibly valuable tool for families like mine, leveraging our investment to make improvements to the land that benefit all Americans. In 2008, Congress made a number of improvements to the farm bill Conservation Program, without which I probably would not be here today.

The American Forest Foundation is working with a coalition to develop specific recommendations for the 2012 farm bill. I am sure they would be happy to share them once they are complete.

I think I speak for most family forest owners when I suggest a focus on two key areas for the 2012 farm bill, especially given the budget climate. First, I think it is important to maintain and improve these conservation and forest programs, ensuring family forest owners are on level ground with agriculture producers.

Second is the issue of technical assistance. As I mentioned, my husband and I would not be here today and have a well-managed forest if it were not for the USDA Forest Stewardship Program that supported the assistance from our DNR Service forester and our consulting forester. I hope in the farm bill Congress can find ways to improve the availability of forestry technical assistance, perhaps with more private-public partnerships.

Chairwoman STABENOW. Thank you for your leadership on this important issue and for inviting me to share the story of my family forest. I welcome you and any other members of the committee who would like to see an actively managed forest to come and visit us.

[The prepared statement of Ms. Serfass can be found on page 144 in the appendix.]

Chairwoman STABENOW. Thank you so much.

Ms. Holt, welcome.

STATEMENT OF KRISTEN HOLT, PRESIDENT, QUALITY ASSURANCE INTERNATIONAL (QAI), AND SENIOR VICE PRESIDENT, FOOD SAFETY AND QUALITY, NSF INTERNATIONAL, ANN ARBOR, MICHIGAN

Ms. HOLT. Thank you, and thank you for the invitation to speak with you today. Chairwoman Stabenow, Ranking Member Roberts, and Senate Agriculture Committee staff, my name is Kristen Holt and I am President of Quality Assurance International and Senior Vice President of the Global Food Division at NSF International, based in Ann Arbor. Today, I am testifying on behalf of the more than 6,500 Certified Organic Operations represented by the Organic Trade Association, where I serve as Treasurer Elect on the OTA Board of Directors.

NSF International is an independent, not-for-profit organization that develops standards, certifies products, and provides testing, auditing, and training services for public health. NSF employs over 1,000 people, and almost 500 are in the State of Michigan.

NSF acquired QAI, a pioneer in organic certification, in 2004. QAI is an accredited USDA National Organic Program certifier and

is one of the leading U.S. certifiers. QAI certifies 1,700 organic operations and 60,000 organic products.

Organic agriculture is the fastest growing segment of the food industry, growing at 18 percent per year from 1997 through 2008. Organic was a \$29 billion industry in 2010, and even in 2010, the sector grew by eight percent compared to less than one percent growth for the food industry as a whole. Organic is responsible for growing jobs, businesses, and revenues that especially benefit rural and small businesses.

Michigan ranks 11th in organic annual output and has 460 Certified Organic Operations, producing over \$71 million—I wish it was billion, I have heard that a few times today—in farmgate revenue. The organic sector plays a contributing role in revitalizing Michigan's and America's rural economy through diversity in agriculture.

The 2008 farm bill contained several funding provisions that have proven vital to the organic industry's growth, including, one, resources for the National Organic Program, NOP, to promulgate and enforce certification rules; two, certification cost share support for new organic farmers; three, the Environmental Quality Incentive Program, or EQIP, to assist in the conversion to organic farming; four, providing more organic production and market data; and five, providing funding for more organic production research.

These measures, totaling \$125 million since the passage of the bill, have contributed to the growth of the organic sector and have served as a modest downpayment on future innovations in agriculture that have demonstrated an impressive 40-to-one return on investment.

I will focus my comments on the top three provisions. Protecting the integrity of the USDA Organic Label is the highest policy priority for the organic sector. There is still significant work to be done to institute a regulatory framework appropriate to a \$29 billion a year industry. The NOP performs regulatory oversight of the Organic Label and ensures that consumers are getting what they expect when they buy organic. These functions are essential for the growth of the organic sector.

Regardless of where food is produced, all foods labeled and sold as organic in the U.S. must be certified to the NOP in a consistent manner. Maintaining a level playing field in this global regulatory program, such as the NOP, requires adequate resources for oversight of foreign certifiers. Otherwise, U.S. organic producers will be disadvantaged.

The 2008 farm bill funding has enabled the NOP to better address organic labeling violations and has improved the consistency of accredited certifiers worldwide. Continuing funding here is critical to ensure market stability, ongoing capital investment, and continued sector growth.

The 2008 farm bill also expanded the National Organic Certification Cost-Share Program, providing organic operations with 75 percent of the cost of annual inspections, up to \$750 per certification. This low level of annual assistance reduces the cost burden of certification, especially for small farmers, and helps eliminate a barrier for new organic farmers. Currently, 25 percent of Michigan's Certified Organic Operations participate in the Cost-Share

Program. Eliminating this program in 2012 would result in fewer organic farmers in Michigan and in the U.S.

The 2008 farm bill also recognized that conservation programs should work hand in hand with the organic sector, because by definition, organic farming improves the health of the farmland. A new provision, known as the Environmental Quality Incentive Program, or EQIP, was established to provide assistance to producers for conservation practices related to organic production as long as they are pursuing or meeting the requirements for organic certification. This is the only program designed to assist farmers in the transition to organic production practices and needs to be continued.

Looking to 2012, the new farm bill should optimize these programs and provide the tools necessary for more farmers to take advantage of organic opportunities so that U.S. farmers can remain globally competitive. It is understood that no part of the farm bill is safe from cuts in this fiscal environment. However, the prospect of funding cuts to organic programs will result in uncertainty and instability in the organic sector which can jeopardize this growing \$29 billion per year industry. Government investment in a high-growth 40-to-one ROI in industry should continue because the investment is modest and the benefits to the U.S. economy and to the environment are significant.

Thank you.

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

Chairwoman STABENOW. Thank you very much.

Mr. Davis, welcome.

**STATEMENT OF ERIC DAVIS, DIRECTOR, FOOD INITIATIVE,
UNITED WAY FOR SOUTHEASTERN MICHIGAN, DETROIT,
MICHIGAN**

Mr. DAVIS. Good morning, and thank you, Chairwoman Stabenow and Ranking Member Roberts, for the opportunity to talk with you today about hunger and the critical importance of nutrition assistance in Michigan. My name is Eric Davis and I am the Director of the United Way for Southeastern Michigan's Food Initiative. Today, I would like to share with you about how the problem of hunger is affecting people in Southeast Michigan and what the United Way and our partners are doing about it and how innovative, community-based efforts that promote access to nutrition assistance are critical in closing the gap.

Hunger is all too common in Southeastern Michigan. Too many people and families in our region cannot afford enough food, and so they face difficult choices: Gas or dinner, winter coats or groceries, school supplies or breakfast, medications or meals. While families in Southeastern Michigan are struggling to keep a family home or find a job, they too often face the additional burden of hunger. Even for those that are employed, hunger can have a negative impact on their productivity, as they often skip meals to ensure their children have enough to eat.

Today, 18.5 percent of people in the Detroit Metro Area struggle with hunger. More than 700,000 residents of Southeastern Michigan depend on the Supplemental Nutrition Assistance Program for food each month. Over 300,000 of these are children.

Since 2004, the number of Michiganders counting on Food Stamps to feed their families increased by 66 percent, from just over one million to almost 1.7 million people. We expect unprecedented amounts of people that continue to rely on Food Stamps until unemployment rate have decreased significantly.

Families with children are the hardest hit by hunger. While this is a crisis itself, it becomes more troubling when you consider that children experiencing hunger have lower math scores and are more likely to repeat a grade. They are more likely to be absent and tardy and to have behavioral issues and attention problems. Teens experiencing hunger are more likely to be suspended from school and have difficulty getting along with their classmates. These proven effects of hunger are also known predictors of negative life outcomes, including high school dropout, low IQ, and lower lifetime earnings.

The United Way for Southeastern Michigan is proud to be a part of a committed, dynamic, and inclusive community of advocates for food security, fresh food, nutrition education, and a sustainable food economy. I would like to share with you just a few of the innovative initiatives designed to create better outcomes for our region by leveraging local assets in combination with Federal Nutrition Assistance Programs.

United Way for Southeastern Michigan is one of the many proud supporters of the Fair Food Network's Double Up Food Bucks Program, which doubles the buying power of SNAP dollars when they are used to buy Michigan-grown produce at farmers' markets. In partnership with Gleaners Community Food Bank, United Way is committed to establishing more client choice food pantries in Metro Detroit. Another initiative, Detroit FRESH, is a project of a Wayne State University group known as SEED Wayne, in collaboration with the Capuchin Soup Kitchen and works to supply corner stores with local, fresh, and affordable produce.

The final project I would like to highlight is the Michigan Benefits Act Initiative, or MBAI, a community-based outreach initiative that utilizes web-based technology to register individuals for available government benefits. As United Way strives to build stronger and healthier communities, one of the lessons we have learned is that greater access to benefits positively impacts all of us. Michigan loses almost \$1 billion annually in unutilized Federal benefits. Increasing SNAP participation would bring those funds to Michigan, where they would provide a valuable boost to the economy as they flow to local businesses.

It is with this in mind that the United Way for Southeastern Michigan is actively participating in the MBAI, along with more than 50 partners Statewide, including State and Federal Government agencies, businesses, and nonprofits. The MBAI will use an online tool developed and operated by the Michigan Department of Human Services called MiBridges to streamline multiple benefit applications. Currently, MiBridges allows applicants to apply for SNAP and LIHEAP, or utility benefits, using one integrated application. It is currently being expanded to integrate other benefit applications, as well. This model is a one-stop method for connecting families to benefits and is coupled with an outreach program that utilizes the resources of community organizations around the State.

The outreach portion is an essential component of the MBAI, designed to help the MiBridges tool meet people where they are through a dedicated network of community-based organizations whose staff will be trained to assist those eligible within their communities in successfully applying for benefits. Families that are struggling with hunger for the first time due to recent economic crisis often lack familiarity with assistance programs. Therefore, using established community organizations and modern technology are crucial to successfully reaching these and other populations.

We at the United Way for Southeastern Michigan encourage the committee to maintain SNAP to meet the needs of Southeastern Michigan, Michigan as a whole, and the United States. We also appreciate the opportunity to voice our support for innovative programs that leverage community resources to help all families access benefits for which they are eligible. And finally, to ask the Federal Government to focus on strengthening the safety net in local communities by supporting cross-sector efforts to modernize and streamline access, such as the Michigan Benefit Access Initiative.

Chairwoman STABENOW. I would like to thank you for your strong record of advocacy on behalf of the children of our State and issues like poverty and hunger that impact our families and our economy. I urge you and your fellow Senators of this committee to protect funding for SNAP and to support hungry children and families in accessing available benefits as you focus on the upcoming reauthorization of the farm bill. Thank you very much.

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

Chairwoman STABENOW. Thank you very much for your testimony.

Mr. West, welcome.

**STATEMENT OF DENNIS WEST, PRESIDENT, NORTHERN
INITIATIVES, MARQUETTE, MICHIGAN**

Mr. WEST. Good morning. Thank you, Senator Stabenow, Senator Roberts, for this opportunity to provide testimony. Northern Initiatives is a nonprofit community development financial institution and micro lending intermediary. We work in 46 rural Michigan counties, everything north of Claire in Michigan, and five border counties of Wisconsin. We are based on the campus of Northern Michigan University that founded us back in 1991.

USDA programs have been critical for Northern Initiatives and they have helped us to make close to 600 loans, ranging in size from \$4,000 to \$1.8 million. Those programs that we have used have also supported the ability to offer technical assistance, and so half of our loans have been to start-ups and 40 percent of our loans have been to women-owned businesses.

We are in the process of scaling our ability to make more loans. We now have an online loan application that is for all loans under \$50,000, which gives a consumer or customer a credit response in 24 to 48 hours, and later this year, we will move that application up to \$100,000. So it gives us the ability to scale capital and to serve a large geographic area efficiently.

The third area of our work is regional strategies to support natural and cultural tourism and to help parts of the Upper Peninsula grow as regional and national tourist destinations.

I am here to testify on the importance of rural development programs for entrepreneurship and strengthening community capacity. On the entrepreneurship side, rural development programs are providing credit for rural businesses complemented by TA, and specifically, the programs vital to Michigan are the Intermediary Lending Program, the Rural Micro Entrepreneur Assistance Program, Business and Industry Loan Guarantee Program, the Rural Business Enterprise Grants, the RBEG, and the Rural Business Opportunity Grants, the RBOC. The community capacity programs of importance are the Rural Community Development Initiative and the Water, Sewer, and Community Facilities Programs.

Let me say a few words about entrepreneurship. In the last decade, things were simply horrific for Michigan and much of rural Michigan, yet 45 of the 46 counties in which we work saw growth and that growth was in small businesses employing one to nine people. So consistently through the period, there was something growing and it was small businesses, which is a great sign of innovation and new ideas taking place throughout our State.

Some examples of where we have used IRP and helped small businesses get started and grow, Dan Torres in Marquette, Michigan, has started a fresh Mexican concept 14 years ago, now has three locations, 100 employees with benefits.

Mike Zacharias has started a small business in Wakefield which is in the mold making business, what would otherwise be considered a dying industry in America, but his speed of delivery and commitment to his customers has resulted in a global company with three locations and over 50 employees.

Alternative loan product has helped Bob Jacquart and Jacquart Fabric Products in Ironwood, Michigan, to take an industry that we would not expect to succeed in America, the cut and sew business, and now to be able to use speed of delivery and technology and employ 150 people in Ironwood, Michigan.

So these are examples of where this money has been used to start up and produce results with technical assistance and growth, and nationally, the IRP program has made over \$700 million in capital available to intermediaries like Northern Initiative. In the history of the program, it has never had a default or a delinquency while providing capital to 8,000 businesses. With some seasoning, I am sure the Rural Micro Assistance Program will get to the same point.

While these rural development programs appear to be categorical, they very much interrelate and support one another. Capital investments in broadband bring about high-speed access. The capital and technical assistance help individual rural businesses overcome distance, isolation, and seasonality using e-commerce to sell regionally and even globally.

And these rural development programs leverage private support, local dollars, and bring about increased taxes for the State and localities and the Federal Government while lessening the use of the social safety net. Just as importantly, they are building bridges to long-term private capital and private service providers, as our bor-

rowers are typically going into a commercial bank within three to five years.

So thank you for this opportunity to testify today and I look forward to questions.

[The prepared statement of Mr. West can be found on page 161 in the appendix.]

Chairwoman STABENOW. Thank you. Terrific. Thank you.
Mr. Reid, welcome.

**STATEMENT OF JAMES REID, REID DAIRY FARM, GRANT
TOWNSHIP, MICHIGAN**

Mr. REID. Welcome, and good morning, Senator Stabenow, Senator Roberts.

Chairwoman STABENOW. Good morning.

Mr. REID. Thank you for holding this first official field hearing on the upcoming reauthorization of the farm bill. I appreciate the opportunity to provide testimony regarding the reallocation of the Rural Energy for America program to the Rural Development Department of USDA.

You already know my name. My farm is located in St. Clair County. I am just four miles from the Lake Huron shoreline. I was born and raised on a dairy farm in St. Clair County, worked alongside of my dad through my school years and into college. After graduation from Michigan State, I pursued a teaching career for five years and my wife and I, Pam, decided to purchase an operating dairy farm just in our neighborhood from a retiring couple in 1978. We combined the two herds, ended up with a 50-cow herd. As years went on, we gradually grew the dairy and cash crop farm to a 1,000-acre 90-cow herd by 2007.

The same year, we began planting and implementing a project that would bring us at today's level, a little bit revised from what you stated, Senator Stabenow, we are at 225 cows—

Chairwoman STABENOW. Oh, great.

Mr. REID. —1,100 acres. My son, Jeff, is currently enrolled in Michigan State University's Dairy Management Program. He is doing his internship this summer at another farm. I really miss him, but hopefully, his education will contribute to our farm.

I recently had an opportunity to use the REAP Grant Program to install a solar power system on our 225-cow dairy operation in the thumb of Michigan. After exploring several renewable energy alternatives, including wind power, we chose solar as a way to provide energy on our farm. We installed 96 205-watt Evergreen solar photovoltaic panels on the roof of our freestall barn. These panels will generate roughly 27,000 kilowatts per year, or about a third of our energy needs.

While use of solar power is beneficial to us in the reduction of energy costs on the farm, the cost of the solar panels and installation would have been cost prohibitive without the assistance of REAP and other incentives through Detroit Edison, in our case. Total investment costs for installing the solar panels was over \$140,000. Our reduction in energy costs is expected to be approximately \$5,000 a year. As you can see, without any financial assistance, the return on investment would have taken over 28 years.

With the REAP Grants and other incentives, our investment is now going to be recouped in about four years.

Aside from the financial gain of using solar energy, the implementation of renewable energy fits well with our overall farm strategy and priorities. Over the past several years, we have worked to make our farm as environmentally friendly as possible. Working through the Michigan Agriculture Environmental Assurance Program, we have implemented new management strategies to protect the livestock and the land on our farm. We are certified in all three MAEAP programs, Farmstead, Livestock, and Cropping. This past winter, our efforts to be good stewards of the resources earned us the selection of Ag Ecologist of the Year from Michigan Farm Bureau.

Many of the changes we have made around the farm, including renovating buildings, were made to help make way for the next generation, my son, to continue working on the farm.

Programs like REAP help farms implement new areas of energy efficiency and conservation on the farm. While we used the program to install a renewable energy program on our farm, other farms have used the program to make relatively small changes on the farm that result in large savings of energy consumption. Farmers by their personal nature want to conserve and protect our natural resources as much as possible. The REAP Program makes it financially feasible for us to explore new energy sources on our farm.

Supporting efforts like the REAP is one more step in our nation's move towards less dependency on foreign energy sources. President Obama has called for ten percent of our nation's energy to come from renewable sources, like wind and solar, by 2012, and 25 percent by 2025. We are proud to have done our part in the effort to gain energy independence. We encourage you to continue the REAP Program and to allow other farmers the chance to bring renewable energy and energy conservation to their operations. Thank you.

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

Chairwoman STABENOW. Thank you so much.

Mr. Armstrong, welcome.

STATEMENT OF DAVID ARMSTRONG, PRESIDENT AND CHIEF EXECUTIVE OFFICER, GREENSTONE FARM CREDIT SERVICES, EAST LANSING, MICHIGAN

Mr. ARMSTRONG. Thank you. Last but not least, right?

Chairwoman STABENOW. Absolutely, not least.

Mr. ARMSTRONG. Good morning, Madam Chairman, Ranking Member Roberts. Thank you for the opportunity to participate in today's hearing and allowing me to share some of the great things going on at Greenstone Farm Credit Services that we are doing for our farmers and rural residents. I would also like to provide you with a brief overview of the credit conditions in our local service area and then touch on a couple of areas that are important to the Farm Credit System to carry out its mission nationwide.

Greenstone Farm Credit Services is the largest agricultural lender throughout the State of Michigan and Northeast Wisconsin. We are a financial service cooperative, which means our stockholders

are the more than 21,000 farmers and rural residents that do business with us. In fact, Greenstone distributed 20 percent of its 2010 earnings to its members in patronage refunds, bringing our five-year total to just over \$85 million.

Greenstone is part of the National Farm Credit System, which was established by Congress in 1916 as a means to provide farmers and ranchers with a stable and secure source of credit. Some 95 years later, Greenstone is a \$5.6 billion financial institution, placing it seventh in the nation in terms of asset size among the 86 Farm Credit Associations, with a market share of 65 percent of the agricultural debt when compared to selected commercial banks active in agricultural lending within our territory. We are headquartered right here in East Lansing, Michigan, and have more than 450 employees working out of 37 locations throughout our service area.

Turning to credit conditions, the growing season in our territory was good to excellent in 2010 for row crops and below average for the apple and cherry industries, which were adversely impacted by an early frost, which contributed reduced yields of approximately 50 percent over the 2009 levels. Crop insurance minimized the financial impact for the apple industry. However, the cherry industry did not fare as well, as it continues to work with excess inventory carryover that is keeping prices low.

Grain commodity prices started the year at moderate levels. Favorable growing conditions deteriorated in the Midwest during July with excess levels of moisture in the Corn Belt, similar probably a little bit what we are experiencing this year. There was also an increase in export levels due to the drought in Eastern Europe later in the year. The industry went from expectations of losing money to near record profits as expectations of ending stock levels shrank. As a result, grain prices have risen steadily.

Input costs for seed, fuel, fertilizer have also increased significantly and we are seeing an upward pressure on land rents as a result of the current price environment. Even with these increases in input prices, the opportunity for solid profit margins still exist in 2011 for grain and crop producers in general, and again, that is assuming that we are still able to get average yields despite this very late start in planting.

Turning to dairies, Midwest dairies returned to profitable levels in 2010 after losing money in 2009. The run-up in feed prices that started in August of last year will place significant pressure on margins in 2011. This increase in costs should first be felt in the Western U.S., where the majority of operations purchase their feed. Dairies in Michigan enjoyed a good to record feed harvest in 2010. Most operations have large high-quality forage inventories to work with in 2011, and improved milk prices and relatively lower feed costs in 2010 provided the opportunity for many of our operations to recover most of their 2009 operating losses.

The slow recovery of the general economy continues to negatively impact timber, greenhouse and nursery operations. Several timber and greenhouse assets in our portfolio were downgraded to an adverse asset classification during the year and are not expected to improve significantly until the housing sector also improves.

The 2011 outlook for the protein sector is for reduced earnings. Feed costs will likely eat into available margins and have the potential to send several industries into the negative earnings range. Current 2011 CME Class 3 milk prices are above 2010 levels, which should hopefully allow our Midwest dairies to maintain break-even or better margins.

Interest rates continue to be at or near record low levels, which, when coupled with relatively high margins for most feed grains, can, and it is, leading to rapidly increasing farm land values in several parts of the country. Fortunately, we have experienced only moderate land value increases in Michigan to date, which should help mitigate our impact of any significant decline in crop prices on our customers' ability to service their debt. As an agricultural lender, we are very sensitive to escalating land values and continue to follow sound underwriting standards when extending credit to the industry.

Some of the farm bill issues I wanted to touch on, at Farm Credit, we continue to utilize our available authority and program resources that permit us to make credit available to the broadest group of producers. The Guaranteed Loan Programs of the Farm Services Agency help us work with farmers that may not be as sound financially or that present a greater risk than for some other reason compared to other customers. We urge you to review these programs to ensure that they reflect the needs of today's farmers.

It is essential that the caps on loan size be allowed to increase to reflect continued inflation of land values and the cost of production. Farmers must be able to obtain sufficient financing for them to have a viable sized farm operation.

And before I conclude my testimony, I would also like to bring to your attention an issue that will have an impact on small rural financial institutions that make up the Farm Credit System and our ability to continue helping agriculture and rural development grow. As you know, the Commodity Futures Trading Commission is proposing a rule requiring the mandatory clearing of swaps. While appropriate for large commercial banks, this rule will have an unintended negative impact on small rural lenders. We have relayed our concerns to CFTC Commissioner Gary Gensler and would like to briefly state our main arguments for requesting exemption from mandatory clearing of swaps.

First, the Farm Credit financial institutions like Greenstone have a proven record of being competitive, dependable, and responsible sources of credit for Michigan agricultural producers. The Farm Credit System is not interconnected to the banking industry. It has not had nor is it at risk of a credit crisis. Farm Credit banks within the Farm Credit System serve as a pass-through for their member associations, which individually have assets less than \$10 billion, meaning they should be given the same exemptions as many other small financial institutions and commercial end users.

Madam Chairman and Ranking Member Roberts, I want to thank you again for inviting me to participate in today's hearing and look forward to assisting you and your staff in any way we can as Congress begins the process of rewriting the 2008 farm bill. Thank you.

[The prepared statement of Mr. Armstrong can be found on page 58 in the appendix.]

Chairwoman STABENOW. Thank you very much.

I should mention that we will be holding our second oversight hearing of the CFTC in June. We continue to raise a number of questions and bring the issues that you are talking about and others to the CFTC, and we will continue to be actively involved with them, both the committee and the staff, as well, so thank you.

In our last few minutes, I am going to quickly move through some things, see how much we can cover. But let me ask, Mr. Armstrong, as we look at cropland values increasing, and increasing significantly, and then we think back to the previous panel with Ben LaCross talking about beginning farmers and our young people getting into—or older people getting into farming for the first time, what is your experience in lending to beginning farmers? Have you set any goals for attracting young farmers into agriculture? And of the benchmarks that you have used in that area, what is the most difficult to meet as we look at making sure that there is credit available?

Mr. ARMSTRONG. Well, as you know, Senator, being a member of the National Farm Credit System, we are mandated to make sure that we have programs in place to finance young beginning and small farmers, and Greenstone, I am very pleased to report, is in full compliance with those standards and, in fact, we exceed many of our peers around the country in terms of the percentage of small, young, and beginning farmers that we do serve.

We have a number of different programs that we can use for particularly young farmers who want to get started, where we will use reduced underwriting standards in some cases with some offsetting risk mitigators, like a USDA guarantee. We may require some crop insurance. There are some areas where we would want them to have a well proven financial recordkeeping system, a marketing plan.

And unfortunately, sometimes, most—many—I should not say most—many young producers want to get out there and farm. That part of the business, they do not really enjoy and would like to defer. And so it is sometimes a challenge in getting them to work through those pieces of their plan before they just jump on the tractor and farm, and that is probably one of the biggest challenges for us.

The other one is probably just upright having equity, having enough equity that they are not financing 100 percent of their entire operation.

Chairwoman STABENOW. Great. Thanks very much.

I want to ask Ms. Serfass and Mr. Reid both questions in terms of conservation and managing risk. When we look at managing whatever the risk it is, whether input costs, pests, diseases, and so on, could both of you talk about the conservation programs and how they assist you as it relates to managing risk and remaining competitive? Ms. Serfass?

Ms. SERFASS. Oh, remaining competitive—our Forest Stewardship Program really helps tremendously. If we did not have that plan—which my husband and I had no clue how to manage our property when we first bought it. We just thought we just wanted

a nice place to get away from retail and people and traffic and had no clue at all what we were getting into. We just—so with my husband's curiosity—he is always, if you get into anything, he is question, question, question, which is fantastic, really—he contacted the DNR and they helped us get started. He told us we should have the Forest Stewardship Plan. He told us about the Forest Association and tree farms and all the different programs that were out there to help us manage this property.

If it was not for this contact—at that time, we had seven Service foresters throughout the State, and Michigan is a pretty darn big State. Now, we only have three, and most of the conservation districts have lost their foresters, and these people help beginning wood lot owners and other even agriculture owners—it is not just forestry—on how to take care of their property and the best way to handle it.

I am not sure if I answered your question completely—

Chairwoman STABENOW. And just one quick follow-up to that, because, I mean, you were curious. You reached out. And you were saying in your testimony, only about three percent of our family forest owners are actually engaged and actually have a Forest Management Plan. What can we do to do better outreach so that there are more folks that are coming into the programs?

Ms. SERFASS. I kind of always thought, if we could get the real estate people who sell these blocks of land to let people know that there are programs out there and organizations out there to help them learn how to manage their property so that it stays healthy. If you do sustainable management, you have the healthier forests, you are going to help the environment much better. You take out the trees that are in poor condition and susceptible to disease and make room for the stronger trees to have a better forest for the wildlife and for the environment.

Chairwoman STABENOW. Great. Well, thank you very much.

And Mr. Reid, if you could talk more about managing risk and being competitive. You are obviously an example of someone who has been very involved in focusing on environmental protection. I am sure it is not easy to be certified in all three areas of the Michigan Agriculture Environmental Assurance Program, and congratulations on receiving the recognitions that you have. But speak about conservation programs a little bit more.

Mr. REID. Well, the MAEAP program goes a long way as far as keeping your risk at a minimum. In order to achieve MAEAP verification, EQIP plays an important role in that. EQIP will allow the farmers to help finance those practices that help take control of those risks. A livestock farmer, such as myself, creating or building a manure storage facility, for example, is very expensive. The other practices that go along with it, collecting the dirty water, as we call it, and making sure it does not impact the environment, collecting it into the storage facility and then using those nutrients in place of commercial fertilizer, for example, it is a big savings to us. I think those two programs coupled together do a lot to minimize our risk.

Chairwoman STABENOW. Great. Thank you.

And then finally, and then I will turn it over to Senator Roberts, Ms. Holt, could you talk more about the challenges and opportuni-

ties of farmers who are converting to organic production and what sort of tools are most valuable to them in converting? What are the obstacles to our farmers that wish to convert to organic farming?

Ms. HOLT. Well, I think the most important thing is maintaining the integrity of the USDA Organic Label. It is a pretty small funding amount for the NOP program, but it is critical to make sure that there is going to be an ongoing market for the organic products. They are going through a lot of work. They have to be certified organic, unlike anyone else who is selling their products. And so if they are going through all of that, that label needs to mean something to the U.S. consumer. So that is the most important thing.

Then just from a funding standpoint, the Cost-Share Program has really helped to offset costs. It is only giving \$750 per farmer, but that is something and it does make a difference to help offset that certification cost that another farmer does not need to go through.

And then EQIP, we have talked a lot about that, but those programs, as well, will help with the conversion by providing some funding to help that farmer make that conversion, and it does take three years to convert the land over to organic production, and so during that time, they are doing the work and basically farming organic, but they are not able to sell the product as organic, so it does help offset some of those costs.

Chairwoman STABENOW. Great. Thanks very much.

Senator ROBERTS.

Senator ROBERTS. I will try it in reverse order. Mr. Armstrong, did you ever hear back from Gary Gensler about your recommendations on CFTC and the rulemaking?

Mr. ARMSTRONG. No, sir, not to my knowledge.

Senator ROBERTS. Remind me again, this was not just your letter, but it was a consortium kind of letter in response to the rulemaking that CFTC has proposed, is that correct?

Mr. ARMSTRONG. Correct.

Senator ROBERTS. When did you send it in?

Mr. ARMSTRONG. There were letters that were sent in earlier this spring on behalf of the National Farm Credit Council—

Senator ROBERTS. What happened to those letters? Do you know?

Mr. ARMSTRONG. Well, I assume that Mr. Gensler received those letters as well as others on the CFTC Board, and to my knowledge, we have not heard a formal response yet.

Senator ROBERTS. I mean, have they even acknowledged that they received them?

Mr. ARMSTRONG. I would have to check with our national office.

Senator ROBERTS. Well, I had an interesting talk with Gary Gensler. I made a speech on the floor where I mispronounced his name and—

Chairwoman STABENOW. That did not help.

Senator ROBERTS. No, it did not help at all.

[Laughter.]

Senator ROBERTS. He expressed his desire that it was a crucial need that CFTC needs somewhere between 200 to 300 more lawyers—

[Laughter.]

Senator ROBERTS. and that did not go down very well. At any rate—with parking spaces.

[Laughter.]

Senator ROBERTS. That means they stay there. That is the problem.

All right. On page three, you are talking about a moderate increase in land values. Tom Hoenig used to be our Kansas City Fed Chairman, the only guy who testified before the Fed to quit using the Fed's money to try to keep pace with the economy, a lone dissenter. He is a little worried that we might see a repeat of the 1980s, and Lord knows you went through that. A lot of that depends on the weather, just all sorts of things, all of the variables. What do you see out there? You say it is moderate. Where are we going?

Mr. ARMSTRONG. In Michigan, and this is not to be an evasive answer, but talking to one of our chief appraisers recently, I asked him the same question about values in the State, and he said, "Dave, it is zero to 25 percent in Michigan." We have areas of this State where we have less productive soils. We have areas that are closer to the urban populations of this State, where development pressures have all but evaporated. So poor soil, smaller size parcels, and those parcels close to urban areas, we have seen very little in terms of escalating land values. In the very strong ag areas of this State where we have highly productive soils, large tracts, highly competitive neighborhoods, that is where we are seeing some of the 25 percent increases.

And so when you kind of average that out across Michigan because of the diversity that we have, in general, we would say land values overall are more moderate. If we were in the middle of your Fed district, they probably would be north of moderate, certainly.

Senator ROBERTS. Mr. Reid, you installed those solar panels and figured out that without the REAP program, that they would have paid off in 28 years, \$5,000 a year, I think, as I recall. But with the REAP program, you were able to make that work in four years' time, is that correct?

Mr. REID. That is correct.

Senator ROBERTS. All right. Do you think we will ever see a day when the solar energy program can stand on its own two feet? Do not misunderstand me, I am not criticizing the program. I hear that a lot.

Mr. REID. Well, I think the cost of these panels will probably go down as more of them are produced.

Senator ROBERTS. Sure.

Mr. REID. I would assume that is going to happen. And I think the cost of electricity that you and I pay for every month is probably going to increase. So between those two factors, we will probably see some improvement in the cost, in the initial cost of that program. Other than that, I cannot give you a foreseeable answer—

Senator ROBERTS. Well, it is a hard thing to figure—

Mr. REID. Yes.

Senator ROBERTS. —and I am not asking you to do that. But down the road, that would be the hope, of course—

Mr. REID. Yes.

Senator ROBERTS. —if, in fact, that would take off. The same thing with wind power. The President says we can do this in 2012, upwards of ten percent. Do you think we can make that?

Mr. REID. It is going to be tough. I actually think that maybe on a more residential usage of this, I think that is where you are going to see the growth. These panels can be put on, they can be mounted on roofs of houses, for example. They have to be on a north-south orientation, I guess, or they can be ground mounted. There are several alternatives. But they can—I think they can—I think I see more use in the residential field, at least on a widespread basis.

Senator ROBERTS. I appreciate that. Thank you very much.

Mr. West, welcome to Garden City, as in August when you have the family reunion. That is in Kansas, by the way, folks. His wife is from Kansas, and so he grabbed one of our sunflowers and brought her up here.

[Laughter.]

Senator ROBERTS. You mentioned the five Cs in regards to capital resources investment, or whether you are talking to your friendly hometown banker or whatever lending institution, and the one that really stood out, you indicated, was character, especially, and we talked about young farmers and the Chairwoman talked about that. How does a banker evaluate character, especially what we have been through in regards to who got loans and who was able to pay them back and et cetera, et cetera, with Freddie and Fannie and so on and so forth? And what is your experience with that? I mean, how did—

Mr. WEST. Well, as an alternative lender, character matters a great deal to us. So partially, what we will do, since we are doing so many start-ups, is we will go through a series of asking a business person to do more research to help us understand where they are trying to go. And as they go and perform more research, it is a great indicator of their commitment, and largely that is what we are investing on, is their character and their commitment.

Senator ROBERTS. So it is what Mr. Armstrong indicated when a farmer wants to hop on the tractor and go farm as opposed to sitting down and saying, okay, what is your plan? What is your financial plan? Where are you in five years, et cetera, et cetera?

Mr. WEST. Well, we look at all the same things.

Senator ROBERTS. Right.

Mr. WEST. It is just that as an alternative lender, we are going to do the loans the banks cannot do, should not do, or will not do.

Senator ROBERTS. All right.

Mr. WEST. And as such, that means that almost anything we are going to get into has either had a credit blemish— often, those credit blemishes were because of health issues, they have had a collateral challenge that they cannot overcome with respect to the bank, or there is not enough equity initially to get started. So those are the gaps that we try to fill. So it is incumbent upon us to really understand character and really get focused on—

Senator ROBERTS. Well, thank you for your efforts. I know that is a difficult job.

Mr. Davis, what can we do to get more folks in the private sector to invest in the Double Up Food Bucks Program in regards to SNAP folks?

Mr. DAVIS. Well, I would say that it can be seen as an economic generator. If we are able to convince businesses that by providing more buying power, spending power, by some of our citizens that have less resources, then that would really create an economic impact—

Senator ROBERTS. Do you have an outreach program with Chambers of Commerce and other business groups or other civic groups, et cetera, et cetera, to step up to this?

Mr. DAVIS. Well, the United Way does not per se. We were a contributor to the Double Up Food Bucks. That was really being driven by the Fair Food Network, and I know that Oran Hesterman, the Chair of the Fair Food Network, has done a really good job of encouraging buy-in from local businesses and other advocates around—

Senator ROBERTS. The SNAP Program is going to have to stretch that dollar a little bit more. We had the same program in Kansas with the farmers' markets. So I wish you well and I hope that you can get a good outreach program to have more success.

Mr. DAVIS. Thank you.

Senator ROBERTS. Flipping very quickly here, Ms. Holt, Secretary Vilsack just last week, I think, testifying before our committee, cautioned against us being too prescriptive with programs, more especially with organic, and said perhaps there are other programs available at the Department, particularly in the area of research and conservation, for which organic growers can utilize in similar fashion. That is just a statement by the Secretary. Do you have any comments?

Ms. HOLT. I just—that because of the regulatory oversight that exists with the organic program, it is necessary to make sure that that funding is there so that they can do the job that they need to do. So that is a specific program. Certainly, organic can take advantage of some of the other programs within the farm bill, but the National Organic Program does need its own funding—

Senator ROBERTS. I sure would like to have a nice visit with you, because I went through that controversy on what is organic and what is not. Dan Glickman from Kansas was Secretary. He says it is one of the worst times he ever had, trying to figure out from organic producers what is organic, what is not, and the label and all of that, and I know that is always a chore for you, but just let me indicate my interest in that and the Chairwoman in that.

Let me see, here. How are you getting along with those wolves out there, Ms. Serfass?

Ms. SERFASS. Directly on our property, we have not had too many wolves. I did see one, oh, within a mile of our property, but we just had a nice little stare-down and he went his way and I went my way. And I was in the car, thank heavens.

[Laughter.]

Senator ROBERTS. Right. So you are not in the wolf- raising business—

Ms. SERFASS. No.

Senator ROBERTS. All right. Okay. EPA regulatory action as it relates to clean water permits—since the 1970s, EPA regulations have interpreted the Clean Water Act to define most forest management activities as non-point sources, therefore not requiring NPDES permits, long permit. If EPA advances this regulatory action, this is proposed and will no longer consider forest management as a non-point source. How would this new permit requirement affect the way you and other private forest land owners manage your land? What costs would be associated? What challenges will you face in the future, none of which are good?

Ms. SERFASS. I am not exactly sure what that whole permit is all about—

Senator ROBERTS. That is the point.

[Laughter.]

Ms. SERFASS. I do not know—

Senator ROBERTS. Welcome to the world of Washington regulatory nonsense. I mean, you are going to wake up to it on a Thursday morning, when all of a sudden you are going to get something in the mail.

Ms. SERFASS. I do know that the last time we had a logging, they were talking about that each time they are going to a different property, they are to make sure that their equipment has been totally cleaned down, because we have been having problems with garlic mustard being spread very easily—

Senator ROBERTS. Right.

Ms. SERFASS. —and other invasives—

Senator ROBERTS. I am not sure that is EPA, as opposed to the State—

Ms. SERFASS. I am not sure of this, either—

Senator ROBERTS. —but this permit, I want to get at this permit. I want you to get educated and I want you to get involved with whatever associations you have to weigh in on this because that is another thing we do not need, big time. And I appreciate your saving your aspens. I love aspens.

[Laughter.]

Senator ROBERTS. You must have a beautiful place.

Ms. SERFASS. Thank you.

Senator ROBERTS. You went on that property to make a home, and you not only made a home, but you contacted your forester and so on and so forth. I was a little struck that only 13 percent of the people that have forest ground are into that program, know anything about it, really, in Michigan. I do not know what it is nationwide. But thank you, and thank you for your example. I think it is wonderful.

Ms. SERFASS. Thank you.

Senator ROBERTS. I appreciate it, Madam Chairwoman.

Chairwoman STABENOW. Thank you very much.

Well, we have come to the end of our time for the hearing. I am going to ask each of you to follow up—I will not ask you the question today, but as we look at various programs, various efforts, one question I have is how can we do a better job or help you do a better job working across the lines or reducing the lines between various parts of the farm bill. I know there are areas where definitions are different as to what is rural. I mean, how do we streamline

those things? How can we create more flexibility so that you have the opportunity to meet your goals and do the best job that you can, and that is part of what we are going to be doing in this farm bill, is focusing on how to streamline, how to take away the paperwork that Senator Roberts is talking about, how to streamline, how to be able to create more flexibility when it is appropriate and be able to work across lines so that we are growing those fruits and vegetables and making those available, Mr. Davis, and being able to do the kinds of things that we can do by working with all parts of agriculture. So we are going to ask for your input as we go along to be able to do that.

We have had a really terrific opportunity today. I want to thank all of you for your input. And I want to thank not only Michigan State, as always, but I want to thank our staff, as well, who have done a terrific job. A lot of work goes into putting this together, and Chris O'Donnell [phonetic], my Director of our staff, and Mike Seaford [phonetic], who is on Senator Roberts' staff, as well, I know you join me in thanking both of them.

For purposes of everyone in Michigan, I just want to make sure that you know on our staff who is here. Jonathan Coppis [phonetic] is here, who has done a lot of our work on Title 1, the commodities, and all the budget. It is your fault, Jonathan and Chris, on the budget here, making this all add up. Joe Schultz [phonetic]—where is Joe—also working on those issues, as well. Tina May [phonetic], who is working on conservation and a number of other issues. Jacqueline Snyder [phonetic], who is our specialty crop person, as well as nutrition and so on. And Kelly Fox [phonetic] from our Michigan local regional manager. I do not know if Mary is here, as well. We have got our other regional folks here, as well. So we want to thank everyone that is involved in putting this together. It takes a lot of hard work to put together a field hearing like this and we appreciate all the staff's response.

This is field hearing one. We have more to do. We are in a process that will take the rest of the year and into next year as we go through, both in D.C. and around the country, and for me, around Michigan. We will be doing a number of sessions, continuing to sit down with community leaders and local growers and so on around the State. But this all adds up to giving us the information we need and the input we need so that as we sit down next year to put together the farm bill, we have got the very best input possible and the very best ideas.

So thank you very much for coming. Thank you to our wonderful panel here.

[Applause.]

Chairwoman STABENOW. Thank you. We are officially adjourned. [Whereupon, at 12:12 p.m., the committee was adjourned.]

A P P E N D I X

MAY 31, 2011

**Senate Ag Committee Field Hearing Testimony by Dave Armstrong,
CEO, GreenStone Farm Credit Services - April 9, 2011 - Michigan State
University, East Lansing, MI**

Madame Chairman – Thank you for the opportunity to participate in today's hearing and allowing me to share some of the great things that GreenStone Farm Credit Services is doing for farmers and rural residents in Michigan and northeast Wisconsin, provide you with a brief overview on credit conditions in our local service area, and touch on a couple of areas that are important for the Farm System to carry out its mission in a very rapidly changing marketplace. As you have already heard today, Michigan agriculture has a great story to tell and we are very proud to be part of our collective industry's success.

GreenStone Farm Credit Services is the largest agricultural lender throughout the state of Michigan and northeast Wisconsin.

We are a financial services cooperative, which means our stockholders are the more than 21,000 farmers and rural residents that do business with us.

GreenStone is part of the national Farm Credit System, which was established by Congress in 1916 as a means to provide farmers and ranchers with a stable, secure source of credit. Some 95 years later, GreenStone is a \$5.6 billion financial institution, placing it 7th in the nation in terms of asset size among the 86 Farm Credit associations, with a market share of 65 percent of the agriculture debt when compared to selected commercial banks active in agricultural lending within its territory.

We are headquartered right here in East Lansing, Michigan, and have more than 450 employees working out of our 37 locations throughout our service area.

GreenStone is primarily a lending institution, with credit made available for any agricultural need including land, buildings, equipment, livestock and operations. In addition, GreenStone finances rural properties, such as recreational land, home sites and home construction. We also offer a variety of ancillary services above and beyond our loan products, such as tax and accounting services, life and crop insurance, and appraisal services.

With Michigan being the second most diverse agricultural state in the nation with over 200 different commodities produced, GreenStone's loan portfolio is equally as varied. Dairy makes up the largest concentration of our total loan volume, with just under 24 percent; however, we also provide financing for an array of other agricultural industries, including cash crops, vegetables, timber, sugar beets, poultry, potatoes, cattle, hogs, fruit and greenhouses plus, residential loans in rural areas.

For much of the past decade, GreenStone has consistently maintained high levels of customer satisfaction, with annual scores ranging between 92 and 95 percent. In addition to our strong focus on customer service and our years of consistent commitment to financing the agricultural industry, we are also very proud of our ongoing customer patronage program.

In the spirit of our cooperative structure, for six straight years GreenStone has returned approximately 20 percent of its overall net earnings in the form of cash patronage. Just last month, we gave back \$18.2 million to our customers, bringing our overall patronage return to more than \$85 million since 2005.

Credit Conditions

The growing season in our territory was good to excellent in 2010 for row crops and below average for the apple and cherry industries, which were adversely impacted by an early season frost that reduced yields approximately 50 percent over 2009 levels. Crop insurance minimized the financial impact for the apple industry; however, the cherry industry did not fare as well as it continues to work with excess inventory carryover that is keeping prices low.

Grain commodity prices started the year at moderate levels. Favorable growing conditions deteriorated in the Midwest during July with excess levels of moisture in the Corn Belt. There was also an increase in export levels due to drought in Eastern Europe. The industry went from expectations of losing money to near record profits as expectations of ending stock levels shrank. As a result, grain prices have risen steadily.

An example of the impact is the March 2011 corn futures contract increased from \$4.24 in July of last year and recently expired at just over \$6.50 per bushel. With tight inventory levels, the 2011 price outlook is very favorable. Input costs for seed, fuel and fertilizer are moving up steadily. We also expect to see upward

pressure on land rents as a result of the current price environment. Even with the increase in input prices, the opportunity for solid profit margins exists in 2011 for grain and crop producers in general.

Midwest dairies returned to profitable levels in 2010 after losing money in 2009. Increased production was absorbed by the export market as domestic demand remained relatively flat. The dairy industry has not rationalized cow and bred heifer numbers sufficiently to offset increases in production per animal unit. The industry will remain in an excess capacity situation dependent on the export market in 2011. The run up in feed prices that started in August of last year will place significant pressure on margins in 2011. This increase in cost should be felt first in the western U.S. where the majority of operations purchase their feed. Dairies in Michigan enjoyed a good to record feed harvest in 2010. Most operations have large, high quality forage inventories to work with in 2011. Improved milk prices and relatively lower feed costs in 2010 provided the opportunity for many of our operations to recover all of their 2009 operating losses.

Hog producers operated at prices well above breakeven cash flow prices in 2010 for the first time since the fall of 2007 as the industry right sized production units and export levels grew. Yet, feed prices are tempering the outlook for 2011.

Non-farm economic conditions have improved slightly within Michigan as unemployment peaked out in December 2009 at 14.5% and has since improved steadily to the current level of 12.4% according to the Bureau of Labor Statistics. While employment conditions appear to have stabilized and have shown improvement, the state of Michigan has significant financial challenges that will also impact the private sector. Rural Michigan has not been impacted as greatly as the large urban areas of Michigan economically, but it is still well below 2007 employment levels due to adjustments in the automotive industry that have impacted the state. These circumstances continue to put some stress on the association's portfolio of residential and part-time farm loans, but it continues to be very manageable.

The world economy continued to show signs of improvement in 2010 as did the U.S. during the fourth quarter. The Federal Reserve continues to pursue a strategy of utilizing a weaker U.S. dollar to strengthen exports. This resulted in agriculture exports increasing throughout all of 2010. Chicago Board of Trade prices for grain

and Chicago Mercantile Exchange (CME) futures prices for the protein sector and milk continue to reflect this slow, but improving trend for 2011.

The slow recovery of the general economy continues to negatively impact timber, greenhouse, and nursery operations. Several timber and greenhouse assets in our portfolio were downgraded to an adverse asset classification during the year and are not expected to improve significantly until the housing sector also improves.

The 2011 outlook for the protein sector is for reduced earnings. Feed costs will likely eat into available margins and have the potential to send several industries into the negative earnings range. Current 2011 CME Class III milk prices are above 2010 levels, which should allow our Midwest dairies to maintain breakeven or better margins.

Interest rates continue to be at or near record low levels, which when coupled with relatively high margins for most feed grains can, and is, leading to rapidly increasing farm land values in several parts of the country. Fortunately, we have experienced only moderate land value increases in Michigan, which should help mitigate the impact of any significant decline in crop prices on our customer's ability to service their debts. As an agricultural lender, we are very sensitive to escalating land values and continue to follow sound underwriting standards when extending credit to the industry.

Farm Bill Issues/Challenges

At Farm Credit we continue to utilize all available authority and program resources that permit us to make credit available to the broadest group of producers. The guaranteed loan programs of the Farm Services Agency help us work with farmers that may not be as sound financially or that present a greater risk for some other reason compared to other customers. We urge you to review these programs to ensure that they reflect the needs of today's farmers. It is essential that the caps on loan size be allowed to increase to reflect continued inflation in land values and the cost of production. Farmers must be able to obtain sufficient financing for them to have a viable sized operation. We would encourage as well that the definition of what is an eligible farm be made more flexible to recognize corporate structures that producers are using today to mitigate risk. This is especially important in the case of young and beginning farmers who may bring outside investment into their operation by those not

actively engaged in agriculture -- a retired parent for instance. If we are truly interested in promoting young and beginning farmers, we need to allow them to be as creative as they need to be to make their operation viable.

We also recognize that rural development continues to be a key focus of the farm bill. Having a vibrant rural economy that provides job opportunities for farmers and members of their families and amenities such as quality education and healthcare facilities and access to broadband remain critically important to the rural quality of life. It is important that programs be maintained that assist rural communities in addressing their necessary community facility needs. As you know, the Farm Credit System has been granted limited "pilot" authorities to assist with financing rural economic development and stands ready to assist with this in any way that it can.

Finally, much attention has been given to consumer demand for more locally produced food. Major retailers and food service providers are responding to consumer demand as are farmers themselves who are increasing direct marketing of their production to consumers. Often, we are seeing these local value-added opportunities are allowing beginning farmers to get started in agriculture. These agricultural entrepreneurs are seizing opportunities created by consumer demand. As these markets continue to develop, we would encourage the Committee to be mindful of the infrastructure needs that these new marketing channels require and to ensure that they have access to the resources they need to be successful.

Madame Chairman, I want to thank you again for inviting me to participate in today's hearing and look forward to assisting you and your staff in any way we can as Congress begins the process of rewriting the 2008 Farm Bill. This concludes my comments.

Written Testimony of the

National Pork Producers Council

Before the

**Senate Committee on Agriculture,
Nutrition and Forestry**

April 9, 2011

INTRODUCTION

The National Pork Producers Council (NPPC) is an association of 43 state pork producer organizations and serves as the voice in Washington for the nation's pork producers. The U.S. pork industry represents a significant value-added activity in the agriculture economy and the overall U.S. economy. Nationwide, more than 67,000 pork producers marketed more than 110 million hogs in 2010, and those animals provided total gross receipts of \$15 billion. Overall, an estimated \$21 billion of personal income and \$34.5 billion of gross national product are supported by the U.S. hog industry. Economists Dan Otto and John Lawrence at Iowa State University estimate that the U.S. pork industry is directly responsible for the creation of 34,720 full-time equivalent pork producing jobs and generates 127,492 jobs in the rest of agriculture. It is responsible for 110,665 jobs in the manufacturing sector, mostly in the packing industry, and 65,224 jobs in professional services such as veterinarians, real estate agents and bankers. All told, the U.S. pork industry is responsible for more than 550,000 mostly rural jobs in the U.S.

Exports of pork continue to grow. New technologies have been adopted and productivity has been increased to maintain the U.S. pork industry's international competitiveness. As a result, pork exports have hit new records for 17 of the past 19 years. In 2010, the U.S. exported more than \$4.8 billion of pork, which added \$56 to the price that producers received for each hog markets. Exports last year represented about 20 percent of pork production. The U.S. pork industry today provides 21 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide.

Pork producers have a keen interest in the next Farm Bill. NPPC has formed a Farm Bill Policy Task Force to gather input from producers from around the country. The task force will hold a number of meetings to review and evaluate many of the Farm Bill issues that will affect the pork industry. NPPC is committed to working with Congress to craft the 2012 Farm Bill.

PROFILE OF TODAY'S PORK INDUSTRY

Pork production has changed dramatically in this country since the early 1990s. Technology advances and new business models changed operation sizes, production systems, geographic distribution and marketing practices. The demand for meat protein is on the rise in much of the world. Global competitiveness is a function of production economics, environmental regulation, labor costs and productivity. The United States can continue to be a leader in food production and meet the needs of increased consumer demands as long as exports continue to grow and producers are allowed to operate without undue legislative and regulatory burdens.

U.S. pork farms have changed from single-site, farrow-to-finish (i.e., birth-to-market) production systems that were generally family-owned and small by today's standards to multi-site, specialized farms many of which are still family-owned. The changes were driven by the biology of the pig and the business challenges of the modern marketplace. Separate sites helped in controlling troublesome and costly diseases and enhanced the effect of specialization. Larger operations can spread overhead costs (such as environmental protection investments and expertise) over more farms and buy in large lots to garner lower input costs. The change in sizes has been the natural result of economies of scale, plain and simple.

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

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

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

Today, the prices of about 5 percent of all hogs purchased are negotiated on the day of the agreement. All of the other hogs are packer-produced or sold through marketing contracts in which prices were not negotiated one lot or load at a time but determined by the price of other hogs sold on a given day, the price of feed ingredients that week or the price of lean hog futures on the Chicago Mercantile Exchange. These newer risk-management mechanisms are entered into freely and often aggressively by producers and packers alike to ensure a market for and a supply of hogs, respectively, and to reduce the risks faced by one or both parties.

Robust pork demand in both the domestic and export markets will likely make 2011 a successful year for U.S. hog producers. Pork cutout values and farm-level hog prices are near record high, and prices of lean hog futures contracts for summer months exceed \$100 per hundred pounds carcass weight. The recovering U.S. economy, the weak U.S. dollar, successful marketing efforts by producer groups, packers and processors and an expanded opportunity for pork sales to South Korea have all contributed to these strong prices.

But a major reason for higher prices is lower hog production relative to just three years ago, the result of producers' responses to sharply higher costs of production. Costs for average farrow-to-finish producers will average about \$85 per hundred pounds carcass weight this year based on corn and soybean meal futures on April 1. That figure is 20 percent higher than last year and 60 percent higher than the average for 1999-2006, before the advent of federal biofuels policies. These costs are now being passed along to consumers in the form of higher retail pork prices, which set six record monthly highs during 2010 and are almost certain to set new highs this year.

The risks faced by pork producers in the coming years are greater than ever. Even with the third largest corn crop on record, projected 2011 year-end stocks-to-use ratios for

both corn and soybeans are the lowest ever. Total corn usage, driven by nearly 5 billion bushels of corn going to ethanol production, is now routinely over 13 billion bushels per year and still growing because of constantly rising renewable fuels mandates and, at least at present, soaring oil and gasoline prices, which make ethanol production more profitable. The increasing demand for corn has resulted in cash corn prices of more than \$6 per bushel and corn futures prices well over \$7 per bushel.

Any difficulties with this year's or next year's U.S. corn and soybean crops could be disastrous for U.S. pork producers. Ethical care of animals requires producers to feed them even when feed prices are high. Producers cannot quickly stop production and feed usage, and they will do all they can to keep from destroying the animals in their care. But such action might be required should poor growing conditions develop over the next few years. The last real drought in our major corn-growing states happened in 1988, 23 years ago. The Corn Belt is overdue for a weather shock.

Finally, these higher costs have driven capital requirements to record levels. Where it once took roughly \$100 to get a hog to market weight, it now takes more than \$170. Loan levels and credit lines have swollen. Lenders have tightened credit terms and, in some cases, have been challenged to meet these higher capital needs.

As the next Farm Bill is written, NPPC hopes Congress will take into account the factors laid out below and current economic conditions when considering the needs of the nation's pork producers. The U.S. pork industry would like Congress, in crafting the 2012 Farm Bill, to: 1) maintain the U.S. pork industry's competitive advantage; 2) strengthen the industry's competitiveness; and 3) defend the industry's competitiveness by opposing unwarranted and costly provisions and regulations.

MAINTAIN OUR ADVANTAGE

The next Farm Bill should help the U.S. pork industry maintain its current competitive advantage. The U.S. pork industry has become the world's low-cost producer of pork and its No. 1 exporter through low production costs, a strong food-safety record and advancements in animal health and consumer-driven further processing.

Food Safety And Advancements In Animal Health

U.S. pork producers have made food safety their highest priority. Through industry programs such as Pork Quality Assurance Plus (PQA Plus) and Transport Quality Assurance (TQA), pork producers have been able to reduce the incidence of animal disease and to enhance food-safety protocols. PQA Plus – and its predecessor, PQA – is modeled after the Hazard Analysis Critical Control Point (HACCP) programs used by food manufacturers to ensure the safety of food products but customized for on-farm use. It was designed to identify the practices with potential to result in a food-safety hazard and minimize this potential risk through producer education on relevant on-farm practices. More than 53,000 pork industry workers have been certified under the PQA Plus program and about 13,000 farms have undergone a site assessment. TQA provides guidelines on handling, loading, transporting and unloading of all sizes of hogs. Specifically, these guidelines address basic handling, managing temperature, preventing heat and cold stress, using driving tools and low-stress loading and unloading. More than 26,000 producers, handlers and transporters have been certified in this education program. The U.S. pork industry works closely with USDA's Agricultural Research Service (ARS), which helps ensure that Americans have reliable, adequate supplies of high-quality food and other agricultural products through scientific discoveries that help solve problems in livestock production and protection. At the packing plant, the industry relies on USDA's Food Safety Inspection Service (FSIS) personnel to ensure the safety of pork products.

NPPC believes that adequate funding for FSIS and ARS is needed to allow the agencies to keep the U.S. pork supply safe and wholesome.

U.S. pork producers support efforts underway in USDA's Animal and Plant Health Inspection Service to address animal disease outbreaks and to implement a national animal disease surveillance program. A critical component of this initiative ought to be control of the populations of feral swine in Michigan and other pork-producing regions of the country. These animals frequently carry disease and pose serious contamination risks for domestic swine populations.

NPPC supports a national mandatory animal identification system that enables USDA to quickly identify, control and eradicate any animal disease outbreak. Such a system is imperative to keeping U.S. export markets open. (Countries will not accept U.S. meat exports if they aren't confident that the United States can control and eradicate an animal disease.) The U.S. pork industry, through a cooperative agreement with USDA, implemented an animal identification system based on its 1988 pseudorabies eradication program. Since 2007, more than 57,000 swine premises have been registered, covering more than 90 percent of the U.S. hog population.

Low Production Costs

Low production costs are the result of affordable feed ingredients and efficient production units. (Currently, it's more the latter than the former.) The Farm Bill can help the U.S. pork industry on both counts by maintaining and enhancing programs that keep feed ingredient prices competitive with the rest of the world. Feed comprises 65-75 percent of the cost of producing a market hog. (Each market pig consumes approximately 10.5 bushels of corn and 200 pounds of soybean meal, or about 4 bushels of soybeans.) U.S. pork producers are concerned about the impact on the industry of the increased use of corn for ethanol production. U.S. pork producers believe that this country needs a strong renewable energy policy. However, such a policy cannot come at the expense of livestock. The current focus on renewable fuels is laudable, but markets must be neither distorted by subsidies and taxes nor constrained by mandates to the point where they cannot send effective price signals. Research and development is needed to find other energy alternatives, such as using animal manure and fat and biomass, including

switchgrass and corn stover. The U.S. pork industry wants to emphasize that the right balance is needed to meet the needs of fuel *and* feed security.

Recently, feed costs have risen dramatically, with corn prices now more than \$6 a bushel. (During debate on the last Farm Bill, corn prices were under \$4 a bushel.) While high feed costs are a concern to producers, more alarming is the potential for feed shortages. Despite the third largest corn crop ever in 2010, the U.S. Department of Agriculture estimated that there was only a 19-day carryover of corn stocks, a historic low. Should the Corn Belt suffer a drought or other weather event that reduces the harvest, there could be regional shortages of feed.

To address that potential feed crisis, NPPC wants productive acres now in the Conservation Reserve Program to be released without penalty so that they may be planted to crops.

Consumer-driven Further Processing

The U.S. pork industry must continue to meet the demands of its consumers. Therefore, the structure of the production and packing sectors should be allowed to change with the demands of the marketplace. This includes allowing producers and packers to change to adopt new technologies and capture economies of size and scope. The U.S. pork-packing sector is the envy of the world in terms of efficiency, and Congress must be careful not to take away or hamper this source of international advantage. Allowing producers and packers the freedom to develop new ways of doing business will only enhance the value of U.S. pork products, at home and abroad, and reduce costs and risks. A key issue here is workable immigration reform that allows the industry to maintain a viable workforce without significantly increasing labor costs or placing the law enforcement burden on pork producers and packers.

ADD TO OUR COMPETITIVENESS

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

Trade

There is considerable global demand for pork and pork products. Pork represents 44 percent of global meat protein intake, far more than beef and poultry. And there is no disputing that free trade agreements have been a major factor in the rapid growth in U.S. pork exports over the last two decades. Since the year before the North American Free Trade Agreement was implemented in 1994, for example, U.S. pork exports to Mexico have increased 780 percent to \$986 million last year; since the year before the Australia FTA was implemented, U.S. pork exports to that country have grown by 1,300 percent to \$148 million; since the year before the Central America FTA was implemented, U.S. pork exports to the CAFTA countries have increased by 313 percent to \$119 million; and in the two years since the Peru FTA took effect, U.S. pork exports to that South American country have almost doubled to \$1.2 million. The Center for Agriculture and Rural Development at Iowa State University estimates that U.S. pork prices were \$56 per hog higher in 2010 than they would have been in the absence of exports. The U.S. pork industry last year exported more than 1.9 million metric tons of pork valued at \$4.8 billion.

The United States is now the lowest-cost pork producer in the world, and the U.S. pork industry has established itself as the No. 1 global exporter. But the industry will not stay in that position, even as the lowest-cost producer, if competitor countries cut trade deals in key markets and the United States does not.

U.S. pork producers have been and continue to be strong supporters of trade agreements, including the deals with Colombia, Panama and South Korea, which are pending congressional approval. It is important to emphasize the need to strengthen the ability of

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

Risk Management

During the past two years, NPPC has been reviewing the current risk-management tools available to U.S. pork producers. These tools need to be reviewed and modernized to reflect today's modern pork production as well as the economic realities of the United States as a growing pork exporting nation.

The Livestock Gross Margin Insurance Program for swine needs to be enhanced. A producer committee has held several discussions about the potential improvements to the program to assist pork producers during these volatile economic times. Although production seems to have stabilized, U.S. pork producers still face significant economic risks. First, because the U.S. pork industry today exports 20 percent of its product to foreign destinations, it faces the risk of severe market disruptions such as the one producers experienced from April 2008 to May 2009 when 29 countries shut their markets to U.S. pork because of unsubstantiated claims about the risk of H1N1 flu. This situation had a huge impact on the U.S. pork industry, which lost billions of dollars because of the H1N1-related export ban. Second, the USDA-subsidized Livestock Risk Protection program and an Iowa program, which protect livestock producers' margins above feed costs, both have had limited success because of a lack of awareness, availability and cost competitiveness. NPPC believes that USDA should evaluate both programs to determine if changes can make them more useful and thus more widely accepted by pork producers. These programs need to be improved to more accurately reflect today's pork production model, be open to all producers regardless of size or production system and should not be capped at unrealistic levels that have not increased since the program began.

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

Conservation and the Environment

In terms of conservation and environmental protection, farmers and ranchers have adopted and will continue to adopt conservation measures to protect water quality. These measures work. USDA's Natural Resources Conservation Service (NRCS) estimates that, as of 2006, farmer conservation practices in the upper Mississippi River basin have reduced the loss of sediment by 69 percent, nitrogen by 18 percent and phosphorous by 49 percent. Similarly, NRCS estimates that in the Chesapeake Bay sediment loss is down by 57 percent, nitrogen by 36 percent and phosphorous by 39 percent. Estimates will be available this year or early next for the Great Lakes and other regions of the country. But NPPC is confident that these statistics will show similar progress by farmers everywhere.

Even with such strong accomplishments, agriculture knows that the public wants greater environmental performance from farmers and ranchers. Water quality in the Great Lakes is a top concern for Michigan residents and others in the region. Similar sentiments are being expressed in other parts of the country such as the Chesapeake Bay watershed, Long Island Sound and the entire Mississippi River basin. More is being requested, or demanded, depending on the part of the country. Fortunately, farmers can make further advances with the adoption of even more efficient conservation measures so that additional water-quality improvements will be possible.

For many farmers, USDA conservation financial assistance funds through the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP) will be integral to making these additional advancements more possible and able to happen more rapidly. Certainly there will be advances made by many farmers without any federal funding assistance. But conservation financial assistance will be

critical for many, and it will help build a foundation of practices that can sustain conservation improvements for the long term. As such, it is critical that every effort be made in this Farm Bill to maintain funding for EQIP and the other critical working lands conservation programs.

There is another reason that funding for EQIP and other working lands programs must be maintained. The traditional Clean Water Act permitting model will never be a successful policy approach for agriculture. New models and new approaches must be found, and EQIP will be critical to making these new approaches viable. These new approaches must give farmers the certainty they need to know they can invest in new technologies and practices and be able to make them pay. These new approaches must also give farmers the flexibility to quickly adapt to changing circumstances and let them explore new methods to reduce costs, improve efficiency and reduce their overall footprint. Yet all this must be done while also giving the public the assurances it wants that agriculture is, in fact, making improvements and fulfilling its environmental protection responsibilities.

The Michigan Agriculture Environmental Assurance Program is a good example of such an innovative approach. The challenge, of course, will be to adapt such innovative efforts to literally hundreds of thousands of farms and to fund the significant educational and technical assistance this will entail. NPPC anticipates that further innovations are going to be needed that do not require a federal or state program on every farm to give the public the assurance that real and lasting improvements are being made. NPPC also anticipates that some targeting of EQIP funds will be needed in some of the critical watersheds even while funds are maintained to keep EQIP assistance broadly and generally available. The next Farm Bill should address these challenges, but it is clear that without protecting EQIP funding, this task becomes significantly more difficult.

Research

To maintain the U.S. pork industry's competitive advantage, the United States must invest in research. Production agriculture research has proved essential in promoting the U.S. to the position as the top agricultural products producer in the world, and the

continued focus on research will be necessary to advance animal health and to feed a growing global population. USDA's research is critical to the pork industry, whether it be improving swine genetics, testing and deploying new and improved animal vaccines to combat emerging and zoonotic diseases, improving utilization of alternative feed stuffs in the swine diet such as sorghum and wheat, improving alternative animal health management tools or further increasing animal productivity. Research can assist in monitoring diseases and preventing a disease outbreak, and it is critical that current research be meshed with a larger comprehensive disease surveillance plan. Again, NPPC supports adequate funding of USDA departments that invest in production agriculture research.

AVOID IMPOSING COSTLY REGULATIONS ON OUR INDUSTRY

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

Marketing Practices

During debate on the 2008 Farm Bill, the issues of prohibiting packer ownership of livestock, banning forward contracting and eliminating "business justification" for pricing livestock were discussed. Congress decided not to restrict or dictate contractual relationships. It did request USDA to address through regulation five specific issues:

- Criteria for determining whether an undue or unreasonable preference or advantage has been given to any producer.
- Whether a poultry dealer or swine contractor has provided sufficient time for a grower to remedy a breach of contract that could result in contract termination.
- Whether a poultry dealer has given reasonable notice of any suspension of delivery of birds to a grower under a contract.

- When a requirement of additional capital investment during the life of a contract constitutes a violation of the Packers and Stockyards Act as an unfair practice.
- The factors that comprise a fair usage of arbitration, including notification and the option for producers to opt out of automatic arbitration to resolve disputes.

The U.S. pork industry was stunned in June 2010 when USDA proposed a rule on the buying and selling of livestock and poultry that not only went well beyond the five issues Congress asked it to address but included provisions considered and rejected by Congress. If implemented as currently drafted, the GIPSA rule would have a devastating impact on livestock producers. According to an analysis of the rule conducted by Informa Economics, it would cost the U.S. pork industry nearly \$400 million annually. Industry analysis of the regulation concluded that it likely will have a chilling effect on innovation and flexibility, leading to a race toward mediocrity. It will create legal uncertainty that will drive costs higher and cause an increase in vertical integration in the livestock sector, driving producers out of the business and possibly affecting supplies. NPPC continues to urge USDA to scrap the current GIPSA rule and to write a regulation that sticks to the five mandates it was given by Congress in the 2008 Farm Bill.

Today, the U.S. pork industry has developed a wide variety of marketing and pricing methods, including contracts, to meet the changing needs of a diverse marketplace. U.S. pork producers will not be well served by having Congress eliminate certain types of contracting mechanisms, which only would force the livestock markets to revert to an inefficient system used more than half a century ago in which animals were traded in small lots and at prices determined in an open-market bid system. This system was inefficient and makes no economic sense in today's economy.

The U.S. pork industry opposes any legislation or regulations that restrict marketing opportunities or interventions into hog markets unless such actions address a clear, unequivocal instance of market failure or abuse of market power.

Miscellaneous

The U.S. pork industry has no doubt that activist groups and special interest groups will be watching this Farm Bill debate and will attempt to push their particular agendas – adding regulations to producers’ business practices – be it a social, animal-rights or animal welfare issue. NPPC urges the Committee not to allow these issues to be added to the 2012 Farm Bill – a piece of legislation that has been aimed for the past 65 years at maintaining the competitiveness of U.S. agriculture and the U.S. livestock sectors and providing under-served communities with vital protein products, including pork, through federal nutrition programs. Social, animal-rights and animal welfare issues will not advance food safety or help get high-quality protein to those in need at a reasonable cost to U.S. taxpayers.

Another issue that may come up during debate on the Farm Bill is antibiotic use in livestock production. The U.S. pork industry has developed and implemented strict animal care practices and judicious use guidelines for the use of animal health products. These programs are now part of the industry’s Pork Quality Assurance Plus program, which requires producers to be trained and certified to care for animals. NPPC does not believe that Congress should legislate on this issue as part of the 2012 Farm Bill.

CONCLUSION

As its Farm Bill Policy Task Force proceeds in deliberations on the development of the U.S. pork industry’s positions related to the 2012 Farm Bill, NPPC would be pleased to share the industry’s thoughts and suggestions. NPPC is ready to work with Congress to craft a Farm Bill that meets the objective of remaining competitive in the domestic and world meat markets.

Statement of Thomas G. Coon, Director of Michigan State University Extension
To
United States Senate Committee on Agriculture, Nutrition and Forestry
May 31, 2011
Michigan State University
East Lansing, Michigan

Honorable Chairwoman Stabenow and members of the Senate Committee on Agriculture, Nutrition and Forestry, thank you for the opportunity to share with you the importance of continued funding for the Cooperative Extension service through the U.S. Farm Bill. And Senator, congratulations on your appointment to serve as Chairwoman. We appreciate your leadership at this critical time. Welcome to Michigan, Senator Roberts.

As we race through this new century experiencing a rate of change at unprecedented levels, the impact of Extension in Michigan and the nation is as relevant and necessary as it was when it was established over a hundred years ago. While our programs and methods have changed in response to changing community needs, Extension's purpose and mission to help people improve their lives is as relevant today as it has ever been.

Extension at Michigan State University has been engaged in a comprehensive redesign to better serve our stakeholders. Administrative layers have been trimmed with county-based leaders returning to more focused Educator roles delivering programs in four statewide program areas: agriculture and agribusiness, health and nutrition, children and youth, and community development and environment programs. We've accelerated efforts to use technology with all of its potential to communicate with the agriculture and natural resource industries, communities and individuals so we can assure that our programs reach needs in all of Michigan's 83 counties.

You may be familiar with eXtension (www.extension.org), the national on-line presence of Cooperative Extension, which was solidified with authorization in the 2007 Farm Bill and continues to

grow with investments from Farm Bill appropriations, land grant university investment, and investments from private foundations and corporate partners. It is transforming the way we deliver Extension programs nationwide and serves the needs of research scientists in building collaborations across disciplines and across institutional and state boundaries.

In addition to our technology enhancements, we are adopting business strategies to support a more streamlined administrative structure so that we can foster a rapid response to challenges at the local level, encouraging creative ideas that may be easily implemented and enhancing methods to disseminate information to farmers, managers, decision makers and community leaders while also bringing their ideas and interests back to campus.

All of our activities are focused on creating and retaining jobs, improving the health of individuals, communities and the environment and enhancing the quality of life for Michigan residents. We are creating an Extension for the 21st century by remaining true to the cooperative extension mission and applying it to today's highest needs.

MSUE also is working hard to be an active partner in research and teaching on campus, across the state and throughout the north central states, supporting the integrative philosophy advanced by USDA leadership and the current Farm Bill. One example is the work of the North Central Region Center for Rural Development which is hosted by MSU. Together with the nation's other three rural development centers, NCRCD launched a program jointly with USDA Rural Development called Stronger Economies Together (SET) to develop and implement regional economic development strategies and assist with strategic planning. To be competitive in our global economy requires resources that individual rural communities may not have on their own. But collaborating across jurisdictional lines and pooling resources make it feasible for regions to foster sustainable economic development. The SET program offers economic development assistance to jurisdictions that work together in multicounty regions of rural America. The program provides training, demographic and economic analysis, and

technical assistance to facilitate regional development. And it complements work we have done for many years in training county, township and municipal officials in local government finance. We are providing important programs to help local units of government collaborate and share services to achieve efficiencies and improvements in services for their residents.

SET was launched in 2009 by USDA Rural Development in collaboration with the Regional Rural Development Centers and their land-grant university partners. Phase I pilot efforts took place in 23 regions in nine states including Missouri and Ohio. In 2011, phase II will expand to 11 new states, including Indiana and Michigan. In late 2011, phase III will add more states. Some of the projects in the north central region are addressing infrastructure, creating year-round jobs, developing a regional strategic plan, creating an identity for a lake region, developing a unified business retention and expansion program, improving quality of life, helping locally owned businesses thrive, marketing to increase urban consumption of products from Michigan's rural communities, and assisting tourists in planning trips. All result in stronger rural communities that contribute to economic growth.

Another example of the impacts of Extension programming on our state's agricultural economy is the work of Dr. Wendy Powers and the Animal Agriculture in the Environment team. Dr. Powers uses a multispecies approach in her research to address environmental issues that affect animal agriculture. She works closely with other MSU researchers to evaluate the impact of livestock management practices on air and water quality and to ascertain management practices that minimize production of pollutants. Dr. Powers' program benefits from capacity funds authorized under the Hatch and Smith-Lever lines in the Research title. In addition, she has competed successfully for other funds from the Agriculture and Food Research Initiative (AFRI) and from EPA and industry programs. Dr. Powers' program integrates research with outreach, helping to translate cutting edge research into practice among agriculture producers in a rapid and highly effective manner. Extension efforts are currently focused on implementation of management practices to reduce environmental impact and to address the concerns

of rural citizens by improving understanding and communication. Others on her team include Extension educators who work with colleagues in neighboring states to help farmers adopt manure management strategies that enrich their soil while minimizing runoff into surface waters. Their work has been supported by the Integrated and Multi-state Activities of the program in Section 406. This is but one example of the work of the statewide integrated research and extension programs focused on growing Michigan's diverse agriculture economy.

The MSUE Health and Nutrition statewide program has worked with thousands of Michigan residents helping them take control of their personal health and the long-term health of their families. In application of curricula such as "Dining with Diabetes" and "Eating Right is Basic", core principles of healthy living are taught to children, adults, and seniors. We recently launched a new initiative to combat obesity – a significant health problem for Michigan residents of all ages—in Saginaw and Genesee Counties. Over the next six months, Extension educators and community partners will focus intensive efforts on making a difference in the body mass index of residents in these communities. Called "I Know MI Numbers", the program's goal is to empower individuals with the knowledge they need to not only manage their weight but know their own health "numbers". The goal is to make a short-term difference and to demonstrate a community-level impact of a major health campaign based on application of evidence-based curricula to one of the State's major health challenges. This work is supported in part by Hatch and Smith-Lever funds, and by Food and Nutrition Service funds authorized in the Supplemental Nutrition Assistance Program (SNAP) and it further leverages county and non-government organization investments.

Extension Health and Nutrition educators are also sought out not only at MSU but from universities around the state – the University of Michigan and Wayne State University -- to partner in multi-year, multi-million dollar research projects addressing our state's health issues. We are marshaling forces and working collaboratively to leverage our best minds and programs in this fight to

reduce health care expenses and live healthier lives. The core investment that Farm Bill authorizes in nutrition research and education is leveraging investments from the National Institutes of Health in programs like these.

We have created a new team to work on community food systems with the dual purpose of creating new opportunities for agricultural producers to reach markets here in Michigan and alleviating regional deficits in the availability of safe and nutritious produce. The need for this approach ranges from urban core neighborhoods to sparsely populated regions of northern Michigan. We have formed a strong partnership with Bay Mills Community College, a tribal college that was incorporated into the land grant system with the 1994 expansion of the Morrill Act. One of our joint projects seeks to enhance production of and access to fresh produce in Michigan's tribal communities and this project benefits from grant support from the Federally Recognized Tribal Extension Program, authorized in previous Farm Bills. In addition, we are developing a broad regional approach to fostering food system development in the broader metropolitan area of southeastern Michigan. In cooperation with private industry, community and farming organizations and producer groups, we are helping to establish a global center of innovation in metropolitan food systems, in essence creating a 21st Century model for collaboration and innovation that will help to address the challenge of feeding 3 billion more people in the world by the year 2050.

Extension has long been associated with children and youth through the 4-H program. Today's 4-H is a leading partner in educating the next generation of our nation's scientists. Michigan is doing its part with a renewed emphasis on science literacy especially with elementary students. Over the next few months, a 4-H Science Blast will be held in every county. This is not the science fair that we might be familiar with but an interactive, engaging experience that captures a child's curiosity and runs with it. From robotics to wind energy to biofuels, the activities are fun, fast, intentionally designed to educate and empower young participants to realize that they can understand and enjoy the study of science. The

result is an enthusiasm and interest in science that we hope continues in the classroom. At the same time, these curricula help to connect children and youth to the food systems and natural resource systems that sustain them and enhance the quality of their lives. Smith-Lever funds help to leverage state, county and foundation investments in these youth programs.

Today's 4-H programs focus on youth development and leadership skills regardless if the child is from the city, suburbs, small town or countryside. Support for these programs is a critical investment in the future of our nation.

These are but four examples of the work that Extension is accomplishing across Michigan. Federal support for these programs, established and authorized through the Farm Bill, is an investment in the future security of our nation and leverages state and local support. Currently every dollar we receive from Smith-Lever and Hatch funding is leveraged 16 times with funds from state, local, foundation and other grant sources. Funding from the Farm Bill is a prudent investment in the promise and the potential that rests in our people, whether they live in farm communities or urban centers, and it helps to prepare Michigan for a prosperous and sustainable future.

LIVE UNITED™



United Way
for Southeastern Michigan

Testimony before the U.S. Senate Committee on Agriculture, Nutrition, and Forestry
Opportunities for Growth: Michigan and the 2012 Farm Bill
31 May, 2011
Eric Davis, United Way for Southeastern Michigan

Thank you, Chairwoman Stabenow, and Senator Roberts, for the opportunity to talk with you today about hunger and the critical importance of nutrition assistance in Michigan.

I'm Eric Davis, Director of United Way for Southeastern Michigan's Food Initiative. At United Way, our mission is to mobilize the caring power of Detroit and Southeastern Michigan to improve communities and individual lives in measurable and lasting ways. We focus all of our resources and efforts on three things: Education, Income and Basic Needs. In the category of Basic Needs, we are intensely focused on one issue that poses the greatest threat to the health and safety of people in our communities: hunger.

Today I'd like to share with you how the problem of hunger is affecting people in Southeast Michigan, what United Way and our partners are doing about it, and how innovative, community-based efforts that promote access to nutrition assistance are critical to closing the gap.

Hunger is all too common in Southeastern Michigan

Too many people and families in our region can't afford enough food, and so they face difficult choices. Gas or dinner. Winter coat or groceries. School supplies or breakfast. Medications or meals.

While families in Southeastern Michigan are struggling to keep a family home or find a job, they too often struggle with the additional burden of hunger. Even for those that are employed, hunger can have a negative impact on their productivity, as they often skip meals to ensure their children have enough to eat.

Here in Michigan, hunger increased sharply in 2007, when the economic crisis hit. It has continued to rise since then, and currently almost 1 in 5 Michigan residents have trouble affording enough food.

Today, 18.5 percent of people in the Detroit Metro Area struggle with hunger. More than 700,000 residents of Southeastern Michigan depend on the Supplemental Nutrition Assistance Program (SNAP) for food each month. Over 300,000 of those are children.

Since 2004, the number of Michiganders counting on SNAP, or food stamps, to feed their families increased by 66 percent — from just over one million to almost 1.7 million people, many of whom are children and seniors. We expect unprecedented amounts of people to continue to rely on food stamps until unemployment rates have decreased significantly.

Families with children are the hardest hit by hunger. While this is a crisis in itself, it becomes more troubling when you consider that children experiencing hunger have lower math scores and are more likely to repeat a grade. They are more likely to be absent and tardy, and to have behavioral issues and attention problems. Teens experiencing hunger are more likely to be suspended from school, and have difficulty getting along with their classmates. And mothers who lack access to affordable, nutritious food give birth to more low-birthweight infants. These proven effects of hunger are also known predictors of negative life outcomes, including high school dropout, low IQ, lower lifetime earnings.

Major public health concerns, like obesity, are linked to hunger; and individuals that struggle to afford enough food are significantly more vulnerable to this disease. There are many reasons that hunger and obesity co-exist. Affordable foods tend to have more calories and fewer essential nutrients. Healthy options are even further out of reach when the majority of nearby food outlets are fast food restaurants and liquor stores. In addition, individuals who face hunger may engage in cycles of deprivation and overeating. They face unique and severe stressors due to financial problems, and often lack safe, appealing opportunities for physical activity.

Innovative solutions from our community

United Way for Southeastern Michigan is proud to be part of a committed, dynamic and inclusive community of advocates for food security, fresh food, nutrition education, and a sustainable food economy. I'd like to share with you just a few of the innovative initiatives to create better outcomes for our region by leveraging local assets in combination with federal nutrition assistance programs.

United Way for Southeastern Michigan is one of many proud supporters of the Fair Food Network's "Double Up Food Bucks" program, which doubles the buying power of SNAP dollars when they're used to buy Michigan-grown produce at farmers markets. Last summer our support empowered 5,600 households to make healthy, nutritious choices with their SNAP funds - and their dollars flowed directly to small farmers and their rural communities.

In partnership with Gleaners Community Food Bank, United Way has committed to establishing more "Client Choice" food pantries in metro Detroit. Pantries that use this best-practice model offer expansive aisles with a variety of foods, including fresh produce, which is selected by clients in order to affirm their dignity, promote healthy choices, and reduce food waste. More importantly, they serve as community hubs, taking an active role in fighting poverty by helping their clients to access benefits and other supports.

Detroit FRESH works to supply corner stores with local, fresh, and affordable produce so that community members can have access to healthy foods at their local convenience stores. Detroit FRESH is a project of a Wayne State University group, SEED Wayne, in collaboration with Capuchin Soup Kitchen.

The Michigan Benefits Access Initiative

One lesson from our work in the community is that greater access to benefits positively impacts all of us. Michigan loses almost \$1 billion annually in unutilized federal benefits. Increasing SNAP participation would bring those funds to Michigan, where they would provide a valuable boost to the economy as they flow through local businesses. Moreover, advocates for the poor can attest that benefits like SNAP, which help to ensure a family's basic sufficiency, allow us to focus on achieving long-term goals, like education and financial stability.

United Way for Southeastern Michigan is deeply invested in the Michigan Benefits Access Initiative, a community-based outreach initiative that utilizes web-based technology to register individuals for all available government benefits. MBAI is a collaborative effort by more than 50 partners statewide - including state and federal government agencies, businesses, and nonprofits. Our partnership was inspired by the unprecedented numbers of Michigan households who qualify for public benefits, while both the State of Michigan and nonprofits struggle to meet the growing needs.

MBAI will use an online tool developed and operated by the Michigan Department of Human Services, called MiBridges, to streamline multiple benefit applications. Currently MiBridges allows applicants to apply for SNAP and LiHEAP funds using one integrated application. It is currently being expanded to integrate other benefit applications as well.

This best-practice, "one-stop" method for connecting families to benefits is coupled with an outreach program that utilizes the resources of community organizations around the state. The outreach portion is an essential leg of MBAI, designed to help the MiBridges tool "meet people where they are" through a dedicated network of community-based organizations whose staff will also be trained to assist those eligible within their communities in successfully applying for benefits.

The initiative is multifaceted in order to address the several barriers to benefit enrollment, including lack of information about how and where to apply, the time required to enroll in programs, complicated paperwork, childcare or transportation issues, distrust of government, and stigma associated with using public benefits. Families that are struggling with hunger for the first time due to the recent economic crisis often lack familiarity with assistance programs; using established community organizations and modern technology are crucial to successfully reaching these and other populations.

Conclusion

The simple truth is: SNAP helps buffer families against hunger, improves diets, and enhances child health and academic success. Our work highlights important opportunities to create better access to affordable, nutritious food. We encourage the committee to maintain SNAP to meet the needs of Southeastern Michigan, Michigan, and the United States. We also support innovative federal programs that leverage community resources to help all families access the benefits for which they are eligible.

Finally, we encourage the federal government to focus on strengthening the safety net in local communities by supporting cross-sector efforts to modernize and streamline access, such as the Michigan Benefits Access Initiative.

Chairwoman Stabenow, I'd like to thank you for your strong record of advocacy on behalf of children of our state, and issues like poverty and hunger that impact children and families. I urge you and your fellow Senators of this committee to protect funding for SNAP, and to support hungry children and families in accessing available benefits, as you focus on the upcoming reauthorization of the Farm Bill.

Thank You.

Corn Marketing Program of Michigan
Michigan Corn Growers Association



13750 S. Sedona Parkway, Ste 5
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**Testimony
Of
Clark Gerstacker
Michigan Corn and Soybean Farmer**

**Before the
U.S. Senate Agriculture Committee at
Farm Bill Field Hearing**

**The Kellogg Center
Michigan State University
East Lansing, MI**

April 9, 2011

I first want to thank Chairwoman Stabenow and Ranking Member Roberts for your time today and for selecting Michigan as the site of the Senate Agricultural Committee's first official field hearing for the reauthorization of the Farm Bill. As the second leading industry in our state, Michigan's \$71.3 billion agricultural industry has been a bright spot in our dim economy throughout the recession. We are very appreciative of the Senate Agriculture Committee's consideration of how our diverse, yet strong agricultural sector will be impacted by the upcoming Farm Bill.

My name is Clark Gerstacker and I am a 4th generation farmer from Midland, Michigan. Along with my brother, Kirk, I farm 1,500 acres of corn, soybeans, sugar beets and dry edible beans. Our centennial farm has been in the family for 115 years and I have been farming full time with Kirk, who is a lifetime farmer, for 14 years. Throughout my involvement in agriculture, I have had the honor of serving in many leadership positions; president of the Corn Marketing Program of Michigan, which is the advisory board for our state's corn check-off; all the executive positions on the Michigan Corn Growers Association board of directors; National Corn Growers Association Corn Board member for four years; and chairman for a number of action teams and committees within the National Corn Growers Association. Today, however, I would like to testify before you not as a member of any organizations, but as a row crop farmer who depends on the Farm Bill to help protect my farming operation and to ensure that my centennial farm can be passed along to my children one day.

With food prices on the rise at a time when commodities such as corn are being traded at a near all time high, farmers like me are frequently blamed by consumers for the higher cost of their food. Unfortunately, many consumers do not understand that increased food prices are actually the result of the higher cost for labor, packaging, transportation and processing and not the higher cost of the farm product. In fact, the U.S. Department of Agriculture recently reported that the farm value of each food dollar is less than 12 cents. This means for every dollar you spend at the grocery store, less than 12 cents is going to the American farmer who grew or fed the ingredients in your food. Americans enjoy the cheapest food on the planet and spend only 10 percent of their annual budget on food. In some countries such as India, as much as 50 percent of one's budget is spent on food. As a result of our cheap food system, Americans can afford to spend their money on other items that spur economic growth – like a vacation to Orlando's Magic Kingdom with our family, a hot cup of Seattle Starbucks coffee, or a dependable Detroit-made automobile.

While farmers and ranchers like me are eager to provide this safe, abundant, and inexpensive food supply, we face increasingly tumultuous markets that rise and fall with the tide. At the same time that we encounter ever-changing market opportunities, farmers also face higher input costs such as seed, fertilizer, and fuel, which are all necessary components of a year's harvest. A great deal of time and effort can go into calculating profit or loss margins based on markets and inputs at the time of planting, but the constant fluctuation in the markets throughout the growing and harvest seasons often do not reflect these same margins at the end of the year. In addition to market volatility, farmers are also confronted with the constant uncertainty of weather. We wait for the thaw, the sun, the rain, the heat, which are all conditions completely out of our control. Each of these can present a make-it or break-it factor for our crop.

Due to these ever-present vagaries, farming operations like mine are forced to take on a considerable amount of risk each year we cultivate our land. The fact is, we are faced with the task of providing feed and fuel for a growing world population. We cannot simply choose to sit out a planting season until the probability of a profit is more likely. It does not come as a surprise to you and other members of your committee, that it does not take much – a drop in prices, a spike in fuel costs, a drought or an early frost, for our entire year's work to result in a loss. The increased cost of this amplified risk means that farmers, and consumers, need some stability to ensure a reliable and affordable food supply in our country. Farmers like me, and the others on this panel today, need to have access to affordable risk management tools to better mitigate the impact of significant crop losses and sharp price declines. This is why the upcoming Farm Bill is so important; it is not about providing income to less than two percent of the American population that farms, it is about ensuring that the same two percent can continue to provide affordable food for the other 98 percent of Americans who rely on them.

At Gerstacker Farms, we have utilized a variety of Farm Bill programs over the years such as crop insurance, the ACRE program, LDP's, CRP, as well as EQIP and disaster assistance programs. Faced with the growing national debt and budget constraints across the board, I realize

some of these programs may be changed in the next Farm Bill. Here in the agricultural industry, we want to do our part to improve the federal deficit situation. We have already contributed substantially with savings from the federal crop reinsurance, as well as taking budget cuts in the areas of rural development, conservation, and research. However, I do feel that risk management programs, such as ACRE and crop insurance, are absolutely vital and cannot be lost in the new Farm Bill. The ACRE program, as an example, can be made more efficient and useful to farmers by increasing the timeliness of payments and bringing program triggers closer to the farm. In states such as Michigan, the average yield differs vastly throughout our state's various corn growing districts as a result of diverse soil and weather variations. This means that my operation, in the middle of the state, may suffer a loss but not qualify for revenue protection payments because farms in other parts of the state or even my own county have elevated the average yields. By adjusting program triggers so they are tied more closely to the individual farm, gaps in the current Farm Bill programs will be bridged to help protect farmers from shallow, repetitive crop losses. I also feel crop insurance premiums should be adjusted to reflect today's yield trends and Michigan's average indemnity payment ratio of less than 70 percent. Additionally, programs in the next Farm Bill should strive to be producer-based, as opposed to land owner-based. This will ensure the programs assist the farmers who grow the crops and assume the risk, instead of the property owner who simply rents out the land.

By improving these risk management tools, we can provide the best possible safety net for America's farmers and for the American food supply. As we look to the future of Michigan agriculture, our industry continues to be a beacon of promise and I am proud to be a part of this sector. Michigan's farmers and ranchers provide a bounty of fruit, grain, vegetables and protein which is enjoyed by people across the globe. Crops such as those grown on my farm; corn, soybeans, sugar beets and dry beans, are utilized as feed, fuel, food and fiber. These important resources will continue to play a vital role in our economy throughout the next Farm Bill and the next century. Thank you for your time and consideration. I look forward to your comments and questions.

United States Senate Committee on
Agriculture, Nutrition and Forestry

Farm Bill Field Hearing
East Lansing, MI
Saturday, April 9, 2011

Testimony by:
J. Ian Gray, Vice President
for Research and Graduate Studies
Michigan State University

Chairwoman Stabenow, Senator Roberts, I welcome the opportunity this morning to make a few remarks about the critical role that USDA-funded research plays in the long-term sustainability of the agriculture system in the United States. I am currently the Vice President for Research and Graduate Studies at Michigan State University and formerly had the privilege of leading the Michigan Agricultural Experiment Station from 1997 to 2004. Therefore, I understand the need for a strong commitment from our nation's universities, particularly our land grant institutions, to serve the research and developmental interests of our agricultural industries.

Permit me to divide my comments into three discrete, but related, topics. These are:

- CREATE-21 and its future impact on agricultural research
- MSU's research programs in support of Michigan agricultural and natural resources
- The need for a balanced research portfolio within the National Institute of Food and Agriculture and in those universities which obtain research support from the USDA

CREATE-21 – and I would like to express our deep appreciation to you, Chairwoman Stabenow, for your strong commitment to, and support of, this initiative. U.S. agriculture faces many serious challenges that can only be solved through enhanced scientific research, extension and teaching – and that requires the projected resources as outlined in the original CREATE-21 proposal. USDA funding for food, agriculture, and natural resources research is almost static and has grown at an average annual rate of just 1.85 percent over the last four decades. CREATE-21 called for increasing competitive funding to just over \$2 billion per year over a seven year period, with fundamental (basic) research constituting 55 percent of the total and integrated programs the remaining 45 percent. These respective numbers represent a paradigm shift within the USDA research programs, and would catalyze a significant change in how university research programs, not simply those within agricultural experiment stations, can develop the science that will undergird the security of USA agriculture in the future.

I ask you for your continued support of CREATE-21 and it is most important that it be fully implemented and funded.

Michigan agriculture contributes over \$70 billion annually to the State's economy, making it the second largest industry. Michigan produces over 200 commodities on a commercial basis, making the State second only to California in agricultural diversity. Michigan State University

relies heavily on USDA funding, state funding such as Project GREEN, and commodity funding, to address the myriad of challenges facing Michigan agriculture and to take advantage of new opportunities such as organic agriculture in Michigan. USDA funding comprised 15% of the total competitive federal funding that MSU received last year.

I would like to acknowledge the importance of the Specialty Crop Research Initiative that was established by the National Institute of Food and Agriculture to solve critical industry issues through research and extension activities. Chairwoman Stabenow, I would also like to recognize your strong advocacy of this Initiative as it pertains directly to the needs of our specialty crops in Michigan. Priority projects under this Initiative are multi-state, multi-institutional, or trans-disciplinary; and include explicit mechanisms to communicate results to producers and the public. As an example, MSU received \$14.4 million to lead a team of scientists from 11 U.S. institutions and six international partners to improve the quality of fruit in the globally important Rosaceae family. The Specialty Crop Research Initiative must be stabilized and continue to grow – and with the loss of special projects (earmarks), our researchers and the industry they serve need access to these competitive funds.

Furthermore, there is also a need for flexibility in research funding to allow researchers the opportunity to compete for funds to address crisis situations such as threats from exotic pests. For example, early this year, the Michigan Department of Agriculture confirmed the presence of the brown marmorated stink bug in Michigan. BMSM can be a serious pest of a variety of fruits, vegetables, field crops and ornamental plants. Control of this pest and others such as the spotted wing drosophila is necessary to secure the viability of our plant industries in Michigan.

Finally, I would like to make a few remarks about the need for the USDA to commit strongly to promoting and funding basic research.

Basic research is the underpinning for new practical applications in agriculture that improve productivity, safety and nutrition, as well as economic value. In a recent NRC report entitled **The New Biology for the 21st Century: Ensuring the United States Leads the Coming Biology Revolution¹**, it was concluded “that integrating knowledge from many disciplines will

¹ *A New Biology for the 21st Century: Ensuring the United States Leads the Coming Biology Revolution*. National Research Council of the National Academics, The National Academics Press, Washington, D.C., 2009

permit deeper understanding of biological systems which will both lead to biology-based solutions to societal problems and also feed back to enrich the individual scientific disciplines that contribute new insights.” These societal needs were identified as sustainable food production, protection of the environment, renewable energy and improvement in human health.

We have been promoting this integrated approach to research at MSU for some time, and I would like to provide a few brief examples from the work of MSU scientists as to how basic or disciplinary research, when linked to application, is benefitting U.S. agriculture.

Genomics and improved potato breeding A collaboration between one of our potato breeders and a computational genomics expert shows how translational science works best. These investigators were awarded a Specialty Crop Research Initiative grant and have used the funds to develop a program to discover useful genetic tools in potato and related crop plants. Efforts to use the basic knowledge gained in the project to improve potato disease resistance are already under development. Michigan’s potato production ranks about eighth in the nation and we strive to give our potato growers better quality varieties.

Cold tolerance Basic studies on the mechanisms of cold tolerance in the laboratory model plant, *Arabidopsis*, led to the discovery of the key genetic pathways which plants use to adapt to cold and drought conditions. This knowledge is being used to develop more cold tolerant canola, and has been demonstrated as a means to allow eucalyptus to be grown as an energy crop in areas (southern states) where it previously wasn’t possible.

RosBREED project MSU leads an 11 institution project (\$14.4M SCRI funded) to understand the function of, and apply, DNA sequences from related specialty crops in the same family, apples, peaches, cherries and strawberries, to improve plant breeding.

Oil engineering Fundamental studies of how plants synthesize lipids has led to the genetic tools which can be used increase oil seed production yield and allow the oil composition to be tailored specifically for improved nutritional content, or applications in biofuels production.

Swine production Market pig sales add nearly \$15 billion to the US economy and pork exports have increased 37% since 2006, however, pork quality defects cost the industry over \$227 million and negatively impact export market demand. MSU researchers responded to this

problem by applying genetic technologies to identify DNA marker and gene expression variants associated with economically important production and pork quality traits.

An example from outside MSU

RNAi, basically this is a powerful technology that allows selected genes to be silenced. RNAi now has tremendous applications in agriculture and medicine (including novel approaches to cancer therapy), but it was accidentally discovered by US and Dutch scientists trying to breed particular colors in petunia flowers. Even with carefully planned objectives and applications, we can't always predict where basic science discoveries will lead.

I would be remiss if I did not acknowledge the concerns of our basic plant scientists at MSU about current government funding programs with decreasing room for research on fundamental biological processes in crop or model plants. It is their hope that the USDA will have an elevated role to play as part of the federal research landscape, including support of basic plant biology. To quote two of my colleagues, "the research community must continually educate policy makers about the importance of all aspects of plant biology, from eureka moments to the farm gate."² They have provided written testimony for greater support of the basic plant research programs.

I would like to conclude by quoting from Dr. Roger Beachy's lecture to the American Association for the Advancement of Science in June 2010³ – "I am deeply cognizant of the awesome responsibility USDA has to ensure the capacity of our colleges and universities to continue to do meaningful and productive research – with state budgets in freefall, now is not the time to pull back our support." I would submit that in addition to the continued growth of the NIFA research program, research institutions must commit to more integrated research approaches (basic and applied) to address the long-term sustainability of U.S. agriculture and the nutritional health of our citizens.

Thank you for your attention.

² Buell, C. Robin, and Last, Robert L., Twenty-First Century Plant Biology: Impact of the Arabidopsis Genome on Plant Biology and Agriculture. *Plant Physiology* 154:498, 2010

³ Beachy, Roger N., Agricultural Research: Changing of the Guard, Guarding the Change. Inaugural AAAS Charles Valentine Riley memorial Lecture, June 15, 2010, American Association for the Advancement of Science

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Statement of

Kristen Holt, CPA

President, QAI, Inc (Quality Assurance International)

Senior Vice President, Food Safety and Quality, NSF International

Organic Trade Association, Treasurer -Elect of the Board of Directors

Before the U.S. Senate

Committee on Agriculture

May 31, 2011

Chairwoman Stabenow, and Ranking Member Roberts, I am Kristen Holt, President of Quality Assurance International (QAI) and Senior Vice-President of Food Safety and Quality at NSF International (Appendix 1). Today, I am testifying on behalf of the more than 6,500 certified organic operations represented by the Organic Trade Association (Appendix 2), where I serve as Treasurer-elect of the Board of Directors. Thank you for the opportunity to provide testimony regarding the opportunities for growth in the organic agricultural sector in Michigan and across the country in preparation for the upcoming reauthorization of the Farm Bill.

NSF international is an independent, not-for-profit organization that develops standards, certifies products, and provides testing, auditing, education and risk management to improve public health and safety. NSF employs more than 1,000 scientists, engineers, and environmental and public health professionals worldwide. NSF employs more than 460 people in the state of Michigan and was founded at the University of Michigan, School of Public Health, in 1944. NSF acquired QAI, Inc. (Quality Assurance International), a pioneer in organic certification, in 2004. QAI is accredited by the U. S. Department of Agriculture (USDA) to the National Organic Program (NOP). As a leading certifier in the United States, QAI takes seriously its role of verifying that the standards of the National Organic Program are being met from the farm to the consumer so consumers know when they purchase organic products, they are getting a product that meets the strict standards that require crops be grown without toxic and persistent pesticides, that animal are raised in humane conditions, and that food is processed without the use of unapproved synthetic additives. QAI is an important part of NSF's

public health mission because of the positive impact organic agriculture has on the environment and public health. QAI certifies approximately 1,700 organic operations, mostly in the United States, and has grown by 70% since it was acquired by NSF. QAI certified more than 60,000 organic products in 2010.

Profile of the Organic Agriculture and Products Industry

QAI has experienced steady growth as the organic industry has continued to expand in response to growing consumer demand. Organic remains the fastest-growing segment of the food industry at more than 18% average growth rate from 1997-2008. Organic agriculture was a \$29 billion industry in 2010, and the sector grew by 8% compared to less than 1% growth for the food industry as a whole¹. The latest data indicate that 96% of organic operations nationwide are planning to maintain or increase employment levels in 2011, four times the rate of the economy as a whole². While the worst economic downturn in 80 years affected Michigan and the nation, the organic industry continued to grow and prosper, hiring employees, adding farmers, and increasing revenue during the recession.

Ag Census data show U.S. organic farms have higher sales, higher production expenses, and higher operating profit than the average for all U.S. farms, creating real opportunity for rural economic livelihood. The organic industry supports 14,540 organic farms and ranches across the country. A total of 4.1 million acres of land are currently in organic management, and there are organic farms in all 50 states. In Michigan, there are 460

¹ Organic Trade Association 2011 Organic Industry Survey

² Manpower Employment Outlook Survey, March 2011

certified organic operations (Appendix 3) with farm-gate sales of over \$71 million per year. Michigan ranks 11th in the country in organic output, with a 16% growth rate from 2005 to 2008.³ There are 68,000 acres under organic cultivation in the state. All this positive data indicate that the organic sector will continue to play a contributing role in revitalizing Michigan's—and America's—rural economy through diversity in agriculture.

The U.S. Department of Agriculture has set an agency-wide strategic goal of increasing the number of certified organic operations by 25%, and Michigan is well-suited to take full advantage of the economic, environmental and public benefit of meeting this goal. With a 40:1 return on investment from the programs geared towards the organic sector in the 2008 Farm Bill, organic agriculture is a priority with a strong track record (Appendix 4). Policies and programs set forth in the 2012 Farm Bill will, in large part, determine how widely the positive impact of organic agriculture will be felt in rural America.

Organic Agriculture and the 2008 Farm Bill – What's working and what needs improvement for 2012

There is a critical set of national programs that works synergistically to provide the research, information, and regulatory oversight so that the organic industry can flourish. The 2008 Farm Bill contained several organic provisions that have proven vital to the organic industry. Increased funding for the National Organic Program to promulgate and enforce rules, providing more organic production and market data, increased funding for

³ 2001 Census of Agriculture: Organic Production Survey (2008). USDA, National Agricultural Statistics Service, Washington, D.C.

organic production research, and assisting in the conversion to organic farming have all contributed to the growth of the organic sector and the economic, conservation and public health benefit that accompany that growth. The high return on investment from these programs is a good investment for taxpayers. Additionally, advancements in conservation program compatibility with organic production and the availability of crop insurance products were made in the last Farm Bill. These advancements in the 2008 Farm Bill proved Congress' support for America's organic industry. This modest support for organic agriculture, of 125 million dollars in mandatory funding, over five years, was the first step and a modest down-payment on future innovations in agriculture that have already demonstrated an impressive rate of return of 40:1 (Appendix 4).

It is crucial for the health of the organic sector, rural livelihoods and agriculture as a whole that these modest building blocks in a promising, growing sector continue beyond 2012. We should optimize these programs and policies, and provide the tools necessary for more farmers to take advantage of all the organic sector offers so that our U.S. farmers can thrive and maintain their global competitiveness.

National Organic Program



Protecting the integrity of the USDA Organic Label is the highest policy priority for the organic sector. The authorized funding for the National Organic Program (NOP) has resulted in better compliance and enforcement of the standard globally. However, there is

still significant work to be done to institute a regulatory framework appropriate to a 29 billion-dollar-a-year industry. A strong NOP and trustworthy USDA Organic label are the backbone of the entire sector, and changes that move the industry backward rather than forward will place the future growth and health of this sector at risk. NOP enforces the national organic standards, accredits certifiers, develops equivalency agreements, and handles complaints – in essence, NOP ensures the integrity of the Organic seal. Funded through the annual agricultural appropriations process, NOP performs regulatory oversight of the organic label and ensures that consumers are getting what they expect and pay for when they choose foods with this label. These are essential functions to the survival and growth of the organic sector.

Staffing the National Organic Program at sufficient levels to carry out the intentions of Congress to regulate the organic industry is very important. The USDA Inspector General released a report in May 2010 pointing out the need to improve consistent interpretations of regulations, enforce regulations by accredited certifiers and the National Organic Program, and carry out timely investigations and rulings on potential violations. The organic industry depends on the integrity of the organic label for its market livelihood, and supports strong and consistent enforcement of the organic regulations. Additionally, the Organic Trade Association's membership has indicated that a lack of consistency of organic regulation enforcement has created problems across the entire organic supply-chain. QAI concurs that adequate resources must be provided to NOP to deliver this mandate. QAI's commitment to the strict enforcement of the standard must not create a competitive disadvantage for our clients. Regardless of where the food is produced, all

foods labeled as organic and sold in the United States must be certified to the NOP standards in a consistent manner. Currently, there are 53 domestic certifiers accredited by USDA-NOP and 41 foreign certifiers accredited by USDA-NOP to verify the requirements of the U.S. organic standards. Maintaining a level playing field in a global regulatory program such as the National Organic Program requires adequate resources for oversight of foreign accredited certifiers. Otherwise, the U.S. sector stands to lose a competitive advantage. Because of the resources made available in the 2008 Farm Bill, the National Organic Program is better prepared to handle issues that arise regarding organic violations, and is improving in the areas recommended by the Inspector General's Report, including consistent oversight of accredited certifiers.

However, the annual budget for the National Organic Program still does not meet the need of this growing sector. The program has demonstrated its competence and ability to institute quality systems, but, at this point, it is a straight-forward resource issue. Adequate funding needs to be allocated and provided consistently over time to ensure market stability for on-going capital investment and continued growth, to create opportunity for entry by new and beginning farmers. This stable investment in organic creates trust in the organic seal and perpetuates growth in this thriving sector.

Organic Data Initiatives

The 2008 Farm Bill provided a small but significant initiative to fund basic USDA data collection on the organic sector. The Economic Research Service, the National Agricultural Statistics Service, and the Agricultural Marketing Service all collaborate on

this data collection initiative. Organic Data Initiatives (ODI) received \$5 million mandatory in the last Farm Bill, with an additional \$5 million authorized for each fiscal year through FY2012. Activities funded include the 2008 Organic Production Survey, the first-ever comprehensive survey of organic agriculture in the U.S.; economic reports; and price reporting for organic commodities. Data collection that is on par with the services provided to conventional producers must continue for organic agriculture, but the notion of one-time funding for data is insufficient. To NSF, or any business in America, data are critical to strategic planning, measuring what works and what doesn't and identifying and quantifying both opportunity and investment. But business or sector data are only valuable when provided on an ongoing basis and repeated over time.

As with agriculture as a whole and as a nation, we have decided this is an appropriate role for government, through the Ag Census and other means to provide critical data to the agricultural sector. This expanded data collection has proven invaluable for the organic industry by stabilizing prices, and helping businesses understand the value of organic products around the country. The Department of Agriculture does not have funding in place to repeat this critical survey as a regular follow-on to the Ag census. Providing consistent availability of current data is an area that could be improved upon in the upcoming Farm Bill.

Organic Research

Support for organic research was expanded in the 2008 Farm Bill to provide more grants to universities and other research institutions for organic production development. Continued research for organic production helps to increase farmers' income, provide

necessary tools to beginning farmers, and benefits both conventional and organic agriculture. Administered by USDA's National Institute of Food and Agriculture, the Organic Research and Extension Initiative (OREI) is USDA's flagship competitive grants program dedicated to organic research and extension activities. OREI funds research projects on organic agricultural systems ranging from improving weed management and developing organic seed to enhancing environmental sustainability and carbon sequestration on organic farms. The program is very competitive, and each year funds only a small percentage of eligible proposals.

Michigan State University received six awards totaling \$3,096,222 granted through USDA's Organic Research and Extension Initiative, making Michigan State the second largest recipient of OREI grants. Professor Scott Swinton of the Food Agriculture and Resource Economics at Michigan State and a recipient of OREI grants states that conventional farmers learn from organic farmers, borrow techniques they see as successful, and his surveys indicate taxpayers would be willing to pay additional dollars each year to support agriculture that is beneficial and less intensive. In order for Michigan to continue to lead the way in agricultural innovation, the 2012 Farm Bill must be based on the principle that research is a long-term strategic commitment worthy of sustained funding.

National Organic Certification Cost-Share Program

The 2008 Farm Bill also expanded the National Organic Certification Cost-Share Program to be funded at \$22 million over the life of the Farm Bill, providing organic

operations with 75% of the cost of annual inspections, up to \$750 per certification?. This low level of annual assistance reduces the cost burden of certification, which can be a long, expensive process, especially for small farmers, and helps eliminate a primary barrier for beginning farmers who want to enter the agricultural sector. Organic provides an attractive entry point for new farmers because the sector is growing faster and more profitable than non-organic farming. The National Organic Certification Cost-Share Program provides a way for these new farmers to enter this market.

The program has received due criticism in terms of effective implementation since 2008, but, in the last year, USDA, through dedicated staffing to administer the grants, has greatly improved cooperation with the State Departments of Agriculture, and overall program utilization, although administrative and state-level resource constraints still exist. Currently, 25% of Michigan's certified organic operations participate in the cost-share program. When OTA polls its members, the cost-share program consistently ranks high in effectiveness, especially among smaller members. Eliminating this program in 2012 would result in fewer organic farmers.

Organic Agriculture in Conservation Programs

In the 2008 Farm Bill, Congress recognized, that conservation programs should work hand-in-hand with the organic industry because by definition, organic farming improves the health of the farmland. A new provision was established, known as the Environmental Quality Incentive Program (EQIP). EQIP provides assistance of up to \$20,000 per year for a maximum of six years or \$80,000, to producers for conservation practices related to organic production as long as they are pursuing or meeting the requirements for organic

certification. This is the only program design to assist farmers in the transition to organic production practices.

The 2008 Farm Bill also allows exceptions to the Conservation Reserve Program (CRP) for new, socially disadvantaged farmers to begin the organic transition process

While mired in early complaints regarding implementation on the farm, the program's reputation in the field is improving. Recent programs such as season extended, soil conserving, and acreage utilization high-tunnel green houses have been very well received, especially by small farmers. In fact, Michigan again has been a leader through Michigan State University research into integration of "Organic Strategies and High Tunnels in Great Lakes Fruit Production," demonstrating the on-farm relevance of the program here in Michigan.

Crop Insurance

The 2008 Farm Bill mandated that the Federal Crop Insurance Corporation (FCIC) enter into one or more contracts to review the underwriting risk and loss experience of organic crops to determine the variation in loss history between organic and non-organic crops. This direction was intended to address the inequities in crop insurance that charge organic producers a 5% premium without a commensurate value-added price election. FCIC was directed to eliminate the premium surcharge for organic crop insurance, unless the review documented significant, consistent and systemic variations in loss history between organic and non-organic crops. Upon analyzing the data collected by the contractor in August, 2010, USDA eliminated the current five percent surcharge for

organic crops insured under ten crop insurance programs, including Figs, Florida Citrus Fruit, Florida Fruit Trees (Pilot), Macadamia Trees, Nursery, Pears, Peppers, Prunes, Texas Citrus Trees, and Texas Citrus Fruit.

FCIC submitted a report to Congress regarding organic crop insurance in January, 2010, which proves that while crop insurance for organically produced crops is expanding, there are 15 organic products reported by the National Agriculture Statistics Service that have no form of insurance available. Organic farmers face the same risks as conventional farmers when producing food and fiber, and should be offered the same protection as conventional farmers. The ultimate success of Congress' intent in 2008 will be based on the access of the Risk Management Agency (RMA) to reliable data. Continued support for organic data initiatives in 2012 will prevent this progress from stalling and address the needs of Michigan farmers.

Organic and the Farm Bill Baseline

The next farm bill will be subject to an ever-shrinking baseline that will not be large enough to pay for the continuation of all current agricultural programs. Programs that impact the organic industry extend beyond the Horticulture and Organic Agriculture title of the Farm Bill to conservation, trade, research, rural development and crop insurance. Because several of these programs are quite modest in size, they do not reach the criteria to be automatically included in the baseline of the next farm bill. It is understood that no part of the farm bill or other authorizing legislation is safe from cuts in the current fiscal environment. However, threats of lower, or elimination of, funding for programs that are

essential to the organic industry causes strong instability. This instability not only places a growing \$29-billion industry at risk, but hinders future investment and transition to organic. The organic industry needs basic funding stability in the programs that regulate and encourage continued growth. The 40:1 return on investment delivered via the organic programs should not be forgone because the investment is modest.

Principles for the upcoming Farm Bill

In conclusion, as you look ahead to the 2012 Farm Bill, the committee should invest in programs that work, and encourage policies that support farming systems that are intrinsically economically viable. Focus on areas best addressed by the public sector, such as long-term research and sector-based data initiatives. There is a critical set of national programs that work synergistically to provide the research, information, and regulatory oversight so that the organic industry can flourish. The committee should evaluate programs based on return on investment, and support policies that improve rural livelihoods as well as promote long-term sustainability of soil, water and human resources. And, also, that drive innovation and American competitiveness.

Support for the organic sector fares well under these principles. Full support for the mandatory and authorized organic titles from 2008 in 2012 would yield a return on investment equal to 40 dollars returned in tax revenue back to the federal government for every dollar spent; provide real economic opportunity and job creation to rural America, encourage beginning farmers and increase their likelihood of success, conserve natural resources, and make American agriculture more competitive across the globe.

Appendix 1:
NSF International and QAI background

Founded in 1944, NSF International is committed to protecting and improving human health on a global scale. NSF International is an independent, not-for-profit organization that provides standards development, product certification, testing, auditing, education and risk management for public health and safety. Manufacturers, regulators and consumers alike look to NSF International for the development of public health standards and certification that help protect the world's food, water, health, environment and consumer products. NSF conducts a wide array of independent audit, testing and certification services to verify that products meet public health and safety standards. Products that meet these standards bear the NSF Mark, which is respected worldwide. Widely recognized for its scientific and technical expertise in the health and environmental sciences, NSF employs more than 1,000 scientists, engineers, environmental and public health professionals worldwide. NSF employs more than 460 people in the State of Michigan.

NSF International was founded from the University of Michigan's School of Public Health as the National Sanitation Foundation to standardize sanitation and food safety requirements 66 years ago. To date, NSF has developed more than 70 public health and safety standards, and is now known as NSF International. NSF's expertise is recognized internationally, including being designated a World Health Organization (WHO) Collaborating Centre in food safety, water quality and indoor environments. NSF also maintains the Center for Public Health Education, which provides training and education opportunities for industry, users and regulators alike. As a third-party certification organization, NSF International's laboratories, audit programs and certification

programs are overseen by various accreditation bodies including the American National Standards Institute (ANSI). NSF maintains more than 50 accreditations, through periodic inspections, all of which serve to ensure that NSF follows established procedures, has qualified experts on staff, and has proper systems in place to ensure continued compliance. In total, NSF International certifies 347,000 products, performs more than 1,000,000 lab tests and conducts more than 100,000 audits per year worldwide, with offices in 27 countries.

As a pioneer in the development of environmental management systems standards, NSF provides registration services to ISO 14000 series standards, as well as management systems standards such as ISO 9000. NSF developed the American national standards for all materials and products that treat or come in contact with drinking water. In food safety, NSF developed the HACCP-9000 standard for managing quality and safety in the supply chain which is the basis for many food companies quality and safety programs. More recently, NSF has been active in sustainability standards through our National Center for Sustainability Standards for green building products and furnishings, as well as in the development of the standard for Personal Care Products containing Organic Ingredients. Additionally, NSF is addressing the greening of chemicals used in product manufacturing with a green chemistry standard to be released in 2011. NSF practices sustainability throughout its own operations, earning a Silver LEED certification (Leadership in Energy and Environmental Design) from the U.S. Green Building Council for its 80,000-square-foot laboratory addition in 2007. Locally, NSF received the 2010 Washtenaw County Environmental Excellence Award (for work with the county Waste Knot program, the Community Partners for Clean Streams program and the Pollution Prevention Program). NSF's commitment to the environment and human health was strengthened with the acquisition of QAI, a pioneer in organic certification, in 2004, two years after that National Organic Program was launched.

QAI has experienced steady growth as the organic industry has continued to expand in response to consumer demand. Organic remains the fastest-growing segment of the food industry at more than 8% AGR. QAI certifies approximately 1,700 organic operations,

mostly in the United States, and has grown by 70% since it was acquired by NSF. QAI is an important part of NSF's public health mission because of the positive impact organic agriculture has on the environment and public health. Since many NSF clients in the food industry require organic certification in addition to food safety services, it has been a valuable service to our clients and has helped NSF to grow. QAI certified more than 60,000 organic products in 2010.

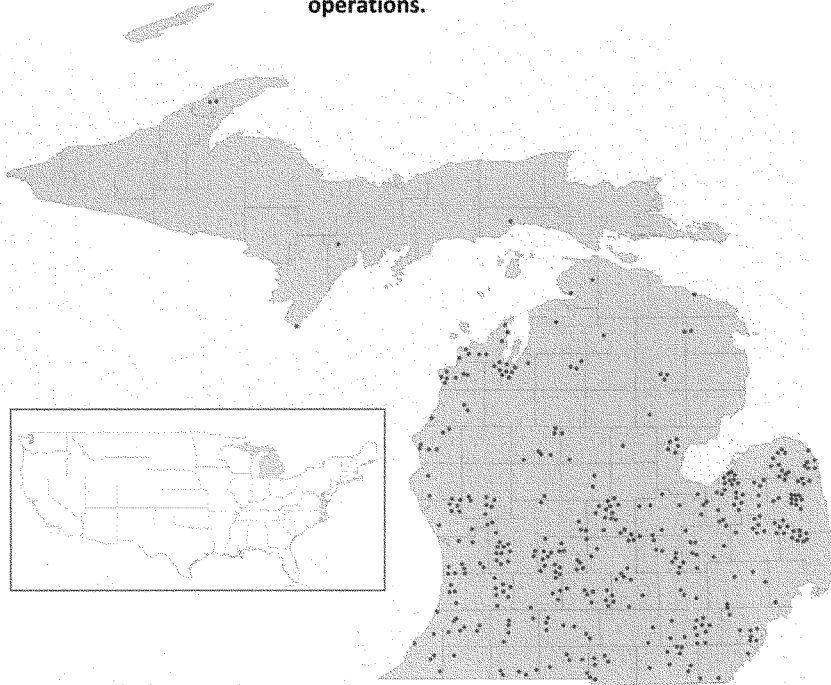
NSF International grows an organic garden on its property in Ann Arbor to promote organic agriculture and to help the hungry in Washtenaw County by donating the fresh, organic produce to Food Gatherers, a local food bank. In the past two years, NSF has donated over 650 lbs. of fresh organic produce.

Appendix 2:

The Organic Trade Association ("OTA") is the membership-based business association for organic agriculture and products in North America. OTA is the leading voice for the organic trade in the United States, representing over 6,500 organic businesses across 49 states. Its members include growers, shippers, processors, certifiers, farmers' associations, distributors, importers, exporters, consultants, retailers and others. OTA's Board of Directors is democratically elected by its members. OTA's mission is to promote and protect the growth of organic trade to benefit the environment, farmers, the public and the economy.

Appendix 3:

The state of Michigan has 460 certified organic operations.



Business	Scope	City	State
Blueberry Pier, The	Crops	Menominee	MI
Brad & Holly Jordan Farms	Crops	Winslow	MI
Burnette Foods	Crops	East Jordan	MI
Cherry Creek Organic Farms	Crops	Mio	MI
Chestnut Lane Farm	Crops	Traverse City	MI
Cloverland Apiary	Handler	Calumet	MI
Enos Bontrager	Crops	Gladwin	MI
God's Handiwork	Livestock	Hillman	MI
Guindon Farms	Handler	Cornell	MI
Hagley Farms	Crops	Standish	MI
Hill High Dairy	Livestock	Standish	MI
Ivan Morley Farms	Crops	Standish	MI
JD Farm	Handler	Rogers City	MI
J-Mar Stony Ridge Organic Farms	Livestock	Hillman	MI
Kennicott Kutts	Crops	Calumet	MI
Krause Organic Farm / Krause	Livestock	Engadine	MI
Organic Hay & Grain			
Maple River Farm	Crops	Pellston	MI
Naturally Nutty Foods, Inc.	Handler	Traverse City	MI
North Wind Gardens	Crops	Harbor Springs	MI

Business	Scope	City	State
Ronald Rosiek	Crops	Standish	MI
Schmucker's Organic Farm	Livestock	Mio	MI
Thomas Jurek	Crops	Standish	MI
Wangler & Sons Farm, Inc.	Crops	West Branch	MI
Wayne & Brenda Cummings	Crops	Mio	MI
Witt's Organic Gardens	Crops	Gaylord	MI
Blueberry Heritage Farms	Crops	Holland	MI
Boerman Dan	Crops	Newaygo	MI
Browns Orchard	Crops	Bear Lake	MI
C J Veggies	Crops	Zeeland	MI
Calvin Lutz Farm	Crops	Kaleva	MI
Carmody Farm	Crops	Marne	MI
Cherry Central Co-op dba Oceana Foods	Handler	Shelby	MI
Clockton Farm	Crops	Fremont	MI
Creative Co-Packing Solutions	Handler	Scottville	MI
David Hershberger	Crops	Holton	MI
Douglas Valley	Handler	Manistee	MI
Eco-Acres, LLC	Crops	Fennville	MI
Ezra A. Miller	Crops	Newago	MI
Food For Thought Farm	Crops	Honor	MI
Food for Thought, Inc.	Handler	Honor	MI
Fruitful Acres Farm	Crops	Bear Lake	MI
Funny Farm Organic Produce	Crops	Grant	MI
FWG Enterprises, LLC dba Grice Farms	Crops	Rothbury	MI
Graceland Fruit, Inc.	Handler	Frankfort	MI
Grassfields, Inc.	Crops	Coopersville	MI
Green Acres Farm	Crops	Holton	MI
Groundswell Community Farm	Crops	Zeeland	MI
Harley E. Miller	Crops	Holton	MI
Hazekamp Meats	Handler	Muskegon	MI
Hershberger, Oren	Crops	Holton	MI
Indian Summer Co-op, Inc.	Handler	Ludington	MI
J & N Greenhouse	Crops	Hudsonville	MI
Kismet Fruit Farm, LLC	Crops	Fennville	MI
Loew's Organic Farm	Crops	Dorr	MI
Magnum Coffee Roastery (L&K Coffee Company)	Handler	Nunica	MI
MI Food Processors	Handler	Ludington	MI
Michigan Turkey Producers Co-op, Inc.	Handler	Hart	MI
Miller, Ezra N.	Crops	Holton	MI
North Star Organics	Handler	Frankfort	MI
Northern Natural Organics, LLC	Handler	Kaleva	MI
Old Orchard Brands, LLC	Handler	Sparta	MI
Organic Gardens, LLC	Crops	Zeeland	MI
Orlie Miller	Crops	Fremont	MI
Orvan Miller	Crops	Newago	MI
Patrick Peterson	Crops	Ludington	MI
Peterson Farms, Inc. - Fresh	Handler	Shelby	MI
Peterson Farms, Inc. - Frozen	Handler	Shelby	MI
Peterson Farms, Inc. - Juice	Handler	Shelby	MI
Pleasant Hill Farm	Crops	Fennville	MI
RBD Farms	Crops	Ludington	MI
Rolling Acre Organic Farm	Crops	Newaygo	MI
Sandhill Organics, LLC	Crops	Grayslake	MI

Business	Scope	City	State
Smeltzer Orchard Company	Handler	Frankfort	MI
Troyer Farm	Crops	Holton	MI
Turtle Island	Crops	Ravenna	MI
Vander Zanden Farms	Livestock	Casnovia	MI
Vander Zanden Farms	Crops	Casnovia	MI
Victor Larson	Crops	Freesoil	MI
Walters Nursery, LLC	Handler	Holland	MI
Walters Seed Company, LLC	Handler	Holland	MI
Walton Orchard	Crops	Frankfort	MI
Ware Farm	Crops	Bear Lake	MI
West Michigan Beef Company	Handler	Hudsonville	MI
White-O-Morn Farms, Inc.	Crops	Beulah	MI
Bartech Manufacturing, Inc.	Handler	Grand Rapids	MI
CHES (Clarksville Horticulture Ext)	Crops	Clarksville	MI
Clover Family Farms	Crops	Ionia	MI
Elan Nutrition	Handler	Grand Rapids	MI
Green Meadow Organics	Handler	Ionia	MI
Green Meadow Organics	Livestock	Saranac	WI
Hearthside Food Solutions, LLC	Handler	Grand Rapids	MI
Herbruck Poultry Ranch	Crops	Saranac	MI
Heyboer Farms	Crops	Nashville	MI
Jennings Farm	Crops	Nashville	MI
Jim Heyboer	Crops	Nashville	MI
Kerry Ingredients and Flavours, Inc.	Handler	Kentwood	MI
King Milling Company	Handler	Lowell	MI
KlineKrest Strawberries Plus	Crops	Ionia	MI
Knox Farm	Livestock	Portland	MI
Knox Farm	Livestock	Portland	MI
Koeze Company	Handler	Grand Rapids	MI
Larry Curtiss	Crops	Lake Odessa	MI
Leroy Jay Michaud	Crops	Clarksville	MI
Litehouse, Inc.	Handler	Lowell	MI
Merlin Miller	Crops	Saranac	MI
Michigan Turkey Producers Co-op, Inc.	Handler	Wyoming	MI
Michigan Turkey Producers Co-op, Inc.	Livestock	Wyoming	MI
Mizkan Americas, Inc.	Handler	Belding	MI
MSU Long Term Ecological Research (LTER) Project	Handler	Hickory Corners	MI
Pearson Foods Corporation	Handler	Grand Rapids	MI
R & M Townsend Farm	Crops	Woodland	MI
R. Vierzen Farms	Crops	Saranac	MI
Rogers Farm	Handler	Portland	MI
Roskam Baking Company	Handler	Grand Rapids	MI
Shroeder Company-Grand Rapids	Handler	Grand Rapids	MI
Starlight Farms, Inc.	Crops	Lake Odessa	MI
Twin City Foods, Inc.	Handler	Lake Odessa	MI
Zook Farms	Crops	Lake Odessa	MI
Adams Farms	Crops	Owosso	MI
Campbell Farms	Livestock	Crystal	MI
Crossroads Organic Farms	Crops	Middleton	MI
Curley / Ladd Farm	Crops	Traverse City	MI
Dan Rossman	Handler	Lakeview	MI
Dishwash Farms	Crops	Marion	MI
Eric Anderson	Crops	St. Louis	MI

Business	Scope	City	State
Fordos Farms	Crops	Merrill	MI
Forest Garden Organic Farm	Crops	Maple City	MI
Garthe Farms, LLC	Crops	Northport	MI
Gourmet Organic Products, LLC, DBA, Good Neighbor Organic Vineyard Winery	Handler	Suttons Bay	MI
Graham Farms	Handler	Rosebush	MI
Great Lakes Tea & Spice Company, LLC, The	Handler	Glen Arbor	MI
Great Northern Roasting	Handler	Traverse City	MI
Green Meadow Organics	Livestock	Ithaca	MI
Higher Grounds Trading	Handler	Traverse	MI
Hilhof Farm	Crops	Hersey	MI
James Monroe	Crops	Alma	MI
Karry Barolo	Handler	Traverse City	MI
Kaufmann Farms	Handler	Ashley	MI
Kellogg Farm	Crops	Carson City	MI
Lanczynski Farm	Crops	Chesaning	MI
Leelanau Coffee Roasting Company, Inc.	Handler	Glen Arbor	MI
Light of Day Organics	Livestock	Traverse City	MI
Lucas Dairy	Crops	Marion	MI
Maple Arbor Farm	Crops	Sears	MI
Michigan Turkey Producers Co-op, Inc.	Livestock	Carson City	MI
Mid-Michigan Specialty Crops	Handler	Ithaca	MI
Nelson Farm	Crops	Elwell	MI
New Mission Organics	Crops	Traverse City	MI
Omena Organics	Crops	Omena	MI
Oryana Food Coop, Inc.	Handler	Traverse City	MI
Quiet Acres Dairy	Livestock	Marion	MI
Rev Rosanne Wyant	Crops	Remus	MI
Ron Parling	Crops	St. Louis	MI
Shaver's Produce	Handler	Alma	MI
Shepherd Organic Farms, LLC	Crops	Hemlock	MI
Shoreline Fruit, LLC	Handler	Williamsburg	MI
Silverwind Ranch	Crops	Ewart	MI
Silverwind Ranch	Crops	Ewart	MI
Star Dust Hill Farm	Livestock	Lake	MI
Steven Anderson	Crops	St. Louis	MI
Stoney Creek Farm	Crops	Hubbarston	MI
Stuckey Farm	Handler	Alma	MI
Sweeter Song Farm	Crops	Cedar	MI
Tessin Farm	Crops	Freeland	MI
Thomas Organic Farm	Handler	Henderson	MI
Thomas Organics	Crops	Henderson	MI
Thomas Prout	Crops	Mt Pleasant	MI
Tomasek Farm	Handler	Corunna	MI
Traditions Organic Farm	Crops	Alma	MI
Triple D Orchards	Handler	Empire	MI
Underwood Farms	Crops	Perrinton	MI
Almar Orchards	Crops	Flushing	MI
Arnold Farms	Handler	Caro	MI
Baker Farms	Crops	Swartz Creek	MI
Barriger Farms	Crops	Unionville	MI
Bierlein Farm	Handler	Reese	MI
Bierlein Gamebirds and Farm	Crops	Reese	MI

Business	Scope	City	State
Brink Farms	Crops	Akron	MI
Brown Farm	Handler	Vassar	MI
Bruce Findlay	Crops	Caro	MI
Clearwater Farms, Inc.	Crops	Caro	MI
David Schuette	Crops	Unionville	MI
David Sting Farm	Handler	Unionville	MI
Dieck Brothers Farms	Crops	Swartz Creek	MI
Doerr Farm	Handler	Montrose	MI
Ed Mantey & Sons, Inc.	Crops	Fairgrove	MI
Ewald Farms, Inc.	Crops	Unionville	MI
Fertile Valley Seed Farm	Crops	Unionville	MI
Green Meadow Organics	Livestock	Millington	MI
Hampshire Farms	Crops	Kingston	MI
James Buchanan	Crops	Gaines	MI
JLand Farm	Crops	Unionville	MI
Lawrence Farms	Crops	Millington	MI
Marsh Haven Farms	Handler	Davison	MI
Miller Eggs, Inc.	Crops	Cass City	MI
Nature's Pace Organics	Crops	Grand Blanc	MI
Northern Poultry Company	Handler	Freankenmuth	MI
Organic Bean & Grain, Inc.	Handler	Caro	MI
Organic Farmers of MI, LLC	Handler	Cass City	MI
Perish Farms	Crops	Browerville	MI
Rayner Farms	Crops	Fairgrove	MI
Reinbold Organic Farms	Handler	Caro	MI
Rudy Bricker Farm	Crops	Cass City	MI
Scott A. McCormick	Crops	Unionville	MI
Sting Farms	Crops	Unionville	MI
Twinbill Registered Jerseys	Crops	Burbank	MI
Ulrich Farms	Crops	Millington	MI
Van Hoof Farms, LLC	Handler	Munger	MI
Vollmar Family Farms, Inc.	Crops	Caro	MI
Wes Reinbold	Crops	Saginaw	MI
Westwind Milling Company, LLC	Handler	Linden	MI
Whetham Organic Farm	Handler	Flushing	MI
Zimba Dairy, Inc.	Crops	Deford	MI
A. Dongvillo Farm	Crops	St. Joseph	MI
Abbott Nutrition, a div of Abbott Laboratories	Handler	Sturgis	MI
Abronia Acres	Handler	Otsego	MI
Bear Foot Farm	Crops	Paw Paw	MI
Blue Dog Greens	Crops	Bangor	MI
Burnette Foods, Inc. - Hartford	Handler	Hartford	MI
Calsbeek Blueberry Farm	Crops	Coloma	MI
Cantu Farms	Crops	Lawrence	MI
Country Life Natural Foods	Handler	Pullman	MI
Cronkhite Farms	Crops	Burr Oak	MI
DeGrandchamp's Blueberry Farm	Handler	South Haven	MI
Eaters Guild	Crops	Bangor	MI
Elzinga and Hoeksema Greenhouses, LLC	Crops	Portage	MI
Export Ope's, LLC	Handler	Kalamazoo	MI
First, Harold & Jon	Crops	Dowagiac	MI
Fruit Belt Canning Company, Inc.	Handler	Lawrence	MI
Fry Farms	Livestock	Sturgis	MI
Hillside Orchards	Crops	Berrien Springs	MI

Business	Scope	City	State
Iron Creek Farm	Crops	Saint Joseph	MI
Karni Family Farm, LLC	Crops	Shelbyville	MI
Knappen Milling Company	Handler	Augusta	MI
Lake Breeze Organics	Crops	Paw Paw	MI
Michigan Milk Producers Assn.	Handler	Constantine	MI
Oak Hill Farms	Crops	Eau Claire	MI
Outlaw Farms	Crops	Niles	MI
Perfection Bakeries dba Aunt Millie's Kalamazoo Bakery	Handler	Kalamazoo	MI
Stutzman Farms	Crops	White Pigeon	MI
Van Elderen, Inc.	Handler	Shelbyville	MI
Welch Food, Inc.	Handler	Lawton	MI
Wiley Grass Farm	Crops	Schoolcraft	MI
Al's Organic Vegetables	Crops	Coldwater	MI
American Soy Products, Inc.	Handler	Saline	MI
Amos S. Steury Sr. & Sons	Crops	Quincy	MI
Bartholomew Farms	Crops	Ottawa Lake	MI
Bognar Farm	Handler	Jonesville	MI
Bur Oaks Farm, LLC	Handler	Ann Arbor	MI
Carpenter's Greenhouse & Produce	Crops	Allen	MI
Cinzori Farms	Handler	Ceresco	MI
Citizens, LLC	Handler	Charlotte	MI
Complete Organic Farming	Crops	Clinton	MI
Country Mill Farms, LLC	Crops	Charlotte	MI
Crafts Farm	Crops	Clayton	MI
Davison Farm	Crops	Eaton Rapids	MI
Eden Foods for American Soy Products	Handler	Saline	MI
Eden Foods, Inc.	Handler	Clinton	MI
Ford Farms, Inc.	Crops	Blissfield	MI
Frog Holler Farm	Crops	Brooklyn	MI
Garden Works Organic	Crops	Ann Arbor	MI
Graciem Organics	Crops	Ann Arbor	MI
Hemmy Acres	Crops	Cashton	MI
Integrity Organic Farms, LLC	Handler	Vermontville	MI
Kellogg Company	Handler	Battle Creek	MI
Kevin Root	Crops	Charlotte	MI
Kleen Grain	Handler	Blissfield	MI
Lamb Farm, LLC	Crops	Manchester	MI
Lorjon's	Crops	Belle Plaine	MI
McElroy Farms	Crops	Hillsdale	MI
MI Bean & Spelt	Handler	Eaton Rapids	MI
Nature's Best	Crops	Bronson	MI
Nature's Bounty Farm	Handler	Allen	MI
P. Todd Williams	Crops	Marshall	MI
Perfection Bakeries dba Aunt Millie's Coldwater	Handler	Coldwater	MI
Pleasant Lane Farm	Crops	Homer	MI
Robert's Packaging, Inc.	Handler	Battle Creek	MI
Ruesink Organic Farms	Crops	Adrian	MI
Schwartz Farms	Crops	Montgomery	MI
Semanske Organic Farms	Crops	Tecumseh	MI
Shetler's Organic Produce	Crops	Homer	MI
Something Better Natural Food	Handler	Battle Creek	MI
Steury & Sons Produce	Crops	Camden	MI
Steury's Organic Farm	Crops	Montgomery	MI

Business	Scope	City	State
Tantre Farm	Crops	Chelsea	MI
Turbo Farms	Crops	Eaton Rapids	MI
Whitetail Run Farm	Crops	Charlotte	MI
Wilson's Farm	Handler	Tipton	MI
WLS Organic Acres	Crops	Saline	MI
Xela Pack, Inc.	Handler	Bridgewater	MI
Afterglow Dairy	Crops	Osage	MI
Alan J. Rennells Farm	Handler	St. Johns	MI
Anderson Orchards	Crops	E. Lansing	MI
Andrew Schneider Dairy Farm	Livestock	Westphalia	MI
Baese Farm	Handler	Elsie	MI
Black Oak Farms	Crops	Bryon	MI
Bruce Harte	Handler	Bath	MI
CBI's Giving Tree Farm	Crops	Okemos	MI
Cori Nickels Farms	Crops	Durand	MI
D.F. Seeds	Handler	Dansville	MI
Farm, The	Handler	Bryon	MI
Ferris Organic Farm, LLC	Handler	Eaton Rapids	MI
Fogg Organic Farms	Crops	Leslie	MI
Full Circle Organic Farm	Handler	Howell	MI
Gary Stiles Farm	Handler	Durand	MI
GKI Foods	Handler	Brighton	MI
Havengreen Organic Dairy	Livestock	Fowler	MI
Hi-Lo Acres	Crops	Portland	MI
Michaelene Hearn	Handler	Clarkston	MI
Michigan Crop Improvement Association	Handler	Lansing	MI
Motave Meadows Farm	Crops	Howell	MI
MSU Student Organic Farm	Crops	East Lansing	MI
Randy Nobach	Crops	Eaton Rapids	MI
Rodney Kiger Farm	Handler	Elsie	MI
Taylor Farm	Handler	Elsie	MI
Wiggins Farm	Handler	Durand	MI
Willowbrook Farm	Crops	Elsie	MI
Mind, Body & Spirits	Handler	Rochester	MI
Wrigley's Rewards, LLC	Handler	Lake Orion	MI
Bay Shore Farms, Inc.	Crops	Snover	MI
Bill Krosnicki	Crops	Yale	MI
Booms Farm	Handler	Minden City	MI
Booms Farm	Handler	Ruth	MI
Boughan Farms	Handler	Clifford	MI
Brian Hacker	Crops	Ubly	MI
Brian Kolar Farm	Handler	Ubly	MI
Bullock Farms	Crops	Decker	MI
C & M Farms	Crops	Sandusky	MI
C Roy, Inc.	Handler	Yale	MI
Cedar Crest Farms	Handler	Bad Axe	MI
Darrell Zimmerman	Crops	Snover	MI
Dean Berden	Crops	Snover	MI
Den & Daughters 3R Dairy	Crops	Rushford	MI
DKB Farm & Services, LLC	Handler	Columbiaville	MI
Duda Farm	Handler	Bad Axe	MI
Dwight Bartle Farm	Handler	Brown City	MI
East River Organic Farm	Livestock	Snover	MI
Eli Yoder Farm	Handler	Brown City	MI
Elston Organic Farm, LLC	Crops	Brown City	MI

Business	Scope	City	State
Elston Organic Farm, LLC	Handler	Brown City	MI
Gene Vogel	Crops	Minden City	MI
Gornowicz Farm	Handler	Ubyly	MI
Guza Farms	Crops	Harbor Beach	MI
Hicks Dairy	Livestock	North Branch	MI
Hill Farms	Crops	Ruth	MI
Hillman Farms	Crops	Yale	MI
James Nichols	Crops	Decker	MI
Katulski Farm & Processing	Handler	Yale	MI
Kleeland	Crops	Ruth	MI
Krow Acres	Crops	Marine City	MI
Lasceski	Crops	Filion	MI
Lasceski	Crops	Filion	MI
Lasceski	Crops	Filion	MI
Maple Creek Farm	Livestock	Yale	MI
Marinich Farms	Crops	Brockway	MI
Michigan Organic Farms, Inc.	Crops	Bad Axe	MI
Misiuk Farms	Crops	Casco	MI
Partlo Farms	Crops	Yale	MI
Raub Rae Farms	Handler	Brown City	MI
Red Hawk Farm, LLC	Crops	Allenton	MI
Robert Gaffke	Crops	Port Hope	MI
Roberts Farm	Handler	Minden City	MI
Roger Pringle	Crops	Snover	MI
Royal Heritage Farms	Crops	Yale	MI
Scrimger Farm	Handler	Clifford	MI
Sensient Flavors, Inc.	Handler	Harbor Beach	MI
Simmons Family Farms	Crops	North Branch	MI
Slabaugh Farm	Handler	Brown City	MI
Steve & Hollie Walsh	Crops	Ubyly	MI
Summerset Farm	Crops	North Branch	MI
Sunny Acres Farm	Crops	Snover	MI
Thistle Down Farms	Handler	Snover	MI
Thomas Sting Farm	Handler	Sebewaing	MI
Thumb Meadow Farm	Crops	Sandusky	MI
Thumb Oilseed Producer's Cooperative	Handler	Ubyly	MI
Twin Pines Organic Farms	Handler	Minden City	MI
White Pine Farm	Crops	North Branch	MI
Coffee Express Company	Handler	Plymouth	MI
Jogue, Inc. - Northville Labs	Handler	Northville	MI
Sanviah Food and Beverages Corporation	Handler	Novi	MI
Fresh Roasted Almond Company	Handler	Warren	MI
Premier Coffee Roasters	Handler	Center Line	MI
Aunt Mid Produce Company	Handler	Detroit	MI
Capuchin Soup Kitchen's Earthworks	Crops	Detroit	MI
Eden Organic Pasta Company	Handler	Detroit	MI
Chartreuse LTD, Inc.	Handler	Trenton	MI
AmCane Sugar, LLC	Handler	Taylor	MI
Arbor Tea's	Handler	Ann Arbor	MI
Green Hope, LLC dba Rosewood	Handler	Ann Arbor	MI
Mirab USA	Handler	Taylor	MI
S&F Foods, Inc.	Handler	Romulus	MI
Temperance Distilling Company	Handler	Temperance	MI

Appendix 4: Data to support ROI Calculation

	US Organic Product Sales	Farm & Corporate Income Tax Revenue*	Organic Specific Funding
	(US \$ Billions)	(US \$ Millions)	(US \$ Millions)
2008	24.6	1,230	FY09 31.6
2009	26.6	1,330	FY10 38.15
2010	28.6	1,430	FY11 37.15
Total	79.8	3,990	112

*Tax income estimated by using AgCensus data to calculate gross margin and applying the corporate tax rate.

Statement of Ben LaCross
Before the Senate Committee on Agriculture, Nutrition, and Forestry
April 9, 2011

Thank you Madam Chairman and Senator Roberts for this opportunity to testify before the Senate Committee on Agriculture, Nutrition, and Forestry. I want to thank you Senator Stabenow for your leadership on the last Farm Bill. Today, we have a specialty crop title in the Farm Bill, which is a result of your hard work and determination the past few years. Specialty crop farmers have benefited from your vision and leadership.

I am a young farmer from Cedar, Michigan- a small town just north of Traverse City. I farm with my parents, Glenn and Judy LaCross, and we grow tart and sweet cherries, plums, and apples. I am the Chairman of the American Farm Bureau Federation's Young Farmers and Ranchers Committee.

Young farmers and ranchers are more optimistic about agriculture now than ever before. Strong agricultural markets, increasing demand for niche products, and a general public that is showing an increasing awareness of agriculture make today an exciting time to be a farmer or rancher. Young farmers and ranchers face many of the same challenges that have plagued our industry for years including access to credit, limited ability to transfer ownership from one generation to the next, and marketing limitations.

We have a great tradition of family farmers in our country. We measure the longevity of our operations not in years, but in generations. Young farmers and ranchers need your committee to show strong leadership to ensure that the challenges of farming and the risks we undertake as farmers don't eclipse the rewards that family farmers reap every day by working the land. Young farmers need a stable Farm Bill that consists of research, useable support mechanisms, rural development, conservation, and market access.

Research and conservation are pillars of farm policy, areas of investment where the payday is not measured in return on investment, but on the sustainability of farmers and ranchers nationwide. Safety nets are crucial for farmers to be confident that the future of their farms won't be devastated by market or weather fluctuations. Most farm families are able to sustain the ebbs and flows of farm income by supporting themselves through off farm income. Rural development is a jobs initiative, compounded with the benefits it gives farm families and the rural communities that are vital to our nation.

Michigan is second only to California in crop diversity. Our proximity to lakes, our sandy soils, and our abundance of fresh water allow Michigan growers to produce some of the finest specialty crops in the world. Fresh and processed fruits and vegetables are vital to Americans' diets, and increased consumption of fruits and vegetables has shown to lower the instances of obesity. This is an area of the Farm Bill we should be celebrating America's farmers grow nutritious food and the Nutrition Title gives consumers access to these foods. What harmony!

As a specialty crop grower whose fruit goes mainly into the processing market, it is very important for my crop to be recognized as a healthy snack alternative. I was dismayed that dried cherries, a ready to eat form of our perishable crop, were excluded from the snack program. Value added agriculture is a significant driver of our state's and nation's economy, and canned, frozen, juiced, and dried fruits can be easily added to healthy menus.

While fresh fruits and vegetables have their place on the nation's collective plate, so do processed fruits and vegetables. I urge the Committee to restore processed fruits and vegetables, specifically dried cherries, back into the snack program.

As a farmer, I understand firsthand the need to spend money wisely. I also understand how to make the difficult decisions to cut expenses when my income comes up short. Chairwoman Stabenow, Senator Roberts, you are in the unenviable position of having to write a farm bill during challenging economic times. I appreciate Chairwoman Stabenow characterizing the Farm Bill as a jobs bill. Agriculture is economic development. It is also crucially important to the wellbeing of our nation.

This Farm Bill must maintain the vital areas of research, useable support mechanisms, rural development, conservation, and market access. Young farmers and ranchers are optimistic about their role in American Agriculture. I urge your committee to give them the stability they need from their government to continue to produce the safest, most abundant, most affordable supply of food, fuel, and fiber the world has ever known.

I appreciate the opportunity to testify before you and would be happy to take any questions.

**Senate Agriculture Committee
Field Hearing Testimony
April 9, 2011
Mr. Ken Nobis
Michigan Milk Producers Association**

Senator Stabenow and Senator Roberts, thank you for holding this first official field hearing on the upcoming reauthorization of our nation's Farm Bill. I appreciate the opportunity to provide testimony regarding dairy policy and the 2012 Farm Bill. My name is Ken Nobis and I am a dairy farmer from St. Johns, Michigan and I also serve as President of Michigan Milk Producers Association, a milk marketing cooperative owned by approximately 2,100 dairy farmers in Michigan, Indiana, Ohio and Wisconsin. Dairy products are Michigan's Number one agriculture commodity contributing nearly \$6 billion to Michigan's economy. Michigan is the nation's 8th largest dairy state and is growing in both milk production and processing capacity. In the past ten years, milk production in Michigan has increased by over 40 percent.

The dairy industry in the United States has always been a dynamic one, marked by continuous structural changes in the numbers and sizes of dairy farms, the productivity of dairy cows, the location of milk production, the distances that milk and dairy products are transported and many other factors that make it a unique segment of American agriculture. However, in other ways, those structural characteristics that are particularly germane to dairy *policy* have remained remarkably constant for the past several decades. For example, until relatively recently, the U.S. dairy industry has been characterized by the following: Almost all U.S. milk production has been marketed within the United States, albeit in a steadily-changing mix of many different dairy products. In addition, U.S. dairy farmers have had the domestic market almost entirely to themselves; imports have been low and fairly stable due to WTO-consistent import restrictions that are a long-standing component

of U.S. dairy policy. World trade in dairy products has been relatively small and conducted at prices below those prevailing in the U.S. domestic market, because that trade had been dominated by subsidized exports from Europe and other high-cost milk producing countries as well as exports from a few countries with pasture-based milk production systems that could compete with those subsidies on a cost basis. Feed grain prices, which determine a dairy farmer's largest cost component, were relatively low and, apart from occasional short-term spikes induced by drought or disease, were very stable.

Our current dairy policy was designed for the industry I have just described, and it has been very appropriate for that industry and has served it well. However, over just the past half decade or so, this industry has changed radically, to the point where our current dairy policy cannot serve the needs of dairy farmers to any significant degree, and in some ways is now actually harmful to them. Major changes in world supply and demand conditions, together with the country's need to seek alternative energy sources, have made grain prices much more volatile and driven them to levels that put dairy farmers' cost of production persistently far above the support levels fixed under our current policies. Growing world demand for animal proteins, and dairy products in particular, has boosted world dairy market prices and rapidly turned the U.S. dairy industry into a major commercial exporter. In fact, we are now the world's third largest exporter and the fastest growing, as U.S. dairy exports have shot up from the equivalent of less than 6 percent of U.S. milk production in 2003 to almost 13 percent in 2010. Volatility in the prices that U.S. dairy farmers receive for their milk has increased dramatically during this period, a direct result of these recent structural changes.

The starkest example of this is the U.S. dairy industry crisis of 2009, which was caused when the United States lost substantial market share of the growing world markets

during late 2008, and the resulting loss of commercial sales volume built up as large unsold inventories in the domestic market. U.S. dairy exports had reached the equivalent of 11 percent of U.S. domestic milk production in 2008. Through the first half of that year, import demand around the world was strong, world prices for dairy products were at all-time high levels and all major dairy exporting countries were experiencing strong exports. Then however, resistance to the high prices built up, and import buyers, with full product pipelines, held off further purchases when prices showed signs of weakening. World prices then plummeted, taking U.S. prices down with them. However, the U.S.'s major export competitors, with greater experience in world markets and more flexible marketing mechanisms, were better able to maintain their export volumes when world demand soon picked up again at the lower prices in 2009. The European Union quickly reactivated its sizeable export subsidy program, while New Zealand's Fonterra company, the exclusive exporter of most of New Zealand's dairy production, and with a share of about 40 percent of the key internationally-traded dairy products, had the pricing flexibility to boost its exports during this period. The U.S., by contrast, was not used to marketing dairy products against competitors who held major market shares and who possessed long-established relationships with import customers. U.S. exports dropped and did not recover fully for almost two years.

During the last half of 2008, total U.S. dairy exports plunged by the equivalent of almost 10 billion pounds of milk, or over five percent of total U.S. milk production. Our industry has never experienced a sales loss of this magnitude in the domestic market. This loss resulted in a buildup of commercial inventories of cheese and government-owned inventories of nonfat dry milk that kept prices depressed for an extended period and generated an unprecedented loss of U.S. dairy farmer equity, even with the removal of

about a quarter of a million dairy cows through the industry-funded Cooperatives Working Together (CWT) program in 2009.

Building domestic product inventories during periods of low milk prices made sense in the previous dairy industry structure, when price support levels were closer to milk production costs. But it makes no sense at a time when, by one measure based on USDA cost data, the cost of producing a hundred pounds of milk in the United States averaged about \$17.30 during 2008-2010, while the Dairy Product Price Support Program (DPPSP) only supports the price of all milk produced at about \$10.90. The Price Support Program disadvantages dairy farmers in other ways in today's dairy industry. It encourages nonfat dry milk and other basic dairy products to be produced to government standards, which have been developed to ensure long storability. However, these standards do not reflect the products that dairy importers want to buy in today's global dairy marketplace where individual end-user specifications rule the day. Furthermore, in today's increasingly price-interconnected global dairy marketplace, the Price Support Program has increasingly become a price support program for the world, even benefitting some dairy farmers in other countries more than it does U.S. dairy farmers. For example, the price of nonfat dry milk, which is closely correlated in the U.S. and world markets and has been most heavily influenced by the Price Support Program in recent years, plays a much greater role in determining the price of milk received by farmers in New Zealand than the price received by U.S. dairy farmers. And anything that interferes with maintaining and growing U.S. dairy exports, as the Price Support Program now does, has a serious negative impact on U.S. dairy farmers.

Every time the U.S. loses export market share, and relations with overseas customers are disrupted, as in 2008 and 2009, it reinforces the U.S. reputation as an

unreliable export supplier -- that is, a supplier who is there when prices are high, but absent when they are low. Regaining overseas business and rebuilding export shares is a slow process, and prices U.S. dairy exporters receive in the world market are often discounted in the process. This process has cost U.S. dairy farmers billions of dollars in revenue over the past couple of years.

Another key component of current U.S. dairy policy is the Milk Income Loss Contract (MILC) program, which makes direct payments to dairy farmers when milk prices fall below a fixed target level. As with the Price Support Program, the recent increase in feed costs has eroded the effectiveness of the MILC-fixed price target, even with the addition of a feed cost adjuster to the formula in the 2008 farm bill. Furthermore, the milk volume limitation, or cap, on the amount of payments to an individual dairy farmer under the MILC program, creates substantial inequities among dairy farmers, based on the scale of their operations. The MILC payment cap has also resulted in the steady erosion of the total volume of U.S. milk production that is protected by the program, as the size of the average dairy farm has steadily grown. With less than half of the U.S. milk supply currently eligible to receive MILC payments, it cannot be considered a very effective safety net program for dairy producers across the country.

With this as background, it is clear that current U.S. dairy policy is no longer serving the needs of U.S. dairy farmers and is in need of a major overhaul. Over the last two years, dairy producers and cooperative representatives have been meeting through the National Milk Producers Federation Strategic Planning Task Force to address the challenges of today's dairy industry. The Task Force developed the Foundation for the Future, a comprehensive package of dairy policy programs that will bring much needed change to many aspects of current dairy programs. The Foundation for the Future is designed to help

reduce price volatility and protect producer income by focusing on producer margins rather than on milk price alone. This needed shift in policy is essential to improving dairy producer equity and stabilizing dairy markets. The four components of the Foundation for the Future program include: replacing existing federal dairy support programs, introducing a new margin protection program to protect producer equity, implementing a market stabilization program to address market imbalances and reforming milk pricing regulations set by the Federal Milk Marketing Order system. This multi-faceted approach dramatically improves the traditional approach to dairy policy and provides for a more economically viable and secure future for dairy producers.

**Senate Agriculture Committee
Field Hearing Testimony
April 9, 2011
Mr. Jim Reid
Jeddo, Michigan**

Senator Stabenow and Senator Roberts, thank you for holding this first official field hearing on the upcoming reauthorization of our nation's Farm Bill. I appreciate the opportunity to provide testimony regarding the reallocation of the Rural Energy for American Program through the Rural Development Department of USDA . My name is Jim Reid and I am a dairy farmer from Jeddo, Michigan. Our farm is located in St Clair County, just 4 miles from the Lake Huron shoreline.

I was born and raised on a dairy farm in St. Clair County, I worked along side my father through my school years and into college. After graduation from Michigan State University and pursuing a teaching career for 5 years, my wife Pam and I purchased an operating dairy farm in 1978. We combined my father's herd and our new cows to establish a 50-cow dairy. As the years went on, we gradually grew the dairy and cash crop farm to a 1,000 acre, 90-cow herd by 2007. That same year we began planning and implementing a project that would bring us to today's level of 225 cows and 1,100 acres. My son , Jeff, is currently enrolled in Michigan State University's Dairy Management program and will hopefully continue to grow the family farm into the future.

I recently had the opportunity to use a REAP grant to install a solar power system on our 225-cow dairy operation in the "thumb" of Michigan. After exploring several renewable energy alternatives including wind power, we chose solar power as a way to provide energy to our farm. We installed 96, 205-watt Evergreen Solar Photovoltaic

panels on the roof of our freestall barn. These panels will generate roughly 27,000 kilowatts per year, or about a third of our energy needs on the farm.

While the use of solar power is beneficial to us in the reduction of energy costs on the farm, the cost of the solar panels and installation would have been cost prohibitive without the assistance through the REAP program and other incentives offered through DTE.

The total investment cost in installing the solar panels was over \$140,000. Our reduction in energy costs is expected to be approximately \$5,000 a year. As you can see without any financial assistance the return on investment would have taken over 28 years. With the REAP grants and other incentives the return on investment is now around 4 years.

Aside from the financial gain of using solar energy, the implementation of renewable energy fits well into our overall farm strategy and priorities. Over the past several years we have worked to make our farm as environmentally-friendly as possible. Working through the Michigan Agriculture Environmental Assurance Program we have implemented new management strategies to protect the livestock and land on our farm. We are certified in all three of the MAEAP programs: Farmstead, Livestock and Cropping. This past winter our efforts to be good stewards of our resources earned us the selection of Ag Ecologist of the Year for the Michigan Farm Bureau.

Many of the changes we have made around the farm, including renovating buildings, were made to help make way for the next generation, my son, to continue working on our family farm.

Programs like the REAP help farms implement new areas of energy efficiency and conservation on the farm. While we used the program to install a renewable energy program on our farm, other farmers have used the program to make relatively small changes on the farm that result in large savings of energy consumption. Farmers, by their personal nature, want to conserve and protect our natural resources as much as possible. The REAP program makes it financially feasible for us to explore new energy sources on the farm.

Supporting efforts like the REAP is one more step in our nation's move toward less dependence on foreign energy sources. President Obama has called for 10 percent of our nation's energy to come from renewable sources, like wind and solar by 2012 and 25 percent by 2025. We are proud to have done our part in the effort to gain energy independence. We encourage you to continue the REAP program to allow other farmers the chance to bring renewable energy and energy conservation to their operations.

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Testimony of

Julia Baehre Rothwell

Committee on Agriculture

U.S. Senate

Farm Bill Field Hearing

Lansing, MI

April 9, 2011



Chairwoman Stabenow and Ranking Member Roberts, thank you for allowing me the opportunity to testify on federal Farm Bill policy.

Senator Stabenow, I want to personally thank you for your strong leadership during the last Farm Bill. When I testified at a House field hearing five years ago, the programs that were ultimately included in the Specialty Crop title of the Farm Bill were just concepts. Today, they are fully implemented and yielding significant results for the apple industry and other specialty crop producers. We know this is directly attributed to your efforts on our behalf.

Senator Roberts, thank you for your strong leadership on behalf of agriculture. I may represent a different segment of the industry than many of your constituents; however, all of my farming ancestors began as either beef producers or dairy farmers, and many of my relatives are still involved to this day. On a personal side note, I want to thank you for your military service to our country and your continued advocacy on behalf of the armed forces. My son is a Captain in the Army, a member of the 82nd Airborne Division, stationed at Ft. Bragg, North Carolina. He will be re-deploying to Iraq within the next month. Hooah! Or is it Oorah?

My name is Julia Baehre Rothwell and I am the daughter of a family that has been growing apples and cherries for well over one hundred years. Baehre Orchards owns 200 acres of apples and cherries and is located north of Grand Rapids, in the heart of Michigan's Fruit Ridge. I am married to Michael Rothwell who is the President, General Manager, and a shareholder of Belding Fruit Storage and BelleHarvest Sales in Belding, Michigan. Belding Fruit Storage owns orchards as well as storing, packing, marketing, and shipping apples for approximately 120 growers throughout Michigan and is one of the largest apple shippers east of the Mississippi.

Apples are grown commercially in over 30 states, from Michigan to North Carolina and Washington to Maine – even Kansas. Our \$2.2 billion crop is produced on approximately 350,000 acres. As chair of the U.S. Apple Association (USApple), I represent our national organization which includes all segments of the apple industry, including growers, packers, marketers, processors and exporters. I keep in close contact with apple industry leaders from coast to coast. I know firsthand that the challenges and opportunities facing the Michigan industry are not unlike those experienced by growers in Pennsylvania, New York, California, Washington, New England and Kansas, to name but a few examples.

I am also currently Chair of the Michigan Apple Association and a past chair of the Michigan Apple Committee (MAC), I have been a member of and an advocate for the Michigan apple industry my entire life.

Agriculture is emerging as the largest industry in Michigan with annual contributions of over 70 billion dollars to the state's economy. Michigan is ranked second in the nation for its diversity in specialty crops after the state of California. We are the top producers of several crops including tart cherries, blueberries, dry beans, cucumbers, squash, Niagara grapes, and flowering plants. Michigan ranks in the top five nationally in the production of celery, apples, asparagus, snap beans, carrots, concord grapes, radishes, sweet cherries, plums, sugar beets, tomatoes and pumpkins. Apples are the largest fruit crop grown in the state of Michigan with an annual economic impact of approximately 800 million dollars!

Specialty crop programs are a good investment in our industry, especially in these tough economic times. While the economic strength of my industry is a top concern and may appear somewhat self-serving, it really is not. The economic health of rural communities here in Michigan is directly tied to the apple industry and other specialty crops. The survival of agriculture in the United States touches every citizen and many of their basic concerns about life – good health – and having enough good tasting, nutritious, and safe food to feed themselves and their families.

There are several Farm Bill programs I would like to highlight:

Specialty Crop Block Grants

The **Specialty Crop Block Grant Program** focuses on regional and local priorities for specialty crop producers. These are being used by growers at the state level and are tailored to meet specific local needs. This approach is critical as a one-size-fits-all approach would not work within the apple industry – as the needs of a New York apple grower might be different from a grower in Washington State or in Ohio – let alone across the entire specialty crop industry of over 300 crops.

For the apple industry, these block grants are funding important projects ranging from research, to marketing, nutrition and food safety initiatives. The program is working quite well. We strongly support maintaining and expanding the program if at all possible.

In Michigan, we partnered with the Michigan Farm Market & Agri-Tourism Association, to promote apples and apple-related tourism (on-farm markets, cider mills) to visitors at Michigan hotels. The Michigan Apple Committee (MAC) has grown the program to include about 400 hotels, and four food service partners. Michigan apples are delivered to the hotels to greet guests at the front desk along with copies of Michigan's Farm Market & Agriculture Directory.

This past year MAC also participated in a cooperative effort to promote the four major Michigan fruits (apples, cherries, blueberries and peaches) at the National Restaurant Show. We brought in chefs who were expert at desserts, entrees and beverages that utilized processed fruit including applesauce. It is often difficult to promote nonbranded, processed fruit. Having chefs cooking on-site attracted many of the show's buyers to watch, which resulted in hundreds of leads, which were shared among all Michigan fruit processors - and remain part of a working database at the Michigan Apple Committee.

The Michigan apple industry gives much credit to the Michigan Department of Agriculture for successfully implementing the Block Grant Program. They have included

specialty crop stakeholders in the evaluation process and have worked very hard to fairly implement the program.

Specialty Crop Research Initiative

The **Specialty Crop Research Initiative (SCRI)** is a competitive funding program that supports the kind of research and extension activities specialty crop industries have been seeking for decades. For the first time, the nation's producers, processors and handlers of fruits and vegetables have had access to a competitive funding program of sufficient magnitude to effectively address a range of technical barriers that limit their sustainability, competitiveness, and profitability. Researchers and extension professionals in the apple industry have created multi-disciplinary, multi-institutional, and multistate teams focused on stakeholder priorities.

Project participants span the country and include such disparate institutions as Carnegie Mellon University, Cornell University, Michigan State University, Oregon State University, Penn State University, Purdue University, USDA-Agricultural Research Service, University of Arkansas, University of California, University of Minnesota, and Washington State University.

Michigan State University scientists will lead a four-year research effort involving scientists from 11 U.S. research institutions in a \$14.4 million SCRI research grant project. The grant is the largest ever awarded by the U.S. Department of Agriculture's Specialty Crop Research Initiative since its inception in 2007. Michigan Agricultural Experiment Station scientist Amy Iezzoni heads this RosBREED project, aiming to combine emerging DNA sequence and research findings to improve the quality of apples, peaches, cherries and strawberries.

Another important effort on behalf of Michigan's specialty crop industry is a SCRI research grant awarded to Michigan State University's Department of Entomology focused on solving problems related to bee pollination. The project will help identify barriers to the adoption of bee conservation practices and will design integrated research

and extension-outreach programs to guide specialty crop grower pollination-related management decisions.

Researchers at Michigan State University have spearheaded a SCRI grant proposal, with participants from Cornell University and Washington State University, for a multi-commodity (cherries, apples) project that seeks to use water-based delivery systems and irrigation-type sprinkler heads (instead of tractors) to deliver irrigation water, pesticide sprays, frost protection, and other crop inputs. This concept, which is already being tested on a very small scale in New York State, would enhance the environment and lower costs for growers.

Invasive Pests and Diseases

The Farm Bill created and funded new USDA programs to combat invasive insects and plant diseases. These programs provide for a more thorough and coordinated approach to detection, mitigation, and management of quarantine pests and disease. They are joint efforts among USDA, industry, and state departments of agriculture. One of these programs, called the **National Clean Plant Network**, has stabilized and expanded capacity for the safe importation and distribution of the newest varieties of important crops like apples, peaches, and grapes. These increased efforts to combat serious threats to the specialty crop industries, including apples, should be a priority to continue and fund in the next Farm Bill.

A foreign pest or disease can easily devastate our orchards. In Michigan, we have seen the impact first hand with the Emerald Ash Borer. Now the Brown Marmorated Stink Bug (BMSB) is in over 30 states and destroying crops from apples, peaches and wine grapes to corn and soybeans. As one apple grower said to me recently, this is the “biggest threat of our generation.” Researchers are hard at work to develop control methods for this newly invasive pest. The Specialty Crop Research Initiative is playing a critical role in those efforts, as over 50 researchers from 11 research institutions across the U.S. developed a comprehensive \$9.7 million research proposal that has been

submitted to the USDA to develop short, intermediate and long term methods of controlling this devastating pest.

As the Congress grapples with huge budget deficits and we are all here today to -- on some level -- ask that important programs not be cut, please think of the economic impact that even one pest or disease -- like the BMSB has not only on the industry but on state and federal resources.

As I know you are aware Chairwoman Stabenow, China has requested access to the U.S. market for their fresh apples. This fall the U.S. government moved a little closer toward granting that request when they completed work on the "pest list." This list includes over 60 quarantined pests and diseases that China has that we do not -- and each one of them could be the next Emerald Ash Borer or BMSB.

The Michigan apple industry is very concerned about the impact that allowing Chinese apples here could have and the potential pests and diseases that could arrive with them. I realize that this may not seem like a Farm Bill issue, but the programs - such as funds for pests and diseases and the Specialty Crop Research Initiative -- that would be used to fight these pests and diseases are Farm Bill programs. They are programs that are underfunded now and we worry will be cut.

Trade Promotion

Exports are extremely important for the apple industry, with about 25 percent of our crop sold overseas. Important, exports offer excellent potential for further growth. Apple growers use two programs - the **Market Access Program (MAP)** and the **Technical Assistance for Specialty Crops Program (TASC)** -- to help grow exports. MAP provides critical funding, more than matched by industry contributions, to operate programs which promote American apple consumption around the world. MAP funding should be maintained and where possible, expanded. TASC funding is also helping our industry reduce foreign phytosanitary barriers to apple exports. These programs have helped level the playing field as we compete in the export market against countries such

as China and Chile that have much lower production costs. Since the MAP program began in 1986, the U.S. apple industry has expanded fresh market exports by nearly 150%.

Critical to the success of MAP and TASC is the support of the Foreign Agriculture Service (FAS) at USDA which administers these programs. FAS staff provide “boots on the ground” in overseas markets while the staff in DC offer invaluable guidance. Both are critical. The apple industry is very concerned about further cuts to FAS and discussion of consolidating trade programs within the Administration.

For Michigan these programs have been critical in that our growers and packer shippers do not have the resources on their own to fund trade missions to countries like Russia and Singapore much less contract with an in-country consultant on their own. The MAP program enables Michigan growers to export to these countries. This means the difference between a good year and a bad one as they allow a profitable channel for varieties that are less popular in the U.S. as well as large apples (Russia) and small apples (Central America).

The TASC program has allowed shippers from Michigan, Virginia and California to bring the required Mexican inspectors to each state. Simultaneously, the TASC program has funded efforts for these shippers to bring in technical experts and to work with APHIS and our Mexican counterparts to find ways to reduce this onerous inspection requirement. Mexico is the largest export market for U.S. apples and it offers a tremendous opportunity. Without the TASC and MAP programs Michigan apples would not be in Mexico or many of our other export markets.

Apples in Schools and Federal Nutrition Programs

Our industry believes that our agriculture and food policy should better reflect the *Dietary Guidelines for Americans*. The 2008 Farm Bill began this process with the expansion of the **Fresh Fruit and Vegetable Program** and a **direction to USDA to buy**

more fruits and vegetables in all forms from fresh to processed, dried and juice for federal nutrition programs.

We strongly support the continuation and expansion of these important programs.

Studies have shown that good habits started in elementary school will last a lifetime. Yet we also know that on a typical day, 45% of children eat no fruit at all and 20% eat less than one serving of vegetables. My niece, who attended school in the Detroit area, informed me that this program was wildly successful in her school. She said that they literally “could not keep the bowls full” with the many fresh fruits and vegetables that were provided to students in the classroom. She also expressed disappointment when her school’s allotment for those funds ran out. One of my colleagues from New York told me the story of going to a school with the Fresh Fruit and Vegetable Program -- in the middle of apple country – and seeing students who had never experienced eating a fresh, whole apple. Many students rely on school meals as their primary source of nutrition. We are making an investment in our future. These programs cost money, but the long-term returns are well worth it.

Disaster Assistance and Crop Insurance

The apple industry strongly supports the **Tree Assistance Program (TAP)** which was made permanent under the 2008 Farm Bill. Chairwoman Stabenow, you played a key role in appropriating funds for this program a number of years ago for Michigan growers who suffered losses due to fire blight. Securing those funds was a challenge and so we were very pleased that TAP received mandatory funding in the Farm Bill. However, the threshold for losses under the program makes it difficult for many growers to qualify even when they have suffered significant losses. I would ask the Committee to consider some minor changes to the program that would facilitate greater participation to achieve the goal of the program.

For more than a decade, USApple has worked with USDA’s Risk Management Agency (RMA) on ways to improve the **apple crop insurance policy**. A significant number of

our recommendations have been adopted by the RMA, including the ability for apple growers to split production unit coverage for fresh apple production and processed apple production. However, there continue to be challenges with the program and issues of concern to many growers. The newest version of the apple crop insurance policy is in place for the 2011 growing season. We will continue to monitor it, seeking input from our growers on what works and what needs improvement.

Labor

While I recognize that immigration issues do not fall under the jurisdiction of this Committee, I would be incredibly remiss if I did not take the time to comment on the issue of immigration reform and specialty crop agriculture. Our industry strongly favors securing our borders. However, if in the process we do not develop a workable guest worker program for agriculture, the time spent here will be for naught because *we will absolutely cease to exist. This is, in my opinion, the greatest immediate threat to my family's farm and to the whole specialty crop sector.* Furthermore, I believe that most people are completely unaware of the repercussions for our national security of moving our fruit, vegetable, and other intensive labor crop production to foreign countries.

Conclusion

Today's specialty crop industry faces challenges never imagined by the producers of my Grandpa and Grandma Baehre's generation. Our industry is prepared to meet these challenges head-on. In order to be successful, we need programs that invest now to grow demand and build long-term competitiveness.

Without these kinds of programs, we could see U.S. specialty crop production – U.S. apple production -- relocate to foreign growing areas with far fewer regulations, abundant labor, and lower production costs. The outsourcing of our food supply would not only economically devastate our production areas, but pose a serious threat to our national security. Remember my earlier comments: When it comes right down to it, Americans have very basic needs. They want to be in good health, have enough to eat, and be secure in the knowledge that what they feed themselves and their children is safe.

Thank you for allowing me to testify today, we look forward to working with you in the development of the next Farm Bill. I will be happy to answer any questions.

Statement of Karen Serfass
American Tree Farm System®, certified Tree Farmer
Dafter, Michigan
Before the Senate Agriculture, Nutrition, and Forestry Committee
Hearing on the 2012 Farm Bill
April 9, 2011

Thank you for the opportunity to appear before the Committee today to provide testimony on the reauthorization of the Farm Bill. The Farm Bill Conservation programs and USDA Forest Service private forest programs have been important tools for my family, leveraging our investments in our land with state and federal resources which ultimately improves the health of our forest for future generations.

My husband and I are Tree Farmers from Dafter, Michigan, certified by the American Tree Farm System®, a program of the American Forest Foundation. The American Tree Farm System helps more than 95,000 families across the U.S., who collectively manage nearly 26 million acres, by giving them the tools to keep their forests healthy and productive. The remarks I'll make today reflect the views of the American Forest Foundation.

I'm also a past-president of the Michigan Forest Association, which represents the state's family forest owners, as well as forestry professionals, forest products companies, and others interested in Michigan's forests. In addition to being forest owners, for our "day job" my husband and I run a small family pet shop.

Background on America's Forests

The State of Michigan is blessed with an abundance of forests, most of which are owned by 438,000 family forest owners, just like mine. Over 53 percent of our state is covered by forests, ranking Michigan 5th in the nation when it comes to woodland acreage. Our forests, just like our agricultural lands, are essential to our state's livelihood, supporting over 60,000 direct and indirect jobs and contributing \$1.2 billion in payroll to the state's economy. In addition to these economic drivers, our state's forests supply much of our clean water and air, wildlife habitat, places to hike, hunt, and fish, and overall, make our state incredibly beautiful and diverse.

The same is true across the U.S., where more than 10 million families, not the federal government or private corporations, own the largest segment of America's forests. Private forests filter over 25 percent of America's water supply, provide habitat for as much as 60% of America's at-risk wildlife, and supply over 90 percent of the timber harvested in the U.S., supporting over 1 million family-wage jobs.

I'd like to share how my husband and I got into Tree Farming (just another way of saying sustainable forest management), giving you a little background on how the Farm Bill conservation programs and the USDA Forest Service programs have helped my family,

just like they've helped many other family forest owners, improve their land—not just for their own benefit, but for the benefit of all Americans.

My Story

My husband, Rich, and I purchased our first piece of property in 1988 as a retreat from the retail world and a place to retire. We found 205 acres of mixed forest in the Eastern Upper Peninsula and fell in love with it. This would provide us a place to hike, observe wildlife, cross country ski, and hunt safely.

However, we had no idea how to take care of it and keep it healthy to ensure we had that wildlife and a well-managed forest. So we contacted the Michigan Department of Natural Resources service forester. The service forester walked the property with us and explained what we had on our property and what our management options were to help us accomplish our goals.

Our next step, after talking with the service forester, was to hire a consulting forester to develop a Forest Stewardship Plan. Just like a financial plan, our Forest Stewardship Plan laid out the steps to keep our forest healthy and attract wildlife. The consulting forester helped write this plan, with the support of the USDA Forest Service's Forest Stewardship Program, a program that leverages federal investment, with state dollars and our own resources, to provide landowners with technical assistance and planning tools. Both foresters we worked with also encouraged us to get involved in the Michigan Forest Association and Michigan Tree Farm Program, to help us stay informed of management strategies and other tools we needed to manage our land well. We followed his advice and became involved in the organizations.

Sustainable management is our main goal for the sake of the forest as well as the wildlife. We've invested our own resources and personal time into the land, to care for it and improve it. When we purchased the land, we found that very little had been done to manage it, to mimic natural disturbances and create the diversity that is needed for wildlife habitat. Our forester explained all this to us and helped us plan out what we could do to improve the habitat in our Forest Stewardship Plan.

One of the recommendations in the Plan was to diversify the age of our forest, so the wildlife have both younger forest with open areas to forage as well as older forests that wildlife use for dens and nests. Additionally, we had stands of aging aspen, a good species for wildlife. However, the stands were old and weren't regenerating, so we needed to do more to help these stands come back and thrive.

To create habitat for ruffed grouse, deer, bear, bobcat, and a number of bird species such as owls and hawks, we decided to do a timber harvest on 45 acres in 1995 to create openings and help our aspen stands regenerate. Our plan calls for doing this every 10 years or so, moving the harvest to different parts of our forest, to keep the forest healthy and improve the wildlife habitat. So we again harvested in 2005. Today, our forest is a

thriving ecosystem, with lots of wildlife habitat and plenty of food for wildlife such as berries, nuts, and other shrubs.

We plan to harvest again soon, so we can continue to regenerate the aspen stands. If we don't follow this management plan and just let it go, the aspen will eventually die and other species such as balsam and spruce conifer forests will replace it, which does not create the habitat we are seeking.

As I mentioned, we did these harvests, not only to make money from them, but to improve the health of our forest. We did earn some income from these harvests, and we used that income to reinvest in the land—creating more food plots for wildlife and planting other tree species that are good food sources such as black cherry and oak. We also made some improvements to our forest roads and several of our trails with this income.

Without the help and support of our forester and the Forest Stewardship Program, we never would have known how to invest our resources and how to take care of the land.

In the mid 90's, we decided that our first parcel was not conducive for a permanent retirement home, so we found an old hay farm with 160 acres. We again put together a Forest Stewardship Plan for this property, even though there are only a few acres of woods. We wanted to make sure we had planned out what we'd do with the land and how we'd create the habitat we wanted. Additionally, on this property there is a small stream running through it that we wanted to enhance for wildlife value.

This property's wildlife is much different than our more forested track. Here we have a diversity of birds, from eastern king birds to bobolinks to marsh hawks. There are some fox, coyote, deer, and beaver and there are wolves nearby as well.

Since this property is an open field with heavy winds, we decided we needed a windbreak around the property. The windbreak will not only help keep the soils intact but helps reduce heating costs for our home in the winter. To improve the wildlife habitat, we also decided to put in wildlife corridors to enable wildlife to make their way from forage to nesting sites, helping keep the wildlife on the property.

We learned about the Environmental Quality Incentives Program (EQIP) from our local conservation district, and decided to enroll in the program to help leverage our resources to improve the land, since we didn't have all the capital we'd need to make these improvements. We planted about 1,500 trees, mostly pine and spruce, with our own resources and with our EQIP funds we've planted another 1,500 trees and have another 2,000 yet to plant. These trees are creating our windbreaks and our wildlife corridors. EQIP helps cover the cost of the seedlings and the weed protection matting. By using this special matting, we don't have to apply herbicides to keep the weeds from overtaking the seedlings.

The EQIP resources enable us to get this project done more quickly than we would have been able to on our own... Perhaps, we could have done this with our own investment, but it would have taken us longer to put the funding together. Because of the EQIP cost-share, we'll be able to benefit from the energy savings for our home sooner and see the wildlife habitat, in our lifetime, since the trees are growing now.

The Story across America

As I mentioned, most of the forests that give our state and our nation so much, are owned by more than 10 million families like mine, who own 10 acres or more. Forest owners own their land for a variety of reasons, some for income and appreciation of their investment but more often they own their forests for other benefits. This is true across the U.S., where most woodland owners cite recreation and scenic beauty as a priority reason for owning land. And the household income of most family forest owners is less than \$100,000 a year, so we often have little disposable income to invest in keeping our lands healthy. This is not to say that families don't earn some revenue from their land. But just like my family, most owners invest the income right back into the land.

I would argue that our state's forests are so rich with diversity and wildlife because of the good management that families like mine are able to do. However, not every family forest owner is active in the management of their lands, since many are not fortunate to have access to the information that we have. Too many forest owners don't know that forests can't stay healthy if they are left alone. Doing nothing isn't an option, because of the prevalence of insects and diseases, invasive species, and other forest health challenges that often are brought about or greatly increased by people. In our case, if we did nothing, we not only would have forest health problems but we'd also not have a forest that we want.

Unfortunately, in Michigan only 13,000—just 3 percent-- of forest owners who own 1.1 million acres have forest management plans. Because of the assistance we received from the Forest Stewardship Program and then from EQIP, we were able to take steps to improve our lands, where many landowners have not.

Nationally, we see similar trends, where less than 4 percent of forest owners have management plans, which is a good barometer for how active they are in their forest management. This is partially why we have over 58 million acres of private forests nation-wide that are in an unhealthy condition and at risk of severe insect and disease infestations and another 400 million acres of private forests that are facing severe wildfire risks.

The Farm Bill Conservation Programs, combined with the private forest owner programs supported by the USDA Forest Service, are an incredibly valuable tool for families like mine, helping leverage our investment, to make improvements to the land that benefit all Americans. These programs help support the education, outreach, and technical and financial assistance needed to get more landowners active in their land management, which is good for the land, but also good for ensuring that the land stays a forest.

From improving wildlife habitat, that benefits more than 44 million Americans who hunt and fish at least part of the time on private forests, to improving forest health that reduces wildfire risks, saving communities expensive wildfire fighting costs, these conservation programs have become an important tool for family forest owners.

In 2008, Congress made a number of improvements to Farm Bill Conservation Programs that helped family forest owners have better access to these the programs. As a result, in 2010, through EQIP alone, 2,100 landowners were able to leverage their own resources to replant forests and more than 5,000 landowners were able to improve the health of their forests.

One might wonder, if some landowners are getting income from their forests from timber harvesting, why such a federal investment is needed. Unlike traditional agriculture commodities, forests and timber are a long-term investment, harvested once every few decades in the case of Michigan forests. So when we make investments in our land, we not only make them for ourselves, we also make them for our children and grandchildren who will see the returns.

Thoughts for the 2012 Farm Bill

As mentioned, Congress has already made a number of improvements to the Conservation Programs, so that family forest owners can access these programs. I'd like to offer a few recommendations for the 2012 Farm Bill to ensure more families like mine can have the tools to better manage their land and keep their land in forest.

First, I strongly recommend maintaining the improvements that Congress made during the 2008 Farm Bill and exploring further improvements to the Programs that will open more of these programs to family forest owners, putting us on completely level ground with agriculture producers. While forest owners are actively participating in EQIP, still only a small portion—roughly 6 percent—of EQIP nationally is being used to improve forests. This despite the fact there are 10 million family forest owners who own 10 acres or more.

Additionally, although I'm not a participant in the program, I do know that the Conservation Stewardship Program has a cap on the amount of forested acreage that can be enrolled in the program and I've heard we have reached that cap for forest owners. This program too, is another valuable tool for encouraging woodland owners, especially those that aren't currently actively managing their land, to do so.

I fully recognize the budget situation that Congress is facing, much like many of our state budgets and even my personal family business budget. Cuts are going to be made. I just hope that any cuts are made with the long-term view in mind—that we as family forest owners can't turn healthy forests on and off with a switch—it's a long-term endeavor that takes years of investment and constant care. I hope Congress recognizes this when considering where to make cuts.

As I mentioned, my husband and I would not be actively managing our forest today if not for the help of the DNR forester that visited us when we first purchased our land. In Michigan, the number of DNR service foresters has decreased from 7 to 3. However, at the same time, Michigan has seen a significant increase in the number of private consulting foresters, which is why the USDA Forest Service's Forest Stewardship Program is so important—it provides that essential technical assistance, in cooperation with the private sector, to forest owners who are just starting out and have no idea what to do with their land to keep it healthy. Michigan is not alone in facing these government reductions to our technical assistance workforce. The Forest Stewardship program has fostered the public-private partnership necessary.

In addition to the programs mentioned above, the 2012 Farm Bill can help shore up and increase the forestry technical assistance workforce, by encouraging stronger partnerships with the private sector, state agencies, forestry extension, as well as non-profit organizations like the American Tree Farm System. The American Tree Farm System in particular, can be a powerful partner, given that the program is supported by over 4,500 volunteer inspecting foresters, who could be utilized to provide technical assistance through the Technical Service Provider program.

The American Forest Foundation, which houses the American Tree Farm System, is working with a number of partners, through the Forests in the Farm Bill Coalition, to develop additional recommendations for the 2012 Farm Bill, beyond those mentioned above. I'm sure they would be pleased to offer further insights and details on these issues.

In addition to these important Conservation Programs, Congress can do more to enable new income sources and reduce the costs of managing our land so family landowners can keep re-investing in our land and keep our forests, forests. Whether these ideas should be included in a Farm Bill, or some other effort, I'm not sure, but I think all are essential if we want to help family forest owners improve their land and keep it forested. I encourage you to consider the following:

- Improve federal green building policies that currently discourage the use of wood products, meaning family forest owners who do sell timber, are left out of this important market. Chairwoman Stabenow has been a leader on this issue and USDA recently made an announcement on this, which is a great step. I hope other federal agencies do the same.
- Foster development of other market-based approaches to conservation, particularly around environmental services like carbon storage and water as well as renewable energy. My husband and I enrolled our forest in a pilot carbon market a few years ago (Chicago Climate Exchange), but since then, the market opportunity has disappeared. The forestry component was developed, in part with a USDA Forest Stewardship grant, and has formed the basis for ongoing carbon market developments.
- Reduce regulatory burdens on family forest owners, including potential new Clean Water Act regulations on pesticide applications and forest roads. The

Environmental Protection Agency is developing new regulations that could mean families like mine would need to apply for permits when we make improvements to our forest roads or apply pesticides. This could increase the cost of forest management significantly.

- Most importantly, provide a permanent fix to the estate tax, so families like mine are not forced to sell our land or prematurely harvest our timber, to pay the estate tax.

My husband and I both love being in the outdoors. Fortunately, our children and grandchildren do, too. They have a strong interest in taking over the property someday. So, they have met our forester, are becoming more involved in the decision making regarding the property and have also joined Michigan Forest Association.

Now our main concern is keeping our forest healthy and property intact so the next generation can care for it just as we have. The 2012 Farm Bill is an opportunity to provide more families like mine with the tools to do just this, and I hope Congress steps up to the challenge.

Chairwoman Stabenow, thank you for your leadership on this important issue and for inviting me to share the story of my family forest. I welcome you and any other members of the Committee who would like to see an actively managed forest come and visit.

Biography
Karen L. Serfass

Address: 6865 W. 10 Mile Road, Dafer, Michigan 49724

Professional experience: family forest landowner since 1988; American Tree Farm System® certified Tree Farmer; treasurer, Michigan Tree Farm Committee; member and elected, past-president, Michigan Forest Association. Host Tree Farm field days and conduct other outreach to forest owners and the public about sustainable forest management.

Secretary/bookkeeper, church. bookkeeper and owner, family pet shop located in Waterford, MI.

Personal background: life-long Michigan resident. Married with children and grandchildren.

Organization's Representing: American Forest Foundation, the parent organization of the American Tree Farm System (ATFS). AFF's mission is to work with the 10 million family forest owners in the U.S. to help them sustainably manage their land and keep the land as forest for future generations.

Statement of Lou Anna K. Simon, Ph.D., President of Michigan State University
to
the United States Senate Committee on Agriculture, Nutrition and Forestry
May 31, 2011
Michigan State University
East Lansing, Michigan

Chairwoman Stabenow and Senator Roberts:

It is my distinct pleasure to welcome you to Michigan State University (MSU). Let me pause for a moment to reflect on your new title, Chairwoman. Congratulations Senator, you have been a true friend to agriculture and to MSU over your entire career, and I am very pleased to see that your candidacy for Chair was successful. It is well deserved, but more importantly, it is vital to this state that Michigan's agriculture interests play a key role in shaping the future of agriculture in America. Let me also welcome all of the visitors in attendance today for this first field hearing on the Farm Bill. It is indeed our pleasure to play host for this important inaugural hearing, and to once again assert our commitment to work with all of the stakeholders gathered here to advance Michigan's agriculture sector and to strengthen the U.S. farming industry.

As you know, MSU is the nation's pioneer land-grant institution. We have long cherished our triple mission of teaching, research and outreach, especially in regard to our work in agriculture. Over the years, we have had great success in combining our extension work with our research capabilities. These collaborations have achieved a great many advances in agri-science, from the homogenization of milk to cellulosic biofuels. But as we prepare for this next Farm Bill, at this time of great economic challenge, I am reminded of a time when this nation first established the land-grant system. Next year will be the 150th anniversary of President Abraham Lincoln signing into law the Morrill Act. It was at a time of great turmoil, the Civil War was raging and the economy was overwhelmed by the costs of the war. Yet, President Lincoln and the Congressional leaders of the day recognized that they had to start building for the future right then. Using what was then Michigan Agricultural College as a template, they created a system of universities who would be given a grant of land to begin the process of teaching students from all walks of life agriculture and the mechanical arts. They recognized that an educated citizenry was vital to the Nation's future economic prosperity and that the combination of research, both basic and translational, was critical both to be able to feed this young Nation, but to make it economically viable.

So, as we approach next year's sesquicentennial of the Morrill "land grant" Act, it's worth reflecting on the value —and the values — of land-grant institutions in the 21st century. The original Morrill Act states: "without excluding other scientific and classical studies and including military tactic, to teach such branches of learning as are related to agriculture and the mechanic arts, in such manner as the legislatures of the States may respectively prescribe, in order to promote the liberal and practical education of the industrial classes in the several pursuits and professions in life." Their purpose was to

educate the general population, enable them to achieve greater economic success and in so doing transform the nation into the economic powerhouse it has since become. The land-grant movement fostered many great universities across the nation and truly helped make the 20th century the “American Century.”

Today, that vision through the fog of war, guides us still. Along the way, however, we have lost the public understanding of the public value of a public higher education. It is time we restore that part of the equation. The value of the land-grant universities is that they can help educate the best and the brightest, regardless of where they began their educational journey.

MSU built upon that humble beginning to become an institution that was among the proudest, but open to the poorest. MSU today is now a world-class research university, with 26 programs ranked in the top 20 by U.S. News and World Report. However, we continue to expand our student population, adding over 2,000 in the last five years so that today we have more than 47,000 students. We understand that it is MSU’s job to serve the people of Michigan and now more than ever, Michigan needs an educated citizenry. We also understand that the public benefit of a more educated workforce is more jobs and more opportunity. All are benefited when we educate a student, not just the student themselves.

Critical elements of public engagement

Our land-grant values do not stop at the campus edge. Community outreach and public engagement are part of the DNA of a land-grant institution, and account for a great proportion of effort for MSU. We define outreach and engagement as scholarship that cuts across teaching, research, and service. It involves generating, transmitting, applying, and preserving knowledge for the direct benefit of external audiences in ways that are consistent with our values and our mission.

The net impact of our engagement enterprise is difficult to measure, but MSU is a data-driven organization. Our most recent annual survey of faculty and academic staff determined that our people devoted at least \$16 million of their salaries in 2009 to addressing issues of public concern – and close to half of the 827 respondents said they did so working with external partners.

Our engagement mission starts at the undergraduate level and our student service-learning program, coming up on its 50th anniversary. For the past 42 years it has been coordinated by our Center for Service-Learning and Civic Engagement, which was honored with the 2008 Presidential Award for General Community Service and last year registered 16,000 students.

This ethos continues after graduation, we’ve found. Michigan State is a top source of Peace Corps volunteers and Teach for America was a top destination for MSU graduates last year.

Our engagement mission as you know includes our Extension service, which partners with local stakeholders to promote prosperity in every corner of Michigan, urban as well as rural, in all 83 counties. We reorganized Extension last year to streamline operations and to devote more resources to knowledge delivery and to focus on Michigan’s 21st century priorities.

We've repositioned the Agricultural Experiment Station network as MSU AgBioResearch to better represent the breadth of its research program. It is these researchers who are finding novel ways to fight invasive species from the sea lamprey to the deer tick ... who are doing the very difficult work of coaxing fuel from waste wood and cornstalks ... and supporting Michigan's 100-plus bio-economy companies.

MSU's leadership in specialty crop research has yielded three significant USDA grant awards in as many years, totaling \$23.8 million. That is funding toward improving the quality, yield, hardiness, and diseases resistance of potatoes and tomatoes; of apples, peaches, cherries, and strawberries; and of the common bean, of which Michigan is a top producer.

MSU in Transition

Like most of the communities across the state, these last couple of years have been a time of transition for MSU, one that is not yet complete. The State budget situation has forced us all to evaluate how we conduct our business. We face significant cuts in both the base budget of the institution and the Extension and Experiment Station lines from the State. We anticipated this reality and began a process of reshaping the institution to better serve the state within the funding constraints that were evident. We called this process Shaping the Future, and it has served to help us position the university strategically for the future. That process is just now making its way through the College of Agriculture. Recently, we have begun the process of pulling together our stakeholders to work to achieve consensus on the research priorities in the area of animal sciences as we have done successfully in the area of plant science. As that process begins to take shape, it is our hope that we will convene an agriculture summit of stakeholders this summer. We will, of course, continue to be available to the Senate Agriculture Committee to answer questions and provide input from the experts on campus as you form the upcoming Farm Bill.

I would like to leave you with one final thought. Take your lead from President Lincoln, look to the future and attempt to create programs which generate long-term value rather than short-term political gain. I know the process of moving the Farm bill through such precarious political waters will not be easy, and I am sure that there will be plenty of fights amongst the various stakeholders as to who gets what today. If you keep your eye on the future, and prepare the next generation to meet those future challenges, you will have achieved more than any short-term gain can.

Thank you for this opportunity to welcome you to Michigan State University. I will now turn to Dr. Ian Gray, our Vice President of Research to discuss the research aspects of the farm bill.

**Testimony of
Ray Van Driessche
Representing the
Michigan Sugar Company
(A Farmer-Owned Cooperative)**

**U.S. Senate
Committee on Agriculture
Field Hearing on the 2012 Farm Bill
East Lansing, MI
May 31, 2011**

Chairwoman Stabenow and members of the Committee, I thank you for bringing this important field hearing to Michigan. My name is Ray Van Driessche, and I appreciate the opportunity to speak on behalf of more than one thousand Michigan sugarbeet growers and shareholders regarding the 2012 Farm Bill.

I am a third-generation farmer, and I have farmed in a partnership with my brother Gene since 1067. I am currently employed with Michigan Sugar Company as the Director of Community and Government Relations but I am still very active in the farming operation. We are a cash crop farm growing sugarbeets, corn, soybeans, and wheat in Bay and Saginaw counties, about 100 miles north of here. I have been growing sugarbeets for 44 years for the Monitor and Michigan Sugar Companies and I am a past President of the American Sugarbeet Assn.

Sugarbeets have been grown in Michigan for over 114 years. **To encourage agricultural production on land that had been left barren after being timbered off, in 1897 the Michigan State Legislature passed a bounty law which specified a payment of one cent per pound for sugar produced. As a result of this bounty and an ever increasing demand for sugar, by 1903 Michigan had 23 sugarbeet processing facilities.** Since the introduction of sugarbeets on a commercial basis at the turn of the century, they have continuously proven to be a reliable and important cash crop for farmers in the growing region. Family farms have been passed down through several generations because of the stability this industry has provided to us and our bankers. We are essential local suppliers to Michigan's diverse fresh fruit and food manufacturing industries. As the only beet sugar producer east of the Mississippi River, we are also strategically important suppliers of sugar to customers in other Midwestern states that do not have their own sugar production—primarily Indiana, Ohio, Illinois, and Pennsylvania—as well as other vitally important markets. The Michigan sugar industry provides opportunities for growth for food manufactures here and throughout the Midwest because growers provide a reliable supply of high-quality sugar.

In 2004, 1300 growers of the Monitor Sugar Company and the Michigan Sugar Company merged to form our grower cooperative, which is based in Bay City. Four factories—in Bay City, Caro, Croswell and Sebawaing—typically produce about 12% of U.S. beet sugar

production. It is very important to understand that given the high risk and traditionally low returns for beet processors, growers were faced with either buying the company or facing factory closures and losing this important industry forever. Growers took on substantial debt with many of them mortgaging their farms to purchase the two companies and save the Sugarbeet industry in Michigan. The significance of that kind of a commitment, exemplifies why we need a strong farm policy to ensure that we have a viable industry to pass on to the next generation.

The Michigan sugarbeet industry generates \$1.2 billion in economic activity and supports about 10,815 direct and indirect jobs that are crucial to our rural economy. This industry has helped thousands of families and scores of small rural communities survive the economic storm over the past years. The state and local taxes collected from our company and growers have been essential to maintaining critical services in our communities.

While many crops are enjoying good returns at the moment, farmers have typically been faced with oversupply and low prices for basic commodities. It is important to remember that the loss of this industry would shift 150,000 acres of sugarbeet acres into other crops and further depress prices for those commodities.

The sugar market today is stronger for a number of domestic and international reasons. When farmers get more money from the market, they spend it by replacing equipment and making long-overdue repairs to their farms. That creates jobs far beyond those directly or indirectly related to the sugar industry. The sugar industry is proud to be part of the agricultural industry that is supporting our state and nation's economic recovery.

USDA Conservation policy is tied very tightly to the improvement and sustainability of sugar production and Michigan agriculture as a whole. For example, on our farm we participate in the CREP program with seven CP21 contracts totaling 26 acres of filter strips that border miles of drainage ditches to control soil and water erosion. We also have two CP 23 Wetland Restoration contracts with 23.7 acres under the program. We have planted autumn olive wind breaks to control soil erosion from wind on our highly erodible soils and we are gradually increasing the amount of no-till practices on our farm each year. Gene and I believe that incorporating conservation practices in to our operation, has not only improved the production on our farm but it also allows us to maintain sound environmental stewardship on our land in conjunction with protecting the water quality of the Saginaw Bay Watershed District.

Research: Agricultural research is one of the most important investments the government can make in the future of American agriculture. Since 1890, the USDA has provided critical assistance to Michigan's sugarbeet industry, mainly as a source of improved genetics. Developing disease resistance varieties saved the industry in the 1940s. Year after year, the USDA-ARS supports sugarbeet research at the Sugarbeet and Bean Research Unit right here in East Lansing, providing critical genetic work to fight off soil-borne diseases that threaten the industry. Today, two scientists are detailed to develop physiological, biochemical, molecular and genomic strategies and technologies to enhance sugarbeet yield, quality, and disease resistance. Products are new germplasm, knowledge, and tools for improving sugarbeet production locally and nationwide.

Unfortunately, the lack of funding and inflation has threatened sustained research. The Unit has not received additional funding since prior to 1994, and lost one scientist and one technical position in 2000 as a result. No other public agency or entity in the U.S. has responsibility for sugarbeet genetic improvements to meet changing needs, and the dwindled resources have seriously affected the tremendous potential of genomics to finally put these problems to rest. Nonetheless, the East Lansing program has preserved and pioneered genomics to both understand sugarbeet development and the response-to-environment genes, and decipher undiscovered biochemical processes that will allow the continued profitability of this very resilient, but vulnerable, Michigan sugarbeet industry.

The following are the key reasons we need to maintain a strong domestic sugar industry and an effective U.S. sugar policy.

Food Security

Sugar is an essential ingredient in our nation's food supply. As an all-natural sweetener, bulking agent and preservative, it plays an important role in about 70% of processed food products and is called for in a multitude of favorite home recipes. Dependence on unreliable and unstable foreign suppliers is a threat to our food security, which is why a strong, diversified and reliable domestic industry has long been recognized as important to the nation. We have control of the product from seed to shelf, and consumers can be confident that the sugar they buy is safe and a quality product.

U.S. sugar producers are globally competitive, but for decades we have been threatened by unfair competition. Approximately 120 countries produce sugar, and all the governments intervene in their sugar markets in some way. Many countries subsidize their producers and dump their surpluses on the world market-- represents an extremely limited supply of sugar--for whatever price it will bring. This depressed, so-called "world price" has averaged below actual global costs of production for many years. American producers are competitive, but cannot be expected to compete against these foreign treasuries and unfair predatory trade practices.

Importance, Size, Efficiency

In addition to the vital role it plays in local economies, sugar is a significant job producer and revenue-generator nationally. The U.S. sugar producing industry, with sugarbeets and sugarcane grown or processed in 18 states, generates more than 146,000 jobs and more than \$10 billion per year in economic activity. These jobs range from the cane fields of Hawaii and the beet fields of Michigan to the cane sugar refineries in the vicinity of New Orleans, New York City, San Francisco and other cities along the coasts.

The United States is the world's fifth-largest sugar producer. We are also the fifth-largest sugar consumer and the world's second-largest net importer. And we are good at what we do. Our sugar farmers are among the lowest cost producers in the world. We are doubly proud of this distinction because we have achieved it while being fair to our workers and responsible stewards of the land. Farmers in the developing world, who dominate the world sugar market, generally operate with little or no enforced requirements for worker safety and benefits, or for air, water, and soil protection. Our standards and compliance costs are among the highest in the world.

Restructuring

Despite our efficiency, we are an industry that has been under enormous stress. From 1985 until 2009, we did not receive any increase in our price support level. Over this long period of essentially flat nominal prices, the real price we received for our sugar dropped sharply because of inflation.

Only producers who could match the declining real price with efficiency gains and lower production costs were able to survive. More than half could not. From 1985 to 2009, 54 of America's 102 cane mills, beet factories, and cane sugar refineries shut down, with terrible consequences for families and communities. Just since 1996, 35 mills, factories, and refineries have closed and will never-reopen. In our region, the industry was eliminated in Ohio and we closed a factory in Saginaw as a result of the merger of our companies.

Trade Challenges

The U.S. is one of the most open sugar markets and one of the world's largest sugar importers. The U.S. provides access to its market to 40 countries, as it is required to do under trade laws. Virtually all are developing countries, and most are supportive of U.S. sugar policy because it provides an import price at which many can recover their costs of production.

In addition to coping with the problems of rising costs, pests, disease, and natural disasters, American sugar farmers have had to deal with another threat: trade agreements that have ceded more and more of the American sugar market to foreign producers – even if the foreign producers are subsidized and inefficient. And more such concessions are always being contemplated.

Trade agreements force the U.S. to provide duty-free access for 1.4 million short tons of sugar each year, whether the country needs the sugar or not. This amounts to about 15% of domestic sugar consumption.

In addition, Mexico enjoys unlimited access to the U.S. sugar market. It is difficult to predict how much sugar Mexico might send north each year. Key variables include Mexican sugar production, government decisions (one-fourth of the sugar mills are owned and operated by the Mexican government), the pace at which corn sweetener, mostly from the U.S., replaces sugar in the massive Mexican beverage industry, the peso/dollar exchange rates and Mexican sugar imports from other countries to free up domestic sugar to send to the U.S. market. Mexican sugar exports to the U.S. have varied widely in the past, and could in the future – **807,000 short tons in 2010; over 1.5 million tons are forecast for this fiscal year.**

Furthermore, the U.S. is negotiating a Doha Round of the WTO that would result in additional market access concessions. The TPP (Trans-Pacific Partnership) trade negotiations, recently launched by the Obama Administration, could also eventually result in substantial market commitments for sugar to the many countries lining the Pacific Rim. Such trade concessions threaten to reduce U.S. sugar producers' access to our own market even further, and reduce prices as well, making it impossible for those of us who are struggling to survive.

Previous Farm Bills

In the 2002 Farm Bill, USDA had only two tools to balance U.S. sugar supplies with consumer demand.

1. It could limit foreign supplies to minimum import levels required by the World Trade Organization (WTO) and other trade agreements.
2. It could limit domestic sugar sales through marketing allotments. Each year, USDA would forecast domestic sugar consumption, subtract required imports, and allow U.S. producers to supply the balance.
 - If U.S. production was insufficient to fill demand, USDA could increase imports by expanding the tariff-rate quota (TRQ).
 - If U.S. production exceeded the allotment quantity, American producers had to store the excess at their own expense, not the government's.

This market-balancing system worked reasonably well until 2008, although misjudgments in setting the TRQ in 2006 seriously depressed the U.S. sugar market. That's when Mexico gained unlimited access under the NAFTA, and USDA effectively lost control of the market.

In 2008, Congress, in its wisdom, designed a sugar policy that is working to the considerable benefit of consumers and at **zero cost** to taxpayers. Let me repeat that. **Zero cost to taxpayers.** It is giving American sugar farmers the opportunity to survive, it provides consumers and manufacturers with a reliable and safe supply of a vital food ingredient, and it fully complies with the rules of the WTO.

While retaining the basic-market-balancing tools I have described, Congress made a number of important improvements in 2008. The Farm Bill minimizes the erosion of American sugar farmers' share of their own market by limiting reductions in their marketing allotments to not less than 85% of consumption. It's worth noting that in many years, imports amount to much more than 15% of the U.S. market.

If imports exceed the difference between domestic market allotments and consumption, USDA will divert surplus sugar into fuel ethanol production and restore balance to the sugar market for food. The added ethanol production would be consistent with national goals to reduce American dependence on foreign oil and improve air quality.

In addition to the use of ethanol as a market balancing mechanism, two other Farm Bill measures are helping to stabilize the market and improve producer prospects:

1. The first increase in the sugar support price since 1985. The raw cane sugar loan rate rose by $\frac{1}{4}$ of a cent per pound this year, and will rise the same amount in fiscal years 2011 and 2012. Refined beet sugar rates will rise by a commensurate amount. In fiscal year 2012, the raw cane loan rate will be 18.75 cents per pound and the refined beet sugar rate will be 24.09 cents.
2. USDA may not announce a TRQ above the minimum required by trade agreements until halfway through the crop year (April 1), unless there is a supply emergency. By April, much more is known about actual U.S. sugar production and consumption and the volume of imports from Mexico. This will prevent a recurrence of situations such as that in the summer of 2006, when USDA announced an excessive TRQ for the coming year, the market was badly oversupplied, and producer prices languished for almost two years.

Consumer Benefits

American food manufacturers and consumers continue to benefit from reliable supplies of sugar that has been produced responsibly and is reasonably priced, high in quality, and safe to consume. In real terms, corrected for inflation, U.S. wholesale and retail prices have declined substantially over the past three decades. Food manufacturers and consumers in the rest of the developed world pay about 10% more for sugar than Americans do. Taking per capita income levels into account, sugar is more affordable in America than in virtually every other country in the world – rich or poor.

Taxpayer Benefits

Sugar is the only major commodity program that operates at **no cost to taxpayers**, and CBO projections through 2021 say it will remain no cost over all these years. Projections prior to the enactment of the 2008 Farm Bill suggested significant costs because of excessive imports from Mexico, low prices, and government loan forfeitures. But thanks to steady consumption growth, stable domestic production, manageable import levels from Mexico, and sound program management by USDA, costly surpluses have not occurred.

The 2012 Farm Bill

The U.S. sugar industry has endured a wrenching restructuring over the past two decades. American sugar farmers who remain are grateful to Congress for crafting a sugar policy that is balancing supply and demand, ensures that consumers have a dependable, high-quality supply of a vital food ingredient, and is improving market prospects for sugar producers. The policy achieves all these goals at **zero cost** to American taxpayers.

With some prospect of continued market stability, producers should be able to reinvest in their operations, further reduce their costs of production, and survive. We strongly urge the continuation of this successful, **no-cost** policy in the next Farm Bill.

Thank you again, Chairwoman Stabenow, for holding this important hearing and for all that you and the Committee do for American agriculture. We look forward to working with you and the Committee as you craft the next Farm Bill.

Senate Agriculture Committee Field Hearing

Opportunities for Growth: Michigan and the 2012 Farm Bill

May 31, 2011

Lansing, Michigan

Testimony of Dennis West

President, Northern Initiatives

Marquette, Michigan

Good Morning! Thank you to Senator Stabenow and to the Senate Agriculture Committee for this chance to offer testimony. These written remarks are longer than the allotted time for verbal testimony, so I would request that they be entered into the record.

Northern Initiatives is a non profit community development financial institution and microloan intermediary, serving 46 rural Michigan counties and the five border counties of Wisconsin. NI is based on the campus of Northern Michigan University, tracing our beginning to the University who founded us in 1991.

Our founding direction grew out of perspective of the late Jane Jacobs that rural areas needed connection to urban areas for three things that were less available in rural places, the access to capital, information and markets. This has been our theory of change at Northern Initiatives and the USDA programs have been critical to us in our efforts to build a more diverse and resilient rural economy. USDA resources have helped us to make nearly 600 loans, provide technical assistance, training and consulting to over 1,000 businesses, and build regional strategies in support of cultural and nature tourism which is helping parts of the Upper Peninsula grow as regional and national markets.

I am here to testify on the importance of rural development programs for **entrepreneurship** and for strengthening **community capacity**. On the entrepreneurship side, rural development programs are providing credit for rural businesses complimented by technical assistance for starting and growing businesses. Specifically, the programs vital to rural Michigan are the **Intermediary Relending Program (IRP)**, the **Rural Micro entrepreneur Assistance Program (RMAP)**, **Business and Industry Loan Guarantee Program (B&I)**, the **Rural Business Enterprise Grants (RBEG)** and the **Rural Opportunity Business Grants (RBOG)**. The community capacity programs of importance are the **Rural Community Development Initiative (RCDI)** and the **Water and Sewer and Community Facilities Programs**.

Let me begin with rural **entrepreneurship**, the credit issues and need for alternative capital in rural Michigan (the Intermediary Relending Program, Rural Micro entrepreneur Assistance Program and the Business and Industry Loan Guarantee Program). Thank you Senator Stabenow for lending your support to the creation of the Rural Micro entrepreneur Assistance Program in the last farm bill, NI has already

drawn \$300,000 in this program since closing our loan last December. It adds a valuable tool for meeting the needs of northern Michigan's job creators.

There is the need to reach more would-be entrepreneurs and conventional financing alone leaves many potential business owners and job creators on the sidelines. Alternative capital is used to share in the risk with community banks in support of growing businesses that will invest in new equipment and technology and add jobs. Finally, alternative capital is important for overcoming the collateral and credit challenges that the last decade and the Great Recession dealt Michigan businesses.

Emerging from the last decade we need to grow our way out of the challenges that Michigan has faced. We were the only State to lose population from 2000 to 2010, and we spent much of the decade at the highest unemployment in the nation. Those challenges were coupled with an unprecedented loss in per capita income falling from 18th to 36th among States in just eight years.

Renewing growth begins by encouraging entrepreneurs to bring their ideas and passions to the market, and alternative capital is an essential part to that cause. Attached is data about the 46 rural Michigan counties (see Attachment A). In March, one out of 46 counties had a jobless rate lower than the US rate, and 41 of 46, (89%) had a jobless rates that were higher than Michigan's rate. The recession has been hard on rural Michigan and if we are to grow our own, we need resources. This point is emphasized by data supplied by the Edward Lowe Foundation at www.youreconomy.com. According to their data, from 2000-2008, self employment in Michigan increased by 117.9% and Stage One businesses (2-9 employees) grew by 50.2%. While we were hit hard by the loss of manufacturing and large firms, there was growth, and it was in small businesses. The Small Business Administration's Michigan District's Annual Report relates that there has been growth among these classes of small businesses every year since 1991.

For a community to reach its entrepreneurial capacity the first question is where are the sources of financing likely to come from? So will banks or credit cards or home equity loans take up the start up financing slack? When one looks at what happened in Michigan during the last decade, then compares that reality with the requirements for loans the traditional "five c's" of lending: credit, collateral, cash, capacity and character, one can see the depth of the issue for Michigan's innovators. Cash is short in many businesses not to mention households, collateral values have fallen in home and commercial industrial buildings, credit is tight everywhere. In order to fully tap our entrepreneurial capacity, there must be resources that focus on capacity (the prospective cash flow of the proposed enterprise) and most importantly character of the prospective entrepreneur. An alternative lender uses these resources to provide credit and technical assistance to improve businesses survival rates and capacity to grow.

As a result, Northern Initiatives is coming off 2010, its most productive year ever, in terms of new loans, jobs created and jobs retained (see Attachment B). Our use of these alternative loan products, the Intermediary Relending Program, and the Rural Micro Enterprise Assistance Program allow loans to be made to those who cannot meet a "bank standard." They provide a form of capital that allows for a customer's story to be heard and a judgment made which largely resides in character and energy of the borrower.

Let me share a few stories of where small amounts of alternative capital have led to big results.

In Marquette, the IRP loan fund has helped Dan Torres to take a small building that had been the site of two previous failed restaurants and start his concept of a fresh, authentic Mexican restaurant - The Border Grill. Fourteen years later, The Border Grill is in three locations and employs over 100 people who have jobs with benefits.

In Wakefield, Michigan, in ten years, Mike Zacharias has used an IRP loan to go from start up of Extreme Tool, in a rural, hard to find location, to a company with global reach. Mike went head first into what appeared to be a dying industry in the US, the tool and die industry, and focused on quality, speed of delivery to customers and their satisfaction. He has three operations and now employs over 50 people.

Alternative loan funds also support growing businesses. Community banks need partners when it comes to taking the risk to support growth. Jacquart Fabric Products is an example. An IRP loan enabled the company to buy a computer aided design cutting machine which supported a move to "just in time" production. Today, the cut and sew manufacturer features a great deal of technology, features speed of delivery of its products, and employs over 150 people in Ironwood Michigan.

Nationally the IRP program has made over \$700,000,000 in loan capital available to intermediaries like NI. In its history the IRP program has never had a default or a delinquency while providing, capital to 8,000 rural businesses.

Finally these alternative capital resources are also important for existing businesses that experienced a loss of revenue and business losses and a resulting loss of revenue during the recession. It is not unusual to have manufacturers and some commercial establishments facing lower collateral values. They have seen property and equipment values fall with the decline in the number of larger businesses (Stage 3 and 4 (100 + employees) who were hit hard by the recession and the woes of the auto industry. What we are seeing is Bank customers who had formerly been A or B rated fall below that standard, as a result of losses in recent years. As business conditions have begun to improve they now need credit, but cannot secure it or at least the amounts that they need to fulfill contracts and hire again. In 2004 Northern Initiatives was given the authority by the USDA to issue B&I Loan Guarantees. We have done but one in the first seven years of that authority, but in 2011 we are prepared to do two more, just in the first quarter. These B&I loans opportunities have come as referrals from community bank partners who want to see business customers that they cannot serve in the current environment, succeed.

In an effort to expand entrepreneurial capacity, support growth and restore economic viability to sound Michigan businesses, we need these rural development programs that allow intermediaries to support small business. What we cannot predict is whether Northern Bee, Sky Iris or any of 27 other micro borrowers from 2010 will prove to be the next major job creator like Border Grill, Extreme Tool or Jacquart Fabric Products. What is certain is that most will stay in business and some of them will grow to be significant job creators. As a result, the Federal Government gets the returns of payroll taxes, employees with benefits, and lower safety net costs through these small investments using these USDA programs.

Rural development capital can also be sourced through the Rural Business Enterprise Grant Program but its great value is also its flexibility. The RBEG and the Rural Business Opportunity Grants (RBOG) can be used to bring information and knowledge that supports entrepreneurs to build systems essential to growth. Many of our rural businesses face three challenges, distance from markets, isolation, and seasonality. Yet, in today's economy, many small rural businesses in Michigan enjoy international sales and business partnerships, made possible with the right systems which includes the know how to find and be found. Generally this is through advanced use of the internet in e-commerce applications. Bringing the ability to support small businesses through information resources is another important issue for rural development.

The other critical role of USDA programs is the building of **community capacity**. The **Rural Community Development Initiative (RCDI)** program enables a multi-year approach to organize communities around market building strategies. The RCDI grant that we received helped us to launch a regional project involving five counties to build a brand and strategy around nature and cultural tourism. The project is the Great Waters, www.greatwaters.org. Seven years after the grant, the project has shown communities the value of collaboration, and the successes that come from leveraging small amounts of money for larger results. Nine communities are now using Facebook, You Tube, and collaborating on a Pure Michigan campaign. Their contributions of around \$4,000 each are getting publicity about their area, and we are seeing results. Last August we interviewed 2,411 visitors and found that around 80% were there for recreation and cultural purposes and that 41% were not from Michigan. The use of data is infectious, recently a resort owner told us that although her percent of Michigan residents has dropped from 80% to 31% in just three years, her revenue grew. This is thanks to visitors from other States and countries. Regional collaboration can cause impressive results and important lesson to small communities their businesses and this Committee.

Finally there is the critical role of infrastructure and community facilities investments. Recently, Marquette and Northern Michigan University were delighted to be visited by President Obama. He came to the University to highlight the investments in high speed internet connectivity that the University was leading for the Upper Peninsula. Northern Michigan University has been a leader in using Wi-Max and communication for instruction and connection of remote rural areas.

When the environment for broadband access to the internet exists businesses that otherwise face isolation, remoteness and seasonality can compete. Recently, the owner of a saw sharpening service was supposed to come to Marquette to Northern Initiatives to sign a note extension. At the last moment he cancelled because he had just received a \$15,000 order that he needed to fulfill. While this seems like a "no big deal" occurrence, he is 14 miles from Iron River and he is not located on a State, or US highway. Having a website designed by Northern Michigan University students has allowed him to have an e-commerce presence and to be "found." A second illustration of e-commerce's impact is the story of Risak Pottery in Marquette. For many years sales of their unique Raku Pottery, primarily came from going to art shows and fairs. Last year after building an e-commerce web site, again assisted by Northern Michigan University students, they saw their sales increase by 10% with a substantial cost savings as they attended 10 fewer art fairs.

Rural American businesses can compete globally when they can be found. That first means access to broadband, but it is coupled with the capacity and knowledge to build and grow e-commerce capacity. In this light USDA programs should be considering ways that bring the maximum possible value to their efforts, infrastructure and business development working together to make as a norm, 1+1=3. The precious nature of our rural development resources means tying together expectations and outcomes to achieve the greatest returns possible for the dollars invested.

There is a critical issue on which your leadership is needed. While USDA Rural Development now has the critical programmatic tools to create jobs in rural America, they are being defunded. Federal investment in rural development has plummeted, falling by almost 1/3 over the last eight years.

Please exert your leadership to restore a fraction of the cut by committing \$100 million of mandatory funds each year to a Rural Renewal Initiative, to be allocated by the Secretary among USDA Rural Development Programs, (**the Intermediary Relending Program, the Rural Micro entrepreneur Assistance Program, the Rural Business Enterprise Grant Program, the Water and Sewer Program and the Value Added Agriculture Grant Program**) to create jobs in rural America. Priority should be placed on communities suffering high unemployment, population loss, low incomes, high poverty or sudden and severe job loss.

Investment of \$100 million annually would have a big impact on job creation in small communities, but represent just 1/6 of one percent of total farm bill funding. There must be a way to carve out 1/6 of one percent of farm bill funds to create urgently needed jobs for unemployed Americans and struggling families in rural communities.

And for urban America the USDA programs are a contribution to the building of a corollary to Jane Jacobs' theory, that urban America needs access to rural America for the goods, services and assets that represent **fresh, natural, local and authentic**.

These programs are vital to the revitalization and transformation of Michigan communities through building and encouraging viable businesses. We are seeing an exciting revival of new ideas and entrepreneurship and these rural development programs are vital to continuing to build on a rising trajectory.

Once again, thank you for this opportunity to advocate for rural development.

Attachment A

MICHIGAN • LOWER PENINSULA							
County Name	Population 2010 US Census	Median Household Income 2008 US Census	% of State Median Household Income 2008 US Census	Unemployment Rate March, 2011 US 8.8%	Poverty Rate 2008 US Census	Children in Poverty 2005 US Census	Percentage Bachelor's Degrees; Adults over 25 2007 Census
Michigan Total	9,883,640 Red= decline between 2000 and 2010	\$48,606	RED=<80% Blue =80 to 90% Black = 90 to 100% Green => 100%	March, 2011 10.3% MI-DLEG Red= higher than the Michigan Jobless Rate	14.4% Red = higher than the Michigan Poverty Rate	18.3% Red = higher than the Michigan Poverty Rate	21.8% Red =<21.8%
Alcona	10,942	\$34,547	71%	16.9%*	15.5%	27.2%	10.9%
Alpena	29,598	\$37,546	77.2%	12%	16.5%	20.3%	13.2%
Antrim	23,530	\$42,732	87.9%	15.1%	12.9%	16.9%	19.4%
Arenac	15,899	\$36,418	74.9%	15.7%	18.2%	26.3%	9.1%
Benzie	17,527	\$45,309	93.2%	15.1%	10.3%	13.4%	20%
Charlevoix	25,949	\$48,410	99.6%	14%	11.2%	16.4%	19.8%
Cheboygan	26,152	\$37,851	77.9%	17.2%	18.2%	23.1%	13.9%
Clare	30,926	\$34,904	71.8%	14.9*	19.1%	29.5%	8.8%
Crawford	14,074	\$37,396	76.9%	13.1%	17.8%	26.1%	12.9%

Emmet	32,694	\$50,556		15.8%	10%	12.7%	26.2%
Gladwin	25,962	\$37,924	78%	15.3%	17.8%	29.6%	9.2%
Grand Traverse	89,986	\$50,207		11.5%	9.5%	11.1%	26.1%
Iosco	25,887	\$34,929	71.8%	16.1%	17.6%	27.2%	11.3%
Isabella	70,311	\$39,006	80.2%	8.6%	29.4%	17.6%	23.9%
Kalkaska	17,153	\$40,618	83.6%	14%	15%	22.6%	9.7%
Lake	11,539	\$31,658	65.1%	14.5%	20.1%	38.5%	7.8%
Leelanau	21,708	\$56,056	115.3%	11.1%	8.5%	11%	31.4%
Manistee	24,733	\$38,076	78.3%	13.2%	13.6%	18.8%	14.2%
Mason	28,705	\$40,858	84%	12.5%	15.7%	18.7%	15.9%
Mecosta	42,798	\$37,888	77.9%	11.7%	20.9%	25.6%	19.1%
Missaukee	14,849	\$40,037	82.4%	15%	14.6%	23.8%	10.2%
Montmorency	9,765	\$33,425	68.7%	20.4%*	17.7%	28.3%	8.2%
Newaygo	48,460	\$44,157	90.8%	12.3%	16.2%	18.8%	11.4%
Oceana	26,570	\$40,872	84%	16%	18.8%	27.5%	12.6%
Ogemaw	21,699	\$35,539	73.1%	12.9%	18.8%	27.6%	9.6%
Osceola	23,528	\$39,757	81.8%	13.4%	16.7%	23.6%	11.3%
Oscoda	8,640	\$34,239	70.4%	18.6%*	17.7%	28.8%	8%
Otsego	24,164	\$47,643	98%	13.9%	10.1%	14.9%	17.4%
Presque Isle	13,376	\$37,731	77.6%	21%	13.8%	18.7%	11.5%
Roscommon	24,449	\$35,009	72%	14.6%	18.4%	27.8%	10.9%
Wexford	32,735	\$41,264	84.9%	14.3%*	15.2%	19.9%	15.3%
	366,179						

NI currently offers only microloans in Grand Traverse and Leelanau Counties							
MICHIGAN • UPPER PENINSULA							
County Name	Pop. 2010 US Census	Median Household Income 2008 US Census	% of State Median Household Income 2008 US Census	Unemployment Rate March, 2011 US 8.8%	Poverty Rate 2008 US Census	Children in Poverty 2005 US Census	Percentage Bachelor's Degrees; Adults over 25 2007 Census
Michigan Total	9,883,640 Red = decline between 2000 and 2010	\$48,606	RED=<80% Blue =80 to 90% Black = 90 to 100% Green => 100%	March, 2011 10.3% MI-DLEG Red= higher than the Michigan Jobless Rate	14.4% Red = higher than the Michigan Poverty Rate	18.3% Red = higher than the Michigan Poverty Rate	21.8% Red =<21.8%
Alger	9,601	\$41,152	84.6%	13.5%	13.5%	18.5%	14.7%
Baraga	8,860	\$35,387	72.8%	21.1%*	16.1%	18.9%	10.9%
Chippewa	38,520	\$41,173	84.7%	13.2%	18%	20.6%	15%
Delta	37,069	\$43,485	89.5%	11.4%	13.8%	16.7%	17.1%
Dickinson	26,168	\$41,872	86.1%	10.1%	12.1%	14.1%	16.7%
Gogebic	16,427	\$33,483	68.9%	11.7%	19.2%	23.3%	15.8%
Houghton	36,628	\$34,196	70.3%	10.5%	20.2%	18.5%	23%
Iron	11,817	\$36,325	74.7%	11.3%	15.4%	20.8%	13.7%
Keweenaw	2,156	\$37,635	77.4%	14.9%	14.7%	22.9%	19.1%
Luce	6,631	\$36,851	75.8%	12.6%	20.3%	25.4%	11.8%
Mackinac	11,113	\$37,928	78%	24.2%	11.5%	18.1%	14.9%

Marquette	67,077	\$43,599	89.7%	9.6%	14.2%	15%	23.7%
Menominee	24,029	\$39,072	80.4%	9%	15.7%	17.9%	11%
Ontonagon	6,780	\$33,927	69.8%	17.8%*	15.8%	20.1%	13%
Schoolcraft	8,485	\$39,475	81.2%	15.7%	15.6%	22.6%	11.3%
	311,361						

*among the highest 50 unemployment rates for rural counties in the US in September

**Attachment B
Northern Initiatives 2010**

Lending Performance (Micro loans, subordinated debt and non-debt structures, available to businesses in 49 rural counties)

- Total number of Commercial and Industrial Loans closed in 2010-**47** (ties all time record for one year)
- Total start up loans-**19**
- Total new jobs created-**134** (all time record for one year)
- Total jobs retained-**200** (all time record for one year)
- Percentage of loans for women owned businesses-**32%**
- At year's end Northern Initiatives had loans in **30** Northern Michigan counties and one in a Wisconsin border county.

Business Advancement Center Performance (Business Advancement Services, technical assistance, consulting and training)

- **54%** of all new loan customers received technical assistance
- **75%** of customers whose loans were less than \$50,000 received technical assistance
- **25** manufacturers received market diversification strategy assistance
- **32** Stage Two businesses graduated from Profit Mastery Training (sessions held in Marquette, Baraga, Houghton, Delta, Dickinson and Chippewa Counties)
- **Twelve** Northern Michigan University students were employed in developing projects to support and grow small businesses.

Regional Strategies

- **Food Systems**
 - The Hoop House at the Jacobetti Center had its first year of production. Used by Northern Michigan University's College of Professional Studies for experiential learning. Used by the Marquette Food Coop to support community education and test crop production for local growers.
 - Value added packaging pilot(salsa and pesto kits) with local grower.
- **Cultural and Nature Tourism**
 - Pure Michigan campaign organized for Sault Ste. Marie, Curtis, Paradise, Newberry, St. Ignace, Les Cheneaux, Mackinac Island, and Munising with dramatic increases in community web site traffic.
 - Social Network sites managed for 5 eastern UP communities
 - Visitor Survey completed for 7 key counties in Upper Peninsula, featuring 2,411 tourist interviews
 - Nature and Cultural tourism strategy launched for the Western UP counties of Gogebic and Ontonagon

**2010 Regional Strategies & Business Advancement Center
NMU Student Capabilities and Projects**

Capabilities

- Content Management for Website
- Launch and Manage Social Media - Flickr, Facebook, Youtube
- Primary and Secondary Market Research
- Project Management
- PowerPoint Presentation
- Traffic Analysis
- Data Analysis
- Surveying - online/phone
- Manage web based inventory management system
- Website Programming - CSS, HTML, PHP, Joomla
- Search Engine Optimization
- Marketing Strategy
- Financial Spreading and Credit Analysis
- Adobe Suite - InDesign, Illustrator, Photoshop, Dreamweaver
- Work flow Creation with Microsoft Visio
- Report Creation
- Network and Information Technology

Projects

- Social Media - Manage Great Waters, Newberry, Paradise, and Ski/Bike Michigan UP Trails Facebook pages
- Manage Great Water website content
- Reporting - Report out traffic on social media and web efforts monthly
- Visitor Survey
- Business Survey
- Local Growers Research
- Value added local foods pilot
- Market/Competitive Research and Recommendations
- Website Content Development
- Website Programming and Setup
- Website Training Manual Creation
- Facebook Strategy and Calendar Development
- Financial Scorecard Tool Setup and Analysis
- Website Promotion and Analysis with Keyword Analysis, Page Rank, Google Analytics and Google AdWords
- Collateral Materials Development
- Video Conference Room Research and Setup
- Network and Computer Support for Northern Initiatives staff

DOCUMENTS SUBMITTED FOR THE RECORD

MAY 31, 2011

June 25, 2011

United States Senate Committee
On Agriculture, Nutrition and Forestry
Washington, DC 20510-6000

Dear Senator Roberts,

I was pleased to have the opportunity to testify for the 2012 Farm Bill Hearing in East Lansing, Michigan, but disappointed that I was not aware of the proposal to consider all forest management activities as point-source and therefore requiring the NPDES permit.

If all forest management activities will be required to get a permit, it would put a major crimp in sustainable management. Depending on the cost of the permit and the size of the job, it may not be cost-efficient to do the harvest. This in turn affects the employment of loggers, mills and manufacturers of wood products, as well as putting healthy forests and the nation's wood supply in jeopardy.

By enforcing the best management practices already established in the industry, the intentions of the Clean Water Act would be met.

The National Alliance of Forest Owners has taken the lead in gathering an industry-wide effort to support the defendants of the NEDC v Brown case in their appeal to the U.S. Supreme Court. They may possibly also look to Congress for help.

Thank you again for allowing me to testify. If there is anything else that I could help you with, please let me know.

Sincerely,

Karen L. Serfass
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Dafer, Michigan 49724
906-635-5439
rkwinserf@yahoo.com

Cc :Senator Debbie Stabenow