Good morning, Mr. Chairman, and Members of the Committee. I am Neal Bredehoeft, a soybean and corn farmer from Alma, Missouri. I am a member of the American Soybean Association Board of Directors and served, until last week, as ASA's Chairman. I very much appreciate the opportunity to appear before you today.

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

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

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

We also are watching the current negotiations on a new WTO agreement. Last October, the Administration offered to make a 60 percent reduction in outlays permitted under the most production and trade-distorting programs, including the Marketing Loan and dairy and sugar price supports, and a 53 percent overall reduction in all trade-distorting programs. ASA and other farm organizations are insisting that importing countries make equally aggressive reductions in their tariffs, including on soybean and livestock products. If an agreement is reached and approved by Congress next year, we will need to make major changes in current farm programs.

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

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

billion per year to guarantee 70 percent of gross income on a whole farm basis for only program crops, to over $10 billion per year to guarantee 70 percent of net income for specific commodities for all crops and livestock.

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

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

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

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