

Mr. Chairman and members of the subcommittee, my name is Al Christopherson. I produce corn, soybeans and swine near Pennock, Minnesota, in the west-central part of the state. I am president of the Minnesota Farm Bureau and a member of the American Farm Bureau Federation Board of Directors. Thank you for the opportunity to share our thoughts on the status of the conservation provisions of the 2002 farm bill.

Farm Bureau was a strong advocate for increased conservation funding and technical assistance in the 2002 farm bill. We continue to strongly support conservation incentives as a means to improve net farm income, enhance economic opportunity, preserve the rights of property owners and improve the nation's environment. Increased regulatory costs on all levels - federal, state and local - are placing a heavy burden on individual farmers and ranchers as well as distorting the traditional structure of our industry. Farmers and ranchers understand the importance of protecting the environment. Our livelihood depends on it. However, the expenses incurred to comply are taking a heavy toll on farm incomes and forcing farmers and ranchers to spread the cost of increased regulation over more units of production. The consequence is the inability of small and medium sized family farms to compete in a highly charged regulatory environment.

There is little doubt that we have made great strides in improving our environment over the last three decades. By nearly every measure, our environment and natural resources are in better condition than any other time in our lives. As the demand for environmental enhancements increase it is important that we examine the public policy that we have at our disposal and determine whether they are appropriate. The command-and-control nature of many of the first generation environmental statutes were for the problems of the 1960's and 1970's. The programs continue to be very controversial and adversarial in nature and compliance is expensive.

Bridging the gap between where we are now and where we want to be in the future requires an expanded public investment in agriculture. In addition to building on the gains of the last three decades, the public now desires open space, wildlife habitat, scenic vistas, diverse landscapes and recreational activities. These are clearly more ephemeral policy goals that require a more delicate and site-specific policy approach.

Farm Bureau policy supports:

? Improving the environment through expanded incentives to encourage voluntary soil conservation, water and air quality programs, and advanced technological and biotechnological procedures that are based on sound science and are economically feasible;

? Rural economic development to improve the environment and quality of rural life;

? Voluntary conservation programs that provide direct payments and comply with the green

box World Trade Organization (WTO) requirements; and

? Providing willing producers incentives to adopt and continue conservation practices that address air and water quality, soil erosion and wildlife habitat.

Conservation Security Program (CSP)

During the farm bill debate Farm Bureau was a strong supporter of a new type of conservation incentive program. We believe agricultural producers must receive assistance to help defray the cost of ongoing environmental improvements and regulations. The Conservation Security Program (CSP) will assist farmers in achieving environmental goals and reward us for improved environmental performance. CSP should be available to all producers and it should be funded and implemented as a nationwide program.

CSP provides producers additional conservation options for adopting and continuing conservation practices to address air and water quality, soil erosion and wildlife habitat. The program was designed to allow each participant the opportunity to meet his or her objectives while also achieving the goals of the program. Participants should be given the opportunity and flexibility to develop a management plan that provides environmental benefits without land retirements or easements. Practices covered under CSP could range from accepted good farming practices already implemented, to the establishment of a comprehensive environmental management plan.

The current proposed rule has added eligibility restrictions never anticipated by the law. A new requirement to meet both soil and water quality criteria prior to participation in Tier I and Tier II, adds new restrictions, which will severely limit eligibility by anyone other than those who have already achieved what the program sought to create. The CSP program should allow anyone to enter a Tier I contract, which requires only the "adoption and maintenance of conservation practices that address at least one identified resource problem on part of the agricultural operation" or Tier II contract, which requires the "adoption and maintenance of conservation practices that address at least one identified resource problem on all of the agricultural operation.

While we understand the initial reasoning for targeting watersheds, we contend that CSP should be available to all agricultural producers, rather than in only a few watersheds. Enactment of the 2004 Omnibus Appropriations removed funding limits previously imposed on this program; so we believe that the final rule should reflect the mandatory status of the program and must include extensive revisions to the budget-driven application, implementation and eligibility requirements in the proposed regulation.

Since the final rules have not been published, we would like to highlight several issues raised in the proposed rulemaking:

? Overall, the proposed rule is too complicated, restrictive and provides too little financial incentive for many farmers and ranchers to participate. We have encouraged Natural Resources Conservation Service (NRCS) to change this proposal before the regulation is finalized. We recommended that NRCS address the program's overall lack of clarity by finalizing a regulation that is easy to understand and fosters participation.

? Limiting eligibility to producers in "selected" watersheds will greatly reduce participation and deny conservation to broad areas of the nation's farmers and ranchers. CSP is not simply a watershed program, but a program meant to be open to all qualifying agricultural producers in all regions of the country.

? The proposed rule restricts the practices eligible for reimbursement and provides payment at a lower rate than those provided in EQIP and other USDA conservation programs. The benefit cost assessment refers to a rate as low as five percent. This approach is counter-productive and will make it difficult or impossible for many producers to afford to participate in CSP.

? The statute clearly directs the Secretary to establish a base payment. Specifically it requires the Secretary to determine "the average national per-acre rental rate for specific land use during the 2001 crop year or another appropriate rate for the 2001 crop year that ensures regional equity." Congress made very clear that it intended for the base stewardship payment to be based on rental rates and the Statement of Managers specifically emphasized that "the Secretary shall not provide a rate lower than the national average rental rate."

? A primary concern pertains to the definition of an agricultural operation. The proposed definition which reads "all agricultural land and other lands determined by NRCS, whether contiguous or noncontiguous, under the control of the participant and constituting a cohesive management unit, where the participant provides active personal management of the operation," is too broad and will be subject to inconsistent interpretation. This definition is also inconsistent with any description in any other conservation or farm program. It would require a complicated eligibility determination process for NRCS that would be new to the agency and the producer. The definition of an "agricultural operation" for purposes of implementing and administering the CSP should be similar to Farm Service Agency farm definition and allow for tenants to work with multiple landowners. This would facilitate eligibility determinations for the agency and the producer.

? We are equally concerned about the proposed eligibility requirement that would require the applicant to have control of the land for the life of the CSP contract. Many rental arrangements in all areas of the country are on an annual basis. In addition, annual contracts are currently more prominent with the annual signup requirements for the current farm bill. While multi-year rental contracts do occur, it is unlikely that a tenant could ensure that he would have control of the land for a five to 10 year period at the time of application. A requirement that the applicant have control of the land for the entire contract period at the time of application will severely limit the ability of commercial-size tenant producers to participate in this program.

Environmental Quality Incentives Program (EQIP)

Farm Bureau strongly supports EQIP and the improvements to the program made by Congress in the 2002 farm bill. We believe EQIP should be available to all crop and livestock producers and provide compliance assistance with implementation of federal, state and local environmental laws.

We are concerned that NRCS has not been monitoring EQIP projects or providing animal feeding operations with the assistance needed to meet their regulatory requirements. To highlight a specific concern, we are aware that EQIP provided \$483 million in assistance to all agricultural operations in FY2003. Of the \$483 million, \$314 million was provided to livestock operations, of which, only \$105 million was expended to help animal feeding operations. This is a very troubling realization. If these numbers are correct, we believe this allocation within the livestock sector does not place enough emphasis on confined animal operations and their associated regulatory costs. The situation is particularly vexing because in promulgating the revised animal feeding operations permit rule in 2003, EPA in part justified the heavy regulatory burden on producers by reference to EQIP funds available for producer assistance. Of particular concern to Farm Bureau are the compliance needs of animal feeding operations in general and specifically to the disproportionate burden regulations placed on small and medium sized operations. Without EQIP, many small and mid-sized operations are at risk of financial collapse or unable to implement regulatory compliance requirements in a timely manner. These small and mid-sized operations are critical to the rural economy and our overall agricultural infrastructure.

To overcome the problems associated with the lack of emphasis and funding for animal feeding operations we recommend that NRCS prioritize:

- ? EQIP contracts that are intended to help producers comply with local, state and federal regulations;
- ? Air quality and odor control practices; and
- ? Mobile equipment and manure transport practices.

With regard to the portion of EQIP funds that go to non-livestock operations, we recommend that further attention be brought to the opportunities that EQIP can play for specialty crops. These producers are generally outside the scope of the traditional farm bill programs and may be unfamiliar with conservation programs such as EQIP or CSP and the opportunity that they provide to address environmental concerns.

Conservation Reserve Program (CRP)

The CRP is a time-tested program that works well overall and has been very popular with farmers and ranchers. There are no major concerns with its current operation. Farm Bureau supports CRP because it provides incentives for reducing soil erosion, the enhancement of water and soil quality and additional wildlife habitat. Additionally, it recognizes the inherent value of private property and provides a steady income to participants who enroll in the program. In order to ensure that the rural and agricultural infrastructures are not hurt by even a slight increase in CRP acreage, we continue to oppose more than 25 percent of any county's acreage being included in a CRP contract, Conservation Reserve Enhancement Programs and all experimental pilot projects.

Wetlands Reserve Program (WRP)

Farm Bureau supports WRP because it provides incentives for farmers and ranchers to restore and protect wetlands and allows individuals to be compensated for the inability to use their land as they wish. We are not aware of major problems with implementation of the WRP and believe that overall it has been satisfactory. President Bush recently noted the role that incentive-based programs such as the WRP played in achieving the goal of "no-net loss" of wetlands, and specifically lauded the response of farmers and ranchers to such approaches. We strongly agree that incentive-based programs are far preferable to regulatory control approaches. However looking ahead, we are troubled by the growing litigation and regulatory activity over wetland delineation outside of the farm bill program, specifically under the Clean Water Act. Farmers increasingly are concerned about becoming entangled in jurisdictional conflict among federal agencies over what constitutes a wetland. With regard to the WRP, we recommend that prior to a landowner being allowed to place a parcel of land into the WRP, the adjoining landowners should be notified and assured that they will not be affected by any changes in drainage patterns. We have seen first-hand instances where a landowner's participation in the WRP has altered the drainage on adjacent farmland and resulted in wetland violations and land-use restrictions.

Technical Assistance Funding

Farm Bureau is extremely concerned about the ongoing shortfall of technical assistance funding for the CRP and the WRP. These shortfalls will result in a substantial cut in funding for EQIP and other conservation programs in order to deliver CRP and WRP. This comes at a time when EQIP has a significant application backlog. We believe every program must cover its own technical assistance delivery costs. In the case of CRP and WRP, USDA should calculate the delivery cost of program enrollment. Acres available for an enrollment should be reduced to the level necessary to fund technical assistance needs to compensate for program delivery cost. We are not suggesting a reduction in the statutory cap of 39.2 million acres. CRP has never been fully enrolled and WRP yearly acreages have varied. The programs and their goals should not be sacrificed or jeopardized in any way. In this manner the programs could cover their own costs without incurring additional budget obligations or taxing other programs. The integrity of

the 2002 farm bill is critical. Farm Bureau supports full funding of the farm bill and opposes any action that upsets the financial balance.

Conservation Program Delivery and Implementation

Farm Bureau advocated for increased conservation funding and technical assistance in the 2002 farm bill. Conservation has increasingly become a priority for farmers and ranchers as the pressure of local, state and federal environmental regulation has increased. Conservation cost-share and incentives are essential to assist producers in addressing public concerns relating to the environment.

Conservation planners are confronted with overlapping issues of endangered species and wildlife management, wetlands protection, nutrient management, air quality regulation, integrated pest management, and water quality issues, in addition to soil erosion. We can expect planning challenges to increase as the complexity of environmental regulation grows. President Bush has been a strong advocate of incentive-based solutions. If the farm bill conservation programs are to be successful, adequate technical assistance will be key. USDA must be able to demonstrate that voluntary, incentive-based conservation programs can be successful in addressing environmental issues and serve as an alternative to a more costly and burdensome regulatory approach.

Technical Service Providers

It is critical that NRCS maintain necessary career manpower resources for program delivery. Notwithstanding, it will be necessary to utilize technical service providers to supplement those resources. Farm Bureau supports the use of third-party technical service providers to ensure adequate delivery of needed services. We recognize the challenges NRCS faces with limited government manpower for program delivery. The situation is compounded by the increasing regulation of agricultural production, which has made conservation planning significantly more complex and time-consuming.

We have concerns regarding implementation of the technical service provider program.

? The confidentiality of information provided to technical service providers must be protected. Farmers and ranchers increasingly are concerned regarding the misuse of information provided as part of program participation. Outside agencies have attempted to use program information for regulatory and other purposes. The farm bill specifically exempted such information from distribution to other agencies of government and from disclosure under the Freedom of Information Act. This protection must be extended to information made available to third party technical service providers. NRCS must work to assure that third-party contractors are subject to stringent confidentiality requirements. NRCS should explore all means available for

accomplishing this goal; including making it a condition of certification and offering standardized contracting language.

? Technical service providers must be bonded and have appropriate liability insurance. Bonding and insurance will be vitally important to producers to assure that they are protected and not liable for inferior planning and services. We have been made aware that in some states liability insurance may not be available for some practices or is cost-prohibitive. NRCS should review bonding and insurance issues on a state-by-state basis to assess availability. Lack of insurance coverage could create a shortfall for technical service providers and hamper program delivery. NRCS should consider a means for providing liability insurance for service providers.

? Payment rates for technical service providers should be based on NRCS' cost of service. When calculating cost of service, the rate should be based on actual NRCS cost. The calculation of actual cost must include all costs (insurance/liability, office/administrative, etc.)

? The regulations lay out a complex system through which producers can utilize third-party technical service providers. Errors in timing and contracting procedures could result in producers not being reimbursed for planning costs. It is essential that NRCS produce a plain-English, step-by-step procedure guide for producers planning to use technical service providers.

? Training and certification should be coordinated between states allowing technical service providers to operate on a multi-state basis. It will also be important to establish clear certification requirements for EQIP planning, recognizing that planning may also be utilized to satisfy CAFO obligations.

Performance measures

During the farm bill debate some members of the committee raised the question of performance measures. We recognize that performance measurements are necessary to demonstrate the effectiveness of conservation programs such as CSP. However, many environmental improvements cannot be measured directly or immediately. These are dynamic systems, subject to uncontrollable changes, and improvement could take years to be realized. We recommend that NRCS establish a measurement system based on reference sites and environmental models. This information should be used to provide a measurement of program success and accountability.

Conclusion

We appreciate the opportunity to offer these perspectives on the conservation programs of the Farm Security and Rural Investment Act of 2002. These programs provide great opportunity to agricultural producers and great benefit to the non-farm public. It is essential that program rules be sound and flexible in order to meet the diverse needs of producers and varying environmental challenges they face. It is also essential that Congress provide adequate funding

to ensure that the programs are viable. We urge that you strongly oppose efforts to reduce funding of the 2002 farm bill programs. Lastly, if these programs are to be meaningful to farmers and ranchers in addressing resource needs in the current regulatory climate it is critical that USDA have the sufficient human resources to provide any needed technical assistance.