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The 2007 farm bill presents an opportunity. Certainly this is true of all farm bills. However, the continued consolidation and concentration in agriculture, both at the level of production and in processing, call for a farm bill debate that closely examines and ultimately addresses fundamental structural issues and long term investments in rural America.

There are myriad statistics and anecdotes about the chronic economic decline of communities throughout rural America. You have, and will, undoubtedly hear those statistics and stories today and in the future. And it is important to consider the chronic economic challenges that rural America faces during the drafting and debate of the farm bill.

We should, however, also recognize that there is also hope and that there are also solutions to the challenges we face.

Rural Revitalization through Entrepreneurial Development

Small scale entrepreneurship is a proven strategy to revitalize rural communities. It can create genuine opportunity across rural America with the support of a modest investment by the federal government.

As concluded the Kansas City Federal Reserve Bank, "entrepreneurs can generate new economic value for their communities. Entrepreneurs add jobs, raise incomes, create wealth, improve the quality of life of citizens and help rural communities operate in the global economy."

The importance of small entrepreneurship is particularly profound in the most rural areas. The Center for Rural Affairs' analysis of economic conditions in the farm and ranch counties of Iowa, Kansas, Minnesota, Nebraska, North Dakota and South Dakota found that nearly 60 percent of job growth in the 1990s came from people creating their own job by starting a small non farm business. Small entrepreneurship is the one development strategy that consistently works in these communities.

We strongly support Senator Ben Nelson's proposed Rural Entrepreneur and Microenterprise Assistance Program to tap the rural development potential of small entrepreneurship. The Program is modeled after a provision in the Senate version of the 2002 farm bill (but not the conference report) and also a program initiated in Nebraska by then Governor Nelson.

The Nebraska legislation that provides the model for this bill has made it possible for microenterprise development programs to lend $6,895,324 and provide training and technical assistance to 15,000 businesses over the last ten years. In 2006, each dollar of state funding for this program leveraged over $12 from other sources. Last year alone it helped create or save 7,500 jobs at a cost of $330 per job.

Agricultural Entrepreneurship

The next farm bill should also invest in agricultural entrepreneurship.

Some of the greatest opportunities for small and mid-size farms are in high-value markets, made up of consumers willing to pay premium prices for products with unique attributes and food produced in ways they support.

The USDA Value Added Producer Grants Program is the most significant achievement of the rural development title of the 2002 farm bill. It has funded a multitude of farmer and rancher initiatives to increase income, secure new markets, add value to products and link consumers willing to pay a premium for food produced in ways they support with family farmers who have what they want.

The Program should be reauthorized and provided $60 million annually in mandatory funding. In addition, the program should be improved and refined, including:

? Place an explicit statutory priority on proposals that increase the profitability and viability of small and medium-sized farms and ranches and encourage protection of natural resources. The 2002 farm bill included a statement of intent that such projects be prioritized. But USDA has never implemented that priority. We analyzed the 2001 and 2002 grants awarded under the Program. Over 40% of the funds went to projects that we gave a grade of "F" for relevance to small and mid size farms.
? Set-aside 10-15 percent of program funding for projects concerning beginning and socially disadvantaged farmers and ranchers.
? Allow a small portion of the funds to be used for innovative strategies to strengthen mid size farms other than value added agriculture. For example, a group of mid-size Iowa farmers is exploring creation of a cooperative to share ownership of the most expensive equipment and thereby lower machinery costs to competitive levels. But it takes legal work and research to launch such initiatives.

The Next Generation of Family Farmers and Ranchers

The future of agriculture depends on the ability of new family farmers and ranchers to get started. Providing opportunities for beginning farmers and ranchers is also important for rural communities - the viability of rural businesses, schools, and other community institutions are all dependent in part on the existence of new farmers and ranchers on the land. The new farm bill should include a comprehensive, multi-title new farmer initiative.

The Beginning Farmer and Rancher Development Program should be reauthorized. And the 2007 farm bill should provide $20 million in mandatory funding by the 2007 farm bill. Originally passed as Section 7405 of the 2002 farm bill, this program was to provide grants to collaborative networks and partnerships to support training, mentoring, linking, education, and planning activities to assist beginning farmers and ranchers. However, the program never received funding.

Escalating land values across the nation have priced most beginning farmers and ranchers out of the market for land, the most valuable commodity in any agricultural operation. The 2002 Farm Bill established the Beginning Farmer Land Contract pilot program to allow USDA to provide loan guarantees to sellers who self-finance the sale of land to beginning farmers and ranchers. The 2007 Farm Bill should permanently and nationally implement this provision.

Farm Program Payment Limitations

The cost of land, either renting or purchasing land, is the most significant barrier to entry for beginning farmers and ranchers. And land costs weigh heavily on the success or failure of many established small and mid-sized operations as well.

Although it was not the original intent, federal farm programs have become a driving force behind farm consolidation. Virtually unlimited farm program payments are used by mega-farms to drive their smaller neighbors out of business. This must change. The 2007 farm bill should address this most fundamental, structural problem in farm policy.

The root cause of family farm decline is not insufficient government payments. The root problem is that both markets and federal policy are biased toward bigness. Federal policy reinforces, rather than offsets, economic concentration. Unlimited farm programs are penultimate example. And they are destroying family farming.

That will change only when proponents of payment limits, in Congress and in the countryside, fight as hard for payment limitations as large cotton and rice interests fight against them.

Although securing farm program payment limits may very well be the most difficult undertaking in this farm bill debate, it is also, arguably, the most important. Without real limits, farm programs do not work. In fact, without real limits, farm programs work against us. And there are elegant, albeit politically challenging, solutions.

First, and foremost, close the loopholes and make current paper limits real. The 2007 farm bill should cease the practice by which mega farm increase payments by subdividing on paper into multiple entities. Limits should limits, regardless of how farm are organized. With direct attribution of farm payments to a real person and a definition for "actively engaged" that requires partners to be truly active and engaged in the farm operation.

We urge you to say no to any farm bill that lacks meaningful and effective payment limits. Rural America cannot afford another farm bill that destroys family farming.

Competition

The structural considerations of farm policy and the 2007 farm bill do not end with commodity programs and payment limits, however. No agricultural sector demonstrates a need for examination of and response to structural considerations more than livestock production, hog production in particular.

In many rural places where livestock are raised there are only a few, or even just one, packer or processor for a given livestock species. This is especially true in the livestock and poultry sectors. At the same time there has been a dramatic increase in the use of production and marketing contracts that further diminish the bargaining power of farmers and ranchers. Currently, fully 89% of hogs are either owned outright by packers or tightly controlled through various contracting devices. Many farmers and ranchers face price discrimination and severely limited market access as a result.

Congress should not let another farm bill go by without making changes in the Packers and Stockyards Act and Agricultural Fair Practices Act that are necessary to breathe some life and competition back into livestock markets.

The Packers and Stockyards Act should be amended to:
- prohibit packer ownership of livestock more than seven days prior to slaughter;
- prohibit use of production contracts that do not fix base prices, with adjustments for quality, grade or other factors outside of packer control, at the point of sale;
- require the Secretary to write regulations defining the statutory term "unreasonable preference or advantage" to ensure that small and mid-sized farmers and ranchers are not forced to accept volume based price discrimination;
- establish that producers need not prove anti-competitive injury to an entire market in cases involving unfair or deceptive trade practices which have harmed them individually;
- provide USDA administrative authority to investigate and file complaints against violations of the Act regarding all types of poultry transactions.

The Agricultural Fair Practices Act should be amended to:
- make in unlawful for any firm to refuse to deal with a producer for belonging to or attempting to organize an association of producers or a cooperative;
- prohibit the use of binding mandatory arbitration clauses and restrictions on other legal rights available to farmers and ranchers involved in production and marketing contract disputes;
- expand the prohibition on confidentiality clauses to cover all agricultural marketing and production contracts, not just those for livestock and poultry, and to ensure that farmers and ranchers can share information about the details and terms of contracts with other farmers and producer associations;
- require that contracts include clear disclosure of producer risks. In addition, prohibit premature cancellation of contracts without a showing of good cause and providing for the recapture of producer capital investment, and ban unfair trade practices including "tournament" or "ranking" system payments that are calculated by the packer or processor and result in unpredictable and arbitrary payments.

We support S. 622, the Competitive and Fair Agricultural Markets Act, introduced by Senators Harkin, Baucus, Enzi, Thomas, Dorgan, McCaskill and Feingold.

We believe that this legislation should form the basis of a competition title for the 2007 farm bill.

We support S. 305, introduced by Senators Grassley, Harkin, Enzi and Dorgan, which would prohibit meatpacker ownership of livestock.

And we support S. 221, the Fair Contracts for Growers Act, introduced by Senators Grassley, Feingold, Kohl, Harkin, Hagel, and Leahy.

These bills, viewed in concert, address the majority of the most fundamental concerns that I have raised here regarding livestock market structure.

In the end, it comes down to this. In a nation where packers and processors own and control all of the livestock, what need is there of farmers and ranchers? And what hope can we have for revitalizing family farming, ranching and rural communities, if we have no hope of revitalizing and instilling competition in livestock markets?

Meatpackers claim that vertical integration increases efficiency. That is a lie. Small and mid-sized farms and ranches have demonstrated, time and again, that they can match or beat the cost of production in the packers' industrial facilities.

Packers use vertical integration and captive supplies to manipulate livestock markets, depressing cattle and hog prices across the board by killing their own when prices are high and turning to independent producers as residual suppliers when prices are low - to the detriment of farmers, ranchers and rural communities.

My father always told me, "Say what you mean, and mean what you say." If we hope to create a farm bill that can be held up as a solution to some of the challenges that family farmers and ranchers face, then we should all support a federal ban on packer ownership of livestock and a comprehensive competition title in the farm bill... in other words, we should mean what we say.