Chairman Chambliss, and members of the Committee: My name is David L. McClure, President of Montana Farm Bureau Federation, and a rancher from Lewistown, Montana. Thank you for this opportunity to testify concerning the upcoming Farm Bill debate. On behalf of our members, board of directors, and staff, Montana Farm Bureau Federation welcomes the Senate Agriculture Committee to the Big Sky State, and is pleased to be able to make official comments on the upcoming farm bill process, with special emphasis toward Western agriculture practices.

We live in an increasingly complicated and intertwined world. The reality this creates for agriculture is that the future of our farm bill and trade negotiations by necessity goes hand in hand. We can not discuss one with out the other.

American Farm Bureau Federation policy states:
"We support an extension of the current farm bill until a new World Trade Organization (WTO) agreement is reached. We support extending concepts of the Farm Security and Rural Investment Act of 2002 in the next farm bill."

With the suspension of trade talks on agriculture in the Doha Round of WTO the end of July, the time has come for American agriculture to clearly focus on the need to extend our farm program for at least one year. The results of the WTO negotiations - in particular the results on domestic support commitments - must be known and taken into account before we begin making public declarations about changes to the current farm bill. Any attempt to modify the current farm bill prior to completion of the round will place U.S. farmers and ranchers at a serious competitive disadvantage.

Farm Bureau strongly believes by extending the current farm program we will be able to move forward with the kind of policy that helps ensure U.S. farmers have the support they need to survive in today's contentious global trading environment. We encourage leaders from both houses of Congress to work together toward an extension of our farm law. Our farmers and ranchers generally like the 2002 Farm Bill, because it has worked. When commodity prices are high, producers receive their income from the market. When commodity prices are low, a safety net is in place to assists farmers and ranchers during those times of difficulty and uncertainty.

Furthermore, the current Farm Bill was enacted under the current structure of WTO trade rules. If Congress were to go in another direction and write a completely new Farm Bill that reduces domestic supports while WTO talks remain suspended, then we reduce our negotiators' ability to get trading partners to make concessions of their own. These concessions should include lower tariffs, the removal of export subsidies, and fewer market access barriers that block our farmers' ability to compete fairly.

We also strongly believe that the economic health of American agriculture relies in large part on Congress approving an immediate extension of Trade Promotion Authority for the current administration. Extending TPA will allow U.S. trade negotiators to aggressively pursue regional and bilateral trade opportunities, which will secure market access for our farm goods that the Doha Round has not offered.

Having stated clearly our position on extending the current farm bill, we also look toward the day when that head-to-head competition might occur. It is important that we focus on that day and what kinds of policies the sector will need to help ensure its vital economic performance. Agriculture will need these economic policies in place to help make the United States a place where producers want to establish and expand their operations. This only comes about through the right kinds of tax policies, labor laws that provide the flexibility needed while rewarding productivity, health care systems that continue to provide some of the best medical service in the world, infrastructure that allows ideas as well as product to flow and a regulatory environment that is responsible, commonsense and flexible. In short, we need to ensure that the competitive advantage provided to us by our soils, our climate and our productive capacity is not thwarted by inappropriate government restraints.

Knowing that the appropriate time to write another farm bill will arrive, it is important to discuss the good and bad surrounding the history of the current and past farm bills. The 2002 Farm Bill is very popular with producers across the country and Montana. The next Farm Bill should continue the structure and funding provided by the 2002 Farm Bill. The 2002 Farm Bill provided a long-term commitment to U.S. producers and it would be wrong to shift policy drastically after it has worked so well. The bill has provided a safety net for producers, will provide leverage for international trade negotiators, and provides a needed foundation for future conservation program support.

We must not forget the lessons we've learned from the past. In the 1980s, the United States cut back production by 37 million acres and our competitors increased their production by 41 million acres. When we changed our policies in the 1996 Farm Bill to stop set-asides and paid diversions, the whole picture changed. From 1996 to 1999, the U.S. cut back production two million acres and our competitors reduced their production 28 million acres. We must not return to supply management programs. We also tried storing our way to prosperity. That did not work either. We tried having the Commodity Credit Corporation store grain in bins across the country. We tried having farmers store the grain on their farms. The results were the same. We stored grain and cut acreage while the rest of the world increased production and took our markets. We must not implement a farmer-owned reserve or any federally-controlled grain reserve with the exception of the existing, capped emergency commodity reserve.

Some have argued that the 2002 Farm Bill was a "desertion" from Freedom to Farm (the 1996 Farm Bill). In fact, it builds on the successes of that bill. The 2002 bill retains the major philosophies of the 1996 Farm Bill: planting flexibility, continuation of loan rates and programs that allow farmers to take their planting signals from the marketplace rather than from the government. Outdated set-asides and government-owned surpluses were not reinstated.

The 2002 Farm Bill provided a strong measure of progress on the environmental front. It is the "greenest" farm bill in history in terms of authorized conservation funding. Improved environmental practices will benefit everyone through improved soil, water and air quality, and wildlife habitat.

The 2002 Farm Bill has not increased taxpayer cost. However, even if costs had risen, farm policy has traditionally addressed the goal of producing a safe, abundant, domestic food supply. We've paid for our dependence on foreign oil. Imagine if we had to depend on foreign countries for our food. If consumers think they're getting a good deal by spending less than 12 percent of their disposable income on a nutritious, safe, quality food supply, then they should conclude it's a good policy to provide for a measure of stability in our food production system.

We must also focus on ensuring our future, the next generation in agriculture producers. How do we ensure the next generation of producers makes the decision to provide the food and fiber for our nation?

1. Education: A key factor in determining success in any future business is the education and experience base of the individual starting the new enterprise. While the United States has a world-class higher education system in agriculture, agribusiness and other specialty areas, other countries take different approaches. The agricultural education program in several European countries focuses more on the junior college or technical training program level than we do in the U.S. If European students complete their training, they are eligible for higher payments or they have access to programs that would otherwise not be available.

2. Relief aid programs: European countries offer relief services for farm operators. The relief usually comes in the form of younger certified farm workers, who want to get into farming, but lack capital. These relief or aid programs allow the farmer some time off for emergencies, while granting the younger worker more hands-on experience and ultimately revenue. The younger worker has gone through training including on-farm work and certification before being allowed to work on their own. This program allows them real-world experience without all of the real-world risk. This is not a recommendation or endorsement, but is an example of the kind of new thinking that needs to be brought to the table to encourage, and properly equip, young producers to join the industry.

3. Opportunity: The best way to create opportunities is to make agriculture profitable. Many young couples hoping to become involved in agriculture are dependent on outside sources of income to pay bills. This may make it difficult to transfer into fulltime producers unless a stable flow of income is established quickly. Ensuring consistent pricing that is profitable will help create more economic opportunities for young producers to make this transition. The most effective plan for improved rural economic development is a profitable and productive agriculture.

Payment Limits:

Farm Bureau continues to oppose any changes in current farm bill payment limitations. One of the primary objectives of the 2002 Farm Bill was to improve the financial safety net available to farmers and to eliminate the need for annual emergency assistance packages. If limitations on benefits are made more restrictive, a significant number of farmers would not benefit from the improved safety net. Simply stated, payment limits bite hardest when commodity prices are lowest. Proponents of tighter, more restrictive limitations argue that farm programs cause farmers to enlarge their operations. They also argue that a few producers are receiving most of the benefits. This oversimplifies farm economics. Farmers expand in order to achieve economy of scale and to be competitive in domestic and international markets. Randomly established limitations and increased regulatory burdens do not promote efficiency or competitiveness, but they do increase costs and increase the workload for USDA employees.

Our federal farm program is based on production. Time and time again, this has proved to be the best manner for distributing assistance to the families most responsible for producing this nation's food and fiber. Farmers who produce more traditionally receive larger payments, but they also take larger risks and have significantly higher investments in their farms. When crop prices are depressed, no farm is immune to difficulty, especially those with greater risk. It is true that larger farm enterprises receive a larger percentage of total farm program payments than smaller ones. However, farm policy has always been production-based rather than socially-based. Only if we want to allow someone in Washington to decide "winners and losers" should we move to a socially based policy.

Despite the seemingly big payments that are always highlighted in press reports and by various "think tanks," the vast majority of farm payments go to family farm operations. In addition to paying for machinery, seed, fuel and fertilizer, some of this money goes to pay household bills, interest on farm loans and ordinary living expenses.
Looking at the "average" never tells the full story in any industry. This is certainly the case in agriculture.

CONSERVATION

Since their inception, conservation programs have continued to grow and evolve. The 2002 Farm Bill included more authorized funding for conservation than any other farm bill in history. Market forces can be used to enhance these environmental objectives. U.S. farmers have historically shown that if the market provides sufficient incentives, such as $3.00 per bushel of corn or $4.00 per bushel of wheat, we can produce an abundant supply of these commodities. Similarly, if a voluntary incentive is offered for a desirable environmental outcome, farmers will overwhelm America with improved soil conservation, water quality, air quality and wildlife habitats. Two current programs that embrace this and are good for production agriculture are highlighted below.

1. CSP: We expect programs like the Conservation Security Program (CSP), or programs applying conservation practices on "working lands," to become the linchpin of conservation titles, and possibly an important means of supporting farm income in years to come. The CSP must be available to all producers, implemented as a nationwide program that is workable, and adequate funds must be appropriated to make it an effective program. Producers must receive assistance to help defray the cost of ongoing environmental improvements and regulations.

2. EQIP: The existing Environmental Quality Incentives Program (EQIP) natural resource priorities reflect and carry out the intent of the 2002 Farm Bill. Those priorities promote agricultural production and environmental quality as compatible goals, and to optimize environmental benefits by assisting producers in complying with local, state and national regulatory requirements concerning soil, water and air quality, wildlife habitat, and surface and ground water conservation. The additional resources EQIP has provided to producers over the last several years have been welcomed in terms of addressing a variety of environmental and

natural resource challenges.

ENERGY

A broader energy section is needed to reflect the increased cost of current energy inputs, including fertilizers and the increased interest in renewable fuels since the 2002 Farm Bill. Any ethanol projections should remember the effect increased ethanol will have on corn supplies, and thus all feed supplies, and corn payments, thus all feed payments as stated by Ross Korvis in a paper titled Farm Policy Beyond 2007.

AGRICULTURE INSURANCE

More discussion and time need to be spent on developing alternative insurance avenues as we may be looking to move away from traditional payments. These are great tools, but we must be cautious and make sure they work before putting all of our eggs in one basket.

INTERNATIONAL MARKETING

As the goals of the WTO switch to more market access, it is imperative that the United States take advantage of this opportunity to market our products to the fullest overseas. Our American Trade Office, USMEF, and USGC do a great job with extremely limited budgets. Cutting these budgets in times of money shortages might seem easier than cutting domestically, but unfortunately is very short sighted. We are competing with some countries whose promotions budgets are 80 times that of the United States. Once a market is lost, it takes 7 years to regain access. Keeping these markets and expanding them is vital to the WTO goals of the United States. It is time that our marketing budgets reflect this priority. Attending international food shows, as some of our members have and seeing first hand how the United States presence is falling behind the curve is no way for the Super Power of the World to be seen world wide. It is time to take pride in our food products and gain market access world wide by funding our trade promotion offices adequately.