

Good morning! My name is Francis Thicke and I am a farmer from Fairfield in Southeast Iowa. My wife, Susan, and I own and operate an organic, grass-based dairy farm where we process our milk on the farm and market fluid milk, yogurt and cheese through local grocery stores and restaurants. The rotational grazing based farm is managed organically to improve soil life as well as plant and livestock diversity. I am a member of the Iowa State Technical Committee and chair its CSP subcommittee. I am pleased to be here this morning to talk on behalf of the Sustainable Agriculture Coalition about the most important working lands conservation program in the history of U.S. conservation efforts - the Conservation Security Program.

As I look around Iowa and the Midwest, I see mostly monoculture farming and also see much environmental degradation associated with prevailing farming practices. For that reason I was excited when Congress created the Conservation Security Program in the 2002 Farm Bill. I give Congress a lot of credit for structuring CSP to not only reward farmers who practice good stewardship but to motivate other farmers to progressively adopt practices that will protect all their on-farm resources from degradation--and as a result improve our water, air, soil, biodiversity and other resources across the country.

From what I have seen, there appears to be unanimous support for CSP among farmers and the many farm organizations that represent farmers. CSP is clearly a farm program whose time has come.

With all the promise CSP holds, it is confusing to me--and many farmers I have spoken with--why USDA appears to be unwilling to implement CSP as it was created by Congress. Why has USDA created an elaborate watershed selection and application ranking process that will severely restrict the number of farmers eligible to participation in CSP when the 2002 Farm Bill clearly intends for CSP to be an open-enrollment, continuous sign-up program? The USDA plan to limit farmer participation runs counter to the 2002 Farm Bill call for a nationwide program with all farmers practicing effective conservation and environmental protection eligible to participate.

We understand that the \$41 million budget cap for fiscal year 2004 will limit CSP enrollment in this first year of implementation, but beginning in October, CSP returns to its 2002 Farm Bill status as a conservation entitlement program. In disregard of the law, however, USDA has indicated with its recent CSP program notice that it intends to continue following its plan for restricted farmer participation in 2005 and all future years.

Over 14,000 farmers and other citizens sent comments in response to the proposed rule for CSP and overwhelmingly rejected USDA's plan for restricting participation in the program. Yet, it appears USDA has stubbornly ignored both those comments and Congress' directive

that CSP is a conservation entitlement program.

Now I should hasten to add that before returning to farming, I worked for USDA in Washington, D.C. and helped write rules for USDA conservation programs. When I look at the proposed rules for CSP I do not recognize the spirit of the conservation-minded folks at the Natural Resources Conservation Service. Perhaps what we are seeing is the long shadow of the Office of Management and Budget (OMB) or perhaps political level decisions. Whatever the case may be, it is clear to me the assumption of a pre-ordained budget cap on the CSP is the one big domino that is knocking down all the other dominos that are collectively imploding CSP: watershed rotations, enrollment categories, greatly reduced payments for conservation practices, and all the other items in the proposed rule that serve to limit farmer interest and participation in CSP.

As a farmer looking at the May 4 notice and the January 2 proposed rule, I see major problems. Let me walk through some scenarios.

I have made a major commitment to conservation, converting a severely degraded conventional corn and soybean operation into a grass-based farm with an emphasis on plant diversity, soil health, and wildlife restoration. I am very interested in enrolling in the CSP and look forward to the opportunities it affords not only to maintain and improve my conservation farming system, but also to participate in its on-farm demonstration and monitoring and evaluation components. Then the target watersheds are announced, and I am out of luck - my watershed is not chosen. Despite the law's clear requirement for an accessible nationwide program for top-notch conservation systems, I am left out.

Or maybe I luck out and my watershed is chosen, but now I have to contend with prescribed "categories" of farms that will be used as a ranking system to decide who gets in, this despite the law's clear prohibition on ranking or competitive bidding systems. On closer examination, the "categories" as determined in Washington, D.C. appear to favor undiversified, input-intensive commodity crop production systems of the type that are part of the cause of major water quality problems in Iowa and all the way to the Gulf of Mexico and which do little for wildlife or biodiversity. Even for soil quality, the top priority chosen by USDA for their CSP categories, emphasis is given not to farms that have obtained the most positive net results, but to those who, however poor their starting point, are trending in a positive direction. I am left scratching my head - how did a program designed to reward top conservation performance and the most beneficial farming systems get so distorted? Has special interest politics so poisoned the premier conservation agency that it is willing to surrender basic principles of sustainability?

Now let's suppose, since I have already shifted from crops to grass-based dairying, I am nonetheless able to enroll by coming out on top under the criteria for pastures. What now? For base payments, the program is offering payment rates reduced by 90 percent of what the law

mandates. As a member of the Iowa State Technical Committee, we were sent a short list from headquarters of conservation practices that will qualify for cost-share payments under CSP, with the maintenance and management payments for existing practices touted during passage of the farm bill limited to certain structural and vegetative practices. And, according to the proposed rule, whatever cost share is available for new practices will be reduced to far lower than normal levels. So far it's looking like a program on the cheap and a program to restrict options and farmer innovation.

But perhaps the enhancement payment feature of the program payment structure will come to the rescue. Perhaps, but so far USDA has released virtually no information about how enhancement payments will work, with no substantive information in the proposed rule and scant information even to the State Technical Committees. On one happy note, the agency has released a template for "management intensity" factors which could provide a big assist to enhancement payment formulas, especially if states are allowed to establish increasing degrees of management intensity for progressively higher payments. While I am pleased to say the Iowa STC CSP Subcommittee is hard at work trying to develop a good set of enhanced payment priorities and payment rates, I am also fearful the recently released "enrollment categories" and prescribed "conservation activities" from the May 4th Federal Register notice may be an indication that now headquarters has other plans. Hopefully the conservation "activities" proposed for eligibility criteria are not intended also to serve as enhancement activities.

It is my strong hope the entire payment structure will be revised to provide reasonable payment rates with good incentives for the most sustainable conservation and production systems. The 90 percent reduction factor should be eliminated, and care should be taken to ensure that pastured cropland is not discriminated against in the payment formula. Modest management and/or maintenance payments should be made on the full range of high priority conservation practices that are keys to solving the priority resource concerns. Enhancements payments under the first enhancement payment factor should be based as much as possible on performance outcomes and relative degrees of management intensity, and should be linked whenever practicable to on-farm research and demonstration or on-farm monitoring and evaluation efforts.

Now let's say for the sake of argument I have enrolled and implemented the CSP conservation plan and received payments. At the end of my first five year contract I am ready to re-enroll. The law clearly gives the farmer in good standing the right to renew the contract every time it is set to expire. But wait. USDA has instituted a watershed rotation plan and my watershed will not be open again for enrollment for another 4 years. I am out of luck. My right to remain in this program has been taken away. In equivalent commodity program terms, this is like saying despite the fact that I have base acres and despite the fact the program is ongoing, I can only participate sporadically based on the whims of a rotating participation plan.

I hope you will agree this plan is untenable. Congress specifically mandated that CSP is an uncapped, entitlement program, first in the 2002 Farm Bill and again in the 2004 omnibus appropriations bill. By advocating for a budget cap on CSP, and then presuming to write a rule premised on its own desire and advocacy for a cap, the Administration is violating the letter of the law and attempting to rewrite the 2002 Farm Bill. I urge this Committee to use its full weight and influence to correct this situation, or I fear the extreme conflict between statute and rule will result in an appointment with the federal court system and all the needless time and delay that would entail. In the meantime, U.S. farmers and the public will be denied the substantial benefits that will be reaped from full-scale implementation of the CSP.

Among the major issues that need to be changed to bring the CSP plan into harmony with the statute and congressional intent are the following:

- ? removal of provisions to limit participation to particular, rotating watersheds;
- ? dropping plans for a ranking system of farmer "categories" to determine eligibility and in its place developing a system to determine the minimum conservation and environmental threshold for participation in the CSP;
- ? establishing the conservation and environmental threshold based on total resource management and overall performance-based outcomes, not on single resource measurements of change at the margins;
- ? switching back to a continuous sign-up process, a procedure which not only would be farmer and customer-friendly but would also help spread the technical assistance workload over a broader timeframe;
- ? revision of the base, cost-share, and enhanced payment structure so the program offers genuine cost-share assistance plus authentic stewardship incentives and payments for conservation benefits currently being delivered;
- ? equitable treatment of resources of concern such that tier one and two participants may choose from among major, actual resources of concern for their farm and locality, all tiers must reach the relevant resource management system (RMS) quality criteria within the contract period, and no participant is required, as a condition of eligibility, to have already fully achieved the relevant RMS quality criteria;
- ? explicit incorporation of the statutory provision for enhanced payments for resource-conserving crop rotations, managed rotational grazing, and conservation buffers;
- ? removal of the prohibition on contract renewals and incorporation of the statutory mandate that contracts in good standing are renewable at the option of the producer;
- ? removal of the provision for enforcing CSP requirements on land for which no CSP payments will be made;

? inclusion of a direct attribution of payments provision to prevent payment limitation abuse; and

? inclusion of a more complete range of NRCS-approved conservation practices as well as interim practices and pilot-testing of new, innovative practices.

We do not believe the law allows USDA to select contracts from some eligible producers, while denying CSP contracts to other eligible producers. USDA should set reasonable eligibility standards, set a high environmental bar, and approve all submitted CSP Plans that meet those standards. Budget control should be accomplished by running a program with integrity, including a high conservation and environmental bar for entry and a comprehensive conservation planning and implementation basis for participation in the program, not through arbitrary limitations and restrictions. Many elements of the CSP statute which, properly followed and incorporated into the rule, help provide for a cost effective program. For instance:

? The CSP is the first USDA conservation program to require, by law, that participants achieve resource management system quality criteria for resources of concern and, at the highest tier, a full resource management system.

? The CSP has the strongest environmental screening criteria compared to any similar program that has come before it, and the Department can improve these criteria dramatically by accelerating movement toward performance-based measures and by adopting high minimum requirements.

? The CSP correctly emphasizes management practices and a systems approach, which also help maximize conservation and cost-effectiveness. The CSP also requires that least conservation alternatives be pursued, and it prohibits payments for equipment and nonland-based structures unless they are an integral part of the conservation system and essential to achieving the conservation purposes of the plan.

? The CSP limits assistance per farm with tight per farm payment limitations, prohibits payments for high cost animal waste structures and equipment for CAFOs, prohibits payments for basic conservation compliance measures on highly erodible cropland where already required by law, and prohibits payment on newly broken out cropland

? The Department can take additional steps to maximize conservation and limit budget exposure by developing a sound means of establishing resources of concern, setting a high bar for participation, and requiring cropland participants to utilize diversified, resource conserving crop rotation and other high impact, high pay-off conservation farming systems at the tier II and III levels.

With adequate implementation and full funding, the CSP can foster a shift for all of US agriculture toward a more sustainable path. The public investment in the CSP will pay big dividends by fostering substantial net public benefits in the form of healthy and stable soils, cleaner water and air, greater biodiversity, better wildlife habitat, increased carbon storage, and

restored and enhanced wetlands and prairie. By taking a conservation systems approach rather than a single practice approach, by requiring that real resource problems be solved to a sustainable use level, and by emphasizing cost-effective management practices, resource enhancement, and monitoring and assessment, the CSP marks the most comprehensive and rigorous federal agricultural conservation incentive program to date. CSP payments, capped at a modest amount per farm per year and fully compliant with our international trade obligations, are also a model for the type of farm program that will garner and maintain public support.

My view from the farm is that this is far too important a program to the future of U.S. agriculture to get it wrong. Please help get it back on the right path. Continue to retain the full-scale program by defending this Committee's decision to fund the CSP through the Commodity Credit Corporation and by keeping the CSP out of the appropriations bill. And urge the Department to act quickly to revise the proposed rule to bring it into accord with the law and the vast majority of public comments.

Thank you for the opportunity to present my views. I will be happy to try to answer any questions you may have.