



October 29, 2007

USDA officials, farm groups react to Senate Ag Committee's bill

The Good, the Bad and the Ugly

By Sara Wyant, Agri-Pulse Editor

© Copyright Agri-Pulse Communications, Inc.

It seemed like only minutes after Senate Agriculture Committee Chairman Tom Harkin slammed the gavel on a new farm bill last week when various interest groups started e-mailing their reactions. Press conferences, phone calls and even more e-mails arrived throughout the next couple of days.

It's all part of the political positioning, allowing each agency or interest group to weigh in with their appreciation, concerns and "wish lists" prior to the "Food and Energy Security Act of 2007" being debated on the Senate floor and eventually into conference---where much of the "heavy lifting" will take place. On Friday, Senate Majority Leader Harry Reid told reporters that he plans to bring the farm bill to the Senate floor on Nov. 5.

USDA: 'This is not a good farm bill'

Agriculture Secretary Chuck Conner took advantage of a briefing with reporters last week to highlight the similarities between some of the Senate provisions and the Administration's proposals.

"We are pleased that the committee members recognized and agreed with a lot of our priorities that we have been talking about for almost a year now, **priorities such as energy, conservation, specialty crop assistance, help for beginning farmers,**" he explained. "We also recognize that the committee made some effort to address some of the concerns that we raised about the current safety net, for example the revenue-based countercyclical, ending the so-called pick-your-price loophole or otherwise known as the "beneficial interest provision," direct attribution of payments to so-called live bodies out there, and of course the end of the Three Entity Rule.

However, Conner said **the adjusted gross income limit "really equates to no reform at all"** and may have less of an impact on limiting subsidies than the House Bill. The administration and I do not understand the unwillingness to take wealthy investors who are simply among the wealthiest of Americans, the top two percent of tax-filers in all of our country, off of direct government subsidies. We just simply can't understand that unwillingness."

Conner also expressed concerns about provisions that raise loan rates and target prices for half a dozen crops.

“This is just simply bad policy. It paints a bull's-eye on the backs of the American farmer, causes us enormous trouble internationally. It's just simply bad farm policy. No reform at all.” With regard to the permanent disaster assistance fund, funded at \$1 billion a year, Conner said, “Our average disaster requests have been more than \$3 billion a year, and I think Congress has asked ultimately for a lot more than that.

“The problem with this disaster assistance fund is, it doesn't solve any problems. It still leaves producers with a tremendous amount of uncertainty, and any kind of crop disaster year at all that billion dollars will be a drop in the bucket. So the producer will be out there trying to make decisions, probably decisions that will influence whether or not he will stay in business or not based upon whether or not he or she thinks Congress will pass yet another disaster on top of this billion-dollar-a-year plan.

“That is not a good farm bill. A farm bill should be a blueprint that the producer can look at and say, ‘Here's what I know is going to be there for me. I can take this to my banker. I can take this to my landlord.’ Our proposal was predictable. This adds no certainty to the producer whatsoever, and they're still going to be out there in the countryside scratching their head trying to figure out what Congress is and isn't going to do.

“We simply say, don't do that, create a program where they know the level of revenue that's going to be protected, take that to their bank. They can make their decisions based upon that, know that it's going to be a guarantee for them. **They have no guarantees under this current permanent disaster assistance fund.**”

National Farmers Union

The National Farmers Union commended the Senate Agriculture Committee for approval of a 2007 Farm Bill that supports many of NFU's priority issues: The bill protects the safety net for farmers when prices fall; **creates a permanent disaster program; ensures mandatory country of origin labeling (COOL) will be implemented for meats, fruits and vegetables; and allows interstate shipment of state-inspected meat.**

“The committee bill includes many important provisions that have a significant, positive impact on America's family farmers, ranchers and rural communities. Today's action moves the bill one step closer to the finish line,” NFU President Tom Buis said. A permanent disaster program is NFU's number one priority for the 2007 Farm Bill and the bill's \$5 billion permanent disaster assistance program will provide a helping hand to producers struck by devastating weather conditions, Buis added.

“The single biggest hole in the current safety net is the lack of a permanent disaster program. Weather-related disasters are going to occur and this program will provide the assurance producers need to continue another year,” Buis said.

NFU said they played a vital role in reaching compromise agreements between groups representing both sides of two of the bill's provisions – interstate shipment of meat and mandatory country of origin labeling (COOL). The committee-passed bill includes a new program that will level the playing field by allowing small producers to ship their high quality

products across state lines. The bill also includes slightly modified House farm bill language that would implement mandatory COOL. Mandatory COOL was included in the 2002 bill but its implementation has been repeatedly delayed.

“Interstate shipment of state-inspected meat and mandatory COOL will greatly benefit producers and consumers alike,” Buis said. “Producers will be able to ship their quality products to their neighbors across state lines and consumers will be able to tell the origin of the products they purchase.”

American Farm Bureau Federation (AFBF)

The American Farm Bureau Federation (AFBF) remains concerned about how the Senate Agriculture Committee allocated dollars.

“The comprehensive farm legislation that emerged from the Senate Agriculture Committee today is a significant improvement over the initial legislative package the committee started with earlier this week,” said AFBF President Bob Stallman in a statement.

“We are pleased the Senate Agriculture Committee completed this important step and urge Senate leaders to commit to scheduling floor time for further consideration of this vital legislation in early November.

“We remain concerned that when the budget numbers on the final Senate Agriculture Committee bill are finalized, we will find that commodity title funding will have been reduced in order to increase funding for other priorities such as conservation, nutrition and rural development.”

American Farmland Trust

The 2007 Farm Bill passed by the Senate Agriculture Committee has some very good policies and programs, but **clearly could do much more to reform farm programs and help farmers meet contemporary challenges,**” says Ralph Grossi, President of the American Farmland Trust (AFT). “The new Average Crop Revenue (ACR) is an innovative forward looking proposal that fundamentally changes the way commodity subsidies operate. The Committee also expanded important programs to provide healthy and local foods to children and adults.”

While the Committee bill **included additional funds for conservation programs, including the renamed Conservation Stewardship Program (CSP), several important working lands programs did not receive additional funds.** “Although working farms and ranches offer our greatest potential to enhance the nation's water quality and wildlife habitat, the Senate neglected to provide any additional funds for critical conservation programs,” said Grossi. “This means more farmers and ranchers willing to take action to improve the environment will be turned away due to a lack of funds.”

“We call on Senators to find ways to support increased funding for the Farm and Ranch Land Protection Program (FRPP) to protect farmland from development and the Environmental Quality Incentives Program (EQIP) to improve water quality,” added Grossi.

National Corn Growers Association (NCGA)

The Senate Agriculture Committee's package **is a missed opportunity to provide a better risk management tool in the new farm bill**, said NCGA President Ron Litterer. The NCGA was pleased to see inclusion of a revenue option in the 2007 farm bill, but is disappointed that a key component of that new program was dropped at the last minute.

Committee Chairman Tom Harkin (D-Iowa) included a state-triggered, revenue countercyclical program – called the Average Crop Revenue (ACR) program – in the package he presented to the committee this week. Included in that package was a requirement to integrate crop insurance with the revenue program.

An amendment accepted by the committee on a voice vote stripped the crop insurance integration from the revenue package. "The amendment makes the revenue proposal a much less attractive option to growers," adds Litterer.

NCGA has received assurances from Senate Agriculture Committee Chairman Tom Harkin, Majority Whip Richard Durbin (D-IL), and Sherrod Brown (D-Ohio) that they will work toward a revenue package that is a viable option for corn producers.

American Soybean Association (ASA)

"While the bill passed by Committee does not fully reflect ASA's priorities on support for soybean producer income and biodiesel production, ASA will work with both Senate and House Conferees to address these issues and reach an agreement that will meet with needs of U.S. soybean farmers," said ASA President John Hoffman.

Amendments adopted included one by Senator John Thune (R-SD) that restores a producer's option to take a Loan Deficiency Payment (LDP) in lieu of a marketing loan when prices are below loan level at the time of harvest. ASA had written a letter to the Committee urging restoration of the LDP option.

ASA wants to see several additional changes including provisions for increasing the soybean target price from \$6.00 to a minimum of \$6.30 per bushel, and increasing funding for the Bioenergy Program for Advanced Biofuels."

"ASA strongly opposes introduction of the recourse loan under the proposed ACR program, and we will continue to work to eliminate it in Conference," Hoffman added. "ASA would like to ensure funding for the Quality Incentive Program to promote production of soybeans with high-stability oils, to enable U.S. food companies to eliminate trans fats without increasing use of unhealthy saturated fats."

National Association of Wheat Growers (NAWG)

John Thaemert, president of the National Association of Wheat Growers, commended the Committee and noted that, **"We are also very appreciative of Senator Roberts for his work to**

correct the revenue provision, which could have had severe unintended consequences for our growers.

“While we still have a long way to go before a final bill can be sent to the President, we believe that the work completed today was indeed a positive step toward that end.”

National Cotton Council

The National Cotton Council deeply appreciates the successful efforts of Senators Saxby Chambliss (R-GA), Blanche Lincoln (D-AR), Kent Conrad (D-ND) and Tom Harkin (D-IA) in guiding farm legislation through the Senate's Agriculture, Nutrition, and Forestry committee with strong bipartisan support, said the group in a prepared statement. NCC Chairman John Pucheu complimented Senators Chambliss, Lincoln, Cochran (R-MS) and Graham (R-SC) for including provisions that address many of the cotton industry's priorities. **The Senate package is balanced and contains several reforms. It deserves the support of the entire Senate.** The Council will work to urge Senate passage of the Committee's bill without damaging amendments.

National Pork Producers Council (NPPC)

The Senate Agriculture Committee's bill is a mixed bag. There are some important programs for pork producers,” said NPPC Past President Joy Philippi, a pork producer from Bruning, Neb. **“but overall the legislation likely will restrict and further regulate producers' access to markets and make the U.S. pork industry less competitive in an increasingly competitive global market. We are very disappointed with the Agriculture panel's Farm Bill.”**

NPPC categorized key provisions as the good, the bad and the ugly:

The Good

- Fix the Mandatory Country-of-Origin Labeling law.
- Fund swine genome research.
- Authorize a national trichinae certification program.
- Fund conservation programs, including the Environmental Quality Incentives Program.
- Establish – through a Sense of Congress resolution – that eradication of pseudorabies in swine should be a top animal health priority.
- Authorize “Regional Centers of Excellence,” which would conduct research on agricultural commodities, including swine.

The Bad

- Establish an Office of Special Counsel for livestock competition issues.
- Restrict certain business practices related to contracts between packers and producers.
- Prohibit arbitration clauses in contracts between packers and producers.

And The Ugly

- Ban packer ownership of hogs and marketing contracts.

National Milk Producers Federation (NMPF):

The Senate Agriculture Committee's farm bill contained many of the priority programs sought by NMPF, including additional money for countercyclical payments, and programs to help farmers implement conservation and environmental improvements on their farms, said the group.

"This Senate legislation is a great step forward toward writing a new farm bill, and it is similar in many important respects to the Farm Bill approved earlier this summer by the House of Representatives," said Jerry Kozak, President and CEO of NMPF. **"But it doesn't contain a provision to include imports in the dairy promotion and research program," which is important to many farmers.** That provision is already in the House Farm Bill and Kozak stated, "We will be working hard to ensure its inclusion in the final Farm Bill as was the case with the 2002 bill."

In terms of dairy policy, the Senate farm bill contains the two key components of an economic safety net sought by NMPF: **a revised dairy price support program that targets specific product prices; and the direct payment program known as the Milk Income Loss Contract program.** The Senate bill continues the existing MILC program, but after the first year of the five-year bill, it raises the payment rate from 34% to 45% of the difference between \$16.94/cwt. and the monthly Class I milk price in Boston (which was the original payment rate when the MILC was created in 2001). After the first year, it also raises the annual milk volume qualifying for MILC payments, from 2.4 million pounds to 4.1 million pounds.

National Cattlemen's Beef Association (NCBA)

For cattlemen, the bill contains a number of disappointing provisions which would undermine the competitive marketplace and fail to adequately fund important cost-share conservation programs, according to NCBA.

- **Livestock Policies:** NCBA was successful in preventing attempts to insert language into the livestock title dealing with competitive injury. As an alternative, NCBA worked with Senators Blanche Lincoln (D-AR.) and Norm Coleman (R-MN) to prepare an amendment that would further study these concerns and offer potential solutions. The Senate retained the House compromise language on country-of-origin labeling (COOL) with some slight modifications. **Of chief concern to cattlemen is an accepted amendment that would ban packer ownership of cattle and place limits on producers' ability to market their cattle as they see fit.**

- **Conservation:** The Senate's conservation title has an estimated \$4 billion in new budget authority, but this has primarily been directed to the Conservation Security Program (CSP) now renamed the Conservation Stewardship Program, and the Wetlands Reserve Program (WRP). The Senate included some improvements to the Environmental Quality Incentives Program (EQIP) and Grasslands Reserve Program (GRP). NCBA was successful in working with

Senators Patrick Leahy (D-VT), Pat Roberts (R-KS), and Mike Crapo (R-ID) to remove restrictions on payments for EQIP projects. Nevertheless, increased funding for these and other cost-share programs will remain a top priority for NCBA as the Farm Bill process continues.

National Association of Conservation Districts (NACD)

“The committee-passed bill demonstrates a strong commitment to conservation with funding for all current conservation programs. NACD’s members strongly support stewardship incentive programs and we are pleased to see increased funding in the bill for nationwide implementation of the Comprehensive Stewardship Program. The bill includes strong provisions for effective conservation technical assistance delivery—this assistance is critical for implementing conservation practices,” according to a statement issued by NACD.

Organic Trade Association

"The Senate Agriculture Committee took important steps today to help strengthen the safety net for organic producers and manufacturers," said Caren Wilcox, executive director of the Organic Trade Association. **"These measures include funding for organic research, data collection, and transition to organic production.** In addition, the committee took steps to eliminate the crop insurance premium for organic producers."

Currently, organic producers must pay a 5% surcharge for crop insurance; yet, in times of loss, the producers receive not the usually higher organic crop price, but the lower conventional price.

Environmental Defense

Environmental Defense called the Committee’s failure to reform subsidies “disappointing” and urged the full Senate to match the original goal of Committee Chairman Tom Harkin (D-IA) to increase conservation funding by \$6 billion by reducing some other subsidies.

“The good news is that the Senate Agriculture Committee took an important step in the right direction by voting to expand and improve conservation programs,” said Sara Hopper, a spokesperson for Environmental Defense. “The bad news is that the new funding for conservation programs the Committee provided is still too little to meet demand from the two out of three farmers who apply and are rejected by USDA.”

“Under the Committee bill, half of all farm bill spending will continue to flow to just seven states, shortchanging farmers in the other 43 states,” said Hopper.

Sustainable Agriculture Coalition

The Sustainable Agriculture Coalition gave mixed reviews for the farm bill adopted by the Senate Agriculture Committee. The Coalition applauded new funding for the **Conservation Security Program and organic farming**, as well as the strong livestock competition title and the ban on packer-ownership of livestock, **but objected to the complete lack of any meaningful reform to commodity and conservation payment limitations** and as well as funding cuts to value-added producer grants and lack of funding for beginning farmer programs.

The Committee bill provides \$1.28 billion in additional funding for the landmark Conservation Security Program, sufficient to achieve an 80 million acre program level by 2013.

"The Senate bill does a good job of revamping the Conservation Security Program, improving on the solid foundation laid in the last farm bill, but simplifying the program and ensuring it will be available on a nationwide, continuous sign-up basis," said Ferd Hoefner, Policy Director for the Sustainable Agriculture Coalition.

The Committee bill's Livestock Title creates a USDA Special Counsel on Agricultural Competition, expands the rights of contract producers, prohibits the use of mandatory arbitration in contracts, and prohibits meat packers from owning livestock more than 14 days prior to slaughter.

"This reform package to return fairness to the implementation of the nation's agricultural competition and contract farming laws is long overdue," said Hoefner.

At the same time, however, the Senate Agriculture Committee **backed down from adopting comprehensive payment limitation reform, choosing instead to hide behind a 'fig leaf' reform proposal.** The Senate Committee bill adopts direct attribution of payments and eliminates the 3-entity rule, but keeps a myriad of other loopholes open. The net effect is absolutely no change in the status quo.

"We are gratified by the provision of farm bill funding for organic farmers, rural micro-enterprise business assistance, and farmers markets," said Hoefner. "However, the lack of any funding for the enormously successful and popular Value-Added Producer Grants program, and the dropping of all funding for beginning farmer grants, is inexcusable. The future health and vitality of agriculture hinges on forward-looking and innovative programs like these. The Coalition will work to restore their funding when the bill goes to the Senate floor."

Best regards,

Sara R. Wyant

Editor

© Copyright Agri-Pulse Communications, Inc. All rights reserved. Reproduction or distribution in any form is prohibited without consent from Editor Sara Wyant, Agri-Pulse Communications, Inc. 5N985 Rt. #31, St. Charles, IL. 60175. Phone: (630) 443-3257. Fax: (630) 443-3258. A one-year subscription rate (48 issues) is \$397.00. To subscribe, send an e-mail to: Agripulse@aol.com or visit: www.Agri-Pulse.com