



# Farming for the Future:

*A Sustainable  
Agriculture Agenda  
for the 2012 Food &  
Farm Bill*



National Sustainable Agriculture Coalition

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The organizations that comprise NSAC's membership are farm, conservation, food system, and rural organizations that work with family farmers. This platform is based on extensive collaboration among our grassroots members and input from the farmers and ranchers they serve.

### **National Sustainable Agriculture Coalition Represented Members:**

Agriculture and Land-Based Training Association – *Salinas, CA*  
Alternative Energy Resources Organization – *Helena, MT*  
California Certified Organic Farmers – *Santa Cruz, CA*  
California FarmLink – *Santa Cruz, CA*  
C.A.S.A. del Llano (Communities Assuring a Sustainable Agriculture) – *Hereford, TX*  
Center for Rural Affairs – *Lyons, NE*  
Clagett Farm/Chesapeake Bay Foundation – *Upper Marlboro, MD*  
Community Alliance with Family Farmers – *Davis, CA*  
Dakota Rural Action – *Brookings, SD*  
Delta Land and Community, Inc. – *Almyra, AR*  
Ecological Farming Association – *Soquel, CA*  
Fay-Penn Economic Development Council – *Uniontown, PA*  
Flats Mentor Farm – *Lancaster, MA*  
Florida Organic Growers – *Gainesville, FL*  
Food Animal Concerns Trust – *Chicago, IL*  
GrassWorks – *Hudson, WI*  
Illinois Stewardship Alliance – *Springfield, IL*  
Institute for Agriculture and Trade Policy – *Minneapolis, MN*  
Iowa Natural Heritage Foundation – *Des Moines, IA*  
Izaak Walton League of America – *St. Paul, MN/Gaithersburg, MD*  
Kansas Rural Center – *Whiting, KS*  
The Kerr Center for Sustainable Agriculture – *Poteau, OK*  
Land Stewardship Project – *Minneapolis, MN*  
Michael Fields Agricultural Institute – *East Troy, WI*  
Michigan Integrated Food and Farming Systems – *East Lansing, MI*  
Michigan Organic Food and Farm Alliance – *Lansing, MI*  
Midwest Organic and Sustainable Education Service – *Spring Valley, WI*  
National Catholic Rural Life Conference – *Des Moines, IA*  
National Center for Appropriate Technology – *Butte, MT*  
Nebraska Sustainable Agriculture Society – *Ceresco, NE*  
Northeast Organic Dairy Producers Alliance – *Deerfield, MA*  
Northern Plains Sustainable Agriculture Society – *LaMoure, ND*  
Northwest Center for Alternatives to Pesticides – *Eugene, OR*  
Ohio Ecological Food & Farm Association – *Columbus, OH*  
Organic Farming Research Foundation – *Santa Cruz, CA*  
Rural Advancement Foundation International, USA – *Pittsboro, NC*  
Sierra Club Agriculture Committee – *Nationwide*  
Union of Concerned Scientists Food and Environment Program – *Cambridge, MA*  
Virginia Association for Biological Farming – *Lexington, VA*  
Wild Farm Alliance – *Watsonville, CA*

### **Participating Members and Regional Partners:**

In addition to the represented members listed above, NSAC has over 50 participating member organizations that take part in the coalition's policy development process but are not formally represented by NSAC. These members contributed to the development of this platform. NSAC and its member organizations also work closely with and through regional Sustainable Agriculture Working Groups and other regional bodies. Contributing to this platform are the Northeast Sustainable Agriculture Working Group, Southern Sustainable Agriculture Working Group, Western Sustainable Agriculture Working Group, and the California NSAC Caucus.

### **Endorsements:**

We welcome inquiries from organizations interested in joining our 2012 Farm Bill campaign and also welcome endorsements of this platform.

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# **FARMING FOR THE FUTURE: A SUSTAINABLE AGRICULTURE AGENDA FOR THE 2012 FOOD & FARM BILL**

## **Preface**

The National Sustainable Agriculture Coalition's 2012 Farm Bill proposals will expand opportunities for family farmers to produce good food, sustain the environment, and contribute to vibrant communities. The following pages present a comprehensive policy agenda to create jobs and fuel economic development, protect our natural resources, and make healthy food widely available today and for generations to come. A farm policy modeled on NSAC's policy platform will:

➤ **Create jobs and spur economic growth through food and farms.**

Local and regional agriculture is a major driver in the farm economy. It is crucial to develop policies that create economic opportunities through local and regional markets; improve processing and distribution infrastructure for local and regional agriculture; and expand access to healthy food for consumers, including underserved communities. Investments in training, technical assistance, and microcredit for rural entrepreneurs will enable small business development and revitalize rural areas.

➤ **Invest in the future of American agriculture.**

Agriculture is a growing sector of our nation's economy, yet barriers make farming and ranching one of the hardest careers to pursue. Policies that enable beginning and socially disadvantaged producers to access land, credit, and crop insurance; to launch and strengthen new farm businesses; and to receive appropriate training and mentoring will ensure that more people can start to farm and that the nation's food supply remains viable.

➤ **Enhance our natural resources and improve agricultural productivity.**

As stewards of 40 percent of the landmass in the United States, American farmers and ranchers are important managers of our natural resources. Funding and strengthening working lands conservation programs will help producers protect and rebuild soil, improve water and air quality, and reverse habitat loss while maintaining productive farms and ranches. Ensuring that producers avoid environmentally harmful practices when they receive crop insurance subsidies will modernize the farm safety net and protect the productivity of agricultural lands.

➤ **Drive innovation for tomorrow's farmers and food entrepreneurs.**

Investment in agriculture research is vital to continued productivity and innovation in diverse and expanding sectors of American agriculture. A research policy that funds and strengthens successful programs for sustainable agriculture, organic farming systems, and specialty crops; addresses new research and data collection needs; and improves coordination on essential public plant and animal breeding efforts will foster the innovations that farmers and food businesses need to be successful.

NSAC supports renewal and reform of the farm bill in 2012, on schedule. Congress will have to make tough choices to pass a farm bill that is forward-looking and fiscally responsible. Our measure of success will be whether Congress invests in the future of farming – and adoption of the policies in this platform can help lead the way.

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## Executive Summary

The National Sustainable Agriculture Coalition's vision of agriculture is one where a safe, nutritious, and affordable food supply is produced by a legion of diverse family farmers who make a decent living pursuing their trade, while sustaining the environment and contributing to the strength of their communities. Fulfilling that vision requires prioritizing policies that create jobs and fuel economic development, protect our natural resources, and make healthy food widely available. The 2012 Farm Bill provides the opportunity to reform our nation's food and agriculture policy to achieve these outcomes.

The policy proposals in the following pages originate from farmers, ranchers, and communities from across the nation who do the daily work of producing good food and building sustainable food systems. In preparation for the 2012 Farm Bill, represented and participating member organizations of our coalition held listening sessions, conducted surveys, and ran workshops to receive feedback on how farm policies are working on the ground and how they can be improved. With that input in hand, NSAC member organizations discussed and debated numerous policy proposals over the past year and a half. Through a democratic, priority setting process, NSAC members voted to adopt the comprehensive farm bill platform that follows.

The overarching theme coming from farm fields and communities was that the investments from the 2008 Farm Bill in conservation, business development, and research took a step in the right direction. That step enabled farmers to meet the burgeoning consumer demand for sustainably produced foods. Simultaneously, farmers made it abundantly clear that gross inequalities persist through skewed farm subsidies, inadequate risk management tools, and continued consolidation in key agricultural markets. The NSAC farm bill platform both builds on the last farm bill by prioritizing programs that foster economic development and environmental stewardship, and proposes to reform our outdated farm subsidy system.

### Farm Bill Budget

No examination of farm policy today would be complete without a frank discussion of the current budget environment – and that is where we start. Faced with an on-going economic recession and increasing deficits, Congress continues to cut funding for many sectors of the economy, including agriculture. While the following pages contain many no-cost and cost-saving proposals, our funding priorities are programs that enable job creation and economic growth, as well as those that produce environmental outcomes.

#### *Farm Bill Budget Proposals*

- Resist disproportionate cuts to farm bill spending.
- Do not cut anti-hunger programs.
- Account for the very substantial cuts already made to farm conservation programs by holding the line on any further reductions to working lands conservation.
- Reverse the decline in investments in rural economic and job growth.
- Restore mandatory funding budgets for key farm bill programs that spur jobs, innovation, and economic growth.
- Make reductions to commodity and insurance programs in a manner that is fair and that supports economic opportunity, including meaningful and effective caps on all subsidies.

## **Farm Programs and Policies**

Agriculture is a growing sector of our nation's economy, yet barriers to entry make farming one of the hardest careers to pursue. Current producers are then faced with policies that favor mega-farms over family farms, provide risk management tools for monocultures and not diversified systems, and facilitate market consolidation instead of independent production. Together with a strategy to remove barriers for beginning and socially disadvantaged farmers, reforms that restore common-sense rules to farm programs and crop insurance will help build a next generation of family farmers and will eliminate wasteful spending in agriculture.

### *Farm Program Proposals*

- Enhance access to land, credit, and crop insurance for new producers.
- Assist new producers to launch and strengthen new farm and value-added businesses.
- Invest in training, mentoring, and research that beginning farmers and ranchers need to be successful.
- Provide historically underserved farmers and ranchers, including minorities, with the financial and technical tools required for successful farming enterprises.
- Create appropriate and accessible risk managements tools for diversified and organic producers.
- Place a hard cap on commodity payments, and target payments to working farmers by closing existing loopholes.
- Ensure fair competition and opportunity in agriculture markets.

## **Conservation Programs and Policies**

As stewards of forty percent of the landmass in the United States, American farmers and ranchers are important managers of our natural resources. A suite of distinct but interrelated conservation programs work together to help producers protect and rebuild soil, improve water and air quality, and reverse habitat loss while maintaining productive farms and ranches. Paired with strong conversation requirements for the receipt of crop insurance, these programs reward good land stewardship, boost agricultural productivity, and contribute to a robust farm safety net.

### *Conservation Proposals*

- Maintain level funding for the Conservation Stewardship Program (CSP) and the Environmental Quality Incentives Program (EQIP).
- Make improvements to CSP ranking, payment, planning, and renewal provisions.
- Improve EQIP by updating conservation standards reducing the payment limitation, and equalizing the payment limit for organic producers.
- Streamline and strengthen support for project-based conservation partnerships, including projects for farmers to mitigate and adapt to climate change.
- Re-attach basic conservation requirements to the receipt of federal crop insurance subsidies.
- Enact a national "Sodsaver" provision to make producers who convert native prairie and grasslands to crop production ineligible for farm subsidies.

## **Marketing, Food Systems, and Rural Development Programs and Policies**

Local and regional agriculture is a major driver in the farm economy, creating a unique set of opportunities and challenges for farmers and rural communities. Producers are responding to skyrocketing demand for local and regional food by increasing production and creating new markets. Rural entrepreneurs are launching new businesses. Despite the opportunities, significant infrastructure, marketing, and training barriers are limiting growth.

### *Marketing, Food Systems, and Rural Development Proposals*

- Improve processing and distribution infrastructure for local and regional agriculture.
- Provide flexibility and incentives for regional collaboration, and strategically streamline rural development programs.
- Launch a Rural Community Prosperity Fund with funding to support entrepreneurial activities through existing programs.
- Expand access to healthy food for consumers, including underserved communities.
- Fund training, technical assistance, and microcredit for small and farm businesses in rural areas.

### **Research, Education, and Extension Programs and Policies**

Investment in agricultural research is vital to continued productivity and innovation in diverse and expanding sectors of American agriculture. Consumer demand for sustainably and organically produced foods has fueled strong, continued growth in these sectors, yet federal investments in sustainable and organic farming research have not kept pace. The continued growth of these systems depends on a strong investment in sustainable and organic research, education, and extension programs.

### *Research, Education, and Extension Proposals*

- Reauthorize and fund successful and consistently over-subscribed mandatory competitive research programs for organic agriculture and specialty crops.
- Address research, data collection, and technical assistance needs for emerging value-added businesses and agricultural sectors.
- Enhance public plant and animal breeding and integrated pest management research, education, and extension to ensure farmers have the tools they need to meet growing consumer demand.
- Integrate public health priorities into the federal agricultural research agenda to examine the link between food production and health.

## I. FARM BILL BUDGET

### Background

The farm bill is about far more than just the farm bill budget. Our farm bill platform therefore contains many recommendations for moving farm and food policies forward in a positive direction for the health of the farm, food, and rural economy and the protection of the environment.

The farm bill, however, is in part about how direct (mandatory) farm bill funding is divided and targeted. That is always true, and funding considerations are particularly salient in the current economic and fiscal climate with its dual emphasis on economic growth and job creation and controlling federal deficits.

With the adoption of special deficit reduction procedures as part of the debt ceiling deal that became law in August 2011, the budget debate surrounding the farm bill reauthorization became more complex than usual. Unlike the traditional congressional budget reconciliation process in which a deficit reduction number is provided to the Agriculture Committees, which in turn fashions a plan to reach the specific deficit reduction target, the new 12-member Joint Select Committee on Deficit Reduction (hereafter Joint Committee) process was uncharted territory. While the Agriculture Committees, like all other authorizing committees with authority over mandatory spending, could make recommendations to the special Joint Committee, ultimately it was left to those 12 members to determine specific measures for reducing farm bill spending as well as the size and shape of the reductions.

If the Joint Committee had succeeded in its task of presenting a plan to the full Congress, the resulting bill would have been subject to an up or down vote with no amendments allowed. Hence, the traditional role of the authorizing committees would have been sidestepped, with most of the major farm bill funding decisions for the 2012 Farm Bill made ahead of time in 2011 and without opportunity for amendment. Now that the extraordinary Joint Committee process has failed, the farm bill returns to regular order, with full consideration and voting in the Agriculture Committees and then on the Senate and House floors.

With the failure of the Joint Committee process in 2011, however, a budget sequestration process now also automatically kicks in beginning in calendar year 2013. Under sequestration, farm bill spending gets ratcheted down on a pro rata basis across the board, with exemptions only for the Conservation Reserve Program and nutrition programs for low-income families and children, most notably the SNAP or the food stamp program.

The differences between the two options -- targeted cuts in a bill produced by Agriculture Committee versus across-the-board cuts on a pro rata basis under sequestration -- are quite striking.

Under the bill produced for the Joint Committee by the Agriculture Committee leadership last year, \$25 billion (over ten years) was cut relative to current baselines (\$23 billion net savings), apportioned as \$15 billion from commodity programs, \$6 billion from conservation programs, and \$4 billion from SNAP/food stamps. New policies were formulated to achieve those saving totals.

Under the second scenario (sequestration), by contrast, no congressional decisions will have been made on new policies and funding priorities. Rather, everything will be reduced proportionally.

Policy changes will be needed to effectuate savings, but those decisions will be left to the Administration to make rather than Congress.

The budget cuts under sequestration are different in size and scope relative to the draft farm bill crafted for the Joint Committee. Total cuts are reduced from \$25 billion to about \$16 billion. SNAP and CRP, which together accounted for nearly \$8 billion of the savings proposed to the Joint Committee by the Agriculture Committee leadership, are both exempt from sequestration. The leadership-proposed bill, moreover, contained no cuts to crop insurance subsidies, while under sequestration, crop insurance subsidies would be the largest single item cut.

The farm bill funding proposals we are presenting here differ from both the draft leadership bill and sequestration. We originally proposed these ideas to the Agriculture Committees and to the Joint Committee during the fall 2011 Joint Committee process. We nonetheless purposely crafted our proposals to work under that scenario or under a more normal farm bill process in 2012.

In a nutshell, we called on Congress last year and this year to:

- Resist disproportionate cuts to farm bill spending.
- Not cut anti-hunger programs.
- Account for the very substantial cuts already made to farm conservation programs and CRP attrition by holding the line on any further reductions.
- Reverse the decline in investments in rural economic and job growth.
- Restore mandatory funding budgets for key farm bill programs that spur jobs, innovation, economic growth, and sustainable development.
- Make reductions to commodity and insurance programs in a manner that is fair and that supports economic opportunity, including meaningful and effective caps on all subsidies.

### **A. Do Not Make the Farm Bill Bear Disproportionate Cuts**

We understand that in the current budget context cuts need to be made to mandatory spending programs. We join with other farm organizations, however, in recommending that cuts be proportional to the contribution of food and agriculture programs to overall government spending. We realize the farm bill cannot be completely exempt from cuts, but we also believe it should not be singled out for disproportional cuts. This is not to say that the current distribution of farm bill dollars to particular programs is fair or well aligned with widely shared public policy goals; that is not the case. Correcting these distributional problems, however, would become even more difficult with unbalanced and oversized cuts.

### **B. Do Not Cut Anti-Hunger Programs**

Deficit reduction should not come at the expense of the poor. With nearly 50 million Americans struggling with hunger during this economic downturn, we need our major anti-hunger programs, including SNAP and child nutrition, now more than ever. Congress recognized these important principles by exempting nutrition and other low-income programs from sequestration. The Agriculture Committees should follow the same principle as they take up the farm bill. Reducing the deficit by increasing hunger quite simply should not be an option on the table.

### **C. Exempt Most Conservation from Further Cuts – It Has Already Paid Its Fair Share**

Mandatory funding for conservation programs, unlike all the other large categories of mandatory funding in the farm bill, has been subject to “changes in mandatory program spending” (CHIMPS) in the appropriations process every year since the last farm bill was enacted. Combined, the farm conservation spending Congress approved and paid for in the 2008 Farm Bill has been cut in the appropriations process by nearly \$3 billion.

These cuts have happened at the worst possible time for our nation, in the face of severe soil erosion due to environmental conditions (including heavy rains, flooding, and drought) and an increase in marginal land converted to row crop production, leaving the land bare and vulnerable to erosion for many months. To safeguard our national security and our future, we must not continue to cut conservation.

In our view, making “changes to mandatory program spending” (or CHIMPS) in appropriations bills is a bad practice that should cease. It is one more sign that the federal budget process is not working the way it should. If such CHIMPS continue as part of the annual appropriations process, however, we believe all farm programs must be on the table, including commodity, insurance, and export subsidies, not just the programs that help farmers protect natural resources, improve the public health and the environment, and make our collective long-term food security possible.

While we hope this practice will come to an end, Congress has allowed it to go on throughout the current farm bill cycle, and the conservation budget has suffered as a result. It would be the height of unfairness if conservation programs were cut for a second time in the farm bill without accounting for the budget cuts already made. Farm conservation has already paid its share of deficit reduction, and now the commodity, insurance, and export subsidies must shoulder their fair share of further reductions.

In our view the major exception to the rule of no further conservation cuts is the expected moderate attrition in acres enrolled in the Conservation Reserve Program, a savings that should be captured in part to restore funding to conservation easement programs that have no guaranteed funding beyond the current farm bill cycle.

We also support removing subsidies for the building and expansion of industrial feedlots and their associated waste storage facilities from the Environmental Quality Incentives Program. This is an expensive, inappropriate, and ultimately self-defeating use of the program that unfortunately takes a large bite out of EQIP dollars each year and keeps the farmer waiting list for EQIP longer than it would otherwise need to be.

### **D. Support Rural Recovery and Job Growth**

We call particular attention to the steady and very substantial depreciation in discretionary federal resources committed to rural business and community development. Appropriations for rural economic and community development have fallen by one third in ten years, and the cuts have not only continued but accelerated during this severe economic downturn. This trend of abandoning rural America will likely only accelerate with the discretionary funding cuts already enacted in the Budget Control Act in August of 2011.

In light of this steady and continuing depreciation, and given the urgent need to improve job and economic growth in rural America, additional mandatory spending is urgently needed. Each of the last three farm bills has included mandatory rural economic development funding. It would be a serious mistake to exclude it from farm bill funding consideration at this critical moment for the economy. Accepting further rural economic decline is not a tolerable option.

To be sure, the Agriculture Committees should use the upcoming farm bill to improve policy and streamline and strengthen existing rural development programs. The rural development title of the farm bill should also, however, be treated as a jobs program and include a significant **Rural Community Prosperity Fund**, with flexible investments in high job growth projects, via existing programs (as amended and streamlined in the farm bill). We recommend \$100 million per year in mandatory funding over five years.

There is a significant advantage to placing mandatory money for rural job, business, and community development in a single Rural Community Prosperity Fund, rather than dividing it among rural development programs. Doing so would establish a baseline for rural development in the next farm bill rather than leaving it out in the cold again in the next iteration of the farm bill. It will also create significant flexibility to ensure the funding is put to its highest and best use at any moment in time. It will also provide time for the farm bill to streamline rural development programs and for USDA to implement those forthcoming shifts, while still getting targeted resources out the door at the same time. For all these reasons, we urge the Agriculture Committees to create the Rural Community Prosperity Fund.

### **E. Restore Funding Baseline for Innovative High Priority Programs**

The Agriculture Committees should renew secured funding baselines for newer, innovative, high priority farm bill programs that are making a real difference in the countryside and are undergirding the growth of the emerging sustainable farm and food system.

The new farm bill will only be worthy of our support if the following programs – all of which currently receive direct farm bill funding but which do not have a funding baseline to draw on after 2012 -- are supported and enhanced as part of the new farm bill budget.

- Beginning Farmer & Rancher Development Program
- Outreach & Assistance to Socially Disadvantaged Farmers and Ranchers
  
- Rural Micro-Entrepreneur Assistance Program
- Value-Added Producer Grants
  
- Farmers Market Promotion Program
- National Organic Certification Cost Share Program
  
- Specialty Crop Research Initiative
- Organic Agriculture Research & Extension Initiative
  
- Wetlands Reserve Program
- Grassland Reserve Program

- Rural Energy for America Program
- Biomass Crop Assistance Program

Congress should not make the mistake of assuming that newer, more innovative, pro-growth farm bill programs should come to an end because of budget pressures. Programs should not be judged by their age or baselines, but by their merits, especially “returns on investment” in terms of farm and rural economic viability, resource conservation, improved public health, and food system resilience. These programs are highly meritorious and deserve to continue and grow.

Now more than ever we need to:

- Give new beginning farmers the tools they need to prosper and grow to help revitalize agriculture and farming communities;
- Reverse the historic discrimination that has plagued agricultural programs with proactive outreach and assistance to farmers of color;
- Invest in small rural businesses that are the linchpin to economic recovery;
- Promote direct marketing as well as local and regional food markets to create jobs and increase farm income;
- Provide vital research information and technical support to organic and specialty crop farmers, to enable them to keep up with steadily growing consumer demand;
- Help landowners restore wetlands and grasslands to help keep flooding in check while improving water quality and habitat for wildlife and native plants at the same time; and
- Promote energy conservation and renewable homegrown energy production.

Restored funding for these programs is a top priority and fundamental to our support for a new farm bill. It should be built into all the farm bill budget assumptions from the start. Combined, these programs will need \$2.7 billion over the 5-year life of the new farm bill, a small amount in comparison to the nearly \$80 billion the new farm bill will spend over the same period of time on production subsidies, but a vital contribution to the farm and food economy and the future of agriculture nonetheless.

## **F. Make Farm Program Spending Reductions Fair and Supportive of Economic Opportunity**

Any deficit reduction cuts to farm programs should be achieved in a manner that preserves a meaningful safety net, targets cuts in a fair manner, fosters new economic opportunities in agriculture, conserves natural resources, and improves prospects for the whole of agriculture, not just for the basic commodities. These principles will be the key test for whether a farm program budget deal deserves public support.

### **Commodity Programs**

Offering a measure of protection against wide price swings and market declines with respect to basic commodities is a legitimate function of government. The resulting safety net, however, should be just that – a safety net, not a subsidy system that encourages land price inflation, soil-depleting farming practices and systems, farm consolidation, and declining farming opportunities. The current subsidy system is badly broken and needs to be fixed. Deficit reduction may not be the ideal context for making the needed fixes, but does nonetheless offer a realistic opportunity to create better policies while also saving money.

**Direct Payments** -- We strongly favor moving away from direct payments. Making government payments regardless of what is happening to commodity prices or farm income is the antithesis of a safety net concept. It is time to bring that kind of wasteful spending to an end.

Eliminating direct payments would allow their \$5 billion a year cost to be invested more wisely while contributing to deficit reduction. A portion of the direct payment baseline could make a substantial contribution to deficit reduction. A portion should be re-invested in an improved, less costly, and more targeted safety net. A portion should also be invested in conservation, rural development, renewable energy, specialty crop, organic, research, and marketing programs. This third portion should include a Rural Community Prosperity Fund as well as the innovative pro-growth programs that have no baseline beyond 2012 (see above).

In broad terms, we support a safety net that:

- Is counter cyclical;
- Is revenue-based;
- Caps support per farm at moderate levels;
- Retains maximum planting flexibility;
- Does not allow base building, conversion of prime grassland, or destruction of wetlands;
- Discourages pollution caused by overuse of chemical fertilizers;
- Provides for a basic degree of stocks management to help prevent extreme price swings; and
- Requires a basic level of soil conservation for all participating farms that contain land eroding above the sustainable level to safeguard long-term productivity, ensure food security, and improve water quality.

**Payment Limits** -- Any reform that aims to reduce spending but maintain an effective safety net must first and foremost eliminate the biggest legal loophole built into the price and income support system. That loophole allows individual farming interests to secure nearly unlimited taxpayer support by allowing people and various business entities to dodge the requirement to be “actively engaged in farming.” This ambiguity not only encourages cynicism about government subsidies, but also reduces entrepreneurial opportunity in farming. Every unwarranted dollar that flows to mega farms over and above the nominal legal limit is another taxpayer-created dollar used to bid land away from young, beginning farmers and farmers with mid-size operations. Unlimited payments over-inflate land values, increasing the land carrying costs for all farmers. This abusive, wasteful, and counterproductive policy must come to an end.

The easiest, fairest, and most overdue farm program spending reduction strategy would clarify the definition of “active management.” Active management, as the term implies, should require substantial ongoing and direct involvement in farm activities, as opposed to current law that simply requires any activity that even remotely contributes to the profitability of the farm. It should require the payment recipient to either farm at least half-time or provide at least half the labor and management on his/her share of the operation.

This loophole forms the basis of annual government payments for hundreds of thousands -- even millions -- of dollars to single farming operations. Reform would stop current evasion of the statutory payment limits and restore basic fairness to the programs.

Without this reform, any provision that saves money from farm commodity programs will ensure, perversely, that the cuts are entirely focused on small and mid-scale farms, while farms that are large enough to hit the payment limit can use the loophole to avoid the impact of the cut entirely. Importantly for the farm bill budget deliberations, closing the loopholes also results in significant cost savings.

Beyond fixing the “actively engaged in farming” rules, making payment limitations counter cyclical to price and production would garner additional savings by reducing the per farm benefit cap when prices are high. This is especially relevant if anything like the current direct payment system continues. At high commodity price levels, common sense recommends reducing payment limits in a progressive manner.

Graduated reductions in the limitation could be geared to the farm bill target price for each commodity, such that the limit gets smaller as the price level increases. To ensure adequate protection for farms with crop losses, the amount of actual crop or revenue loss by the producer as determined by the FCIC could dictate the payment limit reduction.

Another needed reform is to cut payments in half on cash rented land owned by high-income landlords who exceed the Adjusted Gross Income (AGI) cap. Knowing the operator will be receiving only half the payment would force cash rent landlords to lower rents, thereby reducing a negative outcome of the current program.

If direct payments are ended or greatly reduced and commodity programs are redesigned -- as we hope they will be -- steps must be taken to ensure the resulting new program has strong, loophole-free payment limitation provisions. Limits on revenue-based programs should be considerably lower than the current nominal limits, and the existing loopholes should be closed, bringing an end to decades of exploitation of the public trust and treasury.

**Conservation Compliance** -- Ensuring that sodbuster, swampbuster, and conservation compliance requirements remain attached to whatever new commodity program system emerges not only is good environmental and good food security policy, but also results in a degree of deficit reduction. The positive effects increase if compliance applies to all farms with land eroding at a rate greater than the tolerable level. This would be a reasonable, overdue expansion of the current compliance regime and a smart conservation and budget control choice.

### **Crop Insurance Programs**

A major and growing fundamental design flaw of current farm programs relates to the crop insurance side of the ledger. Taxpayer subsidies for crop insurance are now the largest single item in the farm part of the farm bill budget, with the federal government paying 60 percent of crop insurance premiums on behalf of the farmer or landlord. Despite their high costs, the program has never had payment limitations. Hence the taxpayer is on the hook for subsidies no matter how large the farm or how wealthy the farmer. If a landowner buys and farms an entire county, the public, under current law, still be forced to pay for a majority of the owner’s insurance costs, on each and every acre without limit.

Also, unlike commodity programs, not even the most basic conservation requirements are attached to insurance subsidies. Congress eliminated previous farm bill requirements to control excessive erosion and protect wetlands back when the program needed more farmers to enroll in crop insurance to make it viable from an insurance standpoint. That problem has long since been cured, as the escalating participation rates and escalating costs of the program attests. There is no longer a valid policy reason for the public to shell out huge insurance subsidies with no assured natural resource protection in return.

**Coverage Limits** – The new reality is that crop and revenue insurance, very small programs just a dozen years ago, have become the biggest farm safety net programs. The Agriculture Committees need to deal with the new reality head on. We cannot and should not be in the business of providing

insurance subsidies on every acre no matter how large a farm grows. The insurance subsidy system should be a safety net, not a publicly funded farm consolidation promotion mechanism.

We recommend phasing out subsidies on crop and revenue insurance coverage, starting with a 50 percent reduction on production exceeding \$1 million and reaching 100 percent on production exceeding \$2.5 million. This reform will both save money now and decrease taxpayer exposure in the future. It will align insurance subsidies with commodity program policy and target spending in a manner that reduces farm consolidation and the destruction of family farming in America.

***Whole Farm Insurance*** -- As crop and revenue insurance reform takes shape, we also urge consideration for highly diversified farms that currently lack an effective insurance option. We do not oppose the continuation of products that serve agricultural monocultures, but we believe there needs to be a level playing field for those who use diversified systems to reduce risk and create environmental benefits.

We therefore recommend that the Risk Management Agency be given authority to establish a new Whole Farm revenue insurance product that is available in all states and counties. This insurance for all diversified operations would include, but not be limited to specialty crops, mixed grain/livestock or dairy operations, contract growers, and organic and conventional farms. The new Whole Farm product should be offered at the same buy-up coverage levels and options as other revenue products, with a strong risk management-through-diversification bonus. The product should work for farmers engaged in value-added agriculture and alternative marketing and should enable beginning farmers to access the program in a fair and equitable manner.

***Conservation Compliance and Sodsaver*** -- The 2012 Farm Bill should re-establish compliance requirements for federal crop and revenue insurance benefits so that all existing and new crop and revenue insurance or other risk management programs are subject to conservation compliance provisions. These subsidies are now the largest farm program public benefits and should be part of the same social contract that applies to commodity, credit, and conservation programs.

In order to protect critical habitat and biodiversity, reduce the cost of subsidy programs, and take the pressure off of already over-subscribed conservation incentive programs, “sodbuster” rules should be strengthened. The rules should prohibit all commodity and insurance subsidies on all native prairie and permanent grasslands, as well as remaining native land that does not have a cropping history but is cropped in the future. The last farm bill included this “sodsaver” provision, but only as a voluntary pilot project that never got off the ground. The time has come to enact it as permanent, nationwide law, reducing government outlays and protecting vital natural resources in the process.

### **Conclusion**

The farm bill budget should include strong, loophole-free payment limitations as well as conservation requirements for both commodity and crop insurance programs of all types. Continued public and taxpayer support for the farm safety net programs hinges in large part on these provisions to create economic opportunity in farming, preserve natural resources, and protect future food security.

## II. FARM PROGRAMS AND POLICIES

### Background

Independent family farms are essential to the viability of vibrant rural communities. Family farmers buy most of their inputs from local suppliers. They sell most of their products in local or regional markets. Many of the business enterprises in rural towns and small cities are farm-connected. A system of economically viable, mid-size, owner-operated family farms contributes more to communities than systems characterized by mega-farms with hired managers and large numbers of farm laborers with below average incomes and little ownership or control of productive assets. Replacing mid-size farms with big farms reduces middle class entrepreneurial opportunities in farm communities, at best replacing them with wage labor.

Increasing farming and ranching opportunities for new farmers and ranchers can strengthen the family farm system. Opportunities and access to federal farm programs and resources should also be increased for limited resource, minority, and women producers. These socially disadvantaged farmers have been historically underserved by USDA programs, in some cases because of outright discrimination.

The concentration of farms and ranches into ever larger units and the decline of agricultural self-employment are not the inevitable results of inexorable forces or of the marketplace. In fact, self-employment is growing as a percentage of total employment in the United States. Agriculture, however, is the exception. Policy choices and biases that can be reversed drive this concentration in agricultural production. Appropriate reform would limit and target farm subsidy and loan programs so that they can provide family farms adequate risk management and access to credit without providing excessive subsidies that spur farm consolidation and reduced farming opportunities.

With the concentration of meat and poultry processing in the hands of mega-corporations in the last few decades, many farmers produce livestock and poultry in vertically integrated systems. In these vertically integrated systems, farmers enter contracts to raise animals owned and controlled by the corporations. Under these contracts, farmers make large investments and take on personal debt in return for access to processing. Farmers have little bargaining power in this relationship and the federal government has failed to fully and effectively use its authority under existing law to protect farmers' interests.

Independent farmers and ranchers also struggle as large corporations take over the markets for their animals. The processing companies control the marketing contracts and many also own their livestock. Open, transparent markets are disappearing and these shrinking markets make price discovery difficult. This allows for routine price manipulation and lower prices for farmers and ranchers, even in the face of increasing consumer prices.

We can strengthen the family farm system by increasing new farming and ranching opportunities, improving the viability of small and moderate-sized family farms and ranches, and restoring fair competition in the marketplace. To that end, critical reforms to the current array of commodity, crop insurance, credit, competition, and other farm-related programs must occur.

## A. Beginning Farmers and Ranchers

### *ISSUE*

Agriculture is a growing and vibrant sector of our nation's economy, yet farming and ranching are difficult occupations to enter. Limited access to land and markets, hyper land price inflation, high input costs, and a lack of sufficient support networks are just a few barriers new agriculture entrepreneurs face. The number of operators 75 years and older grew by 20 percent from 2002, while the number of operators under 25 decreased 30 percent. The average age of U.S. farm operators increased from 55.3 in 2002 to 57.1 in 2007 according to the Census of Agriculture.

Despite the hurdles, people want to farm or ranch and see great opportunities in agriculture. Community organizations and institutions report substantial interest. Relatively good crop prices, the local food movement, alternative livestock production systems and markets, and the growth in organics are just a few trends that have more and more individuals and families interested in farming or ranching.

We need a national strategy committing to support farmers and ranchers entering agriculture. With an aging farm population and large segment of baby boomers in this economic sector considering retirement, the time to nurture new agriculture start-ups is now.

New farmer and rancher policy is a jobs creator, a sound investment that can provide long-term societal benefits. The people in agriculture produce the food and fiber of our nation, protect and enhance our natural resources, and contribute to the revitalization of our rural, as well as urban, communities.

New farmers and ranchers are much more diverse than previous generations. In addition to young people from farm families who hope to follow in their parents' footsteps, there are also new producers from non-farming backgrounds, recent immigrant families, and an increasing number of women.

Beginning with the 1990 Farm Bill, Congress created programs for beginning farmers and ranchers, particularly in the area of farm credit. The 2008 Farm Bill went even further by augmenting existing provisions and creating new incentives for beginning farmers and ranchers.

Yet those starting or hoping to start farming or ranching continue to face distinctive challenges as agriculture evolves. They continue to face barriers in accessing federal programs designed to assist them with getting started. If we want to encourage a new generation to pursue careers in agriculture, we must design public policy that responds to the unique needs of beginning farmers and ranchers.

Meeting the needs of the next generation of farmers and ranchers requires a comprehensive approach with changes to many farm bill titles that address conservation, credit, entrepreneurial and value-added production opportunities, research and development approaches, crop insurance, and the development of coordinated assistance from USDA with knowledgeable beginning farmer coordinator/specialists in USDA state offices. In addition, many returning military veterans want to farm upon returning home or would benefit from learning about opportunities in farming and ranching. The addition of these veterans and their families to rural communities could revitalize many of the nation's rural areas.

## 1. Conservation Title

### *ISSUE*

An ideal opportunity for establishing sound conservation measures arises when a beginning farmer or rancher takes over an agricultural operation. Many of these new farmers or ranchers want to establish organic or other sustainable agricultural systems and diversify crops or livestock in order to access higher value markets. Many also want to make changes in operation to increase water quality, wildlife habitat, and other environmental amenities. This is an opportune time for USDA's Natural Resources Conservation Service to offer these farmers and ranchers financial and technical conservation assistance with comprehensive conservation planning and adequate financial assistance to implement conservation measures.

Access to land is a critical issue for new farmers and ranchers. In the 2008 Farm Bill, a new Transition Incentives Program (TIP) was added to the Conservation Reserve Program. This incentive provides retired or retiring farmers with two years of extra CRP payments if the land is being transferred to a beginning or socially disadvantaged farmer or rancher who will farm the land organically or with a sustainable farming system that retains significant conservation values when it was in CRP. For the beginning farmer or rancher, TIP provides access to land combined with active outreach by NRCS to provide conservation assistance and the opportunity to enroll in farm bill conservation programs.

The Farmland Protection Program could also require farmland preservation easements to have a land succession plan or similar condition to create opportunities for new farmers to gain access to land at affordable prices.

### *PROPOSALS*

**EQIP Cost Share Differential:** The new farm bill should reaffirm the existing cost share differential for beginning, limited resource, and socially disadvantaged producers in the Environmental Quality Incentives Program (EQIP). The cost share for these underserved groups should continue to support:

- Up to, but not greater than, 90 percent of costs; and
- Not less than 25 percent above the otherwise applicable rate.

**EQIP Cost Share Advance Payment Option:** The next farm bill should reaffirm the advance payment option, which allows beginning, limited resource or socially disadvantaged producers to receive an advance payment for the cost of the project for the purposes of purchasing materials or contracting services, but should change the amount of the cost share payment from 30 percent to 50 percent of the costs.

**EQIP and CSP Funding Set-Aside:** The 2008 Farm Bill reserved 5 percent of funds for beginning farmers within EQIP and CSP, and for both programs the set-aside has been exceeded in the intervening years. The next farm bill should reserve 10 percent of total funds allocated for EQIP and 10 percent of total acres allocated for CSP for beginning farmers and ranchers. The revised measure should also give USDA the authority to increase the rate at which technical assistance funds are provided to NRCS when assisting beginning farmers and ranchers.

**Conservation Innovation Grants:** The next farm bill should amend the Conservation Innovation Grant Program to make eligible grants projects that provide environmental and resource

conservation benefits for increased participation by beginning farmers and ranchers, and socially disadvantaged farmers and ranchers.

**Special Incentives – Comprehensive Conservation Planning:** The conservation title of the 2002 and 2008 Farm Bills authorized the Secretary of Agriculture to provide special incentives to beginning farmers and ranchers and limited resource producers to participate in federal agricultural conservation programs. This authority should be strengthened to include a specific authorization for NRCS to offer these farmers the opportunity to receive technical and financial assistance through EQIP, CSP and/or Conservation Technical Assistance to develop comprehensive conservation system plans.

**CRP Transition Incentive Program (CRP-TIP):** Started by the 2008 Farm Bill, the Conservation Reserve Program – Transition Incentives Program (CRP-TIP) provides incentives for retired or retiring farmers to rent or lease land expiring from CRP contracts to beginning, limited resource, or socially disadvantaged farmers who commit to advanced conservation farming systems. The program option has proven popular, with demand exceeding the funding level provided in 2008. In the 2012 Farm Bill, CRP-TIP should be continued through 2017 and amended to strengthen the conservation language, create a comprehensive conservation plan option, and allow transition between family members who meet the eligibility criteria in the case of land sales or transfers of title to the younger generation. Funding for CRP-TIP should be incorporated into the overall budget for CRP.

**Farmland Protection Program:** The next farm bill should amend the Farmland Protection Program to add farm viability and transition as a program purpose and add a new funding priority for eligible land with: (i) farmland protection easements on land for which there exists a farm or ranch succession plan or similar plan to create opportunities for beginning farmers and ranchers; (ii) land with easements that include the exercise of an option to purchase at a price that is equal to the agricultural use value; (iii) land for which beginning farmers or ranchers have a contract to purchase; (iv) land owned by a nongovernmental organization that will be sold subsequently to a qualified beginning farmer or rancher; (v) eligible land subject to contemporaneous farm transfer to a qualified beginning farmer or rancher; and (vi) other similar mechanisms to maintain the affordability of farm and ranch land for successive generations of farmers and ranchers.

## *2. Credit Title*

### *ISSUE*

Beginning farmers and ranchers face numerous hurdles when they seek credit. There are increasingly fewer lenders in the agriculture lending business. In many regions of the country, loan officers who are not familiar with farming are less inclined to make farm loans. New farmers and those who want to develop “alternative” or non-traditional” products or markets have an even tougher time, as they are perceived as higher risk. Beginning farmers and ranchers, even those with extensive experience on a family’s farm or ranch, through an internship or other farm or ranch employment activity, rarely have a track record of successful farming on their own.

As a result, many beginning farmers and ranchers rely on USDA’s credit programs as a major source of funding. There are numerous improvements to existing farm bill programs and economically modest new programs that can result in greater access to and more effective use of the farm bill credit by beginning farmers and ranchers.

## PROPOSALS

**Direct Farm Ownership Experience Requirement:** For all FSA loans, applicants must have sufficient education, training, and experience to qualify. For direct farm ownership (DFO) loans, an additional requirement applies – the applicant must have participated in the business operation of a farm for at least three years, thereby narrowing their ten-year eligibility as beginning farmers to seven years. The next farm bill should reduce the DFO requirement to two years, extending the eligibility period for beginning farmers from seven years to eight years. It should also direct FSA to consider farm experience, including on-farm employment, mentorships, apprenticeships and similar activities, in determining the contributions to the two year requirement.

**Conservation Loans:** Direct and guaranteed conservation loans, as authorized in the 2008 Farm Bill, should be reauthorized and continue to include a priority for beginning and socially disadvantaged farmers and ranchers. The next farm bill, however, should apply all of FSA's traditional farm ownership and operating loan programs eligibility requirements, including the family-sized farm test and the no credit elsewhere test, to ensure that limited government financing is well targeted. In addition, the guaranteed amount should be raised to 95 percent for beginning and socially disadvantaged farmers and ranchers, consistent with other loan programs. A target participation rate for beginning farmers should apply to conservation loans as it does for all other loan programs. Finally, the authorization for appropriations should specify amounts for direct loans and for guaranteed loans, consistent with the authorization for appropriations for all the other farm loan provisions, in this case with a 50/50 split.

**Down Payment Loan Program:** The next farm bill should continue without major revision the popular Down Payment Loan Program, a real estate partnership loan option targeted to beginning farmers that brings together borrower equity (five percent), commercial lender financing (50 percent), and FSA direct lending (45 percent) to help beginning and socially disadvantaged producers in buying farm or ranch property. It should also increase the limit on the amount of land value that can be FSA-financed under the Down Payment program from \$500,000 to \$667,000 to help beginners purchase land in areas with high real estate values. This increase would effectively cap the FSA portion of the Down Payment loan at \$300,000 (\$667,000 x 45 percent), consistent with all other direct farm ownership loans.

**Young Beginning Farmer and Rancher Microloan Program:** Currently, there is no intermediate program option that targets the needs of young farmers and ranchers after they no longer qualify for FSA Youth Loans. A microloan program, modeled after FSA Youth Loans and designed to serve first career beginning farmers and ranchers, would create a new simplified loan category administered by FSA to provide flexible capital through operating microloans for new producers. This program should have the following measures:

- Principal balance may not exceed \$35,000;
- Eligible beginning farmers and ranchers must be between 19 and 35 years of age;
- Loan repayment would be required in not less than 1 and not more than 7 years;
- Interest rate would be set at the rate for limited resource, low income borrowers;
- Issuing of loans would require new farmers and ranchers to complete the borrower training program, a BFRDP-funded training program, or an equivalent as determined by FSA; and
- FSA may accept the personal liability of a cosigner of the promissory note in addition to the personal liability of the borrower.

**Individual Development Accounts Pilot Program:** Passed in the 2008 Farm Bill, but not yet provided appropriated funding, this program supports the establishment of matched savings accounts for beginning and socially disadvantaged producers. The proceeds of the account may fund

capital expenditures for a farm or ranch operation, including purchases of land, buildings, equipment, or livestock. Administered through the FSA, the program would include at least 15 state pilot programs and be subject to an annual and 5-year evaluation. The pilot program should be reauthorized exactly as written in the 2008 Farm Bill, but provided \$5 million per year in mandatory funding, an amount sufficient for the 15 pilots.

**Contract Land Sales Program for Beginning and Socially Disadvantaged Farmer and Rancher:** The new farm bill should continue this innovative option for owner self-financing as written in the 2008 Farm Bill. The program provides federal loan guarantees to retiring farmers who self-finance the sale of their land to beginning or socially disadvantaged farmers.

**Direct and Guaranteed Loan Fund Set-Asides and Inventory Land Sales Preferences:** The new farm bill should continue at their current levels and with their current timing provisions all of the existing statutory direct and guaranteed farm ownership and operating loan fund set-asides, as well as the inventory land sales preference for beginning farmers and ranchers.

**Priority for Participation Loans:** In order to serve the maximum number of borrowers for a given amount of appropriations and to encourage partnerships with private lenders, the next farm bill should prioritize the down payment program or the 50/50 joint financing participation loan program within the direct farm ownership loan portfolio. The more traditional 40-year, 100 percent government financed loans should still be allowed, but only in cases in which FSA determines that participation loans are not a viable option for a particular producer.

**Borrower Training Program:** A directive should be included in the 2012 Farm Bill to instruct the USDA Secretary to coordinate the FSA borrower training program established by the 1992 Agricultural Credit with the Beginning Farmer and Rancher Development Program (BFRDP) administered by NIFA. Coordination would ensure that financial management training programs funded by BFRDP are able to meet the borrower training requirements for obtaining an FSA loan.

### *3. Rural Development Title*

#### *ISSUE*

Many farmers and ranchers have found that they can increase their share of the food dollar by adding value to the agricultural products they produce. This value can be increased by further processing the products, by using specific production systems to market niche products, and by bringing farmers together in cooperative ventures to combine agricultural products. Farmers and ranchers can also increase their share of the food dollar by selling into higher value and direct markets. These approaches can be especially attractive to young and beginning farmers and ranchers who want to help create new markets and greater access for people in their communities to fresh, local food and other local products.

#### *PROPOSALS*

**Value-Added Producer Grants:** The 2008 Farm Bill created a priority within the Value-Added Producer Grant Program (VAPG) for projects benefiting beginning farmers and ranchers as well as a set-aside of program funding. The new farm bill should clarify that VAPG projects in which more than a quarter of the beneficiaries are beginning farmers or ranchers shall be eligible for the priority and the set-aside, as opposed to the required majority of producers under the USDA rule implementing the 2008 Farm Bill. The new farm bill should also provide direct (mandatory) funding

for the program of \$30 million a year, a figure approximately half way between the program's 2002 Farm Bill direct funding level and current VAPG appropriations.

**Rural Development Authority for Entrepreneurial and New Farm Development:** The growth of entrepreneurial agriculture and new higher value local and direct markets appeal to young and beginning farmers. Increasing support for farm and farm-related business start-ups can be an important rural development strategy in some areas. A new general authority should be created to enable USDA to use Rural Development grant and loan programs to foster new entrepreneurial small and mid-size farm startups. Such startups will produce primarily for local and regional markets and promote rural economic growth, consistent with the purposes of each individual underlying program and excluding annual agricultural production purposes.

#### *4. Research, Education and Extension Title*

##### *ISSUE*

Beginning farmers and ranchers benefit from education and outreach initiatives that are grounded in their community. Initiatives that involve local networks and partnerships can help beginning farmers and ranchers establish ongoing relationships and support that can increase their chances of succeeding. In addition, more resources from the Land Grant Universities and other educational institutions should be targeted for research, education, and outreach which can help beginning farmers and ranchers receive information and training to help them start new farming operations or take over existing operations.

##### *PROPOSALS*

**Beginning Farmer and Rancher Development Program:** The Beginning Farmer and Rancher Development Program (BFRDP) should be reauthorized with changes that simplify the grant types offered and ensure that the program focus is targeted to community-based approaches to support new producers. Considering the vigorous demand for the BFRDP and its positive outcomes, mandatory funding should be increased to \$25 million a year, or \$125 million over the next 5 years. Also, to help facilitate participation in the program by non-governmental and community-based non-profit organizations, a voluntary option should be added to provide for a 10 percent indirect cost option in lieu of a higher negotiated rate. Finally, the program should include the additional grant purpose of agricultural rehabilitation and vocational training programs for returning military veterans.

**Beginning Farmer and Rancher AFRI Research Priority:** A new national program area within the Agriculture and Food Research Initiative (AFRI) competitive grants program should be authorized to support research, education, and extension, including integrated projects, related to beginning farmers and ranchers, socially disadvantaged and immigrant farmers, farm transition, farm transfer, farm entry, farm profitability, and related issues. In addition, the law should be clarified to ensure that all persons and entities defined in statute as eligible for AFRI awards are eligible for integrated AFRI projects that combine research, education, and extension components. This is important for all AFRI integrated projects and especially for applied program areas like the proposed New Farms Program.

## *5. Crop Insurance Title*

### *ISSUE*

Farming and ranching are high-risk occupations, subject to numerous sources of uncertainty from year-to-year, including adverse weather events and rapid price fluctuations, among others. Beginning farmers and ranchers need access to crop insurance that works for a wide array of crops and livestock in a diversity of farming systems. The next farm bill should direct USDA to remove barriers and ensure effective access to crop and revenue insurance on terms that are fair and assist in the goal of increasing new farming and ranching opportunities. In addition, USDA's Risk Management Agency should ensure that beginning farmers and ranchers receive training on crop and revenue insurance and other steps they can take to manage risk.

### *PROPOSALS*

**Beginning Farmer and Rancher Revenue Insurance Eligibility:** The 2008 Farm Bill directed the Risk Management Agency (RMA) to contract a study analyzing barriers for and advising beginning farmer and ranchers participating in the Adjusted Gross Revenue (AGR) and AGR-Lite revenue insurance policies. The report is in process. The next farm bill should direct RMA to make the necessary regulatory and operational changes to provide beginning farmers and ranchers with full, unhindered access to these and related revenue insurance products.

**Risk Management Partnership Programs:** The funding for the RMA partnership programs is part of a broader mandatory funding line item from the Agriculture Risk Protection Act of 2000, as revised by the 2008 Farm Bill. The next farm bill should increase the funding available for RMA Partnership Programs from \$7.5 million to \$10 million. In addition to a strong emphasis on beginning and socially disadvantaged farmers and ranchers, the Partnership Programs should also emphasize risk management measures targeted at specific farmers or ranchers. These farmers or ranchers include those converting production and marketing systems to pursue new markets, legal immigrant farmworkers, farmers, and ranchers attempting to establish farms and ranches in the U.S., and retiring farmers who are using transition strategies to help new farmers and ranchers get started.

**Risk Management Education Program:** The 2008 Farm Bill emphasized risk management strategies, education, and outreach specifically targeted at beginning and immigrant farmers and ranchers attempting to establish themselves, retiring farmers and ranchers using transition strategies to help new farmers and ranchers get started, and farmers and ranchers converting their production and marketing systems to pursue new markets. This program should continue in the next farm bill.

## *6. Miscellaneous Title*

### *ISSUE*

For beginning farmers and ranchers, navigating and accessing the wide array of USDA programs that provide them with technical, educational, and financial assistance can be a daunting task. The next farm bill should establish a USDA coordination function. In addition, a special initiative should be included to provide information about farming and ranching opportunities to military veterans.

## PROPOSALS

**Beginning Farmer and Rancher Coordinators:** The 2012 Farm Bill should add a new component – a beginning farmer coordinator/specialist at the state office for FSA, RMA, Rural Business Cooperative Service, and NRCS to coordinate outreach and technical assistance, as well as develop statewide plans to help beginning farmers gain access to USDA programs. The BFR coordinator would be knowledgeable across agency lines -- so regardless of whether they are FSA, RMA, NRCS, or RBCS employees, they would be informed about what was available to BFRs from USDA as a whole.

**Military Veterans Agricultural Opportunity Initiative:** Create a new veterans/beginning farmer initiative, including –

- Establish a Veterans Agricultural Liaison Position at USDA to facilitate educating and connecting returning veterans to appropriate beginning farmer and rancher agricultural vocational and rehabilitation programs; helping all veterans to understand availability and eligibility requirements for participation in farm bill programs with particular emphasis on beginning farmer and rancher programs; serving as a resource for veteran farmers/potential farmers in the application process for such programs; and advocating on their behalf in interactions with agency staff.
- Add military veterans to the BFRDP set-aside (see Research Title section above).
- Authorize the use of GI Bill funds by eligible veterans for participation in beginning farmer and rancher training programs whether or not for college credit.

### B. Socially Disadvantaged Farmers and Ranchers

#### *1. Outreach and Assistance to Socially Disadvantaged Farmers and Ranchers Program*

##### ISSUE

The Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers program, also known as the “Section 2501” program after its original farm bill section number, provides grants to Land Grant Institutions (1862, 1890, or 1994), Native American Tribal Governments and organizations, Latino-Serving Institutions, State Controlled Institutions of Higher Education, and community-based organizations and non-profits to provide assistance to help minority farmers own and operate farms and participate in agricultural and other USDA programs.

The grant program supports a range of outreach and assistance activities, including:

- Farm management
- Financial management
- Marketing
- Application and bidding procedures.

USDA’s Office of Outreach and Advocacy administers the Section 2501 program.

Section 2501 was authorized in the 2002 Farm Bill at \$25 million a year but has never received a congressional appropriation of more than \$6 million in any single year. To rectify this situation, the 2008 Farm Bill provided \$75 million in mandatory funding for the program for FY 09-12, or nearly \$20 million a year.

## ***PROPOSAL***

The Outreach and Assistance to Socially Disadvantaged Farmers and Ranchers program (Section 2501) should be reauthorized with its mandatory funding should be increased to \$25 million a year, or \$125 million over the next 5 years. Also, to help facilitate non-governmental and community-based non-profit organizations participation in the program, a voluntary option should be added to provide for a 10 percent indirect cost option in lieu of a higher negotiated rate.

## ***2. Tribal Communities***

### ***ISSUE***

The Office of Tribal Relations Program (OTR) acts as a liaison between USDA and federally recognized Tribal governments to ensure that USDA understands and meets the needs of the 565 tribal communities throughout the country. Located within the Office of the Secretary, OTR oversees government-to-government relations, provides information to American Indians about relevant USDA programs and policies, and collaborates with USDA agencies to create a comprehensive picture of American Indian needs. This ensures tribal agricultural stakeholders can better access and participate in appropriate USDA programs.

The Federally Recognized Tribal Extension Program (FRTEP), originally called Extension Indian Reservation Program (EIRP), was established in the 1990 Farm Bill and seeks to further USDA priorities within tribal communities. FRTEP funds programs administered through 1862 and 1890 land grant institutions. These programs address national critical needs areas within tribal communities to develop agriculture sustainably, increase food safety and security, mitigate climate change, and reduce childhood obesity. FTREP recognizes the distinctive needs of American Indians and their communities while promoting rural and agricultural development, stewardship, and education. Congress appropriated just over \$3 million in FY 2011.

### ***PROPOSAL***

The next farm bill should continue to support the Office of Tribal Relations Program and should reauthorize the Federally Recognized Tribal Extension Program, with direct farm bill funding of \$10 million per year. This would allow the program to provide critically needed services to tribal producers, and expand the program from reaching just 32 Indian Tribes to at least 100 of the 565 federally recognized Tribes.

## ***3. Grants to Improve the Agricultural Labor Workforce Program***

### ***ISSUE***

Instability characterizes the agricultural labor force. Growers frequently cite labor shortages caused by variation in harvest times, regional crop production, and weather conditions; while farmworkers report difficulty finding jobs and an inadequate number of working hours. Grants to Improve the Supply, Stability, Safety, and Training of Agricultural Labor Force, established in the 2008 Farm Bill

under Section 14204 of the Food, Conservation, and Energy Act of 2008, meets the needs of both these groups of agricultural producers and workers. Administered by the Office of Advocacy and Outreach and commonly referred to as the Agricultural Career and Employment Grants Program (ACE), this competitive grants program funds necessary skills development, workplace literacy, health and safety instruction, short-term housing, and more. Currently, \$4 million is available.

### *PROPOSAL*

The Grants to Improve the Agricultural Labor Workforce Program should be reauthorized in the next farm bill, with direct farm bill funding of at least \$4 million annually.

## *4. Emergency Disaster Grants for Farmworkers Program*

### *ISSUE*

A large proportion of the agriculture labor workforce is low-income, migrant and seasonal farmworkers. These groups are often at the mercy of unpredictable weather conditions, regional disasters, and national emergencies. Section 2281 of the Food, Agriculture, Conservation, and Trade Act of 1990 established the Emergency Disaster Grants for Farmworkers Program in order to provide temporary, yet much needed, assistance to farmworker communities affected by disasters by providing emergency funds to cover rent or mortgage, utility bills, child-care, transportation, and food, among other things. This program, administered by the Office of Advocacy and Outreach, acts as a safety net to these vulnerable farmworker groups in times of need, and helps to mitigate the high turnover in the agricultural workforce.

### *PROPOSAL*

In order to maintain critically needed workforces in disaster affected areas, the Emergency Disaster Grants for Farmworkers program should be reauthorized, and amended to include a standing fund of \$5 million with authority for replenishment to provide funding for services to farmworkers affected by natural disasters.

## *5. Program Outreach*

### *ISSUE*

Socially disadvantaged farmers and ranchers, which include limited resource, minority, and women producers, have been historically underrepresented in many USDA programs for several reasons. Many underserved stakeholders do not know about USDA programs or how to access such assistance. Even if they know how to apply to these programs, underserved stakeholders may find it difficult to complete program applications – especially those related to financial assistance that involves extremely complicated loan or grant applications. Some potential applicants experience language, institutional, and other cultural barriers that impede optimal use of USDA programs. Because of these barriers, stakeholders who could benefit the most from the programs often do not fully utilize many USDA programs.

USDA agencies have had varying degrees of success addressing federal programs access. Some agencies have tried to simplify their application process, while others have hired staff to conduct outreach to underserved populations about programs. Impediments to program access can occur at the regional and state level, with wide disparities among the states in participation of socially

disadvantaged farmers and ranchers in USDA programs. Even where program information is distributed widely, a critical need for outreach and technical assistance completing and submitting applications to the programs remains.

## ***PROPOSAL***

The next farm bill should require USDA to increase information to underserved stakeholders regarding programs that could be useful to their agricultural and rural development ventures.

USDA's Office of Advocacy and Outreach should be directed to designate staff and funding to assist underserved stakeholders applying for programs. Funding should also support enlisting NGOs and community-based organizations to deliver information about these programs.

The next farm bill should authorize a department-wide, cross-agency outreach program to coordinate and support current outreach activities and resources for socially disadvantaged and underserved stakeholders, and which includes:

- Organizing workshops and webinars that outline the basics of grant writing and describe available programs;
- Monitoring state and local outreach on USDA programs, where program access is often variable;
- Conducting outreach through NGOs that work with underserved stakeholders, including language interpreting services when appropriate;
- Creating and distributing publications about available programs in the languages of underserved communities;
- Increasing flexibility in underserved states to use local, culturally accepted educators and staff from other states with successful outreach to share technical expertise;
- Providing one-on-one assistance to underserved farmer and ranchers about available resources in various USDA programs, with language interpretation when appropriate; and
- Offering nation-wide grant writing assistance service that provides one-on-one assistance to underserved stakeholders in preparing and submitting program applications.

## ***6. Marketing Assistance for Immigrant and Other Underserved Farmers***

### ***ISSUE***

Socially disadvantaged farmers and ranchers face a range of challenges in marketing products their products in local, regional, and global markets. They often lack the time to explore available marketing avenues or simply do not have access to information sources about these options. Some underserved farmers and ranchers are located too far from markets to undertake direct marketing and must go through wholesale markets. Even with access to markets, underserved farmers and ranchers may not be familiar with steps they can take to improve their marketing, for example business planning and market feasibility studies. And for many socially disadvantaged farmers and ranchers a history of discrimination or cultural and language barriers has discouraged them from seeking USDA assistance.

## *PROPOSAL*

The next farm bill should establish a policy that all market-related programs explicitly include socially disadvantaged farmers and ranchers in any agency-related marketing initiatives.

The next farm bill should increase collaboration between USDA agencies and current and new support centers to provide targeted marketing information to socially disadvantaged farmers and ranchers, including information about USDA programs and initiatives that can be useful to addressing marketing needs. This information should be provided in languages appropriate for the underserved audiences.

### *7. Entrepreneurial Assistance and Leadership Development*

#### *ISSUE*

Socially disadvantaged farmers and ranchers should be given a lead role in working with USDA to increase their marketing and entrepreneurial opportunities. They are in the best position to see challenges that are unique to them and their communities, and they can offer perspectives that increase the chances of success. USDA should work with socially disadvantaged farmers and ranchers to find ways to overcome barriers that are based on social status and language differences, as well as institutional barriers. Increased opportunities for socially disadvantaged farmers and ranchers to speak for themselves and engage directly in increasing marketing and entrepreneurial activity can increase their leadership skills and the chances of successful initiatives.

#### *PROPOSAL*

The next farm bill should recruit and identify cultural cohorts of socially disadvantaged farmers and ranchers to participate in a series of seminars and educational workshops/academies. The goal of this initiative is to improve the social and economic viability of participating farmers and ranchers. This would occur through the development of agriculture and leadership skills necessary to pursue entrepreneurial approaches on their farms and ranches and in their communities.

The new farm bill should also authorize the use of these cohort groups to target the provision of marketing technical assistance to socially disadvantaged farmers and ranchers.

### **C. Commodity Program Reform**

Farming and ranching is risky business, with unpredictable fluctuations in market prices, weather, pest regimes, and other factors. The federal farm bill has evolved to provide various support payments for a select group of commodity crops. These support payments have evolved into a system that goes far beyond providing a basic safety net in hard times. Multiple payments can go to single farming operations and many individuals with little actual contact with a farm can qualify for payments.

In addition, the current commodity payment system limits the crops that can be grown on acreage enrolled in the commodity system. The limitations act as disincentive for increased diversity on

farms and for production of fruits and vegetables that can provide a higher return for the farmer and the development of local and regionally based markets.

## *1. Payment Limitation Reform*

### *ISSUE*

For years, farm program payments made to the largest farming operations have effectively subsidized their ability to outbid small and mid-sized farmers for land. These subsidies also result in increased carrying costs for all farms by bidding up land costs. Loopholes allow farm payments to flow to individuals and entities that provide a minimal amount of “management” to the operation and in many cases are located hundreds of miles from a farming operation. These payments can multiply commodity payments to a single operation, with little public benefit and adverse effects on other farmers and rural communities.

### *PROPOSAL*

The next farm bill should include reforms to the commodity programs to provide reasonable and clear payment caps that provide a safety net for farming operations without subsidizing unlimited farm expansion and consolidation. In addition, the definition of “management” for payments based on management activities should be amended to require ongoing and direct involvement with the farming operation. Specific reforms should include:

- Clarify the definition of “management” to require ongoing and direct involvement in farm activities to stop the current evasion of payment limits. Closing the current management loophole is widely viewed by experts as the linchpin to any attempt to stop current abusive practices.
- If current payment structure is retained, lower the direct payment cap from \$40,000 to \$20,000 for an individual or twice that for a married couple where both spouses are actively engaged in the farming operation.
- Lower the cap on counter-cyclical payments and average crop revenue election payments from \$65,000 to \$30,000 (\$60,000 for an actively engaged couple) and re-institute a cap on loan deficiency payments and marketing loan gains at \$75,000 (\$150,000 for an actively engaged couple). If a new revenue insurance program is created to replace ACRE, also cap those payments at \$30,000/\$60,000.
- Make the payment limitations counter cyclical to price and production, reduced by amount of actual crop or revenue loss by the producer as determined by FCIC. Use graduated trigger points at 110% and 120% of the target price. Above the first trigger point, every \$1 of payment counts as \$2 toward the limit. Above the second trigger, every \$1 of payment counts as \$4 toward the limit.

## *2. Direct Payments*

### *ISSUE*

The 1996 Farm Bill included a policy of “freedom to farm” which anticipated that commodity program payments, which are provided for growing a limited array of commodity crops, would be phased out. The 1996 Farm Bill established a direct payment for farmers based on the historic acreage enrolled in the commodity programs. Congress anticipated that the direct payments would decrease in subsequent years and eventually cease altogether. But a major overhaul of federal farm commodity programs did not occur, and the direct payment has persisted in subsequent farm bills. This payment, based on historic acreage enrolled in the commodity programs, is distinct from actual production and is provided even when prices for crops grown on the land are high. Direct payments are bid into higher land and rent prices, driving up costs for beginners and smaller farmers.

### *PROPOSAL*

We support ending direct payments altogether. If they are retained, the payment rates for direct payments should be made sensitive to price at higher price levels. Above a specified threshold, either reduce the payment rate or decrease the percentage of base eligible for payments in a graduated/stair-stepped manner.

## *3. Planting Flexibility*

### *ISSUE*

Currently, most farmers participating in commodity programs cannot plant fruits and vegetables without facing penalties. A commodity farmer who grows fruits or vegetables forfeits the subsidy for the year on the acreage used for the fruit or vegetable production and also receives a penalty equal to the market value of the fruit or vegetable crop being grown. This policy severely restricts the ability of agricultural producers to serve their local and regional markets with fresh foods.

The 2008 Farm Bill did create a limited planting flexibility pilot program. This pilot program, however, was limited to a few crops in a few states. Moreover, these crops could be used only for the production of processed foods. The flexibility option was not available for fresh fruits and vegetables.

If direct payments and base acres are eliminated in the new farm bill and all commodity programs are based on actual planted acres, a new flexibility problem will be created. All those producers who converted program cropland to grass or forage legumes either as part of a resource-conserving crop rotation or as a conversion to grass-based agriculture will lose all commodity support on those acres. Having done the right thing from the standpoint of diversification and natural resource protection, they, and they alone, would now be penalized unless some countervailing action is taken.

### *PROPOSAL*

If direct payments are maintained, or if any other program is retained or created that pays on historic production rather than current production, the new farm bill should include a capped local/fresh fruit and vegetable planting flexibility provision. A flexibility provision could allow commodity program participants to plant up to 30 acres from all base acres they control with fruits and vegetables for local or regional markets. Commodity payments would not be available on this

acreage with base acres and commodity payments reduced on an acre for acre basis each year the producer uses the flex option.

Assuming new revenue-based payment options or another option that based on current production are created in the next farm bill, complete flexibility should be provided with no limits, no exceptions, and no new barriers erected.

If the new farm bill converts all commodity support to either revenue insurance or countercyclical payments based on actual planted acres, the new commodity title should include “green payments” for producers who have converted some or all of their base acres to forages, green manures, or alternative crops. This option could function as a separate payment within the commodity title, or, in what would be a more streamlined approach, an option to enroll in the Conservation Stewardship Program with a special bonus payment for resource-conserving crop rotations or conversions of cropland to grass-based agriculture with management intensive rotational grazing. In either case, the receipt of the payment should be conditional upon adoption of a conservation plan.

#### ***4. Conservation Compliance and Sodsaver***

Strengthen conservation compliance and create a sodsaver requirement applicable to farm program benefits. See Conservation Title section of this farm bill platform for details (Chapter III).

### **D. Crop and Revenue Insurance**

Crop insurance and revenue insurance are key and expanding components of the farm bill’s financial safety net. In 2010, federal crop insurance policies covered 225 million acres. Over the next 10 years, federal subsidies for crop insurance are projected to exceed spending on traditional commodity programs by about one-third.

Historically, yield-based crop insurance has focused on and been most effective for the major commodity crops – corn, cotton, soybeans and wheat. In recent years, increasing numbers of yield-based policies have been developed for specialty crops. In addition, revenue insurance policies have also been developed for the major commodities and are now the primary form of insurance and the biggest driver of escalating cost.

#### ***1. Whole Farm Revenue Insurance for Diversified Operations***

##### ***ISSUE***

A special form of revenue insurance is available in certain areas of the country to farmers with diversified production including multiple crops or integrated crops and livestock. Adjusted Gross Revenue (AGR) insurance and Adjusted Gross Revenue-Lite (AGR-Lite) insures the total farm revenue stream on coverage up to \$250,000 based upon the average revenue reported on 5 years of farm tax returns.

Payments through both of these programs are based on a producer’s historical revenue as reported on the producer’s IRS 1040, Schedule F tax form. The AGR products provide protection against low revenue due to unavoidable natural disasters and market fluctuations that occur during the

insurance year. Covered farm revenue consists of income from agricultural commodities, including some income from animals and animal products and aquaculture. AGR and AGR-Lite complement other Federal crop insurance plans. When producers purchase both AGR or AGR-Lite and other crop insurance plans, the AGR or AGR-Lite premium is reduced. Under AGR, no more than 35 percent of expected allowable income can be from animals and animal products, while under AGR-Lite, revenue from animals purchased for resale cannot exceed 50 percent of the total revenue. Once a revenue loss is triggered, the insured is paid based on the payment rate selected, either 75 percent or 90 percent of each dollar lost.

The current AGR and AGR-Lite structure uses a checkerboard, “hit or miss” approach – some, but not all, counties have these programs available to them. AGR and AGR-Lite insurance are only available in limited areas of the country, and even where offered, still have shortcomings. AGR is available in selected counties in CA, CT, DE, FL, ID, ME, MD, MA, MI, NH, NJ, NY, OR, PA RI, VT, VA, and WA. AGR-Lite is currently available in all or selected counties in AK, CT, DE, ID, MA, MD, ME, NC, NH, NJ, NY, OR, PA, RI, VA, VT, WA, and WV. With very limited exceptions, neither product is available in the Midwest, South, Plains and Mountain states.

## ***PROPOSAL***

The next farm bill should keep the AGR/AGR-Lite program so those producers who use and like it can maintain their coverage. In addition, the new farm bill should amend the Agricultural Risk Protection Act to authorize the development and implementation of a new Whole Farm revenue insurance product that is available in all states and counties and relevant to all diversified operations including, but not limited to, specialty crops and mixed grain/livestock or dairy operations, both organic and conventional. The Whole Farm product should be offered at the same buy-up coverage levels as other policies and should include a strong diversification incentive to reward risk reduction through diversity. The new farm bill should provide authority for the Risk Management Agency (RMA) to develop the product. It should also include a provision to implement Whole Farm protection through USDA’s Farm Service Agency (FSA) should the private sector not respond in timely and comprehensive fashion.

## ***2. Organic Crop Insurance***

### ***ISSUE***

Organic farmers have been required to pay a surcharge for coverage on organic crops based on the assumption that organic production methods result in more risk. The 2008 Farm Bill mandated that the Federal Crop Insurance Corporation (FCIC) enter into one or more contracts to review the underwriting risk and loss experience of organic crops to determine the variation in loss history between organic and nonorganic crops. As a result of these investigations, the surcharge on a few organic crops has been removed to date.

Organic farmers have also found that most crop insurance policies do not pay farmers for losses at the organic prices but instead at conventional prices for the crop, which are generally considerably lower.

In addition, organic farmers with diverse, integrated operations have difficulty sourcing crop insurance and other effective risk management tools because most risk management tools are designed for monocropping, while many organic operations have integrated systems.

## *PROPOSAL*

Amend the Agricultural Risk Protection Act to direct USDA's Risk Management Agency to complete development of the organic price series to allow organic policies to pay out at the organic price within 36 months of enactment of the next farm bill. In addition, direct the Risk Management Agency to remove the organic premium surcharge from all crops within 18 months of the next farm bill's enactment.

### *3. Crop Insurance and Disaster Subsidy Limits*

#### *ISSUE*

Crop insurance and disaster assistance subsidies paid for by the public should be set at reasonable levels to provide a safety net for small and mid-sized farm and ranch operations. But public subsidies should not be set so high that the payments underwrite the expansion of already large farming operations.

#### *PROPOSAL*

Phase out premium subsidies on crop and revenue insurance coverage on gross farm income above certain levels, starting at a 50 percent reduction on production exceeding \$1 million and reaching 100 percent on production exceeding \$2.5 million.

If Supplemental Revenue Assistance Payments or some new form of disaster assistance or shallow loss insurance is included in the new bill, place similar limits on these subsidies.

### *4. Conservation Compliance and Sodsaver*

Strengthen the conservation compliance and create a sodsaver requirement applicable to farm program benefits. See Part III, Section A.

## **E. Credit**

Access to credit is a critical make-or-break issue for most farming and ranching operations. USDA's Farm Service Agency provides funding for direct and guaranteed farm ownership and operating loans for farmers and ranchers. FSA makes direct loans. Banks, credit unions, or other lenders make guaranteed loans, with a guarantee provided by FSA against significant loss of principal or interest on a loan. Both direct and guaranteed ownership and operating loans have special provisions for beginning and for socially disadvantaged farmers and ranchers.

### *1. Conservation Loans*

#### *ISSUE*

Conservation loans provide financial resources that can be used to carry out conservation projects and practices included in NRCS conservation plans. The availability of this funding, which includes

both direct and guaranteed loans, can allow farmers and ranchers to undertake conservation improvements that might not be possible without access to this targeted conservation credit.

## *PROPOSAL*

Direct and guaranteed conservation loans, as authorized in the 2008 Farm Bill, should be reauthorized and continue to include a priority for beginning and socially disadvantaged farmers and ranchers. The next farm bill, however, should apply all of FSA's traditional farm ownership and operating loan programs eligibility requirements, including the family-sized farm test and the no credit elsewhere test, to ensure that limited government financing is well targeted. In addition, the guaranteed amount should be raised to 95 percent for beginning and socially disadvantaged farmers and ranchers, consistent with other loan programs. A target participation rate for beginning farmers should apply to conservation loans as it does for all other loan programs. Finally, the authorization for appropriations should specify amounts for direct loans and for guaranteed loans, consistent with the authorization for appropriations for all the other farm loan provisions, in this case with a 50/50 split.

## *2. Down Payment Loan Land Value Limits*

### *ISSUE*

Direct farm ownership and farm operating loan limitations were increased in the 2008 Farm Bill from \$200,000 to \$300,000. The Down Payment loan program -- a real estate partnership loan option that brings together borrower equity (five percent), commercial lender financing (50 percent), and FSA direct lending (45 percent) to help beginning and socially disadvantaged producers in buying farm or ranch property -- was also changed in the 2008 bill but the FSA loan cap was set at \$225,000 based on land purchases of up to \$500,000. Especially in regions with exceptionally high land prices, this total limit on the land value FSA can lend against is insufficient, and in any event, the direct lending loan limits should be equalized.

### *PROPOSAL*

Continue without major revision the popular Down Payment Loan Program, but increase the limit on the amount of land value that can be FSA-financed under the Down Payment program from \$500,000 to \$667,000 to help beginners afford to purchase land in areas with high real estate values. This increase would effectively cap the FSA portion of the Down Payment loan at \$300,000 (\$667,000 x 45 percent), consistent with all other direct farm ownership loans.

## *3. Graduation to Commercial Credit*

### *ISSUE*

Under current law, direct and guaranteed loan borrowers have a short, fixed number of cumulative years in which they are eligible for loans. Congress has regularly waived the term limits for guaranteed loans for a few years at a time, while direct loan term limits remain in full force and are affecting thousands of borrowers. USDA has other techniques to improve graduation to commercial credit without resort to a meat ax approach. The building blocks for improvements are already in place from previous farm bills and from agency procedures.

## *PROPOSAL*

The new farm bill should take two steps. First, the existing term limits should be switched from cumulative to consecutive years. This will encourage graduation without penalizing a temporary return to FSA lending in a crisis year, and remove the need for further waivers.

Second, the new farm bill should phase out periodic extensions and waivers of term limits on loan eligibility and, instead, establish a permanent graduation policy, the building blocks of which are already in place from previous farm bills and from agency procedures. FSA should be given authority to eliminate term limits on direct and guaranteed loans once the agency certifies that:

- FSA has issued rules (and employee performance evaluation criteria) to ensure the borrower training program, loan assessment process, market placement, and graduation procedures are strengthened and fully operational; and
- On a state-by-state basis, FSA certifies that local office training of all loan officers on these four elements has taken place and these existing program elements are being fully utilized in the state.

## *4. Funding Authorization Levels*

### *ISSUE*

The 2008 Farm Bill increased the “authorization for appropriations” for direct farm operating loans to \$850 million and for direct farm ownership loans to \$350 million. The actual appropriations for these programs, however, have been considerably higher in the succeeding years. The authorized levels proved unrealistic.

### *PROPOSAL*

The new farm bill should raise the authorized levels to the more realistic levels, slightly above current actual appropriated levels, of \$1.25 billion (Direct Farm Operating Loans), \$750 million (Direct Farm Ownership Loans), and \$1.5 billion (Guaranteed Farm Ownership).

## *5. Credit for Local and Regional Food Producers*

### *ISSUE*

Access to local and regional food markets can provide new opportunities for farmers and ranchers, while also keeping the benefits of food dollars circulating in local and regional economies. An increasing number of customers are seeking local and regional food so farmers and ranchers will need financing to increase the supply of locally and regionally produced food. Currently, there is no reserved funding for local and regional food systems or special attention to local and regional food production in USDA credit.

### *PROPOSAL*

The next farm bill should add a new section to the Consolidated Farm and Rural Development Act to authorize lending to farmers and ranchers producing for local and regional food markets, including farmer-to-consumer direct markets, farm identity-preserved markets, farm-to-institution

markets, mid-tier value chains, and to local and regional food producers engaged in value-added enterprises.

In addition, the FSA should be directed to develop price series or alternative forms of valuation to be able to lend to these operations. FSA should also be required to undertake special outreach to these potential borrowers involved in local and regional food production systems.

## ***6. Farm Credit System Local and Regional Farm and Food System Investment***

### ***ISSUE***

As the consumer demand for local and regional foods grows, so too must the supply. In general, young and beginning farmers and small farms often face particular challenges in accessing farm credit for their agricultural production. The Farm Credit System (FCS), the largest farm lender, should target some of its lending to these producers for local and regional markets. FCS supplies nearly 40 percent of all U.S. farm financing and has the capacity to provide millions of dollars in capital and technical assistance to local food producers, and to leverage other sources of capital for the task of rebuilding our local and regional food system infrastructure.

### ***PROPOSAL***

The 2012 Farm Bill should add a new Section to the Farm Credit Act that requires each Farm Credit System (FCS) institution to implement a program for furnishing credit for farmers and ranchers producing for local and regional markets.

Second, the 2012 Farm Bill should add a new section to the Farm Credit Act requiring that 10 percent of Farm Credit System annual profits be invested in grants to organize, build, and improve local and regional food infrastructure for small and medium-sized family farms and beginning farmers and ranchers. FCS is currently the only government-sponsored enterprise (GSE) without community reinvestment requirements.

## ***7. Growing Opportunities for Agriculture and Responding to Markets (GO FARM)***

The next farm bill should authorize a new entrepreneurial intermediary loan program for local farm business and urban agriculture. See Part IV, Section C.

## **F. Competitive and Fair Agricultural Markets**

As a result of rapid consolidation and vertical integration, livestock and poultry markets have reached a point where anti-competitive practices dominate to the detriment of farmers, ranchers, and consumers. Numerous economic studies in recent years have demonstrated the economic harm of current market structures and practices. In response, there has been a call for greater enforcement of existing federal laws in order to restore competition to livestock and poultry markets and protect farmers and ranchers from unfair and deceptive practices. There has also been a call for new measures that will help increase competition and decrease opportunities for price manipulation in livestock and poultry markets.

## 1. *GIPSA Rule*

### *ISSUE*

In the 2008 Farm Bill, Congress directed USDA to write regulations to strengthen and clarify provisions in the Packers & Stockyards Act that protect farmers and ranchers in their relations with packers and processors. USDA issued a proposed rule in June 2010 that provides for increased fairness in poultry production contracts and the relations between poultry growers and integrated processors. The proposed rule also has numerous measures to ensure that packers and processors can be penalized for using unfair and deceptive practices in livestock marketing. It also requires packers and processors to provide farmers and ranchers with timely information on the basis for price premiums. The comment period on the rule closed in November 2011. Over 60,000 comments were submitted on the proposed rule. Since that time, large-scale livestock meat and poultry packers and processors have mounted a campaign to prevent USDA from issuing a final rule. The last thing these packers and processors want is public oversight that reveals the extraordinary extent to which a few large mega-firms control livestock and poultry markets.

### *PROPOSAL*

The next farm bill should retain all the gains made in the 2008 Farm Bill. These directives to USDA necessarily clarify and strengthen measures under the Packers & Stockyards Act to protect farmers and ranchers in their contracts and marketing relations with livestock and poultry packers and processors.

## 2. *Enforcement Authority Over Poultry Actions Under GIPSA*

### *ISSUE*

The Packers and Stockyards Act (P&SA) makes it unlawful for a livestock packer or live poultry dealer "to engage in or use any unfair, unjustly discriminatory or deceptive practice or device, or to give any unreasonable advantage to any particular person or locality." But USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA) has no general authority to stop the unfair practices or penalize poultry dealers.

When violations of the P&SA are discovered in the *livestock* industry, the Act provides GIPSA the authority to take administrative actions, including holding hearings and assessing civil and criminal penalties. When violations of the Act are discovered in the *poultry* industry, GIPSA can only issue an order to cease illegal conduct. After an investigation, GIPSA can send a complaint to the Justice Department for prosecution but such individual poultry cases are not likely to be considered a national priority. This leaves the burden on poultry growers, on their own, to bring court cases against live poultry dealers for violations of the Act. For most poultry growers the costs and time needed to bring an action is an insurmountable burden, even when there is strong evidence of a violation of the Act. From the poultry company's perspective, breaking the law and increasing company profits through fraudulent or deceptive practices carries little financial or legal risk.

### *PROPOSAL*

The next farm bill should amend the Packers & Stockyards Act to give USDA the authority to take administrative actions against live poultry dealers, including holding administrative hearings and assessing civil and criminal penalties.

### *3. Farmers' Bargaining Rights*

#### *ISSUE*

Historically, one of the ways that farmers have been able to gain and maintain leverage in the marketplace is to join together in cooperatives and associations. Understanding this dynamic, processors and handlers during the 1950s and 1960s sought to discourage farmers from gaining bargaining power by forming producer associations.

Responding to the retaliatory practices of processors, Congress passed the Agricultural Fair Practices Act of 1967 (AFPA) to ensure that family farmers could join together in associations and cooperatives to market their produce without fear of interference or retribution from processors. Unfortunately, loopholes in the legislation and changes in markets are making it increasingly difficult for producers to organize and attain a fair price for their products.

One of the biggest shortfalls of the AFPA is that processors and handlers are not required to bargain in good faith with producer associations. Legislation requiring good faith bargaining will give associations the leverage to compel negotiations. It provides farmers a means of participation in contract negotiations with processors, participation reflective of the farmers' substantial financial investments in the industry.

While the Act prohibits processors and handlers from discriminating against producers simply because they are part of an association, it includes a disclaimer clause permitting the processors to refuse to do business with a producer for any other reason. This makes discrimination based on a producer's membership in an association extremely easy to disguise. Also, because the definition of marketing associations excluded some types of producer associations, farmers who tried to use the protections of the Act were unable to do so.

#### *PROPOSAL*

The next farm bill should amend and strengthen the Agricultural Fair Practices Act to make it unlawful for a livestock packing or processing firm or a live poultry dealer to refuse to deal in good faith with any producer for belonging to or attempting to organize an association of producers or a cooperative. Specific provisions include:

- Clarify that it shall also be unlawful for any handler to knowingly engage in coercion or permit any employee or agent to coerce any producer in the exercise of his right to *form* an association of producers;
- Add language to make it unlawful to “fail to bargain in good faith with an association of producers;”
- Amend the enforcement provisions with a directive for the Secretary to conduct rulemaking to clarify what constitutes normal and fair dealing;
- Provide the Secretary of Agriculture the authority to bring a civil action in United States District Court by filing a complaint requesting preventative relief, including an application for a permanent or temporary injunction, restraining order or other order, against the handler;

- Provide that handlers found to have violated the Act are liable for the amount of damages including the costs of litigation and reasonable attorneys' fees; and
- Change the statute of limitations from 2 years to 4 years and provide for an additional penalty of not more than \$1,000 per violation.

#### *4. Captive Supply Use and Price Manipulation by Packers*

##### *ISSUE*

In concentrated livestock markets, the packers and processors who buy livestock can - and do - use “captive supplies” to manipulate markets. Captive supplies are livestock covered by contracts that specify future delivery of the livestock to the packer or processor. By calling on captive supplies to fill slaughter needs, packers avoid having to bid for cattle or hogs in an open, public manner. A false period of low demand is created and prices are driven even lower.

Contracting livestock for future delivery is not, in itself, anticompetitive. However, packers generally use a contract method known as “formula pricing” in which feeders commit their cattle through a contract that does not contain a negotiated price. Instead, the contract price is determined by a formula that is itself tied to a previous cash price and that is only determined after the livestock are removed from the competitive marketplace. For example, a packer might offer a cattle feeder 50 cents per hundredweight over the average cash market price paid by the packer during the week preceding the week the cattle are actually delivered.

Meanwhile, packers either own or have forward contracted enough cattle so they do not need to purchase significant numbers of cattle during the week preceding delivery, thus reducing the average cash market price upon which the contract is based. The result is that the cattle feeder receives a price lower than what a competitive market would predict, even though it appears a premium has been offered to the cattle feeder. In this way, packers and processors can use captive supply both to drive down the prices on open markets and to drive down the prices in formula contracts.

##### *PROPOSAL*

The next farm bill should include provisions to that prevent packers from using captive supplies to manipulate prices, including:

- Require marketing agreements to have a firm base price derived from an external source. This guarantees that local contract prices are not subject to manipulation by packer-owned herds.
- Require future forward contracts for livestock (cattle, hogs, and lambs) to be traded in public markets where buyers and sellers can witness bids and make their own offers. This openness ensures market competition through multiple offers.
- Exempt producer-owned cooperatives, packers with low volumes, and packers who own only one processing plant from the above requirements. This exemption targets the source of price manipulation. It ensures that the business practices of small, family-owned processors, which are not conducive to manipulating prices, are not impacted by the law.
- Guarantee that livestock trading is done in quantities that provide market access for both small and large livestock producers.

## *5. Ban on Packer Ownership of Livestock*

### *ISSUE*

Currently, livestock packers and processors can own large numbers of livestock. When market prices rise, the packers and processors can slaughter the livestock they own and when prices fall, they can go to the open markets. Individual farmers and ranchers and small feedlots cannot hold onto cattle, hogs and lambs indefinitely and eventually most take the lower offers for their livestock, even though they can see that packers are manipulating the prices.

### *PROPOSAL*

The next farm bill should amend the Packers & Stockyards Act to prevent livestock processors and packers from owning livestock more than 14 days before slaughter.

## *6. Contract Fairness Protection*

### *ISSUE*

As more agricultural markets are consolidating and greater amounts of farm products are either produced or sold through written contracts, basic standards of protection need to be put in place to ensure that other producers do not end up in abusive situations similar to those that poultry growers have been in.

### *PROPOSAL*

The next farm bill should include contract protection standards including:

- Requiring plain language contracts and disclosure of risks;
- Three day right to review and withdraw from a contract;
- Prohibition of confidentiality clauses;
- Establishment of a first priority lien for the producer on the farm products involved in the contract;
- Recapture of capital investments;
- Procedures for inspection or testing of fields and farm products produced or sold under contracts;
- Prohibition of clauses that say that farmers can't have a trial by jury; and
- A ban on binding mandatory arbitration clauses.

## *7. Office of Special Counsel at USDA for Competition & Market Access*

### *ISSUE*

The establishment of USDA Special Counsel can provide for targeted investigation and enforcement of critically important laws and regulations.

## *PROPOSAL*

The next farm bill should provide for the establishment of an Office of Special Counsel at USDA for Competition and Market Access. The sole function of this Office should be to investigate and prosecute violations regarding agricultural competition and fair market issues, particularly violations of the Packers and Stockyards Act and the Agricultural Fair Practices Act. The new Special Counsel should also be required to liaison with, and consult with, the Department of Justice and the Federal Trade Commission on competition matters affecting food and agriculture. USDA should be required to submit an annual report to Congress on the activities of this Office of Special Counsel.

### **G. National Appeals Division**

#### *ISSUE*

Many farmers have experienced the failure of the Farm Service Agency (FSA) and other USDA agencies to implement a timely and effective final decision of the National Appeals Division (NAD). This failure can result in serious financial hardship for farmer participants and may threaten the ultimate survival of their farming operations.

USDA agency heads are required by law to “implement” a NAD decision within 30 days of an appeal. The authorizing statute for NAD defines “implement” to mean “those actions necessary to effectuate fully and promptly a final [NAD] determination...not later than 30 calendar days after the effective date of the final determination.”

In responding to appeals determinations concerning FSA loan programs, FSA routinely refuses to implement final NAD decisions favoring farmers based on information that was before the agency when it made its original decision. Instead, FSA insists that the applicant must submit new information on which FSA will make a new evaluation of eligibility for the requested program. Current USDA lending regulations prohibit county loan officers from approving loans based on application information that is more than 90 days old and do not require the implementation of appeal decisions within 30 days. The regulations also give county loan officers the discretion to determine the point in the season when a loan is too late to be successfully used.

Given these regulations and the fact the appeals process itself regularly takes 120 days, a farmer who has *won* a loan-related appeal must restart the application process before the same loan officer whose loan decision was overturned. In almost every case involving operating loans, this means that even farmers whose appeals are successful will not enjoy the benefit of their win during the crop year for which they sought a loan. This process unfairly penalizes applicants who are denied services through USDA mistakes. The regulations also give country loan officers the power to discriminate against individual farmers by simply prolonging the application and appeals process until it is deemed too late in the season for the farmer to plant successfully. In some cases, the implementation in favor of a farmer in a NAD appeals process has been denied for years – a classic example of the legal maxim that “justice delayed is justice denied.”

The NAD statute already requires *full and prompt effectuation* of a NAD determination by the end of the 30-day implementation period. In addition, two statutory provisions relating to the effective date of NAD decisions state that the decisions shall be effective “as of the date of filing of an application, the date of the transaction or event in question, or the date of the original adverse decision, whichever is applicable.” (See 7 U.S.C. §§ 6997-6998.) These two statutory provisions make it clear

that Congress intends that the final NAD determination relates back to the date of the original agency decision or action, thus establishing that implementation of the NAD determination must be based on information and factual determinations made at the time of the agency's original decision or action.

## *PROPOSAL*

FSA regulations should be amended to require NAD decisions be implemented based on the information before the appeals officer.

The 2008 Farm Bill took a small step toward examining the scope of the NAD decision implementation problem. The head of each USDA agency subject to NAD appeals is required to submit biannual reports to the House and Senate describing all cases returned to the agency pursuant to a final NAD determination and to report on the implementation of the decision, or to explain the failure to implement. The report also must be posted on the USDA website.

The next farm bill should also require the Secretary of Agriculture to issue a directive to FSA and other agencies subject to NAD regulations that they have a legal duty to fully and promptly implement final NAD determinations within 30 days. This directive should be sent to the heads of agencies at USDA headquarters in Washington D.C. and to the heads of USDA state agency offices. The USDA Secretary must take a strong, visible stance in support of administrative review and must make it clear to agency heads that thwarting or ignoring the NAD process will not be tolerated.

USDA should also establish:

- Penalties for willful failure to implement NAD decisions that can be imposed on both agency heads and individual employees; and
- Strict policies prohibiting USDA employees from retaliating against farmers because they exercise their right to appeal agency decisions.

Finally, the Office of the Secretary should carefully review the reports regarding implementation of NAD decisions, including the reasons for failure to implement final determinations, conduct thorough and timely investigation of problems and failures, and take prompt and decisive action to ensure that the letter and intent of the NAD statute and regulations are met to bring an end to the failure to implement final NAD determinations.

### III. CONSERVATION AND ENERGY PROGRAMS AND POLICIES

#### Background

Privately owned crop, pasture, and rangeland together account for about half of the landmass of the lower 48 states, with private forest lands making up another 20 percent. In addition to providing food and fiber, farmers and ranchers are in a unique position to help provide healthy soils, clean water, habitat for native wildlife, renewable energy sources, and other conservation benefits. Farmers and forest landowners can sequester carbon and reduce greenhouse gas emissions and thus help reduce the threat of climate change. Farms also serve as the frontline against sprawling development. In this light, it is not surprising then to learn that USDA is the nation's largest conservation agency.

Since the passage of the 1985 Farm Bill, conservation requirements and assistance programs have played a prominent role in each succeeding farm bill. From conservation compliance and the Conservation Reserve Program in 1985, to the Wetlands Reserve Program, Water Quality Incentives Program, and Integrated Farm Management program in 1990, to the Environmental Quality Incentives Program in 1996 and Conservation Stewardship Program in 2008, there now exists a very substantial set of program authorities and mandatory funding allocations for the conservation title of the farm bill.

The 2008 Farm Bill provided nearly \$4 billion in increased funding for new and existing conservation programs. It renewed funding for the *Wetlands Reserve Program (WRP)* and the *Grasslands Reserve Program (GRP)* but reduced the *Conservation Reserve Program (CRP)* acreage cap to 32 million acres, largely in recognition of the fact that an increasing number of landowners participating in CRP are not re-enrolling in the program as their 10-year contracts come up for renewal.

The money saved as a result of moving to the more realistic acreage cap was shifted over to expand and improve other conservation programs, including the *Wetlands Reserve Program* and the country's primary working-land conservation programs: the *Conservation Stewardship Program (CSP)* and *Environmental Quality Incentives Program (EQIP)*. The working lands programs now receive well over 50 percent of total farm bill conservation funding, a dramatic shift from the pre-2002 Farm Bill era when land retirement represented nearly 90 percent of total funding.

The 2008 Farm Bill streamlined and increased funding for CSP, and improved coordination between CSP and EQIP. It made significant improvements to CSP, which NRCS has continued to build upon throughout the implementation process. The bill also reserved a portion of each year's existing funding for CSP, EQIP, and the *Wildlife Habitat Incentives Program (WHIP)* for innovative projects at the state and local level through the *Cooperative Conservation Partnership Initiative (CCPI)*.

Even with the increase in funding provided in the 2008 bill, farmer demand for conservation assistance dollars has continued to outstrip the funding available.

Despite the high demand and large waiting lists, in 2010, congressional appropriators chose to take more than \$500 million from mandatory farm bill conservation program spending in order to fill holes in their FY 2011 appropriation. Then, in 2011, Congress approved a FY 2012 agriculture appropriations bill that robs nearly \$1 billion in farm bill mandatory conservation spending for the same purpose. Conservation and renewable energy were the primary farm bill mandatory programs

cut. Each year, commodity, crop insurance, and export subsidies were left unscathed. These backdoor deals unraveled the decisions and priorities established by the 2008 Farm Bill.

The pressure on the agricultural appropriations bill to adequately fund USDA and FDA programs will remain high given the \$1 trillion in discretionary funding cuts over the next decade approved by Congress in the Budget Control Act of 2011. On top of that pressure, the same Act also requires automatic cuts to mandatory spending programs, including the farm bill's conservation title (though excluding the Conservation Reserve Program) beginning in calendar year 2013.

This reality requires the new farm bill to be particularly strategic to ensure continued progress. Key choices must be made in 2012 to consolidate gains, maintain robust Conservation Title funding, retain the functionality of the programs and improve them to better assist family farmers, ranchers, and rural communities. Congress must find creative ways to conserve critical natural resources on environmentally sensitive land, including expiring CRP acres, highly erodible land, and pristine prairie. There is no doubt that our fiscal situation has changed since 2008. However, if we do not adequately invest in protecting our natural resource base in the 2012 Farm Bill, we will end up paying far more in long term costs related to food security and environmental mitigation efforts.

## A. Conservation Compliance

### *ISSUE*

Current budgetary conditions make seeking major new funding for conservation difficult. At the same time, a pattern of consistently high prices for program crops means (1) traditional price-floor and target-price based farm bill subsidies are often not issued, and (2) subsidized insurance policies based on crop revenue have become a primary way farm bill support is provided to producers, and the cost to the taxpayer of those programs has exploded. Given these conditions, the next farm bill must recognize and re-prioritize the existing and logical covenant between taxpayers and producers represented by the conservation compliance regimen.

Compliance provisions require farmers to meet a minimum standard of environmental protection on environmentally sensitive land as a condition of eligibility for many Federal farm program benefits. To be eligible for a USDA commodity or conservation program benefit or a Farm Service Agency loan, USDA program participants must apply an approved conservation system that provides a substantial reduction in soil erosion or a substantial improvement in soil conditions on a field or fields that contain highly erodible land. Participants must also certify that they have not produced crops on wetlands converted after December 23, 1985, and did not convert a wetland to agricultural production after November 28, 1990.

Conservation Compliance refers to: Wetland Conservation Provisions (WC or "Swampbuster") and Highly Erodible Land Conservation Provisions (HELC) including "Sodbuster" and HELC-compliance. Under the conservation compliance provision, farmers subject to the rules must implement and maintain an approved soil conservation plan on highly erodible land that is currently in crop production and was cropped prior to 1985. Under the Sodbuster provision, before producers clear, plow, or otherwise prepare HEL areas not presently under crop production for planting, they are required to develop and implement a conservation plan on the affected acreage. This plan will limit erosion to not greater than the soil loss tolerance level, before bringing land into production. Under the Swampbuster provision, farmers will lose program benefits if they fill or drain wetlands or expand the scope of existing drainage on farmed wetlands.

Conservation compliance is a means for ensuring that where public money is invested, basic levels of protections for soil, water, and wetlands protects public interest. According to USDA's Economic Research Service, compliance rules keep some producers from expanding crop production onto highly erodible land or wetlands. Without compliance requirements, 7 to 14 million acres of highly erodible land and 1.5 to 3.3 million acres of wetlands that are not currently being farmed could be profitably farmed under favorable market conditions. Furthermore, prioritizing existing compliance provisions will require no additional farm bill investment and in fact can result in saving federal dollars.

Penalties for not complying apply to virtually all USDA payments, loans, or other benefits, including those programs administered by FSA (Title I, CRP) and NRCS (Title II conservation programs), with one major exception: Federal Crop Insurance programs administered by USDA's Risk Management Agency (RMA) are entirely exempt. When WC and HELC were originally introduced in the 1985 Farm Bill, crop insurance subsidies were included. However, the 1996 Farm Bill specifically exempted crop insurance subsidies from compliance requirements at the same time that it very substantially increased the level of crop insurance subsidies, thus increasing the potential for the risk-reducing nature of insurance to promote production on marginal and environmentally vulnerable lands.

Conservation Compliance reform will require all existing and new risk management programs to be subject to conservation compliance provisions, prohibit federal insurance benefits on land without a cropping history (Sodsaver), require all land in production (HEL and non-HEL) to have a conservation plan, and require update of existing HEL soil conservation plans to meet current standards.

## *PROPOSALS*

### *1. Crop and Revenue Insurance*

The 2012 Farm Bill should re-establish compliance requirements for federal crop and revenue insurance benefits so that all existing or new crop and revenue insurance or other risk management programs are subject to conservation compliance provisions. These subsidies are now the largest farm program public benefits and should be part of the same social contract as commodity and conservation support.

### *2. Sodsaver*

In order to protect prairie, critical habitat, and biodiversity; reduce the cost of subsidy programs; and take the pressure off of already over-subscribed conservation incentive programs, sodbuster rules should be strengthened. The rules should prohibit all commodity and insurance subsidies on all native prairie, native permanent grasslands, and other remaining native land without a cropping history if such land is cropped in the future.

### *3. Swampbuster and Compliance*

The next farm bill should:

- Require all land in production eroding at unsustainable levels, both HEL and non-HEL, to have a conservation plan to be eligible for any USDA benefits.

- Revise all soil conservation plans approved, applied, and maintained before July 3, 1996 to meet current HEL planning standards.
- Add the graduated penalties provision that currently applies to compliance to swampbuster.
- Require that, in conducting its compliance review, USDA sample at least 5 percent of all land tracts receiving USDA payments subject to the HELC/WC provisions.

## B. Conservation Technical Assistance

### *ISSUE*

NRCS provides conservation technical assistance (CTA) to private landowners, conservation districts, tribes, and other organizations to help implement better land management technologies, protect and improve water quality and quantity, improve wildlife habitat, enhance recreational opportunities, and develop and apply sustainable agricultural systems. The CTA program allows NRCS to maximize the effectiveness of its conservation programs by getting experts out into the field to work with producers. Without technical assistance to help producers implement conservation programs, NRCS would not meet program goals.

NRCS staffing and technical assistance has consistently lagged behind financial assistance, severely limiting the Agency's capacity to implement programs. To meet conservation goals, funding for technical assistance must increase.

In the case of the Wetlands Reserve Program, for example, while NRCS has money to help farmers and ranchers create wetland easements, it often fails to provide wetland restoration support. In some cases, there are no funds for farmer outreach. Surveys in California, for example, show that most farmers report that no one has ever discussed water use efficiency with them.

### *PROPOSALS*

Currently each mandatory program has a percentage of funds dictated by the Office of Management and the Budget (OMB) for Technical Assistance. In many cases, these percentages do not suffice. In order to restore balance between technical and financial assistance, the new farm bill should:

- Establish a minimum (floor) and maximum (ceiling) percentage of funding to be used for technical assistance across all mandatory conservation programs. No less than 10 percent and no more than 30 percent of each program's mandatory program funds should be used for technical assistance. The farm bill should direct USDA to set Conservation Technical Assistance levels for individual programs within these broad parameters.
- Direct the Natural Resources Conservation Service to specify and make public a set of functions that technical assistance must cover for each mandatory conservation program. This will ensure that there are Conservation Technical Assistance funds available for functions that are currently being ignored due to lack of money.

## C. Overarching Conservation Title Provisions

### *ISSUE*

The most recent farm bill conservation titles focuses, not surprisingly, on major financial assistance programs. Attention often centers heavily on specific programs, constituencies, and resource concerns without sufficient attention to the overall architecture of the conservation effort. A limited number of provisions have been applied more broadly across the whole gamut of federal conservation programs. The next farm bill presents an opportunity to strengthen the entire conservation portfolio; a more complete set of conservation title general provisions could address critical agro-environmental issues in a comprehensive fashion

### *PROPOSALS*

#### *1. Educational Assistance*

The new conservation title should restore educational assistance to the farm bill conservation programs. A small, specific percentage of total mandatory program dollars should be set aside for this purpose. This funding should be available to extension, non-governmental organizations, community-based groups, educational institutions, conservation districts, and producers. Funding for educational assistance would increase awareness of program opportunities, enhance producer knowledge, provide training and decision support aids for sustainable system-based approaches to conservation. Restoring educational assistance would also help foster landscape level and watershed and regional cooperative ventures, as well as help assess the environmental performance of such joint ventures.

#### *2. Monitoring and Evaluation*

The new farm bill should provide for a comprehensive, integrated national and regional monitoring and evaluation program. Such a program would build from the Conservation Effects Assessment Program foundation and coordinate with the RCA National Conservation Plan to assess natural resource and environmental objectives progress with regards to the farm bill. Mandatory farm bill funding for evaluation of farm bill conservation programs is essential to ensuring their long-term success.

A monitoring and evaluation program should be funded as a small percentage of total spending for each farm bill conservation program, provided through the Commodity Credit Corporation in much the same manner as current technical assistance funding. NRCS should deliver the funded activities, and should have the authority to do the work through cooperative agreements and competitive grants to federal and state agencies, universities and colleges, non-governmental organizations, and producer groups.

#### *3. Comprehensive Conservation Planning*

Comprehensive conservation planning should be made a voluntary basic entry point for farmers and ranchers to access multiple conservation financial assistance programs. Farmers and ranchers whose resources, status, problems, and potential solutions in a comprehensive conservation plan have been assessed can then apply for the appropriate incentive, cost-share, or easement programs. As an

incentive for superior stewardship planning, the farm bill should provide automatic eligibility to the relevant financial assistance programs if the plan addresses all resource concerns and equals or exceeds the applicable sustainability or quality criteria. Rather than viewing comprehensive conservation planning as a luxury we cannot afford, it should be put back into the driver's seat as a voluntary option to streamline our approach to conservation program eligibility.

#### *4. Streamlined Delivery*

The farm bill financial assistance programs should be viewed as interdependent components of a mutually supportive portfolio. In order to streamline program delivery and make the programs as farmer-friendly as possible, the farm bill should direct USDA to establish:

- A unified sign-up, application, conservation plan, and contract process.
- Continuous sign-up procedures wherever appropriate; off-season enrollment periods, with adequate advance notice, when continuous sign-up is not an option.
- Comprehensive conservation planning as an entry point into all programs.
- Extra ranking points and incentives to reward participants for first developing comprehensive conservation plans.

#### *5. State Technical Committees*

While many improvements were made in 2008, there are still problems associated with USDA's final rule for State Technical Committees. State Technical Committee and Local Working Group implementation is uneven across the country. The new farm bill should improve accountability procedures from the agency back to STC and LWG participants, and create incentives for strong use of the STCs and LWGs to spur improved performance.

The new farm bill should:

- Direct USDA to increase outreach efforts to improve farmer and NGO representation in the LWGs and STCs. It should require USDA to specifically encourage beginning farmers and ranchers, socially disadvantaged farmers and ranchers, organic producers, specialty crop producers, and crop farmers utilizing resource-conserving crop rotations and other sustainable agriculture systems to participate on State Technical Committees.
- Require that if an NRCS State Conservationist rejects an application for participation on a State Technical Committee or Subcommittee, including a Local Working Group, the applicant be informed of the grounds for rejection.
- As a matter of good government, accountability and sound public policy, provide that when an NRCS State Conservationist rejects a recommendation of the State Technical Committee, the State Conservationist provide a written statement of the grounds for the rejection in communications back to the STC.

## **D. Protection Against Erosion of Farm Bill Funding**

### ***ISSUE***

“Changes in mandatory program spending” (CHIMPS) provisions continue to threaten farm bill conservation funding. Added to annual appropriations bills in order to provide a funding source for annual discretionary spending for USDA, “CHIMPS” unravel deals made during farm bill negotiations and unfairly target conservation.

Further conservation program funding erosion occurs when, for a wide variety of reasons including death and disability, a farmer cancels a conservation program contract a year or more after enrollment. Under current administrative and budget procedure, this funding does not return to the conservation coffers.

### ***PROPOSAL***

The next farm bill should include provisions to stop the erosion of mandatory farm bill conservation funding in the annual appropriations bill, or at least make such action more difficult.

One way to do this is to separate enrollment and initial technical assistance from payment, with payment coming at the beginning of the fiscal year following enrollment. This should be done wherever it is practical.

In addition, all long-term conservation program contracts should be exempt from any automatic (sequestration) cuts that may occur for deficit reduction purposes.

A farm bill provision should be added establishing that all farm bill mandatory programs shall be reduced on a pro rata basis anytime an appropriations bill resorts to changes in farm bill mandatory program spending.

With respect to the erosion of funding due to dropped contracts, the next farm bill should make all farm bill conservation mandatory funding “no year” money. This will ensure that money designated for conservation remains dedicated to that purpose.

## **E. Cost Share: Environmental Quality Incentives Program**

### ***1. Streamlining EQIP***

### ***ISSUE***

Most EQIP funding – over 75 percent – is used to support the construction of conservation structures, such as water storage facilities, irrigation systems, and fencing. In 2010, for example, NRCS spent nearly \$60 million, over 7 percent of all EQIP spending, to cost-share the construction of waste storage facilities. Another 7 percent went to fencing. The largest single EQIP expenditure was for irrigation equipment. Management-oriented practices, such as nutrient management, cover

cropping, and pest management, receive only 25 percent of all EQIP funding. Given that the Conservation Stewardship Program (CSP) focuses almost exclusively on management, prioritizing resource concerns in a given watershed or area, EQIP should not fund long-term management. Coordinating the two programs to a greater degree under the new farm bill would help streamline the programs.

## *PROPOSAL*

The 2012 Farm Bill should reform EQIP to serve a three-fold purpose:

- First, the program should provide a cost share for long-term structures and vegetative practices that typically are one-time costs. This should include general structures such as terraces, fencing, waste storage facilities, irrigation sprinklers, and seasonal high tunnels, as well as long-term vegetative practices such as pasture planting, grassed waterways, and shallow water for wildlife.
- Second, EQIP should provide cost-share for conservation management practices that participants may use to prepare their operations for enrollment in the Conservation Stewardship Program (CSP). In order to qualify for CSP, producers must meet or exceed certain stewardship thresholds. Those who do not yet qualify should be able to use a suite of practices through EQIP to improve their baseline stewardship level.
- Third, EQIP, together with the other working lands and easement programs, should continue to provide project-based support through the revised Cooperative Conservation Partnership Initiative (CCPI) as outlined in Section D below.

With this three-fold emphasis for EQIP, ongoing support for conservation management practices beyond cost-share to achieve CSP eligibility would shift from EQIP to CSP (see Section B below). This is a better fit for supporting advanced conservation management which, by nature, is not a “once and done” activity (the EQIP model) but a matter of active and adaptive management and continual improvement (the CSP model).

Funding for EQIP should be retained at no less than \$1.5 billion per year throughout the next farm bill cycle. A portion of the current EQIP baseline should be shifted to CSP consistent with this streamlining proposal.

## *2. Improving EQIP Outcomes*

### *ISSUE*

Resource Management System (RMS) planning is the standard that NRCS applies to conservation activities. An RMS plan is intended to help producers ensure their production systems are operating at a “non-degradation” level of conservation. A requirement to be working toward the RMS standard, also called “progressive planning,” was originally applied to EQIP but later removed. Currently, however, EQIP has no planning standard at all.

Under progressive planning, all funded projects would address priority resource concerns and promote progress toward the quality (non-degradation) criteria for the priority resource concern(s).

## *PROPOSAL*

In order to ensure the program achieves results and the biggest bang for the buck, progressive planning requirements should be restored. Re-instituting an EQIP progressive planning requirement will help ensure that funded practices result in net conservation and environmental benefits. It would also aid in coordinating EQIP with CSP.

### *3. Organic Initiative*

#### *ISSUE*

Organic agricultural systems offer a wide range of conservation benefits, including improved soil and water quality, resilience to climate disruption, lower use of non-renewable energy, increased biodiversity, and wildlife habitat quality. Before the 2008 Farm Bill, USDA did not offer conservation options specifically targeting organic and transitioning farmers despite demonstrated environmental improvements.

In the 2008 Farm Bill, Congress recognized the conservation benefits of organic agriculture. Congress included important provisions to ensure that organic and transitioning farmers could benefit from conservation programs. One of these provisions was included within the Environmental Quality Incentives Program (EQIP) and was implemented as the Organic Initiative (OI) by NRCS in 2009.

The first couple of years of OI have brought to light many barriers that organic and transitioning farmers face trying to apply to conservation programs – including lack of knowledge by NRCS staff about organic system management, incomplete or inadequate information about organic practices and associated costs, and overlapping or inconsistent planning requirements between NRCS and the National Organic Program.

While work to address many of these barriers continues through implementation activities, certain changes in the legislative language of the provision authorizing OI would improve the program and the ability of NRCS to serve a diverse population, including those following organic methods, of farmers and ranchers.

Through the changes outlined below, we seek to:

- Create equal opportunity and financial incentives for organic and transitioning farmers and ranchers to access NRCS conservation programs and technical assistance.
- Provide technical and financial support for farmers during the transition to organic system management.
- Improve the conservation outcomes of NRCS programs by encouraging organic production.

#### *PROPOSAL*

The organic farming provisions added to EQIP in 2008 should be retained, with the following changes:

- Move **ongoing** conservation management practices for existing **certified organic** producers who are able to qualify for CSP from EQIP to CSP, consistent with the streamlining initiative outline in #1 above.
- EQIP should retain both (1) ongoing financial and technical assistance for farms to make a transition to organic production and (2) financial and technical assistance for certified organic farms that do not yet qualify for CSP.
- Provide a definition for ‘transitioning to organic’ so that agencies have certainty when dealing with transitioning producers.
- Eliminate the separate payment limitation for organic farmers thus applying the same EQIP payment limit regardless of type of farm.

#### *4. Targeting EQIP Funds*

##### *ISSUE*

Currently, an individual or entity may not receive, directly or indirectly, payments under EQIP that exceed \$300,000 for all contracts entered into during any six-year period. There is also a waiver provision that allows contracts of up to \$450,000 at the discretion of NRCS. The EQIP payment limit prior to the 2002 Farm Bill was \$50,000, and the average contract is still to this day smaller than half that original payment limit.

The cost share percentage for EQIP can be up to 75 percent (or up to 90 percent in the case of beginning and socially disadvantaged farmers). At the state level, different types of practices and contracts have cost share percentage caps that are lower.

The original EQIP program prohibited funding for regulated industrial animal feeding operations for waste storage and transport. Congress later reversed this matter and waste storage is now one of the top three uses of EQIP funds every year. Some states even designate a specific amount of total EQIP funding specifically for regulated confined animal feeding operations.

##### *PROPOSAL*

The 2012 Farm Bill should reduce the program-wide payment limit for EQIP to \$200,000 per contract, without waiver provisions.

In general, we oppose the use of EQIP funding for waste storage on concentrated animal feeding operations (CAFOs). However, if EQIP funding continues to be made available to CAFOs, the program should be focused on pollution prevention by:

- Prohibiting payments to new and expanding concentrated animal feeding operations for the purposes of waste storage and handling structures and equipment.
- Targeting EQIP funds for animal waste storage and handling facilities for concentrated animal feeding operations to mitigate possible environmental damage from existing systems.
- Prohibiting payments to existing CAFOs located in floodplains, unless the assistance is to help re-locate the facility.

## 5. Conservation Innovation Grants

### *ISSUE*

The Conservation Innovation Grants (CIG) program engages non-federal partners in an effort to stimulate the development and application of innovative conservation technologies and management systems.

Currently no requirement exists that Conservation Innovation Grant funded projects submit analyzed reports to Congress or to the public. This limits both accountability and the effectiveness of the program.

### *PROPOSAL*

The 2012 Farm Bill should establish a reporting requirement for the CIG program that requires NRCS to report the results of grants to Congress, farmers and other direct users of project outcomes, and the general public. The report should include a description of outcomes, lessons learned, successes and challenges, as well as any NRCS plans to use and build on the results of each CIG project.

## F. Conservation Stewardship Program

The Conservation Stewardship Program (CSP) is a comprehensive working lands conservation program designed to protect and improve natural resources and the environment for the future. CSP provides technical and financial assistance to farmers and ranchers to actively manage and maintain existing conservation systems and to implement additional conservation activities on land in agricultural production.

CSP targets funding to:

- Address particular priority resource concerns in a given watershed or region;
- Assist farmers and ranchers to improve soil, water, and air quality;
- Provide increased biodiversity and wildlife and pollinator habitat;
- Sequester carbon and reduce greenhouse gas emissions; and
- Conserve water and energy.

The 2008 Farm Bill authorized a nationwide, continuous sign-up for CSP meaning that farmers and ranchers anywhere in the country can apply for CSP any year and at any time of the year. Periodically during the year, USDA's Natural Resources Conservation Service (NRCS) – the agency that administers CSP – ranks applications and then develops contracts with those farmers and ranchers with the highest rankings until they have completely allocated funding for that ranking period.

CSP acreage eligible for enrollment is allocated to each state based primarily on the amount of agricultural land in that state relative to the national total. With a growing demand for the program over its first three sign ups, CSP has now enrolled nearly 38 million acres, making it the largest USDA conservation program.

## *1. Streamlining and Funding*

### *ISSUE*

There is considerable interest in streamlining farm bill conservation programs to provide better coordination, outreach, and outcome. The new farm bill presents an opportunity to improve coordination between the two big working lands conservation programs – EQIP and CSP.

### *PROPOSAL*

The Conservation Stewardship Program (CSP) should continue to focus on conservation management and vegetative practices to improve and sustain environmental performance. The program should also continue to be based on high environmental standards, including the requirement to address priority resource concerns to levels above the sustainable, non-degradation standard, and its focus on continual improvement and adaptive management.

Now that it has proven effectiveness over a full farm bill cycle, CSP should become the primary working lands program supporting conservation and environmental management and sustainable farming systems. Support for ongoing, advanced management practices should shift from the current dual EQIP and CSP structure to a focus on CSP. EQIP, on the other hand, should fund farms that need support for long-term vegetative and non-vegetative structures and also fund management practices to aid farmers in the goal of reaching toward sustainable levels of resource protection.

This change will add greater consistency to the working lands program, improve conservation and environmental outcomes, and eliminate redundancy. A portion of the EQIP funding baseline consistent with this streamlining plan should be transferred to CSP.

## *2. Payments and Acreage Targets*

### *ISSUE*

There are two major issues with CSP payment levels that have arisen over the course of the first three signups.

First, by statute the average payment per acre for CSP is \$18 nationwide. Trying to meet this national average, some conservation practices are undervalued and underpaid relative to what it actually costs the producer to implement these practices. In some cases, the payment by USDA to implement conservation practices is less than half of the cost and income forgone by the producer to implement the practice.

Second, while CSP is size-neutral, very small and very large operations will have to consider whether CSP is worthwhile for them. Very small acreages, even if producing very high value conservation, still can only earn a certain amount of environmental benefit payment points. A ten acre farm, for instance, may only be able earn a few hundred dollars a year from CSP. For some, it may be worth it for the stewardship recognition, but for others it may not be worth the time and expense. Even though the acreage per farm may be relatively small, these producers should have every opportunity to get into the program, as the cumulative impact of CSP improvements on thousands of these farms would be highly significant.

## PROPOSAL

The new farm bill should increase national average CSP payment of \$18 per acre to \$25 per acre to enable the program to support higher cost, bigger environmental payoff conservation activities. The increase in the per acre average should be achieved in a cost neutral way by using funding shifted from EQIP as part of the streamlining initiative as the offset and modestly reducing the total nationwide annual acreage enrollment goal.

The new farm bill should establish a basic minimum contract payment of \$1,500 per year to encourage participation of small acreage farms and gain the environmental benefits from the enrollment of large numbers of smaller farming operations. For small acreage farms that implement a comprehensive conservation plan that addresses all priority resource concerns above the stewardship threshold level, the minimum payment amount should be double the basic level, or \$3,000. The current \$1,000 per year minimum payment now only serves participants who are socially disadvantaged, beginning, or limited resource farmers or ranchers. The minimum payment should apply to all program participants.

### 3. Conservation Planning

#### ISSUE

The 2008 Farm Bill represented a major breakthrough on conservation planning by making financial assistance available for planning through EQIP and CSP. The 2008 Farm Bill specifically includes conservation planning as part of the term conservation activities: “The term ‘conservation activities’ includes -- (i) structural measures, vegetative measures, and land management measures, including agriculture drainage management systems, as determined by the Secretary; and (ii) planning needed to address a resource concern.” Providing further emphasis, the Managers Statement includes an entire paragraph on the conservation planning within CSP:

*The Conference substitute includes planning needed to address a resource concern as a conservation activity. Since CSP is intended to address multiple resource concerns in a coordinated manner, the Managers encourage the Secretary to implement the program in a manner that encourages comprehensive conservation planning through technical and financial assistance under this program. The Managers encourage the Secretary to use site-specific conservation planning as outlined in the National Planning Procedures Handbook and implement the program in a manner that encourages comprehensive conservation planning on all applicable resources through technical and financial assistance under the program.*

As the Managers statement makes clear, conservation planning is to be incorporated throughout CSP, including technical and financial assistance. Given the clear language of the statute and the report, it is difficult to understand why the USDA’s final rule for the program did not include comprehensive conservation planning.

#### PROPOSAL

Supporting conservation within the context of planning helps clarify choices and improve long-term outcomes. The new farm bill should direct USDA to provide technical and financial assistance for comprehensive conservation planning within CSP. This could be though a conservation enhancement, though we would prefer it to receive ranking points within the Conservation Measurement Tool (CMT), but receive a payment calculated separately from the CMT.

#### *4. Conservation Baseline Inventory*

##### *ISSUE*

A number of issues exist with the current baseline conservation inventory portion of the Conservation Measurement Tool.

First, the baseline questions were originally developed as a tool to determine eligibility for CSP participation. They were then forced into service as a tool to measure ranking points and payment points for existing conservation activities. The tool needs to be reworked to serve the function that it was intended to serve.

Second, a conservation access provision in CSP requires that 5 percent of acres enrolled be made available for beginning farmers and ranchers. Despite this set aside, beginning farmers and ranchers find it difficult to access the program. This is, in part, a result of the baseline inventory questions not being appropriate for this group.

##### *PROPOSAL*

The next farm bill should define the purpose of the Conservation Measurement Tool baseline inventory as a measure of active management and maintenance of high level conservation activities in place at the time a producer enrolls in the program. The CMT should assess environmental benefits for determining eligibility, ranking, and payment levels.

The farm bill should also require USDA to revise the CSP baseline inventory questions to ensure comprehensive treatment of current high-level conservation activities.

In addition, Congress should direct the agency to develop a fair and equitable approach to score baseline activities of beginning farmers and ranchers.

#### *5. Stewardship Thresholds*

##### *ISSUE*

Data from the first two CSP signups show that the current stewardship threshold levels, which applicants must meet to qualify for the program, are set too low. In the first CSP signup for 2009, 97 percent of applicants met three or four thresholds in their existing baseline—before selection and before adding any new practices. NRCS erred in deciding to pursue an “average” conservation threshold level rather than a true stewardship threshold level.

##### *PROPOSAL*

The new farm bill should require USDA to upgrade the stewardship thresholds in one of two ways. The preferred method would be to set them based on the Quality Criteria for the Resource Management System (the non-degradation or sustainable use) levels for the particular resource concerns, as was envisioned by the legislative history for the program. A second approach would be to set them based on actual data from CSP sign-ups to date, using sign-up data to move thresholds closer to the cut-off point for acceptance into CSP. Either way, they need to be increased and consistent with the original intent of the legislation.

## *6. Transparency*

### *ISSUE*

While the CMT serves an important administrative function for CSP, the program will not achieve its full potential until users can learn, with the assistance of NRCS, how maintaining or changing their management practices impacts their CMT conservation performance scores. NRCS field staff and producers miss the point of CSP if they do not understand the relative environmental and financial value of conservation practices. An applicant should not simply see a final conservation performance score, but should clearly understand how the score was determined. The scoring process should be transparent and available to producers, staff, and Technical Service Providers so that CSP plans can be developed with full knowledge of how farming systems and practices result in performance points.

### *PROPOSAL*

The new farm bill should require USDA to develop and publish a user-friendly, and interactive version of the CMT online within 18 months of enactment. Such a tool would allow interested producers to explore how differences in their baseline answers and enhancement choices change scores and the environmental outcomes for their farms and ranches.

Beyond publishing a working version of the CMT online, the 2012 Farm Bill should require USDA to make every effort to increase accessibility and transparency in program delivery. For example, USDA should make scoring information about conservation enhancements, bundles, and practices available in an easy to understand format both before and during application and run contract scenarios with farmers and ranchers upon request.

## *7. Scoring and Ranking*

### *ISSUE*

Currently, the majority of the “ranking factors” used in CSP applications credit producers for additional conservation activities. This means that a new conservation activity is given far greater weight than an existing conservation activity even if the environmental benefits of each are equal. Every aspect of CSP regulation and program design, including payments, should balance existing and new conservation activities. Regardless of the timing of adoption of or improvement to parts of the system, environmental benefits secured by the total conservation system should be the sole measure.

### *PROPOSAL*

The current five “ranking factors” used to rank CSP applications should be streamlined into a simple two-step process. First, applications should be ranked solely according to their total environmental benefits score. This will make the program fairer and less complicated. Second, the cost factor should be kept for its current use as a tiebreaker among otherwise equally ranked proposals.

## *8. Contract Renewals*

### *ISSUE*

Currently, CSP contracts can only be renewed once. This is counter-productive to the program's goal to advance ongoing, iterative land stewardship to improve and maintain environmental performance.

### *PROPOSAL*

The next farm bill should allow producers to continually renew their CSP contracts, so long as they have satisfied all previous contract obligations and increased their environmental benefit score since the previous renewal. Producers could increase their score by addressing additional resource concerns or adding or improving conservation activities within existing resource concerns.

The law should also require all participants to be above the stewardship threshold level for all priority resource concerns by the end of the second contract period.

## *9. Timing of New Enhancements and Practices*

### *ISSUE*

The first CSP payment to a producer is made in October (the start of the new fiscal year) following the contract year, and then every October thereafter for the term of the contract. Given that payment schedule, it does not make sense to mandate, as NRCS currently does, the adoption of at least one enhancement in the first year of the contract. Such a mandate requires the farmer to pay the full cost of the enhancement well before the first payment. While there will certainly be some farmers and some enhancements where this is possible, and it should be encouraged, it is blatantly unfair to universally mandate this. The impact on limited resource, beginning, and socially disadvantaged farmers and ranchers is particularly severe.

### *PROPOSAL*

The new farm bill should change the regulatory mandate for the first new enhancement from the contract year to the first payment year. We do not oppose encouraging farmers to adopt new enhancements as soon as possible, but we believe it unfair and unrealistic to mandate that farmers implement conservation activities a year prior to the first CSP payment. This change will also bring consistency between EQIP and CSP.

## *10. Eligibility*

### *ISSUE*

Currently, FSA "actively engaged in farming" rules do not apply to CSP. The actively engaged rules allow crop share landlords and tenants to participate in USDA programs, but reduce the ability of absentee investors to benefit. The rule also reduces the opportunity to create "paper" farms whose only purpose is to enable the beneficiary to collect payments in excess of the limit through well-established payment limit avoidance devices that direct attribution does not capture.

## *PROPOSAL*

The next farm bill should unambiguously apply “actively engaged in farming” rules to CSP. Given limited funds, it is especially important that payments are targeted to operating farmers and their crop share landlords, and not to individuals and their corporations or partnerships that are not engaged in farming.

### *11. Beginning Farmers and Ranchers*

#### *ISSUE*

As the 2008 Farm Bill and the USDA final rule make clear, first-year beginning farmers and ranchers are eligible to participate in CSP. However, the final rule requires applicants, at the time of application, to already be meeting the stewardship threshold for at least one resource concern. By definition, this excludes first-year beginners.

#### *PROPOSAL*

The new farm bill should create a special provision for first-year beginning farmers that exempts them from the requirement to meet the stewardship threshold for at least one resource concern at the time of application, and instead requires them to, at a minimum, meet or exceed the stewardship threshold for at least one priority resource concern by the end of the first year of the contract. Such a provision would retain the program’s goal of assisting farmers to solve pressing resource concerns, but would do so in a manner that resolves the statutory and regulatory conflict of allowing new farmers to participate, but then eliminating them from consideration due to one particular program rule.

### *12. Interaction with CRP*

#### *ISSUE*

Millions of acres are set to expire from the Conservation Reserve Program (CRP) over the next several years. The CSP provides an opportunity for producers to continue to practice conservation on this land as it transitions into working land. However, land enrolled in the CRP is ineligible for enrollment in CSP. NRCS has interpreted farm bill language to mean that producers cannot even apply for CSP while their CRP contracts are active. Unfortunately, CRP contracts all end September 30, the last day of the fiscal year; so unless the CSP application deadline for a given fiscal year is extended, a landowner would have to apply to CSP after September 30 and, if accepted, wait until October 1, a full year later, to receive their CSP payment. This is clearly a disincentive to getting expiring CRP lands into an ongoing stewardship program.

#### *PROPOSAL*

The new farm bill should allow a farmer to apply for CSP enrollment on land enrolled in a Conservation Reserve Program (CRP) contract that is expiring at the end of the fiscal year in which the farmer applies for CSP enrollment. If the Secretary accepts the CSP contract, CSP payments in the first fiscal year of enrollment would hinge on CRP general sign-up contract expiring and CRP payments on land enrolled in CSP ceasing. This would satisfy the stipulation that no producer may be enrolled in both programs at once, but would allow producers to apply for enrollment in one program while still enrolled in the other.

Also, if a sustainable grazing operation will be established on the land, the new farm bill should allow the operator to prepare the site for grazing in the final year of the CRP contract provided there is no disruption to conservation and wildlife benefits.

### ***13. On-Farm Research and Demonstration***

#### ***ISSUE***

On-farm research and demonstration (as well as pilot testing of newer technologies) is currently treated as a CSP enhancement. It is provided with a low ranking point total, one that is not based on expected environmental benefits, as are the rest of the enhancements. The statute, by contrast, stipulates that on-farm R&D should receive an “additional” payment. Providing a low ranking and payment point total does not provide much of an incentive to participate, and the incremental payment received does not, in most instances, cover the cost of the research project.

#### ***PROPOSAL***

For payment purposes, the next farm bill should direct NRCS to take On-farm Research and Demonstration out of the CMT point value payment structure and stipulate that these payments – the “additional payments” referred to in the 2008 law – be made on a more traditional basis of simple cost calculations. To ensure it does not get double counted for payment purposes, the ranking score value for on-farm R&D could be moved to a separate location on the CMT where it can be included for ranking, but not payment, purposes.

Basing research and demonstration payments on the actual costs of the project and, where applicable, income forgone, would be more logical. It would make it more attractive and understandable to the producer, increase the opportunities for researchers to find farmers interested in participating in larger research projects, and parallel other USDA programs with on-farm R&D project components. Importantly, it would be totally consistent with the existing statutory provision for “additional payments.” Structured in this manner, the R&D option will become a more effective part of CSP and aid NRCS overall mission.

### **G. Coordinated Easement Program**

#### ***ISSUE***

USDA currently administers a variety of easement programs, including the Wetlands Reserve Program (WRP), the Farmland Protection Program (FPP), and the Grassland Reserve Program (GRP). While each program plays an important role in preserving our natural resources, opportunities exist to reduce duplication and increase the efficiency of implementation while maintaining the unique virtues of each program and accomplishing the same conservation outcomes.

#### ***PROPOSALS***

The farm bill should direct NRCS to develop a single easement program umbrella for WRP, GRP, FPP, and, as explained below, for a new CRP-related option. The program should include a transitioning-land conservation component that ensures continued conservation on expiring CRP

acres. Focus should be on creating long-term and permanent easements. The coordinated easement program should use a single administrative structure, including application, contract, payment, and enforcement components. The new coordinated program should be not only adequately funded, but should receive a permanent program baseline to ensure its ongoing operation and success.

### *1. Wetlands*

Most importantly, in creating an authority for the coordinated easement program, the hole in baseline funding for WRP should be filled. The Wetlands Reserve Program should be retained as a component of the coordinated easement program outlined above, with an enrollment directive of no less than 150,000 acres per year nationwide, a strong priority for permanent easements, and a permanent funding baseline.

A new provision should direct USDA to offer incentives to landowners to allow public access to the land as part of community development plans for hiking, biking, hunting, fishing, bird watching, and other public recreational activities that do not conflict with the conservation goals of the WRP.

### *2. Grasslands*

The new farm bill should combine existing GRP and a new CRP easement option into a new long-term and permanent easement option that:

- Encompasses the easement component of the GRP, with an emphasis going forward of preserving native prairie and prime grasslands for conversion. The Conservation Stewardship Program, which has greatly eclipsed GRP in number of working grassland acres enrolled, should provide broader support for grazing management (the existing contract component of the GRP, which should now be terminated).
- Allows landowners to preserve expiring CRP acres as grassland with sustainable grazing operations.
- Allows landowners to choose the long term or permanent easement option when signing up for or re-enrolling in the CRP.

### *3. Farmland Protection Component*

- The goals and purposes of the FRPP should be retained. The application, contract, payment, enforcement, and other administrative components of the program should become part of the single administrative structure of the coordinated easement program.
- As a requirement for entry into the program, awardees should be required to have a comprehensive conservation plan. Producers should work with NRCS to assess their resources, status, problems, and potential solutions in a comprehensive conservation plan.
- Both the grassland and farmland easement program components should stress options that keep land as viable, ongoing farming and ranching operations. A priority should be created for eligible land with: (i) farmland protection easements on land for which there exists a farm or ranch succession plan or similar plan to create opportunities for beginning farmers and ranchers; (ii) land with easements that include an option to purchase at a price that is equal

to the agricultural use value; (iii) land for which beginning farmers or ranchers have a contract to purchase; (iv) land owned by a nongovernmental organization that will be sold subsequently to a qualified beginning farmer or rancher; (v) eligible land subject to contemporaneous farm transfer to a qualified beginning farmer or rancher; and (vi) other similar mechanisms to maintain the affordability of farm and ranch land for successive generations of farmers and ranchers.

## **H. Land Retirement – Conservation Reserve Program**

### *ISSUE*

The Conservation Reserve Program (CRP) is the largest federal agricultural conservation program, paying landowners to retire roughly 32 million acres of farmland from production. Originally authorized in the 1985 Farm Bill, CRP is a voluntary program that provides payments to landowners to remove environmentally sensitive land from production for 10-15 years at a time and provides cost-share for the establishment of conservation practices to enhance soil, water, wildlife habitat, and air quality.

Since its original enactment, three additional program components have been added to the CRP. The continuous sign-up CRP (CCRP) targets the enrollment of acreage to establish specific high priority conservation practices, including conservation buffer strips, which do not require the setting aside of whole farms or fields to deliver important environmental benefits.

The Conservation Reserve Enhancement Program (CREP) allows USDA to enter into an agreement with a state to focus CRP resources on specific geographic areas or resources issues the state has identified. In addition, the state provides resources to increase incentive payments, purchase permanent easements, or undertake other conservation measures. In some states, non-profit organizations are also involved in funding and implementing CREP agreements.

The CRP Transition Incentives Program (CRP-TIP), which was created in the 2008 Farm Bill, offers a special incentive of two years of extra CRP rental payments to owners of land which is currently in CRP but returning to production. Owners qualify when they rent or sell to beginning or socially disadvantaged farmers and ranchers who will use sustainable grazing practices, resource-conserving cropping systems, or transition to organic production.

The 2002 Farm Bill authorized an increase in total enrolled CRP acreage from 36.4 million acres to 39.2 million acres, however the 2008 Farm Bill then decreased the total enrollment cap to 32 million acres. Generally, no more than 25 percent of a county's cropland can enroll in the CRP and WRP. The 2008 Farm Bill includes new authority for the USDA Secretary to waive this cropland limit, if the county agrees, in order to enroll cropland in the CCRP or CREP. In addition, the Managers' Statement for the farm bill directs USDA to update rental rates and use incentive payments for all CCRP practices to make the program more competitive and economically viable for producers. Some economic uses of CRP land are allowed, including grazing, haying, managed harvesting (including harvesting of biomass), and constructing wind turbines. Any haying or grazing, however, must be paired with a site-specific management plan, developed in coordination with the State Technical Committee. These economic uses are limited to avoid significant interference with the conservation purposes of CRP. The rental payment for CRP is reduced to reflect the increased income from the activity.

The 2010 general sign-up brought total CRP enrollment to 31.2 million acres nationwide, which is 800,000 acres under the program's statutory cap of 32 million acres. A margin is generally maintained to keep acres available for continuous enrollment in the Continuous Sign-up CRP Buffer Initiative (cCRP) and for the Conservation Reserve Enhancement Program (CREP) and the State Acres for Wildlife Enhancement program (SAFE).

The current federal and state policies of promoting and subsidizing first-generation biofuel production provide a strong incentive for CRP landowners to return land to agricultural production. Currently, this incentive focuses on a return to row crop production because most US biofuel production is ethanol produced from corn stocks, with a smaller amount of biodiesel produced from oilseeds. Research and development of biofuels from a more diverse array of crops, including switchgrass and other perennials, is accelerating, which could result in the production of biofuels from a wider array of sources in more sustainable systems.

## *PROPOSAL*

### *1. Continuous sign-up CRP and CREP*

The next farm bill should direct USDA to always retain sufficient acreage for the continuous sign-up (CCRP, CREP, SAFE). We support the reservation within the CRP of at least 7 million acres or 20 percent of total CRP acreage, whichever is greater, for CCRP, CREP, and SAFE enrollment. The CRP should be managed to ensure that no fewer than 500,000 acres are available each year for CCRP and CREP enrollment.

The next farm bill should direct USDA to apply all the special incentives it currently offers for some to all continuous sign-up practices, rather than excluding contour grass strips, wetland buffers, shelterbelts, wildlife buffers, and other specific practices.

All areas of the country should have access to CCRP, with retention of space for the CCRP within the 25 percent cap on a county's cropland enrolled in the program overall. In addition, states should be authorized to petition USDA's Farm Service Agency to allow continuous enrollment of land with rare and declining habitat.

### *2. Streamlining*

The next farm bill should integrate the Wetlands Reserve Enhancement Program (WREP) and the Emergency Watershed Program's Floodplain Easement program into the Conservation Reserve Enhancement Program and CRP baseline funding.

Riparian buffers, wetland restorations, and tree planting predominate project funding for the current 1.2 million acres of CREP. The state and federal partnerships that buy conservation easements under CREP show many similarities with WREP and EWP Floodplain Easements. CREP partnerships offer greater flexibility, and have less short and long-term USDA administrative costs than do WRP and EWP.

The new CREP wetland restoration and floodplain easement goals should be comparable to past WRP and EWP acres annually enrolled.

CREP partner matching requirements should drop from 20 percent to the 5 percent used in the WREP. This will enable more land trusts and state or local governments to sponsor well targeted land protection initiatives.

### ***3. CRP General Sign-up***

The CRP should be retained as the major agricultural land retirement program with improvements to the environmental benefits index, continuation of competitive bidding, and inclusion of environmentally benign measures for dealing with invasive species. To improve overall cost effectiveness and encourage enrollment of highly sensitive land in high land price areas, significantly greater weight within the Environmental Benefits Index (EBI) should be given to discounted bids below local rental rates.

The CRP should include incentives for landowners to allow public access to the land as part of community development plans for hiking, biking, hunting, fishing, bird watching, and other public recreational activities that do not conflict with the conservation objectives of the CRP conservation plan.

### ***4. CRP Transition Incentives Program***

Started by the 2008 Farm Bill, the Conservation Reserve Program (CRP) – Transition Incentives Program provides incentives for retired or retiring farmers to rent or lease land expiring from CRP contracts to beginning or socially disadvantaged farmers who commit to advanced conservation farming systems. CRP-TIP should be continued through 2017 and amended to strengthen the conservation language, create a comprehensive conservation plan option, and also allow transition between family members who meet the eligibility criteria in the case of land sales or transfers of title to the younger generation.

## **I. Targeted Conservation Projects**

### ***ISSUE***

The Cooperative Conservation Partnership Initiative (CCPI) supports special local and regional conservation projects that involve groups of farmers or ranchers in partnership with USDA, farm, conservation and other non-governmental organizations, state and tribal agencies, and/or other entities. NRCS reserves 6 percent of the total funds or total acres each year from EQIP, CSP, and WHIP for CCPI projects. This translates into over \$100 million a year available for special cooperative conservation projects.

The CCPI ensures specific attention to state and local conservation priorities and concerns, with 90 percent of the funds and acres reserved for projects chosen by the NRCS State Conservationist, in consultation with the NRCS State Technical Committees. The USDA Secretary must use the remaining 10 percent of the funding for multi-state CCPI projects selected through a national competitive process. Project partnership agreements with USDA can run for up to 5 years.

CCPI offers an opportunity to target and leverage resources to address critical conservation issues, such as water conservation and nutrient management. It is also the most appropriate vehicle for

beginning to deal with increasingly frequent extreme weather events and their impact on agriculture. Dependent on weather and the availability of natural resources, agriculture is uniquely vulnerable to both direct and indirect effects of climate change. Climate change scenarios for the United States predict increasingly erratic weather patterns, including increased drought and flooding events, changing weed, disease and pest pressures, increased animal diseases, changing crop maturation dates, and loss of chill hours for fruit and nut tree crops. Finally, U.S. production agriculture, including the production of annuals as biofuel feedstock, is a contributor to greenhouse gas (GHG) emissions, which can be reduced by improving the sustainability of agriculture production systems.

To keep agriculture viable in the coming decades, greenhouse gas (GHG) emissions must decrease and the worst climate change impacts averted. Agriculture can be part of the climate solution, and investments must be made to recognize and support those agricultural practices that enhance climate change mitigation and improve agriculture's resilience in the face of a changing climate.

Sustainable agriculture, which is diverse in crop and forage production, provides natural habitat that support populations of pollinators and natural enemies, and uses soil and pest management practices that do not rely on synthetic, toxic inputs, offers the best opportunities in agriculture to address the multitude of natural resource conservation concerns.

## ***PROPOSAL***

This proposal would:

- Integrate the Agriculture Water Enhancement Program into the CCPI allowing NRCS and partners to more effectively target and leverage limited resources to conserve water and improve water quality.
- Develop innovative partnerships between farmers and ranchers, nonprofits organizations, land grant universities and USDA to assist in the development and implementation of on-farm conservation practices, including soil quality improvement, climate change mitigation and adaptation activities, nutrient management, and carbon sequestration.

Given the similarities between CCPI and AWEP, the two programs should merge in the next farm bill. This merger could be achieved by incorporating the agricultural water conservation and quality goals of AWEP into CCPI as a specific conservation goal for CCPI, with the option of reserving a certain amount of program funding for the water conservation and water quality goals component. Modification of CCPI could also support greater financial and technical assistance to agricultural producers for activities that provide climate change benefits, including coping with more extreme weather events, increasing resilience to rising temperatures, changes in precipitation patterns and related climate changes, as well as reducing greenhouse gas emissions.

The new CCPI should direct NRCS to prioritize funding projects in which project sponsors have identified producers participating in the project and the project sponsors to act on behalf of these producers in applying for the program.

The new CCPI should retain the AWEP cooperative agreement option to provide technical assistance and outreach funding. This would allow communities and NGOs to better access this program and provide the technical assistance and outreach needed to impact a project on a community-wide scale.

The new farm bill should also direct NRCS in even stronger terms than the 2008 Farm Bill to provide for flexibility to adjust elements of the conservation programs if it will increase

environmental outcomes, better reflect unique local circumstances, and help achieve the purposes of the CCPI project.

The new CCPI should include a priority for projects that address conservation and rural community development goals simultaneously. When community members see conservation as an opportunity to strengthen their community, they view it in a positive manner, enabling the further development of conservation and environmental protection and enhancement. If the community is involved, it will strengthen environmental outcomes and, in turn, rural communities. Access to open and natural space is an amenity that also strengthens communities; federal policy should provide the incentives that allow farmers, ranchers, and rural communities to tap those resources.

The merged program should retain most of the AWEP funding baseline as well as the conservation program funding from CCPI. This would open the water conservation and water quality projects, currently eligible under AWEP only for EQIP funding and practices, to funding from EQIP, CSP, and the Wildlife Habitat Improvement Program.

In addition, the farm bill should be amended to allow CCPI to include funding from the Wetlands Reserve Enhancement Program (WREP) or the Conservation Reserve Enhancement Program (CREP) for specific projects. Such projects would include a sponsor or co-sponsor eligible to enter into a WREP agreement with NRCS or provide enrollment in WREP as an option for the project.

The development of a climate change mitigation and adaptation conservation goal would enable farmers to leverage funding from the EQIP, CSP, WHIP, WREP, and CREP programs to receive the technical assistance and funding support they will need to become more resilient in the face of changing weather patterns and events. Climate change is a focus for USDA research projects under the Agriculture and Food Research Initiative. CCPI can complement this key priority by providing the on-the-ground resources to farmers and ranchers to address the risks of climate change.

The new farm bill should provide that 10 percent of the funds for EQIP and WHIP and 10 percent of the allowed acres for CSP be reserved for support of producer contracts approved under CCPI. This is an increase over the 6 percent provided in the 2008 Farm Bill. This reserve would provide an average of \$330 million per year over the term of the farm bill for a revised CCPI that includes the goals of AWEP and climate change adaptation and mitigation. The \$60 million annual funding stream currently budgeted for AWEP should be retained for the new merged CPPI.

## **J. Renewable Energy Programs**

### ***ISSUE***

As America responds to pressing energy and climate dilemmas, swift progress toward greater energy independence through increasing renewable energy production is critical. It is equally critical that renewable energy production develop in a manner that enhances rural communities and the environment. The next farm bill should redirect current energy production incentives to ensure that the emerging renewable energy industries benefit US family farmers and rural communities while safeguarding soil, water, and biodiversity.

The conservation of natural resources, including soil quality, water and air quality, wildlife habitat, and native biodiversity, must be a major focus of agriculturally-based energy production systems. Currently, the primary agricultural biofuel produced in the US is ethanol from corn, with a smaller

amount of biodiesel from soybeans and other oilseeds. Both the federal government and many state governments have set ambitious corn-ethanol and oilseed-biodiesel production goals with insufficient attention to the sustainability and environmental impacts of this biofuel production.

At the same time, however, research and development on advanced bioenergy production is accelerating with the possibility of agriculturally-based energy production using a wide array of plants and cropping systems, including switchgrass, willows, other grasses, forbs, and woody plants. In addition, wind-based energy production and solar production in rural areas is providing energy for individual farms, local communities, and the large regional electricity markets.

The next farm bill must ensure that the environmental performance of current agricultural energy systems improves. Also, future agriculturally-based energy should be produced in sustainable systems that minimize environmental degradation and improve soil health, water quality, and wildlife habitat by integrating diverse, perennial energy crops into our agricultural systems.

The following is a list of principles under which agriculturally-based energy production should operate:

- **Any energy policy must immediately prioritize managing current energy usage through energy efficiency and conservation.** Reducing energy waste is common sense, saves money, and helps protect the environment. Numerous studies have shown that improving the efficiency with which energy is used is the cheapest and quickest energy "source." The production of energy from any system, including agriculture, places burdens on the environment and natural resources. These national resources should not be squandered in poorly designed buildings, vehicles, and other devices.
- **Development of new energy sources should not only be ecologically sound, but socially responsible and locally managed when possible.** A farm-based, sustainable energy system has great potential to naturally respond to the economic needs of rural communities and family farmers. The public good of a farm-based energy system must meet the same criteria of a sustainable agriculture system: economically viable, locally managed, ecologically sound, and socially responsible. The appropriate scale of new renewable energy systems must also be considered.
- **All energy developments, including renewable energy, should go through individual site and environmental review to minimize ecological impacts.** Impacts need to be considered for: 1) parks and recreation areas; 2) wildlife and wetlands; 3) migratory bird patterns; 4) landscape preservation; 5) soil conservation and soil quality; and 5) other environmental issues of local concern.
- **Biomass should generally go to the highest sustainable use, which may not be energy production.** Biomass (that is, plant material) that could be burned for energy can have other uses, such as compost feedstock, organic mulch, organic fertilizer, or bio-products. Policies should avoid providing incentives for biomass energy production that is not prudent.
- **Biomass byproducts should be utilized in an ecologically sound and sustainable way.** Location of biofuels plant and attendant livestock feed supply should further sustainable livestock production, not factory farm production.
- **Biomass energy should be grown or produced in a sustainable way that provides net environmental benefits.** Biomass energy crops should be grown and harvested in a way

that embodies best stewardship practices to maintain or improve air, water and soil quality. Criteria for judging sustainable energy production include:

- **Impact on water quality.** Sediments, pesticides, nutrients, or any other waste products should not pollute or negatively affect surface water, ground water, and the aquatic ecosystem. It should not consume water beyond replacement levels.
- **Impact on soil quality.** Soil quality should not be degraded. Soil organic content, water retention, and fertility should be improved.
- **Effect on wildlife.** There should be little or no detrimental effect on wildlife on land producing biomass, relative to alternate economic uses for the land.
- **Effect on air quality.** Biomass energy production should result in a net increase in air quality, from net reduction in such air pollutants as nitrogen oxides, particulate matter, and carbon dioxide.
- **Net energy balance.** More energy should be released through biomass energy use than is consumed in producing it over its complete lifecycle. This includes energy consumed from planting, cultivating, fertilizer and pesticide application, harvesting, and transportation.
- **Diversity.** Biomass energy production must avoid the monoculture trends of industrial agriculture. Crop rotations or polycultures must be incorporated at the landscape scale in order to ensure sufficient diversity of species to attain soil quality, wildlife habitat, and ecosystem health.
- **Adequate income.** Federal farm policies must be adopted to ensure farm income from biofuels promotes sustainability.

## *1. Renewable Energy for America*

### *ISSUE*

The Renewable Energy for America Program (REAP) provides cost-share for energy audits and renewable energy technologies, as well as grants and loans for energy efficiency improvements and renewable energy systems. The 2008 Farm Bill combined the 2002 Farm Bill's Section 9005 program for energy audits and renewable energy development and the Section 9006 Renewable Energy Systems and Energy Efficiency Improvements Program to form the Rural Energy for American Program.

Four percent of REAP funding is secured each fiscal year for the energy audit and renewable energy development grants up to April 1 of the fiscal year, after which time the funding will be available for the energy efficiency improvement and renewable energy system grants and loan guarantees. The 2008 Farm Bill provides for up to 10 percent of funding for feasibility studies for projects eligible for REAP funding. The 2008 bill included a provision that reserves 20 percent of REAP funding provided each fiscal year for grants of under \$20,000 until June 30 of each fiscal year. This ensures that small and mid-size farms are not left out.

In the April 2011 Interim Final Rule (IFR) for the program, USDA announced it will use REAP as the source to pay 25-percent of the costs of flexible fuel pumps at gas stations. USDA intends to use

REAP to pay some of the costs for 2,000 pumping systems each year over the next five years. At a cost of \$120,000 per pump, this initiative could use up a large portion of REAP funding. REAP is designated in the farm bill for renewable energy systems and energy efficiency grants and loans. It is a major stretch to interpret the statute as authorizing subsidization of blender pumps at gas stations. The IFR gives the pumps a high priority for funding. The immediate recipients of this largess will be the large oil companies that blend ethanol with gasoline. Policy debate about transforming ethanol tax credits spending into infrastructure support is under way. It makes no sense to take farm bill resources dedicated to a different purpose to layer on upfront blender pump subsidies before the tax credit debate plays itself out.

## ***PROPOSAL***

The next farm bill should reauthorize the program and provide at least \$50 million annually in mandatory funding in each of FY 2013 - FY 2017.

The use of REAP funding to subsidize oil companies does not align with the intent of the program. The program should support rural projects that produce wind, solar, and bio-based energy. The new farm bill should explicitly exclude blenders from receiving REAP money, unless the blenders are small or mid-sized locally owned companies in rural areas. Congress must step in to ensure that the program realigns with its statutory objectives.

Beyond correcting this misuse of the program, a new provision should be added to ensure that sustainability criteria, as outlined above, drive awards. The program should encourage agricultural producers to implement production techniques that preserve the integrity soil, water, air, and wildlife habitats. This provision should also require a showing of significant net environmental benefit and provide a preference for the development of locally owned energy projects to guarantee that communities receive real economic benefits and that projects will be suitable for local circumstances.

## ***2. Biomass Crop Assistance Program***

### ***ISSUE***

The 2008 Farm Bill established the Biomass Crop Assistance Program (BCAP) as a new Title IX energy program. Congress intended for this program to provide project-based financial assistance that encourages the production of renewable biomass energy crops, and perennial polycultures in particular, which show promise as energy-efficient bioenergy or biofuels. The program was designed to develop new crops and cropping systems that preserve natural resources.

Unfortunately, FSA chose to implement the CHST component of BCAP through a Notice of Funding Availability without environmental or economic review. FSA based this on the false premise that BCAP is an entitlement program. An estimated 350 timber mills, small power generators, and other entities signed up as bioconversion facilities so that suppliers of biomass could receive the CHST subsidy. By late 2009, the Office of Management and Budget had allocated \$514 million to BCAP through March 2010. In February 2009, the President's Budget Request for FY2011 estimated that BCAP would cost \$742 million for FY2010-2011 alone, far exceeding the farm bill estimate of \$70 million over the course of five years.

Unlike the CHST portion of the program, FSA chose to implement the bioenergy crop component of the program through a proposed rulemaking. FSA did not issue a proposed rule for BCAP until February 2010. As a result of its emphasis on the CHST component of the program, the first BCAP

bioenergy crop project was not implemented until May 2011, nearly three years after the passage of the 2008 Farm Bill.

Due to a growing controversy over the payment projections for the CHST and the diversion of forest biomass from finished products (such as cabinetry) to fuel feedstock, the President's FY2012 budget request capped the CHST component of the program at \$70 million. If enacted, this would provide that most BCAP money would go toward the project areas component of the program in 2012. BCAP has no budget baseline beyond 2012.

## *PROPOSAL*

The next farm bill should make the following changes to the program:

- Fund BCAP at \$40 million annually in 2013-2017. This roughly equals the amount of money needed to fund 5 or 6 BCAP projects per year, depending on their size.
- Given the very significant problems with the CHST component of the program by FSA, it should be eliminated.
- In contrast to the CHST component, the 2011 FSA-funded BCAP projects have, for the most part, conformed to the program's purpose, which is to help establish new bioenergy crops, particularly perennials. The farm bill should require that, if project money is used to fund the production of an annual crop for bioenergy, annual crops must be part of a resource-conserving crop rotation.
- The project component should be competitive and only available for developing new sources of energy. In selecting projects through a competitive process, the program should give higher scores to advanced bioenergy projects (at least second generation) that establish perennial crops and trees, with participating farmers or forest landowners who have a conservation plan approved by NRCS.
- Require that NRCS play a central role in the implementation of BCAP. NRCS and the U.S. Forest Service should plan the conservation component of the program. While recipients of BCAP must obtain a conservation plan for their project from NRCS or USFS under current statute, this planning requirement does not seem to be enforced. The new farm bill should clarify the importance of obtaining conservation plans that protect soil quality, including adequate soil carbon levels, and that protect water quality, air quality, wildlife habitat, and other natural resources.
- The residues of Title I commodity crops are currently listed by FSA as an eligible material under BCAP, despite the statute excluding commodity crop residues from BCAP "eligible material" and BCAP "eligible crops." The new farm bill should reiterate that Title I commodity crop residues are not eligible materials and are not eligible crops within BCAP.

## IV. MARKETING, FOOD SYSTEMS, AND RURAL DEVELOPMENT PROGRAMS AND POLICIES

### Background

American agriculture is experiencing a transformation. A resurgence in consumer demand for healthy and sustainably produced food, increasing interest in local and regional markets, and rapid advances in information and farming technology—all of these factors are coalescing to form a unique set of opportunities and challenges for farmers and rural communities. The current farm bill contains some programs to help farmers and rural communities tap these emerging markets and business trends, but relative to demand and opportunity, these efforts need to be enhanced. Farm bill policy should reduce the infrastructure, marketing, and information barriers that limit growth in local agriculture and rural communities.

**Rural Communities** -- Rural communities are looking to leverage their local resources into the entrepreneurship and small business success necessary to ensure lasting economic vitality. Revitalization of family farming and ranching, which injects money into the local economy, should be pursued as part of a larger strategy to revitalize agricultural communities. Small-scale entrepreneurship is the one development strategy that consistently works in these communities. Rural development programs targeted at small business development have contributed to job creation in rural areas. Farm bill funding should help support the establishment of owner-operated farms and rural businesses through a variety of grant opportunities, but at the same time streamline USDA Rural Development (RD) programs. Priority should be placed on providing flexibility and incentives for regional collaboration and investment.

**Public Health and Our Children** -- Across America we should be striving to preserve, maintain, and enhance our communities such that our children will enjoy the same healthy food choices that we have. In addition, emerging data demonstrates the opportunities across the country to link enhanced production of fruits and vegetables to our nation's public health goals, as well as to a state's economic development goals. Interest in farm to school programs is soaring across the country with farm-to-school programs now in all 50 states, galvanized by concern over childhood obesity and a real interest in preserving family farms and investing in local and regional economies. The White House Task Force on Obesity identified farm to school programming in its list of innovative and worthy solutions to the obesity epidemic. Farmers are heartened by this opportunity for strong, stable markets that they can count on year after year.

**Food Security** -- Low-income and disadvantaged Americans face particular challenges in accessing fresh, healthy food. USDA data indicates that there are around 13.5 million people live in "food deserts" in the U.S., which are defined as "a *low-income census tract* where a substantial number or share of residents has *low access* to a supermarket or large grocery store." There are opportunities in our nation's agriculture and food policies to galvanize resources to expand access to healthy food for underserved communities.

**Consumer Demand** -- Producers are responding to skyrocketing demand for local and regional food by increasing production, creating new markets, and launching new businesses. Locally marketed foods accounted for an estimated \$4.8 billion in gross sales in 2008, the number of farmers markets nationwide jumped 17 percent in 2011, and all 50 states now have farm-to-school programs.

These statistics reflect increasing consumer desire to support local farmers and ranchers, growing public concern about how food is grown and raised, and the rapidly expanding popularity of markets that bring together farmers and residents of both rural and urban communities. As demand continues to grow, agriculture and food policies must support growing production.

Today's global food network is comprised of a shrinking number of farmers operating on increasingly large farms to produce food for shipment to distant communities across hundreds, often thousands, of miles. The distance food travels from where it is produced to where it is purchased and consumed, often referred to as "food miles," continues to rise with our growing reliance on centralized production and agricultural imports. As a result, the relationship between people and their food has become distant, farmers are receiving less and less of the food dollar, and local economies are being undermined as their agricultural base continues to disappear. On a larger scale, the increase in the "food miles" traveled by agricultural products is a substantial contributor to our nation's collective energy bill.

These economic, environmental, and social problems all stem in part from the shortcomings of a food system that often overlooks the potential for sustainable growth offered by local and regional food markets. Growing regional agricultural economies result in the recirculation of profits in the local community, thereby supporting other locally owned businesses. Other benefits include reductions in the use of energy for transportation, the availability of fresher produce for consumption, conservation of agro-biodiversity, farmland preservation, and community development through expanded local social and business networks.

## **A. Horticulture and Organic Title**

### ***1. Specialty Crop Block Grant Program***

#### ***ISSUE***

The Specialty Crop Block Grant Program (SCBGP) provides grants annually to assist State Departments of Agriculture in enhancing the competitiveness of specialty crops (fruits, vegetables, tree nuts, and nursery crops). To receive grants, states must submit an application and plan outlining how the grant funds would be spent. Each state can then use the funds to supplement state programs or make grant funds available for projects to enhance the competitiveness of specialty crops.

Grant funds cannot be used to solely benefit a single organization, institution, or individual, but rather must be used for projects that impact and produce measurable outcomes for the specialty crop industry and/or the public.

Examples of project areas that would qualify for funds include, but are not limited to: food safety; food security; nutrition; trade enhancement; education; research; promotion; marketing; plant health programs; "Buy Local" programs; increased consumption; enhanced innovation; improved efficiency of distribution system; environmental concerns and conservation; product development; and cooperative development.

The 2008 Farm Bill replaced the authorization for appropriations for this program in previous law with mandatory funding. The minimum grant each State is eligible to receive under the program was

amended from \$100,000 to an amount that is equal to the higher of \$100,000 or one-third of 1 percent of the total amount of funding made available for the fiscal year. The rest of the funds are then allocated to states based on the proportion of the value of specialty crop production in the state in relation to the national value of specialty crop production.

## *PROPOSAL*

The annual mandatory direct funding for the Specialty Crop Block Grant Program should be increased from \$55 million to \$90 million. Within this increased funding, the next farm bill should create a \$30 million a year allocation to local and regional farm and food system specialty crop development within each state. This should include such items as development or enhancement of state and regional marketing programs, direct to consumer and direct to store and institution marketing, access to specialty crops for low-income consumers, regional supply chains, food hubs, new farmer development, and state food policy councils. The new farm bill should also designate \$5 million a year for a nationally-coordinated and regionally-balanced research and evaluation effort on the redevelopment of a local and regional food system, to be conducted through a consortium of land grant universities in partnership with non-governmental organizations.

The new farm bill should also update the purpose of the grant program to include “increase consumption and local and regional availability of fruits, vegetables, and nuts and to increase the profitability, ecological sustainability, and competitiveness of specialty crop producers” rather than its current focus solely on competitiveness.

The new farm bill should specify that State plans be balanced and ensure an equitable distribution of grants across:

- The full array of specialty crop agriculture, including all types of farm enterprises, organic farming systems, beginning and socially disadvantaged farmers and ranchers, and small and mid-scale farms;
- The full array of funding areas, including: Research and Education; Nutrition and Public Health; Pest and Plant Health; Conservation and Environment; Food Safety; Marketing and Promotion; and Production; and
- The full range of issues inherent in developing local and regional food systems.

The program should also be amended to include the same above considerations in the Secretary’s review of state plans.

The next farm bill should declare that preference be given to marketing proposals that demonstrate ability to have direct, positive impact on farm profitability and sustainability; improved local and regional distribution capacity; and/or increased domestic consumption and affordability of specialty crops, especially among low-income communities.

The next farm bill should grant USDA the authority to consider expansion of the program to include traditional foods of Indian tribes and other minority communities and to publish appropriate guidance to states on any such expansion. The term “specialty crops” currently includes fruits, vegetables, and tree nuts. However, there are other crops traditionally used in tribal communities as dietary mainstays that are not currently considered specialty crops and thus do not receive consideration for the program.

Congress should improve the transparency of SCBGP by directing each state to publish in a timely manner summary information about all grant awards online, and make readily available subsequent reports on project implementation. Also, to ensure that the program continues as a grant program, Congress should specify a minimum percentage of total funds per state that must be re-granted.

## ***2. National Organic Certification Cost Share Program***

### ***ISSUE***

The National Organic Certification Cost Share Program (NOCCSP) makes financial assistance available to help defray the costs of organic certification for producers and handlers of organic products. Producers and handlers can receive up to 75 percent of their annual certification costs up to a maximum payment of \$750 per year.

Handlers in all states, and producers in every state except the 12 Northeast states plus HI, NV, UT, and WY, are eligible to receive cost share assistance under this program. A separate but nearly identical program called the Agricultural Management Assistance (AMA) Program provides cost share assistance to producers in the 12 Northeast states plus HI, NV, UT, and WY.

In either case, the assistance is available to producers and handlers through the State Departments of Agriculture. An accredited certifying agent under USDA's National Organic Program (NOP) must certify recipients.

The 2008 Farm Bill reauthorized the program and provided an almost five-fold increase in mandatory funding for the program, from \$5 million to \$22 million. The full amount has been fully expended, and the number of applicants continues to increase. The AMA regional cost share program was funded at \$1.5 million a year (a \$0.5 million increase) in the last farm bill. The maximum annual payment per operation was increased from \$500 to \$750.

A reporting requirement was also added, requiring the Secretary to submit a report to Congress by March 1 of each year describing the requests by, disbursements to, and expenditures for each State under the program. The report covers the current and previous fiscal year, including the number of producers and handlers served by the program in the previous fiscal year.

### ***PROPOSAL***

The next farm bill should reauthorize the program and provide it with a permanent funding baseline through the Agricultural Management Assistance program. A portion of the AMA should be made into a national program, with 70 percent of AMA dollars (\$7 million a year) used for national organic certification cost share assistance.

The 75 percent cost share rate should be retained, but the maximum dollar cap should be raised from \$750 to \$1,000. Certification costs are rising, making it more difficult for small farms, the primary users of the cost share program, to afford the process.

State programs bear the cost of administering the cost share program for USDA. In order for them to do outreach, reporting, and evaluation, a modest increase of two percent of program funding should be reserved for in-state administrative allowance to improve outreach, reporting, and evaluation.

### *3. Direct and Local Marketing Promotion Program*

#### *ISSUE*

The 2002 Farm Bill issued the Farmers Market Promotion Program (FMPP) to assist farmers and communities seeking to meet the increased farmer and consumer demand for expanded direct marketing venues and options.

The program aims to increase and strengthen direct producer-to-consumer marketing channels. Through a competitive grants application process, FMPP funds marketing proposals for community-supported agriculture programs, farmers markets, roadside stands, and other direct marketing strategies.

Specific grant uses include developing relevant financial and marketing information, business planning, improving market access and education for consumers, organizing markets and direct marketing networks, and supporting innovative approaches to market management and operations.

Eligible entities for FMPP grants are groups of farmers, non-profit corporations, agricultural cooperatives, local governments, economic development corporations, regional farmers' market authorities, public benefit corporations, and Tribal Governments.

USDA's Agricultural Marketing Service (AMS) administered the program. To date, AMS has instituted a maximum grant award limitation of \$100,000.

The 2008 Farm Bill made the following changes to the program:

- Agri-tourism activities are included in the activities that the program supports;
- Producer networks and associations are eligible to receive a FMPP grant;
- No less than 10 percent of the funds for FMPP will support the use of Electronic Benefit Transfer (EBT) for Federal nutrition programs (Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps) and Women, Infants, and Children (WIC)) at farmers markets and community-supported agriculture enterprises; and
- Direct farm bill funding was provided at \$33 million over the five-year life of the bill.

#### *PROPOSAL*

With increasing consumer demand for agricultural products direct from producers and with increasing interest in the program, the new farm bill should establish direct farm bill funding of \$30 million a year for what is now the Farmers Market Promotion Program. The program should become the Direct and Local Marketing Promotion Program, with the addition of a new subsection to provide grants for scaling up local and regional food marketing, including processing, distribution, and aggregation. No less than 50 percent of the total program funds, though, should continue to be designated for direct marketing projects.

Throughout the farm bill cycle that will soon to expire, FMPP has received far more applications than it is able to fund given its limited budget. For example, in 2010 there were 509 applications and

only 81 awarded projects (15.9 percent of applications received awards). Additionally, while some farmers and ranchers are interested in selling local and regional food through direct marketing outlets, others are looking for local and regional retail and institutional markets such as hospitals and schools.

The new farm bill should allocate 10 percent of total funding for technical assistance and capacity building grants to strengthen statewide, regional, and national market development networks. With a very small administrative staff for the program, it is essential to build a strong community of practice to ensure strong proposals and the most effective outcomes possible.

Currently eligible applicants for FMPP grants include agricultural cooperatives and producer networks and associations. However, agricultural producers selling direct-to-consumer through Community Supported Agriculture (CSAs) are often not formally organized as such, yet should be able to participate in the program. Within DLMPP, the new farm bill should clarify the eligibility definition to make it work effectively for community supported agriculture (CSA), community supported fisheries (CSF), and other similar farm-to-consumer enterprises.

The new farm bill should prioritize producer-only markets within the farmers' market portion of the program. Producer-only markets allow for more opportunities to build community through interactions directly between producers and their consumers and ensure more money ends up in the hands of the producer. They can be defined as markets that have policies to ensure that no reselling of food/farm product originating from outside the region occurs unless clearly traceable to the farm/business of origin and approved by market management.

Finally, there is a growing movement among farmers markets and other direct market outlets to participate in the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps) in order to provide opportunities to low-income and socially disadvantaged Americans with fresh, healthy foods. However, many agricultural producers are unfamiliar with the program or are hesitant to participate out of concerns the process is overly complicated. Therefore, outreach to these potential vendors could increase participation. A portion of this platform (see below under "Direct Marketing Technology Improvement") promotes leveling the playing field for Electronic Benefits Transfer (EBT) technology at wired and wireless outlets, thus eliminating the need for FMPP funding to cover the costs of EBT equipment. Therefore, we propose maintaining the ten percent set-aside in DLMPP, but shifting the focus of the spending to outreach. This would increase direct market vendor participation in SNAP and ensure producer comfort in participating in the program.

## **B. Nutrition Title**

### ***1. Section 32 Funds, USDA Foods, and DoD Fresh***

#### ***ISSUE***

There are several funding sources and avenues through which food flows for the nation's school meal programs, which include the National School Lunch Program (NSLP) and School Breakfast Program (SBP).

Section 32 funds refer to a general pool of funds permanently appropriated to USDA that can be used for a variety of purposes ranging from disaster aid to federal purchases of non-price-supported

commodities for nutrition assistance programs. The latter includes purchases of proteins and specialty crops; these purchases are made by USDA's Agricultural Marketing Service (AMS) and are collectively referred to as USDA Foods.

The 2008 Farm Bill mandated minimum amounts of Section 32 funds to be spent for purchases of fruits, vegetables, and tree nuts as follows:

- \$190 million for FY 2008
- \$193 million for FY 2009
- \$199 million for FY 2010
- \$203 million for FY 2011
- \$206 million for FY 2012 and each subsequent year.

While AMS purchases of non-price-supported commodities is a component of Section 32 fund uses, the majority of the funds are transferred to USDA's Food and Nutrition Service (FNS) to spend, along with annual agriculture appropriations, on child nutrition programs through the National School Lunch Act. FNS provides cash reimbursements to schools for providing meals.

Another avenue to feed American schoolchildren, Department of Defense Fresh Fruit and Vegetable Program (DoD Fresh) is a program through which fresh produce is provided to schools. USDA's Agricultural Marketing Service (AMS) currently contracts with the Department of Defense to manage and operate this program.

Within these various avenues for providing food and funding for school meals, there remain obstacles to purchasing healthy, fresh, local and regional farm products.

USDA Foods, the commodity food program that USDA offers schools for providing school food is antiquated. Schools have evolved to heat and serve processed foods rather than foods that are healthy, fresh, and locally and regionally grown. This mantra applies also to the mandated purchases of fruits, vegetables, and tree nuts. There are no requirements for healthy, fresh, place-based foods.

Some states have found success ordering fresh produce through DoD Fresh. However, this line of credit for fresh food is small compared to the general commodity food fund – in Michigan, for example, \$2.35 million in DoD Fresh compared to \$42 million for general commodity food for schools. Additionally, sometimes DoD Fresh produce is handled so many times and travels so many miles by the time it reaches its final destination that food service directors throw it away due to poor quality. Consequently schools have chosen to unsubscribe from the program.

What results from the current system are huge choices of processed food that schools can buy with a hefty USDA commodity line of credit, and a limited choice of fresh produce. The growing number of schools that are investing in proper kitchen equipment and labor skills for fresh food preparation should have the opportunity to use that line of credit for healthy, fresh, local, and regional ingredients.

The 2008 Farm Bill directed USDA to encourage local and regional purchasing in child nutrition programs. In April 2011, USDA issued the Final Rule on Geographic Preference, which allows purchasing institutions to give extra points (preference) to unprocessed locally grown or raised products in the procurement process. Although the Final Rule explicitly states that Geographic Preference applies to school meal programs including National School Lunch Program (NSLP), School Breakfast Program (SBP), and DoD Fresh, USDA's Agricultural Marketing Service (AMS) states that the Federal Acquisition Regulation (FAR) requires selecting the lowest bid without preference to geographic location.

Along with AMS reporting the inability to allow Geographic Preference to trump FAR, there also remains the complexity of DoD Fresh, in which AMS contracts out to another federal agency entirely, Department of Defense.

## ***PROPOSAL***

The new farm bill should modify Section 32 funds, USDA Foods, and DoD Fresh so that schools can use their line of credit for breakfast, lunch, snack, afterschool, and summer feeding programs to purchase healthy produce, proteins, and other products from local and regional farmers and related businesses such as distributors that source locally and regionally grown foods.

The new farm bill should clarify that the purpose of Section 32 is not solely to purchase farmers' surpluses, but also to support local and regional agricultural market development.

Within USDA Foods, a local food credit program should be established, which would allow schools to use an amount up to 15 percent of their commodity dollars for purchases of local and regional foods in lieu of AMS commodities.

The next farm bill should add geographic preference language (similar to that in the 2008 Farm Bill) to general Section 32 fund purchases of fruits, vegetables, and nuts.

The new farm bill should amend the Department of Defense (DoD) Fresh program, allowing schools a discretionary option to use their DoD dollars for a "local food credit" with which to make their own purchases of local and regional produce.

## ***2. Direct Marketing Technology Improvement and Electronic Benefit Transfers (EBT)***

### ***ISSUE***

The Supplemental Nutrition Assistance Program (SNAP) provides benefits to recipients via an Electronic Benefit Transfer (EBT) card. SNAP participants' benefits are automatically added to the EBT card each month. SNAP beneficiaries can then swipe the card at most grocery and corner stores to make purchases. USDA's Food and Nutrition Service (FNS) and states share the cost (50-50) of the EBT equipment and fees. However, FNS and states do not cover these same expenses for farmers markets, roadside and farm stands, green carts, community-support agriculture (CSA) programs, route vendors, and other direct marketing outlets.

In order to offer redemption of SNAP benefits, direct marketing vendors currently rely on various underfunded sources to supply EBT machines. The Farmers Market Promotion Program (FMPP) includes a 10 percent set-aside for EBT machines. In the Fiscal Year 2010 award cycle, 30 percent of FMPP funds went to EBT projects, which according to USDA covered nearly all of the FMPP applications in that year for EBT. However, not only are the numbers of farmers' markets and other direct marketing outlets in the US on the rise but so too is the desire to serve SNAP participants at these outlets. Though ensuring expanded access to agricultural products directly from producers, using 30 percent (or potentially more in future years) of FMPP funds for EBT takes away from the program's ability to fund direct producer-to-consumer marketing channels.

When FMPP funds are unavailable, farmers markets must turn to private funders and other options to purchase EBT terminals.

## *PROPOSAL*

The next farm bill should level the playing field for direct marketing outlets, including farmers markets, CSAs, CSFs, roadside and farm stands, green carts, route vendors, buying clubs, and other direct marketing outlets, by requiring that USDA and states treat wireless retail food vendors similarly to wired retail food vendors such as grocery stores. The next farm bill should establish a system for wireless retail food vendors to receive funds in an amount not to exceed the cost of a wireless point-of-sale terminal if alternative wireless technology is used.

Additionally, the next farm bill should authorize contacts or memoranda of understanding between states and nonprofits to provide training and technical assistance on implementation of EBT at these outlets. Farmers markets that currently accept EBT have predominantly adopted scrip or token systems whereby customers swipe their EBT cards for a dollar amount and then receive the equivalent value in scrip or tokens to be used only at the market. This system allows multiple vendors to accept SNAP without necessitating that each individual vendor has his or her own point-of-sale terminal.

Finally, the new farm bill should establish a pilot program that will fund two statewide pilot projects to develop the software, technology, and machinery needed to facilitate redemption of SNAP, WIC, FMNP, and Senior FMNP by wireless direct market retail food vendors. Pilots should be two-to-three year programs that allow for solid planning, implementation, evaluation, and sharing of results ahead of the WIC deadline to transition to EBT by 2020. At least one pilot should include smartphone technology.

### *3. SNAP Fresh Incentive Program*

#### *ISSUE*

The SNAP Fresh Incentive Program is modeled on the Fair Food Network's Double Up Food Bucks (DUFb) program operating in Michigan farmers markets and other similar programs operating throughout the country. The goal is to increase income for family farmers while also improving access to healthy, affordable food for low-income consumers.

Incentives for SNAP participants to purchase locally and regionally produced fruits and vegetables are an efficient way to immediately improve farm sales, stimulate rural economic activity and develop permanent, high value market opportunities for family farmers. These programs can be particularly important for beginning farmers, as they increase direct market demand for their products.

The SNAP Fresh Incentive Program provides an immediate food benefit for low-income families while also creating better access to nutritious food in their communities. Further, these initiatives create a market relationship that serves the long-term needs of both groups.

Participating farmers overwhelmingly report that they like the program, will participate again and are putting more land into production to meet the demand it creates. SNAP families that have received incentives report that the incentives are easy to use, the markets convenient to their homes, and that they are not only purchasing more fruits and vegetables as a result of the program but also a wider variety of nutrient-rich produce. This indicates that the incentives may lead to better health, resulting in reduced health care costs.

## *PROPOSAL*

The next farm bill should include authorization for a SNAP incentive program for the purchase of locally and regionally grown fruits and vegetables sold through farmers markets, corner stores and other healthy food retailers with mandatory funding of \$20 million per year.

### **C. Rural Development Title**

#### ***1. Rural Community Prosperity Fund***

## *ISSUE*

USDA's Rural Development (RD) branch currently operates several programs that can boost rural economies through agricultural and food system development. RD programs are popular and funding is often competitive for award applicants, and the current economic climate including budgetary cutbacks will only further demand for these programs. Furthermore, many the nation's rural communities are experiencing even deeper challenges during the current economic recession and slow recovery. The funding for these programs is not always mandatory but rather is often discretionary. It is thus subject to fluctuations and, for over a decade now, substantial cuts during the annual appropriations process. Furthermore, NSAC priority RD programs that currently have farm bill mandatory funding lack baseline in the upcoming farm bill; these include the Value-Added Producer Grant Program (VAPG) and Rural Microentrepreneur Assistance Program (RMAP).

## *PROPOSAL*

The 2012 Farm Bill should commit \$100 million annually in mandatory spending (from the Community Credit Corporation) to a Rural Community Prosperity Fund for use by the Secretary over the life of the farm bill to overcome funding shortfalls in USDA Rural Development programs. The Secretary would allocate funds to existing Rural Development programs to support entrepreneurial business development and to strengthen rural community development and infrastructure. Priority would be placed on communities suffering population loss, low median incomes, high poverty, or sudden and severe job loss. Potential uses include: support for entrepreneurship through the Value Added Producer Grant Program, Rural Micro-entrepreneur Assistance Program, Intermediary Re-lending Program, Rural Business Enterprise Grant Program, and Rural Business Opportunity Grant Program. The fund could also strengthen community capacity through the Rural Community Development Initiative and Community Facilities Program.

#### ***2. Value-Added Producer Grant Program***

## *ISSUE*

The Value-Added Producer Grant (VAPG) program provides competitive grants to individual independent agricultural producers, groups of independent producers, producer-controlled entities, organizations representing agricultural producers, and farmer or rancher cooperatives to create or develop value-added producer-owned businesses.

Agricultural producers include farmers, ranchers, loggers, and fishermen that engage in the production or harvesting of an agricultural commodity. These enterprises help increase farm income, create new jobs, contribute to community and rural economic development, and enhance food choices for consumers.

The term “value-added” includes an agricultural commodity or product that has undergone a change in physical state or was produced, marketed, or segregated (e.g. identity-preserved, eco-labeling, etc.) in a manner that enhances its value or expands the customer base of the product.

The program was first authorized in 2000 and expanded as part of the 2002 Farm Bill to include inherently value-added production, such as organic crops or grass-fed livestock. The 2008 Farm Bill expanded it again to include locally produced and marketed food products and mid-tier value chains.

Grants may be used to fund one of the following two activities:

- Develop business plans and feasibility studies (including marketing plans or other planning activities) needed to establish viable marketing opportunities for value-added products; or
- Acquire working capital to operate a value-added business venture or alliance. An independent feasibility study as well as a business plan must support working capital applications.

Grant funds may not be used for repair, acquisition, or construction of a building or facility or to purchase, rent, or install fixed equipment. Cash and/or in-kind matching funds are required, must be at least equal to the amount of Federal funds awarded, and must be expended in advance, such that for each grant dollar advanced, an equal amount of match shall have been expended first.

The Cooperative Division of USDA’s Rural Business Cooperative Service administers the program and grant applications are first screened through each state’s USDA Rural Development Office.

## ***PROPOSAL***

First, the next farm bill should restore a mandatory funding baseline for the Value-Added Producer Grant (VAPG) program of \$30 million a year for each year of the next farm bill cycle.

Second, the new farm bill should continue to support its priority for small and medium-size family farm operations. American agriculture is experiencing increased consolidation of operations including the loss of family farms and a “disappearing middle” of agriculture. Therefore, it is important that the new farm bill prioritize these important components of the agricultural sector.

Third, the new farm bill should retain the set-aside for beginning and socially disadvantaged farmers and ranchers, thus making this target group a clear priority. The new bill, however, should clarify that VAPG projects by farm coops or other similar entities in which more than a quarter of the beneficiaries are beginning farmers shall qualify as meeting the priority and for the set-aside.

Fourth, the new farm bill should authorize grants within the existing mid-tier value chain category and set-aside to centralized food distribution systems. The mid-tier value chain (MTVC) provision added in the 2008 Farm Bill is intended for local and regional supply networks that link independent producers with businesses and cooperatives that market value-added agricultural products. This MTVC provision seeks to assist farmers and ranchers too large or remote to engage substantially in marketing directly to consumers but too small to profitably engage in high volume, low margin raw

commodity production. Therefore, including “food hubs,” that aggregate, process, and/or distribute local, value-added products is a natural addition to the provision.

Finally, the new farm bill should add language to the program directing USDA to do special outreach in underserved states and areas. The program has been highly successful in a substantial number of states, but there are some that have had either a low application rate, or low success rate, or both. This is a capacity problem that needs to be explicitly addressed.

### ***3. Business and Industry Local and Regional Food Enterprise Guaranteed Loans***

#### ***ISSUE***

The 2008 Farm Bill created new loan and loan guarantee authority for local and regional food enterprises through the Business and Industry (B&I) Loan program administered by the Rural Development branch of USDA. While the authority allows USDA to make or guarantee loans, the B&I program currently is entirely federal guarantees of commercial loans.

The purpose of the B&I program in general is to help improve, develop, or finance businesses and employment in rural areas by bolstering the existing private credit market through federal guarantees. The purpose of the local and regional food subprogram is to support farm and ranch incomes as well as the renewal of local food system infrastructure and community development.

The 2008 Farm Bill established that local and regional food enterprises are eligible for loans and loan guarantees to establish and facilitate the growth of local and regional food markets under the B&I program. The 2008 Farm Bill also defined for the first time in statute what locally- or regionally-produced means, and reserved at least 5 percent of B&I funding each year for this purpose.

Loans can be used to support and establish enterprises that process, distribute, aggregate, store, and market foods produced either in state or transported less than 400 miles from the origin of the product. Individuals, cooperatives, cooperative organizations, businesses, and other entities are eligible for these loan guarantees.

The 2008 Farm Bill made not less than five percent of the annual appropriation for the B&I Loan program available to fund the local and regional food enterprise loan guarantees. Appropriations levels for the B&I program generally allow the program to guarantee about \$1 billion in loans, meaning no less than \$50 million (5 percent) is available for local and regional food enterprise loan guarantees.

Loans may be used for business conversion, enlargement, modernization, purchase and development of land, buildings, facilities, purchase of equipment, machinery, supplies, inventory, and similar purposes, and may also be used for business acquisitions when the loan will keep a business from closing, prevent the loss of employment, or expand job opportunities. Priority is supposed to be given to projects that in some way benefit communities that have limited access to affordable and healthy foods and that have a high rate of hunger, food insecurity, or poverty.

The recipient of the loan or loan guarantee must inform consumers in some way of the locally- or regionally-produced attribute of the food products.

The maximum loan guarantee is 80 percent for loans of \$5 million or less, 70 percent for loans between \$5 and \$10 million, and 60 percent for loans exceeding \$10 million. Generally loans to a single borrower are capped at \$10 million, though several exceptions apply.

B&I loans are generally available only in rural areas, which include all areas other than towns of more than 50,000 people and those contiguous or adjacent to urbanized areas. Grants may be made to cooperatives for value-added processing facilities in non-rural areas provided they service agricultural producers within 80 miles of the facility and help improve producer income.

## ***PROPOSAL***

The next farm bill should increase the funding set-aside for local and regionally produced agricultural products and food enterprises from five percent to ten percent, including both direct and guaranteed loans. As the movement for local and regional farm and food systems continues to grow, the need for this set-aside will follow.

Direct loans should comprise half of the set-aside. Although direct loans have been authorized, they have not been appropriated for many years, thus leaving all loans as guarantees. It is important going forward that both types of loans are available to serve the full range of qualified borrowers.

The new bill should also add language clarifying that the enterprise may be located in any community (urban, rural, tribal) provided the primary purpose of the loan or loan guarantee is for a facility to process, distribute, aggregate, store, or market locally or regionally produced agricultural food products in a manner that benefits agricultural producers and provides employment for residents of rural areas. The bill should also add authority to make loans for rural and non-rural retail facilities that provide access to locally or regionally produced agricultural products. With greater recognition of the challenges facing urban communities, including “food deserts” or communities lacking access to healthy foods, there is growing interest in situating local food enterprises in urban settings. Aggregation points closer to markets also often make more sense from a business standpoint.

The next farm bill should also grant USDA authority to use a portion of the set-aside funds for technical assistance, including marketing research and feasibility studies.

The new farm bill should add discretionary authority to waive or reduce loan fees and to provide a 90 percent guarantee for small-scale projects and projects located in communities with low or declining population, low income levels, or low food access.

The next farm bill should require that B&I loan guarantee USDA approval occur before or simultaneously with the loan.

Finally, the next farm bill should add outreach language to the program, including through rural cooperative development centers, credit unions, CDFIs, and regional economic development authorities.

## ***4. Rural Microenterprise Assistance Program***

### ***ISSUE***

The Rural Microentrepreneur Assistance Program (RMAP) is a USDA Rural development program created by the 2008 Farm Bill that provides entrepreneurs in rural areas with the skills necessary to establish new businesses and continue operation of existing rural microenterprises.

RMAP provides loans and grants to Microenterprise Development Organizations (MDOs), which in turn provide technical services and distribute microloans to rural microentrepreneurs. The MDOs

are not required to be located in a rural area, but microentrepreneurs must be. Microenterprises may be, but do not have to be, food or agriculture-related.

A few MDOs have already been successful at assisting microentrepreneurs starting businesses in rural areas. The Small Business Administration has a Microenterprise Assistance Program but is generally fully subscribed and currently provides rural microenterprise assistance in only one state. RMAP gives USDA the funds to fill that void.

MDOs can include nonprofit entities, Indian tribes, or public institutions of higher education; they must facilitate access to capital and have a demonstrated record or future plan of delivering vital services to rural microentrepreneurs.

RMAP provides three categories of funding through MDOs in either loans or grants:

- Loans to microentrepreneurs through MDOs: provide fixed interest rate microloans of less than \$50,000 to rural entrepreneurs for the development of startup or successful microenterprises in rural areas. Loans through MDOs cannot exceed a twenty-year timeframe and need to bear an annual interest rate of at least 1 percent. Each MDO must establish a loan loss reserve fund and keep at least 5 percent of the outstanding loan balance in reserves. Through MDOs, RMAP particularly assists rural sole proprietorships or businesses with less than ten employees which could not obtain funding from other lending sources due to lack of credit or limited business development experience.
- Grants to support microenterprise development: provide funding to MDOs to provide training, operational support, business planning, market development assistance, and other services to rural microentrepreneurs. Organizations that serve microenterprises in rural areas experiencing significant exodus will receive grant support. To the greatest extent possible, USDA must ensure that the organizations will vary in size and serve racially and ethnically diverse populations.
- Grants to assist microentrepreneurs: provide funding to MDOs to provide marketing, management, and other technical assistance to microentrepreneurs who have already received or applied for a loan through section (1) above. The maximum annual grant award cannot exceed 25 percent of the organization's outstanding microloan balance. This assistance can include, but is not limited to, networking; online collaboration and marketing; grant writing; entrepreneurship workshops; or conferences.

## *PROPOSAL*

Mandatory funding should be renewed for the RMAP program at \$10 million a year over the life of the next farm bill.

The 2012 Farm Bill should fix the lack of support in the RMAP rule, contrary to the intent of Congress, for funding and support for entrepreneurial training and technical assistance. The program should not discriminate against microenterprise development organizations that offer training or technical assistance as well as microloans. The new bill should also again reinforce that one aim of the program is to build capacity in the countryside for microenterprise development.

The new farm bill should also address another issue that developed in RMAP rulemaking by clarifying that farm-related value-adding enterprise and food-related enterprise are clearly eligible but that farm production operating loans are not. The bill should, however, add a specific reference to

food system businesses in RMAP. Doing so will help in ensuring that potential applicants are aware of the full range of possible funding opportunities available through the program.

## ***5. Rural Business Opportunity Grants***

### ***ISSUE***

The Rural Business Opportunity Grant (RBOG) program supports projects up to two years in length that promote sustainable economic development in rural areas experiencing natural disasters, persistent poverty, or a decline in employment or population. The Fiscal Year (FY) 2011 Notice of Funding Availability (NOFA) for the program included in its five priorities a priority for creating or supporting local and regional food systems (especially the creation of retail outlets of healthy foods in areas that lack sufficient outlets).

### ***PROPOSAL***

The 2012 Farm Bill should amend the RBOG authorization to include specific authority for analysis, training, technical assistance, and local and regional economic planning with respect to the re-development of local and regional farm and food systems. This includes, but is not limited to, meat and poultry processing facilities.

## ***6. Community Facilities Grants and Loans***

### ***ISSUE***

The Community Facilities Program (CF) provides grant funds to build or acquire “essential community facilities” in rural areas with no more than 20,000 residents. (Note, this program differs from other Rural Development programs which can be in communities as large as 50,000.) Local governments, non-profit organizations, and federally recognized Native American Indian tribes can apply. The project must not be a commercial endeavor and must serve the community as a whole.

### ***PROPOSAL***

The 2012 Farm Bill should amend the community facility grants and community facility loans to provide explicit authority for community and non-profit local and regional food system facilities, including community kitchens, incubators, farm stores, distribution centers and services, and related facilities that are run as non-profits.

## ***7. Rural Development Definition***

### ***ISSUE***

USDA’s Rural Development (RD) branch currently offers programs and opportunities for improving the nation’s rural communities. There are food and farm-related projects in which metropolitan areas could benefit from these RD programs, but they do not currently qualify because they are not in rural areas. In more populous areas of the country, many farms are located within metropolitan areas.

## *PROPOSAL*

The next farm bill should change the definition of Rural Development to clarify that particular facilities may be funded with Rural Development funds (grants and loans) that are non-rural but primarily benefit rural areas. As consumers become increasingly interested in growing their own food and as more efforts target “food deserts,” production of food in urban and metropolitan areas continues to rise. Latest USDA data indicates that 75 percent of food deserts are located in urban areas.

In addition, the next farm bill should allow all farms to participate in any rural development program for which farms are eligible, regardless of the location of a farm.

### *8. Growing Opportunities for Agriculture and Responding to Markets (GO FARM)*

#### *ISSUE*

While the Farm Service Agency can provide production and real estate loans to small farms and market gardens that produce for local markets, they cannot lend for value-added on-farm food enterprises. They also often lack the manpower to reach farmers in less rural locations. Yet this emerging sector is in need of micro-financing and could be reached by intermediary lenders, including community based organizations with expertise in lending and loan management.

#### *PROPOSAL*

The next farm bill should authorize a new entrepreneurial intermediary loan program for local farm business and urban agriculture. Eligible lending entities would manage, market, and administer a revolving loan fund to assist local producers to successfully meet local demand. Loans for local farm businesses would range from \$5,000 to \$100,000 and for market garden projects from \$3,000 to \$50,000.

### *9. Commission on Rural Development Program Administration*

#### *ISSUE*

The paperwork burdens of USDA rural development programs have grown to where some small towns do not even consider applying. At the same time, top USDA officials complain that recent staffing cuts have left them with too few people to administer their programs.

The two problems share a common solution – simplify programs so it is easier for rural communities to apply and so USDA staff can more efficiently administer them.

#### *PROPOSAL*

The new farm bill should direct the Secretary to appoint and convene a Commission on User Friendly and Cost Effective Administrative Process made up of no fewer than eight and no more than 12 members who are experts in administrative process, including no fewer than three users of USDA Rural Development Programs. The Secretary shall appoint the Commission no later than four months after enactment and shall disband it following upon the final recommendations within a year and a half timeframe.

The Commission shall recommend changes in USDA Rural Development application requirements, reporting requirements, compliance requirements and other administrative processes that:

- Enhance the accessibility of USDA Rural Development programs to small communities that do not have professional grant writers;
- Established preferred lender provisions within USDA Rural Development Programs to reduce paper work and regulatory burdens on applicants with a demonstrated track record of success and repayment;
- Combine multiple programs in a single Notice of Funds Availability; and
- Enable USDA Rural Development to administer existing programs with reduced staff while preventing fraud and ensuring funds advance the purposes of USDA Rural Development programs.

The Commission shall also identify:

- Statutory barriers to user-friendly, cost-effective administrative processes and changes to address these barriers; and
- Barriers to and solutions for user-friendly and cost-effective administrative processes created by requirements of other agencies.

Funds of the Commodity Credit Corporation shall be made available for the expenses of this Commission. The Secretary shall also make existing staff of the Department of Agriculture available to support the work of the Commission.

## **D. Livestock Title**

### ***1. Small and Very Small Processing Plant Outreach and Technical Assistance***

#### ***ISSUE***

There is currently a program that offers a helpline for small and very small livestock processing facilities. However, it is funded by multiple, very small line items and is understaffed relative to the task. Assisting the large number of very small plants – plants that are well positioned to serve the processing needs of farms geared to local and niche markets – with food safety plans is an excellent way to help rebuild a stronger local and regional food infrastructure.

#### ***PROPOSAL***

The next farm bill should amend the Federal Meat Inspection Act of 1906 to establish a new division within FSIS to coordinate technical assistance activities and provide grants to state agencies (including partnerships with Extension and NGOs) in order to provide food safety outreach, education, and training to small and very small processing plants.

## *2. Guidance for Small and Very Small Plants on Process Control*

### *ISSUE*

USDA's Food Safety and Inspection Service (FSIS) requires meat processors to have Hazard Analysis and Critical Control Points (HACCP) plans in place for each and every product. An example of a HACCP plan would include specifications about heating processed chicken to a certain temperature. Developing a HACCP plan first involves finding scientific papers that prove the plan will work to ensure food safety. The plan is then implemented according to the research. Finally, the processors must prove that they implemented the plan according to the research's specifications.

The HACCP process is particularly burdensome for small and very small processors with limited resources and even more so for processors of multiple meats or products. Oftentimes, processors must hire consultants to gather the scientific data and to write the HACCP plans.

### *PROPOSAL*

The next farm bill should require FSIS to create guidance for small and very small processing plants on specified process control so that small and very small processors can demonstrate compliance with FSIS required control procedures. For example, FSIS could compile research studies on food safety for processing chickens so that individual processes are spared the time and financial costs associated with gathering this information on their own. These plants would still be required to show the controls were applied and are working. Ultimately, this guidance will make things much easier for both the operator and the inspection personnel assessing the system.

## *3. Searchable Database of Electronically Submitted Meat Labels*

### *ISSUE*

USDA's Food Safety and Inspection Service (FSIS) requires labels on meat products, and processors must get their labels approved by FSIS. Currently, processors must create their own labels without much guidance.

### *PROPOSAL*

FSIS is currently in the process of creating an electronic submission option for meat labels. The new system will alleviate the time-consuming and costly triplicate/paper-only submission process that is currently being used. The next farm bill should eliminate this statutorily mandated old system of submission and within 12 months of enactment provide an electronic submission option for the meat label approval process.

FSIS should also be required to make the approved meat labels searchable in a database, so that meat processors can view and model their own meat labels after those that have previous approval. This will reduce the time-consuming, costly process of reinventing the wheel.

#### *4. Meat and Poultry Processing Report*

##### *ISSUE*

The 2008 Farm Bill made important progress on the issue of providing for interstate commerce of state-inspected meat. The jury is still out, however, on whether the resulting regulation will actually make much of a difference. With the outcome in doubt, but with a growing need for good options, it is an important time for USDA to make an assessment of the situation including possible additional remedies.

##### *PROPOSAL*

The next farm bill should include a new section of the Federal Meat Inspection Act to direct USDA, in cooperation with the States, processors, and growers, to produce a report to Congress within 18 months of enactment of the bill, which analyzes additional steps that can be taken to better meet the needs of small meat and poultry producers and processors, including but not limited to statutory and regulatory improvements.

#### **E. Miscellaneous Title**

##### *1. Food Safety Training for Farmers and Small Processors*

##### *ISSUE*

The Food Safety Modernization Act of 2010 (FSMA) authorized the National Food Safety Training, Education, Extension, Outreach and Technical Assistance competitive grants program. The program provides food safety training, education, extension, outreach, and technical assistance to owners and operators of farms, small food processors, and small fruit and vegetable merchant wholesalers, with a priority on small and mid-size farms and emphasis placed on co-management of food safety and conservation. The program is to be delivered by non-governmental organizations (NGOs), Extension, producer groups, or others with appropriate expertise.

##### *PROPOSAL*

The new farm bill should provide mandatory funding of \$15 million a year for this food safety training program for farmers and processors. This is the single most cost-effective and timely action Congress could take with respect to the implementation of FSMA on farms across the country.

##### *2. Healthy Food Financing Initiative*

##### *ISSUE*

The national Healthy Food Financing Initiative (HFFI) is modeled after the Pennsylvania Fresh Food Financing Initiative. The goal of HFFI is to improve access to healthy food in underserved areas and revitalize low-income communities by providing loans and grants to fresh, healthy food retailers to overcome the various barriers to entry in underserved urban, suburban, and rural areas.

Eligible food retailers include supermarkets, grocery stores, and farmers markets that expand or preserve the availability of healthy, fresh, high quality unprepared and unprocessed foods, particularly fresh fruits and vegetables, in underserved areas, and that require an investment of public money in order to remain competitive. Priority would be given to projects that create quality jobs, support local or regional food production, or are accessible by public transit.

Underserved areas, as defined in the proposed legislation, are low- to moderate-income communities that meet certain population and supermarket density criteria, or that have geographic barriers, such as highways, mountains, or major bodies of water, preventing access to healthy food retailers.

HFFI was proposed by the Obama Administration as part of the President's budget proposal to Congress and has received some funding through the Department of the Treasury and the Department of Health and Human Services, but none to date for USDA.

## ***PROPOSAL***

The next farm bill should authorize the Healthy Food Financing Initiative. The new farm bill should also explicitly state that the funding should be beyond funding for retail outlets should include direct marketing outlets including farmers markets, community-supported agriculture (CSAs), farm stands, and green carts.

### **F. Cross References to Other Sections of the Platform**

#### ***1. Linking Local and Regional Food Producers to Conservation Programs***

The new farm bill should revise several conservation programs that currently reference specific sectors of agriculture (e.g., specialty crop and organic producers) to incorporate local and regional food producers as well. In addition, the Farmland Protection Program should encourage use of the program to the maximum extent practicable for the purchase of conservation easements to enhance farm viability for local and regional food production. See Part III for complete explanations of the various conservation programs.

#### ***2. Planting Flexibility***

See Chapter II, Section C.

#### ***3. Revenue Insurance for Diversified Operations***

See Chapter II, Section D.

#### ***4. Organic Crop Insurance***

See Chapter II, Section D.

*5. Farm Service Agency Credit for Local and Regional Food Producers*

See Chapter II, Section E.

*6. Farm Credit System Provisions for Local and Regional Food Producers*

See Chapter II, Section E.

*7. Agriculture and Food Research Initiative*

See Chapter V, Section A.

*8. Enterprise Facilitation for Local and Regional Food Businesses*

See Chapter V, Section G.

*9. Data Collection for Local and Regional Food Systems*

See Chapter V, Section G.

## V. RESEARCH, EDUCATION, AND EXTENSION PROGRAMS AND POLICIES

### Background

The nation's investments in agricultural research profoundly affect the future of our food and farming system. How our farm and food system will look and function a generation from now will be determined to a significant extent by the research agenda we pursue today.

Investment in agricultural research is vital to continued productivity and innovation in growing and diverse sectors of American agriculture. Strong consumer demand for sustainably and organically produced foods has fueled strong, continued growth in these sectors of agriculture; yet federal investments in sustainable and organic farming research have not kept pace with this growth. In 2010, according to USDA, the total federal research dollars devoted to organic production systems was only 2.6 percent, compared to the 4 percent market share of organic food products, as reported by the Organic Trade Association. Additionally, the ten-year average from 2001 to 2010 for organic research funded by USDA is even lower – just 1.5 percent. During this same time, the organic sector grew to represent 4 percent of the domestic retail marketplace.

Although retail sales data on other sectors of the U.S. food economy is not as complete as the organic sector – including sales of local and regionally produced food, and sustainably-raised meat and dairy products – the surge in consumer demand for these items is certainly an indicator of continued growth in these sectors as well. Unlike organic agriculture and specialty crops, these sectors lack a unique research program devoted to funding projects that are especially relevant to these emerging sectors of agriculture. Renewed and targeted investments on research related to these sustainable production systems are therefore needed to provide innovations that can enable farmers and food businesses to be successful. These federal investments will yield significant rewards to local producers and local economies – for every \$1 invested in publicly funded agricultural research, \$20 is generated in economic activity.

Along with economic profitability, research on diversified agricultural systems, including mixed crop and livestock and diversified fruit and vegetable operations, contributes to improved public and environmental health, which are both of critical importance to the nation's economy and well-being. Increased access to healthy foods, including locally grown fruits and vegetables, is becoming an ever more important factor in improving the quality of life and health of both urban and rural communities. Additionally, organic and sustainable production systems provide many known benefits in terms of long-term productivity of soils, climate change mitigation and carbon sequestration potential, and the ability to retain scarce resources, such as vital nutrients and water more effectively than chemically intensive systems. Research investments on ecological sound, resilient farming systems have indeed never been more urgent.

The Research Title of the next farm bill provides a unique opportunity to shape the agriculture of the future and foster continued growth and innovation in these emerging and diverse sectors of American agriculture. Farmers in every sector need cutting-edge research that is easily accessible and relevant to their farming systems in order to continue to increase and improve agricultural production. For example, new seed varieties that are bred and developed for conventional production systems will not have the same success when used under organic systems that utilize an entirely different framework and set of tools. The continued growth of sustainable and organic

farming systems depends on a strong investment in sustainable and organic research. Through the farm bill, we can provide resources that support and foster sustainable agriculture, including continued federal investments in research that is specifically relevant to sustainable production systems and retail markets, including organic and other ecologically-based systems.

Each year the government invests over \$2 billion of the taxpayers' money in agricultural research and extension through USDA, much of it not in line with sustainable food and agriculture. Bringing more of the federal investment into greater alignment with the public interest is a critical policy to be advanced for the sake of a more sustainable future.

Our priority recommendations for the next research title include:

- Strengthening sustainable agriculture and classical breeding research priorities within the Agriculture and Food Research Initiative to ensure farmers have the tools they need to meet growing consumer demand;
- Reinstating the Agricultural Science and Technology Review Board to increase oversight and accountability for federal investments in public technology developments;
- Reauthorizing and funding successful and consistently over-subscribed mandatory competitive research programs including the Specialty Crop Research Initiative, the Organic Agriculture Research and Extension Initiative, and the Beginning Farmer and Rancher Development Program;
- Addressing research, data collection, and technical assistance needs for emerging value-added businesses and agricultural sectors, including the Organic Production and Market Data Initiatives;
- Continuing the Appropriate Technology Transfer to Rural Areas (or ATTRA) program and clarifying the legislative language to ensure it is recognized as a nationally authorized program;
- Supporting regional food systems by creating a new program for rural entrepreneurship and enterprise facilitation, and increasing USDA's capacity to collect data on local food; and
- Reinvigorating funding for public plant and animal breeding leading to the release of farm-ready public varieties and breeds by establishing a Seeds and Breeds Initiative for the 21<sup>st</sup> century.

In addition to new programs and initiatives, achieving a sustainable agriculture and food system will require increased funding for existing programs such as the **Sustainable Agriculture, Research and Extension Program**. The SARE Program, created by the 1985 and 1990 farm bills and administered by the National Institute of Food Agriculture (NIFA), has been the flagship research program for sustainable agriculture at USDA. The program's strength is based on unique features of cost-effective and equitable regional administration combined with strong farmer participation, practical, outcome-oriented research results, and top-rated customer service and public outreach. SARE projects involve farmers and ranchers directly in research as the primary investigator in small producer grants or as cooperators in larger research and education grants. In addition, SARE's Professional Development Program grants provide information and training on sustainable systems to a wide array of USDA personnel, extension agents, and others who provide technical assistance to farmers and ranchers. In 1990, Congress determined that the SARE program should be funded at no less than \$60 million a year, consistent with the recommendations of the National Academy of

Sciences. In today's dollars that would be over \$100 million a year. Sadly, the annual appropriations for this award-winning program have yet to reach even \$20 million.

We do not address this keystone research program in our specific policy recommendations below because no changes are needed in the farm bill authorizing language. Instead, SARE urgently needs a renewed commitment by USDA and congressional appropriators to bring the annual funding for this program in line with the farm bill authorization and with the value and uniqueness in the total research and extension portfolio.

Other research and extension programs that NSAC supports, but which do not require any changes in the farm bill include the **Organic Transitions Program**; the **Regional Integrated Pest Management Centers Program**; and the **Extension IPM Coordination and Support Program**. All of these programs are competitive grants programs that are administered by the National Institute of Food and Agriculture (NIFA), and which are authorized by the farm bill and receive discretionary funding through the annual agricultural appropriations bill. NSAC also supports the **Antibiotic Resistance Research program**, which was authorized in the 2008 Farm Bill, but which unfortunately has not yet received an appropriation. This program should be reauthorized in the new farm bill and should receive \$5 million in mandatory funding so that it can be launched.

The **Beginning Farmer and Rancher Development Program** (BFRDP), also part of the Research Title and administered by NIFA, should have its farm bill mandatory funding renewed and increased to \$25 million a year. (See Chapter II, Section A for more information).

Finally, there are several other research programs that NSAC strongly supports which are not located in the Research Title. These include the **Section 2501 outreach programs for Socially Disadvantaged Farmers and Ranchers**, which since 2008 have been taken over by USDA's Office of Outreach and Advocacy (see Chapter II, Section B for more information); the **Risk Management Education Program**; and the **Community Food Projects** (CFP) program, which, though run by NIFA, is located in the Nutrition Title of the farm bill.

## A. Agriculture and Food Research Initiative

### *ISSUE*

The Agriculture and Food Research Initiative (AFRI) is the largest of the research, education, and extension competitive grants program of USDA's National Institute for Food and Agriculture (NIFA). AFRI was established in the 2008 Farm Bill and consolidates two earlier programs -- the Initiative for Future Agriculture and Food Systems and the National Research Initiative.

The 2008 Farm Bill expressly mandated key research areas for AFRI with an overall priority to support the development of sustainable farming and food systems. Among these research priorities are: (1) conventional breeding and development of public livestock breeds and crop cultivars; (2) the biological and physical basis of sustainable production systems; (3) small and medium-sized farm efficiency and profitability; and (4) new approaches to rural development including rural entrepreneurship.

The 2008 Bill also provided that a wide array of entities should be eligible for AFRI project grants. These include universities and colleges, agencies, individuals, non-profit organizations and other research institutions and organizations, as well combinations of these entities.

The Conference Report for the 2008 Bill, which reflects congressional intent, highlighted the need for integrated research, extension, and education activities to stimulate entrepreneurship across rural America. This integrated approach is especially needed to support business development, improve the skills of current and emerging entrepreneurs, and help expand entrepreneurial networks and access to capital. To be effective, this priority area should serve both agricultural and rural development ventures and should include non-farm self-employment as well as new on-farm business ventures.

The current farm bill language also requires NIFA to prioritize grants consistent with the development of sustainable agricultural systems.

Congress clearly intended that AFRI provide funding for significant integrated research, education, and extension projects that support the development of sustainable farming and food systems. That goal, however, has not been fully realized because of significant barriers raised in the implementation of AFRI.

The first barrier was raised in USDA's rollout of the new AFRI in 2009, 2010, and 2011. The Requests for Applications (RFA) included the administrative creation of five "societal challenge areas" (bioenergy, climate change, food security, childhood obesity, and food safety) that received the majority of AFRI funding. This diverted funds away from the congressionally mandated priorities, which are especially suited for projects that foster sustainable farm and food systems. In addition, the challenge area approach resulted in AFRI funding focused on a few, very large integrated projects, some with a very narrow focus.

In addition, the RFAs excluded the projects corresponding to the statutory priorities (which the agency labeled "foundational projects") from receiving funds for integrated projects and limited funding to research projects. Only universities and colleges were eligible for integrated projects within the administratively created challenge areas.

In the 2008 Farm Bill, Congress directed USDA to make AFRI funding available to a wide array of entities, including nonprofit research organizations, all colleges and universities, other state and federal research agencies, and individuals. Congress recognized that this wide array of entities could bring significant experience and resources to projects focused on the key foundational priorities. The organizations and individuals excluded by the RFAs could be the entities best-suited to carry out integrated projects that include combinations of research, extension and educational activities, yet the agency, contrary to statute, has foreclosed that possibility.

The RFAs also had key omissions, including almost no mention of organic agriculture production systems. Organic agriculture is the fastest growing segment of agricultural markets, with organic food product growth in the marketplace continuing to outpace overall market growth in 2010. Organic systems closely match up with the priority research areas mandated by Congress in the AFRI foundation programs. Small and mid-sized farms often realize higher profits with organic products. Organic systems use lower inputs of toxic substances and focus on increasing soil carbon and soil health. Additional research is required to examine the biological and physical basis of these systems in protecting water quality, lowering greenhouse gas emissions, and other environmental goals.

NSAC's work to restore AFRI's focus on the farm bill's research priorities had some limited success in the RFA for FY2011 funding. Rural entrepreneurship was included as a separate priority area

within AFRI's funding for the foundational program in Agricultural Economics and Rural Communities. The subprograms within this priority area include Small and Mid-Sized Farms, Entrepreneurship and Small Business Development, Rural Development, Markets and Trade, and Environment. Integrated projects are eligible in FY2011 for three of the subprograms under this foundational program – Small and Medium-Sized Farms, Entrepreneurship and Small Business Development, and Rural Development. But the other foundational program areas are still not eligible for integrated projects, and as integrated projects, these areas are no longer fully competitive.

The FY11 RFA also took a small step in response to our call for more attention to conventional plant and animal breeding by specifically including language that allows funding for conventional breeding but only in direct competition within the same subprogram with genomics and biotechnology. This minor improvement falls far short of the congressional mandate for classical plant and animal breeding programs that include farmers and ranchers as participants and are provided with long-term grants necessary to conduct effective research and development of improved seeds and breeds and new cultivar development.

## ***PROPOSAL***

This proposal seeks to increase the role of AFRI in supporting sustainable farming and food systems by targeting funding to vital areas of research, education, and extension.

The known benefits of organic and sustainable systems in terms of long-term productivity of soils and agroecosystems, ecological footprint of agricultural production, as well as effective solutions to food insecurity, climate change, and other societal challenges, warrant a much greater emphasis within AFRI. In addition, AFRI Requests for Applications (RFAs) must be open to innovative, smaller-budget proposals from a diversity of potential applicants rather than limited and designed for complex, high-budget proposals from multiple colleges and universities. Finally, the next farm bill must include clear language that brings AFRI back in line with the original 2008 Farm Bill language with respect to priority areas and with respect to full competition.

Ensure that the implementation and administration of AFRI complies with statutory language calling for a diversity of eligible applicants, types of projects, and emphasis on the foundational research priorities by:

- Enacting clear statutory language mandating that each AFRI RFA must be fully competitive and open to all applicants, and must include both integrated and single-function projects;
- Enacting clear statutory language mandating that at least a majority of AFRI funding shall be devoted to the foundational priorities established in the 2008 Farm Bill (the 2011 RFA level is 30 percent); and
- Providing a statutory directive that both the major foundational priorities and the challenge areas within AFRI include small grants for innovative projects, with at least 40 percent of program funds devoted to smaller projects under \$1 million.

Expand the emphasis within AFRI on organic and sustainable farming and food systems by:

- Enacting clear statutory language mandating that a minimum of 10 percent of AFRI funding in relevant program areas be devoted to organic systems;
- Enacting additional language that increases AFRI's emphasis on sustainable food and farming systems, including local community-based food systems, as well as multispecies

livestock/poultry grazing, permaculture, systems that integrate indigenous food and farming traditions with modern agroecological knowledge, and other innovative approaches that involve farmers in the research process;

- Prioritizing research, education, and extension projects that investigate the benefits of diversified crop rotations and integrated crop-livestock systems, with the aim of addressing overall sustainability, climate change mitigation and adaptation, food security, and public health issues;
- Renaming the Bioenergy Challenge Area to “Energy Conservation and Renewable Energy for Farms and Rural Communities” and expanding AFRI’s energy priorities to include research, extension, and education into energy conservation, solar, and wind energy development on-farm and within rural communities, as well as second-generation bioenergy crop production and processing to meet on-farm and local community needs.

Strengthen AFRI’s classical breeding research priority area by:

- Enacting statutory language mandating that 5% of AFRI funding be devoted to classical breeding projects whose overall objective is the release of farmer-ready public livestock breeds or crop varieties, with priority placed on regionally adapted breeds and varieties, and breeding for organic and sustainable farming systems, pest and disease resistance, and resilience to climate change.
- Enacting statutory language clarifying that RFAs for this priority area must not require or prioritize projects that include a genomics or molecular biology component.

Increase AFRI’s role in local community development by:

- Amending the AFRI program to add development of community-based local and regional food systems as a new priority area within AFRI’s Agriculture Economic and Rural Community mission area.

Increase AFRI’s role in assisting the next generation of farmers by:

- Establishing a new research priority area on beginning farmers and ranchers to support research, education, and extension related to beginning farmers and ranchers, socially disadvantaged farmers and ranchers, and immigrant farmers and farm workers, farm transition, farm transfer, farm entry, beginning farmer profitability, and related issues. This program would address the rigorous research needs of these populations and would be distinct from the already existing BFRDP, which focuses on training and education.

## **B. Reinstitute the Agricultural Science and Technology Review Board**

### *ISSUE*

The Agricultural Science and Technology Review Board (ASTRB) was first authorized in the 1990 Farm Bill and was responsible for assessing science and technology transfer issues that have implications for agriculture, the environment, human nutrition, and rural and urban communities.

The 1996 Farm Bill consolidated ASTRB, the Joint Council on Food and Agricultural Sciences, and the National Agricultural Research and Extension Users Advisory Board into a single advisory board.

The newly established National Agricultural Research, Extension, Education, and Economics Advisory Board (NAREEEAB) was charged with advising USDA and land-grant colleges and universities on agricultural research, extension, education, and economics policy and priorities. In theory, NAREEEAB would have taken on the authorities and responsibilities of the boards it replaced, including ASTRB's oversight of science and technology transfer, but in reality the latter has not occurred.

## ***PROPOSAL***

Technology assessment of publically funded research is increasingly important with the implementation of the full portfolio of competitive grants programs as well as intramural national research programs within the Agricultural Research Service. We envision the newly reinstated ASTRB could be explicitly tied to setting technology transfer and development priorities for the AFRI program and other NIFA competitive grant programs plus ARS national programs in a manner that addresses societal concerns and ensures accountability for technologies development outcomes that result from taxpayer dollars.

ASTRB shall be composed of 11 individuals, to be appointed by the Secretary, who have expertise in technology assessment, environmental sciences, international agricultural issues, the social sciences, agricultural sciences (both basic and applied), technology transfer, and education, including representatives of ARS, NIFA, Extension, LGU, private foundations and non-profit organizations who have expertise in agricultural research and technology transfer, and private agricultural research and technology transfer firms. Each member shall serve for a staggered term of 3 years. A chairperson shall be selected by the board.

The primary purpose of the board will be to:

- Provide *technical interpretations* and translation of current and emerging agricultural and environmental science issues for use by NAREEEAB and ARS and NIFA in setting priorities and conducting evaluations; and
- Provide *technology assessment* of current and emerging public and private agricultural research and technology transfer initiatives, including emerging technologies from private industry and public institutions that would influence agriculture, environment, nutrition, and the broad social, economic, and health consequences on urban and rural communities.

The board may conduct assessments to consider to what extent USDA agricultural research and extension programs foster:

- The development of farming systems that most effectively take advantage of natural processes and beneficial biological interactions and other sustainable agriculture techniques;
- Breeding research that results in public crop varieties and livestock breeds that enhance management options, farm productivity, efficient use of inputs, and a diversity of products that can be marketed by the farm operator;
- Research to develop farming systems appropriate to climatological uncertainty;

- Research to develop new farm crops and enterprises, that are economically and environmentally advantageous and enhance agricultural diversity;
- Research to enhance economic and societal wellbeing;
- Research that develops rural economic development strategies that build on the entrepreneurial skills, self-employment tradition, and the resource base of rural communities and extension programs to disseminate those strategies;
- Innovative extension and education programs that transfer new technology to the rural community including small- and moderate-sized family farmers and potential beginning and minority farmers with limited resources;
- Extension programs that substantially involve a broad range of interested individuals, commodity groups, agri-industry groups, farm groups, rural organizations, community groups, farmworkers, and environmental organizations to broaden input into research and extension priority setting; and
- Research, education, and extension that meets the needs of farmers, ranchers, and food systems that private industry cannot or will not address.

The board would prepare a report that contains a technology assessment of emerging public and private agricultural research initiatives and activities, including recommendations on how such research would be best directed to advance the purposes set forth in section 1402 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977; and an assessment of activities conducted by the Secretary. The board shall submit this report to the appropriate Committees of Congress, to the Secretary and heads of other federal agencies who support agricultural research.

### **C. Specialty Crop Research Initiative**

#### *ISSUE*

The Specialty Crop Research Initiative (SCRI) is a competitive grants program that funds research and extension projects on fruits, vegetables and other non-commodity crops. SCRI is authorized to receive \$230 million in mandatory funding from 2008 to 2012, and has invested over \$165 million dollars to date in research to promote increased productivity and resilience, and develop innovative technologies for the specialty crop industry.

The specialty crop industry as a whole produces half of the value of the entire agricultural sector in the United States. It also provides fruits and vegetables, which are vital to human nutrition and health, and of which public health professionals recommend increased consumption to help combat the epidemics of obesity and diabetes. The 2008 Farm Bill established funding for specialty crops for the first time through SCRI, and this investment has already begun to pay off.

## *PROPOSAL*

This proposal seeks to continue the much needed research program by reauthorizing SCRI and restoring mandatory funding through 2017. SCRI has funded over one hundred research projects and planning grants to date that utilize a systems approach to finding effective, long-term solutions to problems facing the specialty crop industry today.

In addition, the SCRI program should place a higher priority on classical plant breeding that results in the release of new public crop varieties, soil improvement, conservation, sustainability, and public health and should explicitly reference these in the purpose section of the Request for Applications.

The new farm bill should renew mandatory funding for SCRI at no less than \$40 million per year, and extend funding through 2017.

Amend the purposes to include the following:

- Add explicit reference to classical plant breeding and development of public varieties in the first purpose;
- Add a new purpose on soil improvement, nutrient retention, ecologically based pest management, and energy conservation;
- Add a new purpose on improving the American diet by enhancing access to, and consumption of, fruits and vegetables, including local and regionally produced food; and
- Revise the matching grant requirement from 1:1 to 25 percent of total costs or retain at 1:1 but allow up to half the match to come from in-kind contributions.

### **D. Organic Agriculture Research and Extension Initiative**

#### *ISSUE*

A major barrier facing organic farmers and ranchers is the lack of sufficient, appropriate, and relevant research, education, and extension resources. Agricultural research in the U.S. has largely focused on conventional, mono-cropped, chemical-intensive agriculture, with meager resources dedicated to supporting alternative systems and methods of agricultural production and processing. As efforts proceed to expand the role of more general research, extension and education programs to encompass organic farming and food systems, the dedicated funding streams for organic and sustainable agriculture priorities remain critical to building sustainable farming and food systems for the future.

The Organic Agriculture Research and Extension Initiative (OREI) is USDA's flagship competitive grants program with a funding stream dedicated to integrated organic research and extension projects. Organic farmers and ranchers are the core of the organic sector, fueling the strong growth that the sector has experienced even through tough economic times. Organic agriculture provides multiple economic, environmental, and public health benefits to society, and ensuring the continued success of organic farmers and ranchers is critical to providing these public benefits.

OREI currently funds organic research and extension in eight priority areas – including production innovations, on-farm research and development, international trade opportunities, marketing and quality improvements, conservation impacts, and development of new and improved seed varieties suited for organic systems.

A strong investment in research underpins growth in any sector – including organic agriculture. Farmers and ranchers need research and information resources to be successful and improve production practices. But support for organic research at USDA has not kept pace with the growth and opportunity that the organic sector has demonstrated. OREI is uniquely and critically positioned to close this gap between sector growth and research investment.

## ***PROPOSAL***

The new farm bill should renew mandatory funding for OREI at no less than \$30 million per year, and extend funding through 2017. Reauthorization of the OREI in the next farm bill, with \$30 million per year in mandatory funding, will ensure the continuation of this critical integrated program and long-term success of the organic industry in the United States.

Additional recommendations include:

- Adding a priority within OREI for rural development projects (if additional program funding can be secured) that will examine the potential benefits of organic agricultural production on rural communities and rural economic vitality;
- Adding a priority within OREI for research projects that examine food safety issues specifically related to organic production systems;
- Adding a priority within OREI for projects that address research needs of organic producers in complying with the National Organic Program regulations; and
- Amending the OREI statutory language to clarify that OREI should support educational activities in addition to research and extension activities.

## **E. Organic Production and Market Data Initiative**

### ***ISSUE***

Organic farmers and ranchers, in common with conventional farmers and ranchers, need sound market information about the agricultural products they produce. USDA has historically provided adequate information for many agricultural products produced with conventional methods, but has only recently begun to turn its attention to organically produced products. Organic agricultural products generally provide farmers with higher prices and, often, with alternative marketing channels that are not captured by USDA's information for conventional agricultural markets.

The lack of appropriate price information and economic data on par with what USDA provides for conventional agriculture is a significant barrier to organic farmers and ranchers. The Organic Production and Market Data Initiatives (ODI) is a multi-agency initiative that facilitates the collection of basic data for organic agriculture. The data collected serves the organic sector as well as other

USDA agencies that require that information to develop appropriate crop insurance products and to be able to provide loans for organic farmers.

Congress recognized the need for this data in the 2008 Farm Bill by revising the ODI to direct USDA to collect and report on specific market information for organic agricultural products including price data, and survey, analysis and reports relating to organic production, handling, distribution, retail, and trend studies including consumer purchasing patterns.

USDA has worked to meet the requirements of the ODI to collect and analyze information that organic farmers, ranchers, and businesses need to be successful, on a par with USDA data collection and analysis for conventional agriculture. ODI has delivered a number of important data services, including:

- The first-ever organic production survey as a follow-up to the 2007 Census of Agriculture, which provided a wealth of data about the growing and profitable organic sector, its structure, and challenges;
- Economic research reports and analysis, including new trade codes and data; and
- Organic price reporting.

The funding for ODI, however, is scheduled to expire with the 2008 Farm Bill. ODI must be reauthorized with sufficient funding to continue USDA's basic data collection service for organic farmers and ranchers and businesses that source organic agricultural products into the future.

## ***PROPOSAL***

The next farm bill should renew the \$5 million mandatory funding as well as an authorization for appropriations for ODI to continue USDA's data collection service for organic farmers and ranchers and businesses that source organic agricultural products into the future. These services include an ongoing Organic Production Survey through the National Agricultural Statistics Service, economic reporting through the Economic Research Service, and price collection and reporting through the Agricultural Marketing Service.

## **F. Appropriate Technology Transfer For Rural Areas (ATTRA)**

### ***ISSUE***

Access to technical assistance and information on sustainable agricultural production practices, is a vital resource that helps many farmers enter, transition into, expand or diversify their sustainable farming systems. The Appropriate Technology Transfer to Rural Areas, also known simply as ATTRA or also as the National Sustainable Agriculture Information Service, is a USDA program that offers professional, personalized technical assistance to farmers and ranchers across the nation looking for information on a wide variety of crop, livestock, energy, and marketing matters. More recently, ATTRA has expanded resources for farm energy conservation and renewable energy production.

ATTRA provides information and technical assistance to farmers, ranchers, extension agents, educators, and others involved in sustainable agriculture in the United States. ATTRA is also a valuable complement to the SARE program and other USDA research programs through its

provision of readily accessible sustainable and organic farming information and individualized technical assistance to farmers and ranchers across the nation.

ATTRA has offered a vital source of technical information and assistance to farmers for twenty-five years. Over the past few years, well over one million producers have visited the ATTRA website annually, seeking information and advice on everything from organic production of a wide range of crops and livestock to sustainable business and resource management. In 2010 alone, ATTRA staff answered over 60,000 information requests to its 1-800 call line and brought over 5.8 million unique visitors to its website, from which there were over 4.3 million publication downloads. More than 177,000 people from 45 states attended ATTRA workshops or presentations, many of which were conducted using webinars to increase national access. In addition, ATTRA has offered one-on-one consultations to about 70,000 farmers annually.

ATTRA was created in 1985, and re-authorized by Congress in the 2008 Farm Bill. As provided in the farm bill, the program is funded through a cooperative agreement between USDA and a national non-profit organization with expertise in sustainable agriculture and information delivery. USDA currently operates the program through a cooperative agreement with the National Center for Appropriate Technology.

## **PROPOSAL**

ATTRA is a vital program that is needed to keep pace with the growing numbers of farmers and ranchers engaged in, or wanting to establish, sustainable agriculture systems providing food and other products for the growing consumer and energy markets linked to sustainable agricultural production practices.

The authorizing language for the ATTRA, codified at 7 U.S.C. Section 1932(I,) clearly provides that ATTRA is a nationwide program. The next farm bill should continue this authorization and continue the \$5 million authorization for appropriations.

### **G. Local and Regional Food Systems**

#### ***1. Enterprise Facilitation for Local and Regional Food Businesses***

## **ISSUE**

Facilitating the success of entrepreneurs and new enterprises in rural communities is essential for providing these communities with the opportunity to build vibrant, local economies. A small but growing part of the new rural economy is emerging local and regional food businesses. To survive and thrive, farmers, ranchers and rural small businesses who want to be involved in this growing sector of the rural economy must have ready access to high quality research and technical assistance support systems.

The need for a program that provides these business support services, arises from the following considerations:

- Low-income counties have both high participation rates in the Supplemental Nutrition Assistance Program (SNAP) and also high incidence of obesity;

- Poorer rural areas have less access to healthy foods and produce at small town grocers is very often of lesser quality than that available in urban or suburban areas;
- Locally produced and processed foods could help fill the gap in healthy food access and farm income, increasing health and nutrition while boosting economic development and rural jobs;
- Production and marketing of local foods in rural areas requires specialized expertise in facilitation; and
- Extension services across the country are in the process of reducing field staff and programs because of state budget shortfalls, even as low-income counties in particular need these extension programs and services more than ever.

In the 2008 Farm Bill, Congress recognized the need for integrated research approaches that address issues of concern for rural communities in particular, by including an Agricultural Economics and Rural Communities foundational program in the USDA's Agriculture and Food Research Initiative (AFRI). The subprograms within this AFRI priority area – which include Small and Mid-Sized Farms, Entrepreneurship and Small Business Development, Rural Development, Markets and Trade, and Environment – are well suited to assist in this enterprise facilitation program. However, a critical element is missing in many states – sufficient local Extension capacity and staff with adequate training on sustainable local and regional food systems that would be able to serve as Extension facilitators.

## *PROPOSAL*

The next farm bill should include a program that would fund Extension facilitators to help create sustainable local and regional food systems. The program should include attention to agricultural production but should be focused mainly on the development of processing and marketing in the neediest parts of rural America. The Extension facilitators and the partnerships they help build would work with farmers, local schools and institutions, and local businesspersons to form enterprise facilitation networks and projects, with an overall goal of developing profitable local and regional food businesses.

The priority locations for establishing these Extension facilitators would be directly related to SNAP participation in a county or community. This is similar to the funding formula for SNAP-Education (SNAP-Ed) or USDA's Expanded Food and Nutrition Education Program (EFNEP), which are targeted to helping families with the greatest need learn about sound nutrition. An Extension local food facilitator would be responsible for developing sustainable local food systems in one local area or region, without the constraints of county boundaries. This program should have no matching requirements because of the severe pressure on state local Extension budgets.

Extension professional staff would be hired and trained as facilitators to do the following:

- Work in the rural community to identify local food producers, organize these producers into entities that could deliver local food into local markets, including farmers markets, community kitchens, locally-owned processing facilities, aggregation centers, transportation cooperatives, and even collaborative production cooperatives;
- Help form and provide resources for effective partnerships to train entrepreneurs and facilitate new enterprises;

- Assist farmers and processors with marketing and distribution of local foods;
- Identify barriers to the movement of local foods into the marketplace and work to reduce these impediments;
- Encourage new farmers to produce foods for the local markets and provide education programs to new farmers that will emphasize local foods;
- Work with the local EFNEP, schools and other local institutions and individuals to develop processing skills for commercial and home cooking; and
- Work with private funders and other federal and state agencies to acquire grants and loans for these endeavors.

Local Extension Services should work with existing nongovernmental organizations and institutions that have experience working on rural development initiatives and projects in the targeted areas. Funding may be directed to these entities to take on the hiring and training of facilitators, if the Extension Service does not have the capacity to take on these activities internally.

## *2. Data Collection on Local and Regional Food Systems*

### *ISSUE*

Data highlights the surge in local and regional food systems. Between 2010 and mid-2011, there was a 17 percent increase in farmers' markets nationwide. As of 2010, there were farm to school programs in operation in every U.S. state. Despite these basic numbers, however, there is a gap in data on the economic, environmental, and social contributions of these food systems. Not only are consumers demanding to know where their food comes from, but policymakers want to know how these food systems interplay with economic development, job creation, and even environmental well-being and public health.

Congress has expressed its support for local and regional food systems by including provisions to food systems in several programs in the 2008 Farm Bill. However, the research arms of USDA, and their associated programs, lack Congressional specific directives to further research on local and regional food systems.

There is significant interest among a diverse range of stakeholders, including state, local and federal governments, public and private schools, economic development organizations, and within environmental and public health communities, in understanding the benefits of local and regional food systems. These potential benefits and research topics may include how local and regional food systems can help spur economic growth and rural development, can assist in reducing the ecological footprint of our food production and distribution system, and can increase access to healthy foods and address public concerns associated with a poor diet.

Research on local and regional food systems are already underway at many public and private institutions across the country, including several USDA agencies such as the Economic Research Service, Agriculture Research Service, and NIFA; public and private academic institutions; and non-profit organizations and institutions. Lack of adequate data collected on local food systems is one of the most significant challenges that exists, preventing more research and economic analysis from

being conducted in this area. If sufficient data does not exist, often times proposed research projects will not even be considered for funding.

USDA currently collects a vast amount of farm level data related to agricultural production through two primary data collection tools: 1) the Agricultural Resource Management Survey (ARMS), which is conducted annually, and 2) the Census of Agriculture, which is conducted every five years.

ARMS is conducted annually by ERS and the National Agricultural Statistics Service (NASS), and is USDA's primary source of information on the financial condition, production practices, resource use, and economic well-being of America's farm households. ARMS data are essential to USDA, congressional, administration, and industry decision makers when weighing alternative policies and programs that touch the farm sector or affect farm families. Historically, ARMS has fulfilled a congressional mandate to provide annual cost-of-production estimates for commodities covered under farm-support legislation, and has thus oversampled in states and regions within states dominated by commodity-oriented agriculture.

This data collection tool can be an important resource for gathering the necessary data on those farmers and ranchers who produce for and market to local and regional markets, and will take advantage of the existing USDA infrastructure and internal capacity to collect and analyze farm-level data on a permanent, annual basis.

## ***PROPOSAL***

It is essential to understand these institutional barriers that exist within USDA that prevent it from collecting sufficient data that is relevant to producers, consumers, and policymakers interested in local and regional markets. Therefore, the next farm bill should include a directive for the REE Mission area to assess what data needs exist for local and regional food systems, and what institutional or infrastructure barriers exist that impede the collection of this data.

Additionally, the Agricultural Resource Management Survey (ARMS) should be modified in order to increase the participation of and relevance to producers who serve local and regional markets.

## **H. Seeds and Breeds for the 21st Century**

### ***ISSUE***

For decades there has been a steady atrophy in the capacity of our nation's land grant universities and federal research facilities to produce publically held and locally adapted plant varieties and animal breeds. Though the decline has taken place without fanfare, the negative implications are quite grave, undermining world food security, agricultural sustainability, and our ability to adapt to climate change and to meet the demands of consumers for high quality, nutritious food.

With the shift in federal research funding toward genomics and the widespread practice of private patents and private control of germplasm developed with public funds, the critical realm of classical plant and animal breeding for development of locally adapted and publicly held cultivars has dwindled. In addition, funding and policy decisions by USDA and land grant institutions have put the entire profession of classical plant and animal breeding in jeopardy. Plant breeding departments at universities are being closed and graduate students are encouraged to partner with industry to secure their funding and their future.

Overall, the pool of available germplasm is narrowing, with publicly available seeds and breeds rapidly disappearing. Entire regions of the country and the globe are without seed varieties that are adapted to their geographic needs and changing climate; farmers no longer have a full spectrum of plant varieties and animal breeds available to them; and consumers are denied food varieties that meet their tastes and nutritional needs.

In recognition of these concerns, leaders in Congress have called on USDA, in each of the past seven annual appropriations acts, to make funding for classical plant and animal breeding a priority within the USDA competitive research grant programs. Congress also added explicit statutory language in the 2008 Farm Bill and directives in the Bill's Conference Report in order to make classical plant and animal breeding statutory priorities within the new AFRI program. The Conference Report found that these public research programs are critical to the development of seeds and breeds that are well adapted to local conditions and changing environmental constraints. It also underlined the importance of participatory breeding programs that involve farmers and ranchers in the development of new seed varieties and animal breeds that are better adapted to local environments. The need for long-term grants to fund classical breeding programs was also recognized in the Conference Report.

Despite the clear call from Congress for USDA to address our nation's classical plant and animal breeding needs, the AFRI RFAs released since the passage of the 2008 Farm Bill have fallen well short in addressing those needs. According to analysis by the National Organic Coalition, of 127 projects funded by AFRI in 2009, 2010, and 2011 related to plant breeding and genomics, only one project was truly focused on classical breeding. Of 59 AFRI-funded projects in animal breeding, fertility and genomics, there were no projects focused on classical breeding.

## *1. AFRI Priority on Classical Breeding*

### *PROPOSAL*

Ensure that the congressional mandate for increased research and resources for classical plant and animal breeding, which was laid out in the 2008 Farm Bill, is achieved by:

- Mandating that 5 percent of total AFRI funds be dedicated to classical plant and animal breeding, unencumbered with mandatory requirements for genomics work, intended to lead to the release of publicly held crop varieties and livestock breeds with an emphasis on breeding for sustainable and organic systems; and
- Including a statutory directive to assure that the AFRI review panels for these classical breeding programs include a majority of reviewers with strong demonstrated expertise and experience in classical breeding.

Classical breeding grants should be for 5-year periods, with renewals for up to an additional 5 years. Any royalties resulting from the sale of seed of public varieties developed using money from this national emphasis area should be returned to the same breeding program and used solely for the purposes outlined in the national emphasis area's priorities, such as continued cultivar development. Competitive grant awards should be given to projects that:

- Include multi-disciplinary teams composed of public and/or private breeders, ARS researchers, farmers and ranchers, and non-governmental organizations;

- Create or reinvigorate Farmer-Breeder programs, including the targeting of resources for on-farm participatory breeding, germplasm screening and evaluation, and creation of new plant breeding resources by improving access to current germplasm collections for on-farm dynamic conservation by trained farmers; and
- Have as a primary goal ensuring the rapid availability of locally and regionally adapted public cultivar options and animal breeds for farmers and ranchers of each region of the country.

Awards may also be made to individuals for projects of exceptional promise in developing local and regional plant cultivars and animal breeds suitable for organic and sustainable production systems.

On-going analysis and tracking of awards for classical breeding should be a priority for classical breeding grants, to ensure that a diverse range of crop and animal breeding needs are being met in a timely and transparent manner.

## *2. Seeds and Breeds National Emphasis Area within NIFA*

### *PROPOSAL*

In addition to the classical breeding priority within the AFRI program, and with public sector plant and animal breeding at such a critical juncture, the next farm bill should also establish a new national emphasis area on Seeds and Breeds for the 21st Century within USDA's National Institute for Food and Agriculture. (Currently there are 13 national emphasis areas that operate across the institutes and programs at NIFA)

This national emphasis area will encompass grant programs that focus on the utilization of classical breeding methodologies to deliver public plant cultivars and animal breeds, to achieve adequate germplasm conservation, and to improve public access and utilization of new plant cultivars and breeds. These programs will place an emphasis on regionally adapted cultivars and breeds, and those that perform well in organic and sustainable production systems that are less dependent on synthetic fertilizers and other energy-intensive off-farm inputs.

Breeding objectives will include addressing climate change needs; enhancing resistance to diseases, pests, weeds, and abiotic stresses; conserving genetic diversity; improving nutritional content; and meeting consumer- and farmer-identified priorities.

## *3. Initiative to Coordinate USDA Public Breeding Activities*

### *PROPOSAL*

The next farm bill should establish a USDA-led Seeds and Breeds Initiative in order to coordinate and support existing public breeding programs and activities throughout various USDA agencies and public institutions. This Initiative will coordinate NIFA public breeding competitive grant resources, create timely liaison with U.S. germplasm collection, preservation, and screening activities and Agricultural Research Service (ARS) public breeding resources to ensure a coordinated USDA framework to fulfill this mandate.

The Seeds and Breeds Initiative shall be located in the Research, Education, and Extension (REEO) coordination office and report directly to the Under Secretary for Research and Education, and be

led by an external advisory board and an internal working group comprised of representatives from each public breeding program. The duties of these organizational entities will include:

- Conducting on-going analysis and tracking of public grants to ensure that a diverse range of crop and animal breeding needs are being met in a timely and transparent manner;
- Coordinating and collaborating with the National Genetics Resource Advisory Council (NGRAC) to ensure that its advice and guidance is implemented in a timely and transparent manner as it affects priorities for Institute cultivar and breeding priorities; and
- Creating liaison functions to ensure efficient coordination between the Initiative, NIFA, NGRAC, Genetic Resource Conservation centers and their curators as well as Land Grant Universities, the Agricultural Research Service, non-governmental organizations with interests or expertise in classical breeding, and public and private classical plant and animal breeders to maximize delivery of public cultivars and breeds; and
- Evaluating and tracking the adequacy of human and financial resources needed to ensure that the next generation of public breeders and farmer/rancher–breeders are prepared to meet the challenges of 21<sup>st</sup> century.

Additionally, in a coordinated fashion, amend the National Genetic Resource Advisory Council, (NGRAC) authorization to include the mission of creating a National Strategic Germplasm assessment and utilization plan to meet US Food Security goals for the 21<sup>st</sup> century.

## **I. Cross References to Other Sections of Platform**

### ***1. Beginning Farmers and Ranchers***

The next farm bill should invest in the next generation of American producers by: enabling access to land, credit, and crop insurance for new producers; assisting new producers to launch and strengthen new farm and value-added businesses; helping new producers become good land stewards; providing training, mentoring, and research that beginning farmers and ranchers need to be successful; and conducting outreach on agricultural job opportunities for military veterans.

See Chapter II, Section A.

### ***2. Socially Disadvantaged Farmers and Ranchers***

The new farm bill should increase opportunities for socially disadvantaged farmers and ranchers by: coordinating outreach and technical assistance for these underserved producers; continuing targeted federal support and extension services for tribal producers; and providing disaster assistance, marketing resources, and leadership development for immigrants and farmworker communities. See Chapter II, Section B.

### *3. Community Facilities Grants and Loans*

The farm bill should continue investments in rural infrastructure through the Community Facilities Program, and should include targeted funding for local and regional food system facilities, including community kitchens, incubators and distribution centers. See Chapter IV, Section C.

### *4. Food Safety Training for Farmers and Small Processors*

The 2012 Farm Bill should renew support for food safety training for small producers and processors through the National Food Safety Training, Education, Extension, Outreach and Technical Assistance competitive grants program. See Chapter IV, Section E.