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The Minnesota Project

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Secretary Mike Johanns

US Department of Agriculture

Washington DC

By email to FarmBill@usda.gov

Dear Secretary Johanns,

The Minnesota Project is pleased to offer our early input on the 2007 Farm Bill. The Minnesota Project is a 25 year old organization that works to bridge agriculture, conservation, energy and environmental issues as they affect rural communities. We have played a major role in supporting the Conservation Security Program as this ground-breaking approach to farm policy has taken root. We are pleased to offer our suggestions for America's Food, Fuel, Fiber and Farmer Policy.

The United States is at a turning point in agriculture policy. The status quo will not fit the needs of today and the future. The focus of the six questions you have posed helps us focus on the economic, environmental and social impacts of agriculture policy. The Minnesota Project believes a more conservation-oriented and less commodity-driven approach to farm policy in 2007 could provide a much-needed safety net for American agriculture and rural communities, would more broadly distribute support to all types of agriculture and farmers, and would be export friendly and trade compliant in today's global market world. Redirecting farm support dollars to reward and enhance natural resource conservation rather than production of specific

commodities strengthens the long term sustainability of our agriculture resources and gives our farmers greater flexibility to make production decisions based on local and international market signals. In today's dynamic and evolving market that could be the traditional food and fiber markets, but increasingly also energy, horticultural, recreational, wildlife and a whole host of other markets.

Other fundamental goals for agriculture would also be met by shifting toward conservation payments as the means of supporting farmers - goals of ensuring the longer term sustainability of our food production system, food security for all Americans, and helping transition to renewable energy sources. We need to offer farmers some safety net support in their high-risk business with the vagaries of fickle markets and weather, but we need to do it in a way that brings multiple benefits to taxpayers. The goals and objectives of the 2007 Farm Bill should be nothing short of reestablishing agriculture as the "Backbone of the American Economy."

Farm policy of the 20th century was built upon the agricultural work ethic, diverse farming operations, fertile soils, vibrant communities, and new technologies. This combination propelled the production of an abundant world supply of food and anchored our country's economy. Agriculture was the economic backbone that supported the American economy by converting sunlight to food and fiber and then sending every dollar through their community residents seven times before generating further wealth for their urban cousins in the manufacturing sector.

But agriculture is no longer the "Backbone of America." Only about two percent of the population, instead of 20%, is directly involved with working lands, and money spent by commodity crop farmers often leaves the community as well as the state long before any local people handle that currency.

The Conservation Security Program, when fully implemented, embodies the ability to reestablish agriculture as the backbone of the American economy by maintaining and improving soil productivity, keeping the energy dollar closer to home, ensuring that our water resources remain viable for current

and future use, providing for diverse and functioning landscapes - all while providing a needed financial safety net for farmers.

The CSP supports conservation farm operations of all types, not specific commodity crops. Opening the doors to all farmers will allow the recasting of American agriculture innovation, work ethic and pride.

With the foundation of the CSP, we can pose the challenge to the American farmer to take the next bold steps for a more energy independence, to narrow the trade deficit, and to improve our soil and water resources. The American farmer can do this and continue to produce affordable food under a policy that costs no more, provides financial stability to more farmers, and brings young men and women back to rural America to reestablish the backbone of our American economy.

1. How should farm policy address any unintended consequences and ensure that such consequences do not discourage new farmers and the next generation of farmers from entering production agriculture?

Under existing farm policy, the safety net is addressed through a variety of payments and risk management programs which are unfairly slanted toward commodity producers, and in fact primarily toward the very largest of those. This has the unintended consequence of favoring the status quo, diluting or eliminated market influences and limiting agriculture and rural entrepreneurs, while escalating farmland costs to a point where entry into farming is prohibitive. This type of crop subsidy policy has wreaked environmental havoc upon the landscape, threatening the natural resource base that future American farmers must rely upon in order to continue to feed our nation.

We should further decouple farm financial support from commodities and direct more support to conservation and long term agriculture and environmental sustainability. The farm safety net must be made available to all types of farmers and farming systems while allowing market influences to encourage innovation and entrepreneurs in rural America. An equitable,

encompassing farm safety net must use agriculture's resources of soil, water and natural systems, the common foundation of all farms operations, as a policy cornerstone. This achieves the short-term safety net many farmers rely on, as well as maintains and improves the long-term natural resources that farmers rely on.

The Conservation Security Program is a natural resource outcome-based program that supports performance indicators rather than prescriptive activities and comprehensively addresses soil, water and other resources of a healthy agricultural industry.

While there may be no way to completely insulate payments to farmers from being capitalized into land values, green payments like CSP have two major advantages over commodity payments. First, CSP is explicitly paid only to the land operator, not the land owner, and so the value is somewhat disconnected from the land itself. Secondly, the payments are fair and available to all farmers, not tied to specific commodities or, worse yet, historical production of those commodities which tends to tie payments to specific acres. Shifting toward green payments will go a long way to undo the unintended consequence of inflating land values by expected government commodity payments.

2. How should farm policy be designed to maximize U.S. competitiveness and our country's ability to effectively compete in global markets?

This question might be better rephrased - why focus on maximizing exports at a time when food imports are on the verge of overrunning exports? US agriculture should first aim at maximizing its competitiveness for US markets, and not give up US markets to imported food.

Commodity specific farm support is increasingly seen as a questionable policy. Trade is very important to both producers and consumers. To maximize U.S competitiveness, farm policy needs to be complementary with world trade policies for commodity crops. Using the Green Box as our guide, we should

redesign policies so that they do not distort production and prices. We should provide support to farmers with green payments, to enhance our natural resources and protect the environment. This provides greater sustainability of our agriculture system, is trade friendly, and increases our competitiveness.

To meet consumer demand, the industry should pay closer attention to domestic and world demand for quality food. Organic, non-GMO, produced without hormones or additives, free of BSE - these are the attributes wanted worldwide, and US policy should support efforts to meet that demand, not work against it by forcing unwanted products on other countries or our own consumers.

(3) How should farm policy be designed to effectively and fairly distribute assistance to producers?

Federal farm policy needs to shift its emphasis from support payments for the production of a few commodity crops to a conservation-based incentive system that rewards all producers for the environmental benefits they can produce. To effectively and fairly distribute assistance to producers, farm policy must be rooted in the commonalities of all farms - the resources used for productivity - particularly soil and water resources, but also the biological resources related to ecological health, pollination of plants and habitats.

Greener, greatly enhanced conservation payments through CSP and other conservation programs meet national goals and are trade compliant.

Rewarding good resource conservation for all farmers nationwide distributes assistance more equitably to more farmers and rural communities. Enhanced and financially rewarded conservation farming can have several very important components, such as the following:

- * Addresses environmental goals
- * Provides assistance to rural areas
- * Enhances agriculture's sustainability and competitiveness
- * More fairly distributes assistance to all types of producers
- * Provides America's awesome land resources a natural incentive to move further towards the production of energy crops.

American agriculture for most of its 70 years of farm programs has been plagued with managing surpluses, except for rare occasions. To transition some of agriculture's productivity toward the almost insatiable energy market in a conservation-minded, sustainable way while also producing for the nation and world's food and fiber needs, serves both the farm and non-farm public and strengthens and helps stabilize the farm and rural economy.

Crop and livestock production insurance must be available for all types of production systems and any subsidization of insurance should be allocated to the all types of crops and livestock.

(4) How can farm policy best achieve conservation and environmental goals?

The Farm Security and Rural Investment Act of 2002 offered a tremendous opportunity for federal farm policy to achieve our nation's conservation and environmental goals by authorizing major increases in conservation funding for existing conservation programs such as the Environmental Quality Incentives Program, the Conservation Reserve Program and its related specialty variations, the Continuous Conservation Reserve Program and the Conservation Reserve Enhancement Program, the Wetlands Reserve Program, and the Grasslands Reserve Program.

More importantly, congress authorized the new Conservation Security Program with the intent of allowing all of our nation's farms to receive conservation incentive payments in return for developing comprehensive conservation plans.

However, since 2002, both the administration and congress have failed to fully fund these conservation opportunities, making it more difficult to achieve conservation and environmental goals. The application backlog demonstrates the firm desire of American farmers to do better environmentally, and to participate in conservation programs which help make it possible.

The Conservation Security Program can provide financial rewards to all farmers, regardless of crop produced, to encourage the implementation of conservation practices and activities that enhance and protect our natural resources. In order to do so, CSP needs to be backed by strong congressional funding so that it can be open to all producers on a nationwide, continuous enrollment level. Congress designed the CSP as an open-enrollment program just like commodity subsidies funded by the Commodity Credit Corporation. But Congress has not yet delivered on that promise. We should shift USDA dollars in sufficient volume to conservation-type programs that will actually reward the best and motivate the rest in a market driven manner nationwide.

The Administration should work with Congress to bring the Conservation Security Program to a full-funding level, allowing the NRCS to open the program to all producers nationwide, on a continuous signup basis, and work to streamline program delivery while ensuring strict environmental performance.

Farm policy can best achieve conservation and environmental goals by making conservation policy a significant aspect of the 2007 Farm bill. Rewarding outcome-based performance standards for maintaining and improving the natural resources of soil, water, energy, and habitats with significant incentives will guide American farmers toward effective and innovative methods to achieve national goals.

(5) How can federal rural and farm programs provide effective assistance in rural areas?

In most rural areas, agriculture is the foundation of rural economies, and the farm bill should continue to focus its programs in a way that maximizes new ag markets, new ag-related businesses, and expanding agriculture opportunities.

Effective assistance must not focus on individual crops but rather on production systems that include diversification and the infrastructure to manage and market these diverse products. Effective assistance must support efficient crop and livestock production from an energy, nutrient, water, pest management and labor perspective and provide assistance on how to

better utilize the products raised. Effective assistance must be delivered toward local organizations of farmers and investors and capitalize on efficient production and food systems, economies of scope, energy production, energy use, energy transport and energy transmission.

Broader, less commodity specific farm support will make more support available for more types of farmers and farming in more rural communities.

(6) How should agricultural product development, marketing, and research-related issues be addressed in the next farm bill?

The 2002 farm bill provided authorization for the Value-Added Producer Grant Program to encourage and stimulate agricultural product development and marketing. However, the Congress has yet to fully fund this program at the farm bill level of \$40 million per year.

Additionally, the Farmers Market Promotion Program and the Organic Certification Cost Share programs can provide sorely needed assistance to help producers carve a market niche.

Research, product development and marketing are essential to return rural America to the strong backbone of the American economy. Plastics, pharmaceuticals, fuels, fibers and energy will be significant products of agriculture if programs and funding is directly toward these common products of Americans and the world consumers. High food-mile costs and consumer preference for fresh local foods should be addressed by ensuring local and regional food system networks continue to grow.

Farm programs have wrestled with the management of overproduction and surpluses as part of their mission for the past 70 years. Overproduction, fickle markets, unfair competition and a host of other issues still confront agriculture today. We need to design farm policy that more equitably distributes and offers support, ensures a safe and abundant food supply, recognizes local and global competition and research for appropriate new uses for new markets.

Thank you for the opportunity to share the visions of the Minne