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December 20, 2005

Secretary Mike Johanns
1400 Independence Avenue, SW
Washington, DC 20250-3355.

Dear Secretary Johanns:

As Secretary of the Wisconsin Department of Agriculture, Trade and Consumer Protection, I would like to take this opportunity to expand upon the comments I made at the West Allis Farm Bill Forum last August.

USDA's Farm Bill questions are best answered by giving states the tools to experiment with innovative policies aimed at developing new products, markets and conservation strategies. No one knows their state agriculture industry better than those literally "in the field." States like Wisconsin have historically been in the forefront of policy innovations that become adopted nationally. We should use this same model to guide us as we move federal agriculture policy forward in the next Farm Bill.

A vibrant agriculture industry is the cornerstone of our state economy, generating one in five jobs and \$55 billion in economic activity. Wisconsin boasts large farms and small; historic red barns and modern buildings; animals on pasture and land planted in row crops. We are "America's Dairyland" but we are also number one in the nation in cranberries, mink, cabbage for kraut and snap beans for processing.

- * Vegetables were our number two export last year.
- * Aquaculture in Wisconsin continues to grow at a brisk 10 percent a year.
- * Consumers' appetite for specialty foods like artisan cheese and organic food keeps increasing.

Wisconsin's diverse products, farm sizes and types, and rural community structure requires a focus both on commodity safety nets and tools for boosting investment in infrastructure, value-added businesses and environmental protection.

- * We need safety nets for the major commodities-milk, corn, soybeans.

- * We also need farm bill programs provisions that support specialty crops and emerging developments in organics, grazing, specialty livestock and farmers markets.

* Conservation programs are important to active producers - as well as the public - in order to satisfy new environmental management practices that are now being required and will be increasingly required in the future.

Of course, dairy is the centerpiece of the Wisconsin's agricultural industry, accounting for almost half of those dollars. It touches every county and every citizen:

* Every cow adds \$13,737 to the economy and \$550 to the tax base.

* Overall the dairy industry generates \$2.1 billion per hour for our state.

* The state's cheese, butter and ice cream plants pump more than \$35,000 per minute into the state's total economy.

That's why including a counter-cyclical dairy program - similar to other crops - in the next Farm Bill is crucial for Wisconsin.

Through the strong leadership of Sen. Herb Kohl and Rep. Dave Obey, Milk Income Loss Contract (MILC) program payments under the 2002 Farm Bill were a necessary safety net for Wisconsin dairy producers and rural communities suffering through the milk price collapse of 2002 and the first half of 2003.

Now that milk prices have recovered, the MILC program has been triggered just twice in the last several months. The program has worked just as it was supposed to... as a cushion to keep producers afloat in a sea of low milk prices.

MILC is not perfect. But this landmark dairy safety net marked a significant break from the regional bias in federal dairy policy that guarantees the highest prices to producers who are farthest away from Eau Claire. For once, our producers have not been penalized for living in Wisconsin.

The MILC program has been highly successful in reducing the rate of dairy farm loss in Wisconsin. The table below shows how MILC kept fewer families from leaving the family farm, in spite of historically low milk prices experienced in 2002 and the first half of 2003.

Change in Wisconsin Dairy Farms

Year
Jan. 1st Dairy Farm Numbers
Change from Previous Year
Percentage Change
All Milk Price
(\$ cwt)

1998
23,158
-1,795
-7.2

\$15.50

1999
21,899
-1,259
-5.4
\$13.80

2000
20,217
-1,184
-5.4
\$11.70

2001
19,096
-1,619
-7.8
\$14.80

2002
17,782
-1314
-6.8
\$12.11

2003
16,968
-814
-4.6
\$12.65*

(Data in bold indicates year since inception of the MILC program)

*preliminary all-milk price data for 2003; 2003 prices were significantly depressed until July

Source: Wisconsin Agricultural Statistics Service

While MILC proved to be a safety net for states like Wisconsin with small-to-medium sized dairy herds, the program had no negative impact on states with larger herds. States like California, Idaho and New Mexico, for example, all increased production significantly during the 2002-3 timeframe, when MILC payments were being made. We still have a ways to go to reform federal dairy policy and create a level playing field that provides Wisconsin dairy farmers with strong market prices and reasonable returns on their investment and labor. But the MILC program marked significant progress toward fairness and equity. Along with the milk price support program, this program creates a more credible safety net for producers when market prices fall.

The MILC program was put into the 2002 Farm Bill to try a new approach for dairy. The evidence shows that this innovative dairy policy has been very successful and should be continued in the next Farm Bill.

Grow Wisconsin Dairy Initiative

Of course, dairy producers prefer to get their income from the marketplace.

Wisconsin Governor Jim Doyle's Grow Wisconsin economic development plan has made great strides in keeping our \$20.6 billion dairy industry growing and vibrant.

The Governor expanded the dairy investment tax credit to all livestock producers who modernize. We provided close to \$1 million in grants to about 100 dairy businesses to help them modernize. Over the past four years, 30 companies have modernized and reinvested \$200 million in their operations.

At the same time, nearly 900 dairy producers have pumped more than \$282 million into their operations since 1996 with the help of grant programs from the state Department of Commerce. These producers have added 1.2 billion pounds of milk to Wisconsin's supply chain.

The grants are part of the Governor's Value Added Dairy Initiative, which aims to strengthen the state's economy and its rural communities by increasing milk production, modernizing farms, creating new dairy enterprises and increasing specialty cheese and dairy volume. The program is funded with federal dollars through the leadership of Senator Kohl and Rep. Obey and is matched by in-kind contributions of agencies and organizations within Wisconsin's dairy sector.

The next Farm Bill should include a title that authorizes a stable funding source for these types of state initiatives that promote dairy profitability by expanding the market for dairy products.

Reauthorizing dairy compacts would be a giant step backwards and ignite all the old battles. Compacts are neither innovative nor market-expanding; they're nothing more than old fashioned protectionism.

Support State-Federal Partnerships

That's why I strongly encourage USDA to work with Congress to increase Farm Bill funding for other state-federal partnerships that expand markets and test ideas for enhancing farm profitability. Such projects are uniquely tailored to meet local needs and opportunities. Examples include:

Value-added Agriculture

Wisconsin created its Agricultural Development and Diversification (ADD) grant program in 1989 to stimulate Wisconsin's farm economy. Based on post-grant surveys, the program has generated about \$100 million in economic returns, including annual sales increases, annual cost reduction, and additional economic returns. DATCP has also created a new, full-time

position to promote organic agriculture and intensive rotational grazing.

In addition to Value-Added Producer Grants and Specialty Crop Block Grants, Farm Bill support of state projects would help promote and expand value-added opportunities for our producers.

Bio-energy/Products

Wisconsin has also launched a major new initiative to grow our bio economy.

Our goal is to promote economic growth and energy security in both rural and urban areas of Wisconsin by using both bio based products and bio energy in environmentally sound ways. We'll provide \$1 million in grants for agricultural businesses to help develop ways to use plant and animal resources for no-waste, bio based energy, fuels, or products, and up to \$4 million for research and development for new uses for forestry byproducts.

To capitalize on Wisconsin's natural resource and land base, Governor Doyle has appointed the Consortium on Bio based Industry. Its task is to prepare a roadmap and recommendations on how best to support the development of renewable fuels and energy and bio based products in Wisconsin. The consortium brings together farmers and foresters, ethanol manufacturers, energy experts, researchers and entrepreneurs to position Wisconsin to be a leader in the emerging bio-economy.

The Farm Bill should foster these types of efforts by continuing Section 9006 renewable energy grants and expanding them to include bio based industry grants and forestry. Specifically, the Farm Bill should offer financing (such as loan guarantees) for digesters and other technologies, as well as help in building the business models and arrangements that make the economics work better.

Conservation

Not only do bio fuels and related bio based products offer tremendous opportunities to meet our nation's growing energy needs and strengthen the agricultural economy; developing more beneficial uses for farm wastes will reduce environmental compliance costs for producers while at the same time protecting our land, air and water.

Increased funding of state-federal conservation partnerships isn't just a good idea; it may be necessary for future farm policy. The next Farm Bill could shift some farm payments away from trade-distorting crop subsidies in order to comply with our obligations under the World Trade Organization (WTO).

I encourage USDA to support giving states more flexibility to use environmental stewardship funds in a manner that builds on state farm conservation efforts. A state block grant - piloted in cutting-edge states

like Wisconsin - could help producers develop new, innovative ways to practice environmental stewardship:

* The Wisconsin Agricultural Stewardship Initiative (WASI) is helping researchers find science-based answers that promote farm profitability while protecting the environment and food supply.

* For the first time ever, Wisconsin will invest more than \$1 million in cost sharing over the next two years for farmers to do nutrient management planning.

A Wisconsin task force of citizens from all over the state is developing strategies to maintain working agricultural lands. Making significant progress will depend on federal incentives for partnering with states, local governments, and NGO's to preserve working land through purchase of development rights. Loss of farmland is accelerating in Wisconsin and across the nation. The FarmBill as a matter of national policy should play a greater roll in stemming this loss of good farmland and promoting good environmental management on farms.

* DATCP is leading a Conservation Innovation Grant (CIG) project that will evaluate best management practices to control odor levels and air emissions on dairy and livestock operations. This is exactly the kind of project the federal government should promote. However, the grant process was very competitive, with about 175 project proposals submitted from entities in 48 states. Besides Wisconsin, NRCS selected 53 other projects to receive more than \$19 million in funding. With increased funding, states could do more of this kind of research and experimentation to test new policy ideas locally that may one day be ready for broad national or regional implementation.

Food Safety

States also have good ideas for streamlining food safety that would enhance public safety, as well as the economic vitality of animal agriculture.

Risk-Based Dairy Inspection Program

A more risk-based approach to Grade A dairy farm inspection would reduce or eliminate routine inspections on operations that have a history of significant compliance with current standards that have a direct bearing on food safety and public health. This system would reserve on-site inspection for dairy farms with a history of non-compliance with critical milk-safety-related violations. Piloting this system at the state level could show us how to reallocate inspection toward other higher risk food safety and food security activities.

Interstate meat shipment

Allowing interstate shipment of state-inspected meat would also expand markets for our farmer's products. Federal law currently only allows a limited amount of meat that has not been processed in a federally inspected plant to move across state lines. Most state-inspected meat may only move within state boundaries, even if food safety standards at the state plant are at least equal to a federally inspected facility. This policy hurts producers of lower-volume specialty meats, who are not allowed to ship their products across state lines because they fall outside of federal jurisdiction.

We could counter some of the anti-competitive effects of industry consolidation by removing the ban on interstate shipment of state inspected beef. While we believe this would greatly enhance the marketability of beef raised in Wisconsin and numerous other states, it would also help foster a more competitive market place.

Animal Identification

The health of our dairy and meat industries - and more importantly our customers - also depends on the health of our animals.

But last August 31, you announced the Bush Administration's support for a voluntary animal identification system, backing away from a mandatory, publicly-funded system - and throwing away years of work and millions of taxpayer dollars in the process.

It makes no sense to hand over responsibility for disease detection to industry - which has the greatest incentive to protect their profits by covering it up. This system would further erode the public's faith in the safety of American meat products - both domestically and internationally. And the cost of a private system will be funded on the backs of the producer, who will be forced to foot the bill for the benefit of processors and retailers.

Last year Governor Doyle signed the nation's first mandatory livestock premises registration law, a necessary first step toward our goal of 48-hour trace backs in animal disease outbreaks. In another example of state leadership in policy development, USDA adopted Wisconsin's premises registration system as the model for national use. To date, 26 states and one tribe have signed on to use the system. It is the product of a five-year effort by a private-public partnership called the Wisconsin Livestock Identification Consortium (WLIC)... developed with \$1.75 million in federal funding.

The next Farm Bill should include a title bringing us back to a mandatory animal identification system with funding to help states implement a national system as soon as possible. USDA's estimated additional cost of about \$600 million over five years for a national system is a critical investment.

Conclusion

What we're doing here in Wisconsin is a great example of what can be done across rural America to protect the environment, boost rural communities, and preserve family farms.

These Wisconsin initiatives show why the next Farm Bill should place a greater emphasis on supporting state projects that have national significance. Some new programs may be ready for broad national implementation.