SUSTAINABLE AGRICULTURE COALITION

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December 30, 2005

Secretary of Agriculture Mike Johanns
Farm Bill, Room 116A
1400 Independence Avenue, SW
Washington, DC 20250–3355.

Re: Request for Public Comments to Be Used in Developing USDA Recommendations for the 2007 Farm Bill

Dear Secretary Johanns:

Attached are brief comments from the Sustainable Agriculture Coalition on the six questions you posed for the USDA farm bill forums. We appreciate your efforts to solicit public views in advance of developing your 2007 Farm Bill recommendations and we welcome the opportunity to comment.

We have been encouraged by strong comments from you and your cabinet during the past year at the farm bill forums, and in the context of World Trade Organization and Congressional budget deliberations, with respect to such issues as beginning farmers, payment limitations, rural development, cooperative conservation, and others. On the other hand, we have watched with dismay as repeated presidential budget initiatives have successfully sought to retract farm bill funding for conservation, rural development and agricultural research and as CAFTA vote trading effectively put a stop to payment limit reform. We also have been saddened by the Department's decision to sharply curtail and weaken the Conservation Security Program, a key component of farm policy reform. Administration support for the narrowly-passed budget reconciliation decision to take all the real agricultural reconciliation cuts from forward-looking, innovative programs like the CSP and the Initiative for Future Agriculture and Food Systems also seem directly at odds with professions of support for farm policy reform.

We are reminded by the actions of your predecessor during the lead up to the 2002 Farm Bill, when the reform note was also sounded. Unfortunately, within a few short months of the publication of the position paper, the administration did a complete about face on many of the most important themes and recommendations of that document. This experience has led us to the view that USDA leadership, working with the White House, has a critically important decision to make in the coming months. That fundamental decision will be whether to stand firm for reform, or to decide the better course of political wisdom is to instead again opt for the status quo. We hope that under your strong leadership the decision will be for a reform agenda, and that such an agenda will hold firm in the face of the inevitable strong and well-financed

campaign for the status quo. We stand ready to work with you to the best of our abilities in fighting for long overdue fundamental reform of US farm and food policy.

Sincerely,

Ferd Hoefner

Ferd Hoefner, Policy Director
Sustainable Agriculture Coalition

Sustainable Agriculture Coalition Comments on the USDA Farm Bill Forum Questions

1. The competitiveness of U.S. agriculture in global and domestic markets. ***How should farm policy be designed to maximize U.S. competitiveness and our country's ability to compete effectively in global markets?***

Commodity program reform is long overdue. We were encouraged by the administration's initial support for payment limitation reform early this year, and similarly disheartened when as that support waned.

While the US will not be able to compete with emerging exporters on the basis of labor costs, there is much that could be achieved to get control over artificial land price/rent inflation and payment limit reform is a good place to start. Large, aggressive operations use their payments to bid up land prices to get more acres. In the process, virtually all of the program benefits are bid into higher land prices – increasing cash rents, land payments and property taxes. As a result, farm program payments are offset by increased production costs and, in the end, do nothing to improve the income of farmers except on previously owned land.

In short, the farm program encourages farmers to do things that drive down agricultural profitability. With foreign competition and uncompetitive markets at home driving down commodity prices, the last thing we need is policy that unnecessarily inflates land costs. Not only does it lower farm profitability. It lays the groundwork for a land price collapse, should the federal spigot tighten. Enactment of comprehensive payment limitation reform would have a moderating impact on land prices. It keeps the basic program in place to stabilize land prices, but it removes the fuel of uncapped federal payments from land price inflation, thus improving the profitability and competitiveness of our farms.

We will continue to support efforts in Congress to target support to small and mid-sized farms and to put strong caps on each and every type of commodity and conservation payment. While we continue the legislative battle, however, we note that you could personally start this reform effort administratively through rulemaking to remove the multiple layers of payment loopholes written into the regulations during succeeding administrations. The USDA Payment Limit Commission and the US Government Accountability Office have now both confirmed what we have been saying for years – current regulations provide multiple avenues to evade payment limits and in fact openly encourage abuse. Why not take the first step by issuing revised rules closing the loopholes that were created administratively? Such action would be beneficial in its own right, and might also spur complementary legislative action.

Other efforts to reduce land and rent prices and restore a more level playing field will need to include tax reform to remove incentives that favor investors and wealthy farmers over those of more limited means. Another part of an agenda for reform would include a major initiative to support new processing and marketing infrastructure improvements to support mid-sized farmers who are no longer going to survive by growing for raw commodity markets and therefore need viable alternatives. This is another area where a directive from the Secretary, in addition to a legislative proposal for the farm bill, could jump start an interagency effort to pursue reform.

2. The challenges facing new farmers and ranchers as they enter agriculture. ***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?***

It strikes us as very strange that the US Department of Agriculture has had so few efforts and so little funding over the years to support ongoing regeneration of its basic family farm and ranch system of agriculture, much less that major federal policies and programs have in general given little thought to unintended consequences for the structure of agriculture. This is, of course, a huge topic and in our view one deserving of a basic rededication to the issue the likes of which we have not seen by USDA leadership for several decades. We commend you for raising it and for highlighting it in the farm bill forums across the country.

We are encouraged by your decision to expand the scope of the current USDA small farm policy to include beginning farmer issues and to concurrently expand the scope of the interagency Small Farm Council. This is a good start. As noted in the response to question number one, of even greater importance will be taking action to reduce artificially inflated land prices and rental rates and to level the playing field by enacting comprehensive payment limitation reform as well as agricultural tax reform to remove incentives that favor investors and wealthy farmers over those of more limited means.

We were proud to propose and win support for a wide ranging beginning farmer and rancher credit reform agenda in 1992 and then a broader new farmer agenda in the last farm bill. The beginning farmer loan fund set-asides in place since passage of the 1992 Act need to be maintained. The Beginning Farmer and Rancher Down Payment Program should be retained and improved. We welcomed your recent expansion of the pilot program to guarantee private land contract sales to beginning farmers and ranchers, and urge you to direct FSA and Extension to expand promotion of this program, and to support making it an ongoing nationwide program in the next farm bill. We also continue to urge your support for a tax reform provision to remove the current prohibition on USDA loan guarantees being used in conjunction with state beginning farmer "aggie" bonds. The 2002 Farm Bill provided you the authority to make such loan guarantees, contingent on a corresponding change to the existing tax code barrier.

We have been discouraged by the near total lack of interest on the part of NRCS to implement Section 2004 of the last farm bill which provided USDA with the authority to offer special conservation incentives to new farmers to encourage a career-long dedication to good stewardship practices, and hope a new initiative will be launched in 2006, including but not limited to the CRP proposal made by the USDA Advisory Committee on Beginning Farmers and Ranchers.

We have been extremely disappointed in the continued absence of any funding request from USDA for the 2002 Farm Bill's Beginning Farmer and Rancher Development Program. In our view, this CSREES program should become a mainstay of the Department's support for innovative programs that are fostering new farming opportunities. It is high time for USDA to have at least one program, outside of the credit/debt arena, which is directed to the challenges of

getting started into today's agricultural environment. We urge you to make a down payment on your support for this issue by requesting significant first year funding for the BFRDP in the 2007 budget request.

All told, there are, as a result of the successful advocacy of the Sustainable Agriculture Coalition and its members, numerous USDA programs and authorities to begin to address beginning farmer and rancher issues. We urge you to start your farm bill recommendations by strengthening these existing components and giving them increased attention and funding.

It is our intention to join with other organizations with a keen interest in new farming opportunities to propose a New Farm Initiative for the 2007 Farm Bill. We expect this comprehensive initiative to include components related to beginning, minority and immigrant farmers and to incorporate research, outreach, marketing, conservation, risk management and other issue areas. We will propose expansion and mandatory funding for the Beginning Farmer and Rancher Development Program (BFRDP) and permanent authorization for the Beginning Farmer Land Contract pilot program. We intend to develop a new proposal for a USDA Beginning Farmer and Rancher Individual Development Account (IDA) program, similar in form to the HHS program but tailored to the needs of beginning farmers. In addition, we will be pursuing further policy reforms in conservation, crop insurance, research priorities and other areas as part of the New Farm Initiative package. We look forward to sharing these ideas and proposals with you as they are developed.

3. The appropriateness and effectiveness of the distribution of farm program benefits. ***How should farm policy be designed to effectively and fairly distribute assistance to producers?***

A primary objective of farm policy should be to foster genuine opportunity for modest-size family farms to earn decent incomes that enable them to contribute to building strong communities. In contrast, current farm programs reinforce declining rural communities, and it is no wonder that rural decline and commodity program payment concentrations go hand in hand. Farm programs help mega farms drive family farms out of business by bidding land away from them. The effect is particularly pernicious on beginning farmers who have few assets to use as a financial base in bidding for land against heavily subsidized mega farms. The programs do little to support the income of farm operators except on land they own. As the long as aggressively expanding mega farms are promised more government money for every acre they add, virtually all farm payments will be bid into higher cash rents and land purchase prices. As long as we squander billions on such dubious purposes as helping mega farms drive land prices up family farms out, little money will be left to invest in programs that offer a future to rural America.

According to an Extension Service poll taken prior to the last farm bill, 81 percent of farmers nationwide, and even 70 plus percent of southern farmers, support more effectively targeting payments to small and mid-size farms. Yet, when it comes to setting policy, it is the small minority of largest growers who always come out on top. This would change, however, with strong and consistent leadership from USDA. We continue to support the efforts of Senators Grassley, Dorgan and many others to bring about fundamental change and urge you to focus the full weight of your office to work with them to at long last achieve reform. In the meantime, we urge you to take immediate steps to extensively revise the regulations to close the loopholes that

have been added administratively over the years, starting by enacting the changes recommended by the GAO.

4. The achievement of conservation and environmental goals. ***How can farm policy best achieve conservation and environmental goals?***

The 2002 Farm Bill made significant strides for farmland stewardship by creating a better balance between farmland retirement and conservation on working agricultural land. To effectively foster conservation and environmental stewardship goals, the 2007 Farm Bill must continue to address agricultural working lands with a strong green payments program that promotes whole-farm planning rather than focusing on one conservation practice at a time. The Conservation Security Program (CSP) established by the 2002 Farm Bill is the base on which to build a true comprehensive, nationwide green payments program in the 2007 Farm Bill.

CSP has several key strengths. It rewards farmers who have established and are maintaining farming systems, management methods, and conservation practices that increase environmental benefits. This is a far better approach than focusing conservation payments on the worst actors to change – which has perverse and unintended long term consequences. If implemented correctly, the CSP can provide payments to farmers and ranchers based on how intensively they protect and enhance all the natural resources related to their operation, rather than directing the program to minor improvements on large acreages, with significant environment and resource problems left unaddressed.

We now believe the 2007 Farm Bill will unfortunately need to include revisions to CSP to provide increased legislative directives to achieve CSP statutory goals. However, we continue to stress that improvements can and should be made administratively during the next two sign-ups to get the program back on track. We refer you to our extensive comments on the interim final rule for details.

We would also call your attention to the unfortunately comatose Partnerships and Cooperation Initiative from the 2002 Farm Bill. This authority predates but predicts the presidential cooperative conservation policy. While NRCS has moved ahead with small planning grants under the heading of "Conservation Partnership Initiative," the farm bill's Partnership and Cooperation Initiative has been left unimplemented. It is difficult to understand how this can be so when USDA and other federal agencies have been urged to adopt cooperative conservation initiatives. Here is the tailor made statutory authority for such an effort, yet there has been no action. We intend to launch a major 2007 Farm Bill initiative to revise, strengthen and mandate this initiative, and hope that we might be able to do so in cooperation with your efforts to foster cooperative conservation approaches.

In addition, the 2007 Farm Bill should provide the means for natural resource and environment objectives for farm bill programs and a comprehensive and integrated national and regional monitoring and evaluation program to assess the progress of all USDA conservation programs in achieving these objectives. We proposed such language for the last farm bill, only some of which made it into law. We intend to increase our efforts in this regard, and would welcome the chance to share our detailed recommendations with you.

We remain concerned with the partial shift in focus of the Environmental Quality Incentives Program (EQIP) from fostering environmental quality, with a reasonable cap of $50,000 on payments. to a program that provides large cost-share payments of up to $450,000 to establish animal waste facilities and other infrastructure and engage in practices that pose the greatest threats to the environment and public health. EQIP now provides a perverse monetary incentive and a high priority for farmers to adopt polluting agricultural production systems, which threaten both the environment and public health. In the next Farm Bill, EQIP should be rebalanced to help farmers and ranchers establish sustainable agriculture systems that prevent agricultural pollution, rather than systems the concentration and impacts of environmental pollution.

5. The enhancement of rural economic growth. ***How can Federal rural and farm programs provide effective assistance in rural areas?***

The next farm bill should bring additional resources and dollars to USDA rural development programs by recognizing the importance of entrepreneurship as a rural development strategy.

In addition to addressing food production and food security needs, the 2007 Farm Bill should advance public policy in the area of rural community development by bringing critical resources to strategies that build assets and wealth for rural people and in rural communities. Programs should address the persistent, deep-rooted poverty present in many rural parts of the nation and the growing economic disparity between rural and urban areas of the nation.

Agriculturally-based entrepreneurship and innovation must continue to play a vital role in rural development policy. Agriculturally-based entrepreneurship can contribute to the creation of jobs and businesses in rural communities and to the alleviation of poverty in the same communities. Programs that promote a new generation of farmers and ranchers and which provide incentives for entry into agriculture also benefit the development of rural communities and their institutions. Beginning farmer and rancher programs also provide opportunities for the advancement of agriculturally-based enterprises among a new generation of rural entrepreneurs.

Asset- and wealth-building strategies are equally important to growing sustainable communities. Greater income alone cannot lead to economic well-being for individuals and families; asset- and wealth-building through home ownership, business ownership or enhanced education lead to important long-term psychological and social effects that cannot be achieved by simply increasing income. While income is an important factor, income can be achieved nearly anywhere in varying degrees. Assets like businesses and houses bond one to a place and help to build sustainable communities. A commitment to rural asset- and wealth-building strategies can lead to a stronger individuals, families and communities.

A fundamental decision must be made if rural economic growth is to be factored into the farm bill. To date, relatively few farm bill resources have been put into rural development. The short-lived 1996 Farm Bill's Fund for Rural America was the first such effort and while the last farm bill included additional programs and funding, only the Value-Added Producer Grant program actually survives as an ongoing, funded program. The Senate farm bill in the last round included two excellent programs – the Rural Microenterprise program and the Rural Endowment program

– which unfortunately did not survive conference. These two programs could serve as templates for USDA recommendations for the next farm bill. But no less important than the specific recommendations will be the overall recommendation that this title of the farm bill is not only a legitimate topic for debate and inclusion, but that mandatory farm bill dollars are appropriate and long overdue. In our view, no one is better able to make that claim and push that agenda than you, and we encourage you to continue to do so.

6. Opportunities to expand agricultural products, markets, and research. ***How should these agricultural product, marketing, and research-related issues be addressed in the next farm bill?***

The 2002 Farm Bill authorized $240 million in mandatory spending or $ 40 million annually from 2002 through 2007, for the Value-Added Producer Grant Program. In addition it gave statutory authority to value-adding production practices that allow farmers to sell their agricultural products at premium prices based on how something was grown or raised. To date, USDA has disbursed over $115 million in VAPG competitive grants, and has turned away hundreds of applicants each funding cycle. This popular program has nonetheless been cut repeatedly in the President's budget

The 2007 Farm Bill should authorize an increase in mandatory spending over existing levels and designate a percentage of that annual funding for technical assistance to producers in the area of business and project development. Funding streams for technical assistance in the area of project development and specifically cooperative development are needed to aid producers in growing viable and sustainable businesses. In addition, the next farm bill should create a simplified application for independent producers and should define the program's priorities as serving small and mid-sized farms and ranches.

The Farmers' Market Promotion Program (FMPP) was authorized in Section 10605 of the 2002 Farm Bill as a competitive grants program, administered by USDA's Agricultural Marketing Service. Statutory language authorizes grants to agricultural cooperatives, local governments, non-profit corporations, public benefit corporations, economic development corporations, regional farmers' market authorities, and other eligible entities for the purpose of establishing, expanding and promoting local farmers markets and other forms of direct farmer-to-consumer markets. It received its first appropriated funds from Congress in Fiscal Year 2006.

Political and organizational support for the FMPP grows out of expanding interest in direct marketing initiatives developed by farmers, local and regional farmers market authorities, cooperatives, local governments, and non-profit organizations. Direct marketing initiatives help farmers and ranchers secure a larger share of the consumer food dollar and provide an economic boost to communities. Authorization and funding of the Farmers Market Promotion Program by Congress during such tight budget times demonstrates growing political support for an enhanced USDA role in encouraging these new direct marketing opportunities. The next farm bill should increase funding for this program as the base program to support producer-to-consumer initiatives.

We also note the last farm bill increased efforts to support the growth of organic agriculture. We were proud to be able to initiate action to start a nationwide organic certification cost share program, and believe this effort should be continued in the next farm bill. Mandatory funding was also provided for organic farming research and extension, and effort that should be accelerated in the next farm bill.

Such an effort should include the development of an organic program within the ARS with the oversight of a National Program Leader (NPL) for Organic Agriculture. ARS should be directing devoting at least a 2% "fair share" (based on the organic share of US food markets) of their total resources to organic research, equivalent to approximately $20 million per year, up from current spending is about $3.5 m annually on organic specific projects.

The Integrated Organic Program, which combined the Organic Research and Extension Initiative and the Organic Transitions Program, continues to attract a high level of interest, such that only 10 percent of qualified applicants have been able to receive funding. We expect interest in this program to continue to grow. Accordingly, mandatory funding for the IOP should be increased to at least $15 million per year. We also urge your support for a priority area and significant funding within the National Research Initiative for plant and animal breeding to support sustainable and organic agricultural systems.

Finally, the Organic Production and Marketing Data Initiatives (Sec. 7404 in the 2002 Farm Bill) should receive enhanced funding for AMS organic price reporting on a nationwide, regular basis, NASS surveys for the organic sector, and acceleration of ERS efforts to analyze organic farm financial indicators and market trends. This information should be coordinated with RMA so that the high existing crop insurance barriers and discrimination against organic producers can be eliminated.

Over the last decade, the nation's farmers and ranchers have seen the concentration of buyers and processors for their agricultural products into fewer and fewer firms. This trend, coupled with dramatic decreases in the number of firms providing agricultural inputs such as seed, breeding stock, etc. is diminishing the capacity of U.S. farmers and ranchers to meet diverse and emerging markets for food and fiber both domestically and internationally. Our commodity policy encourages crop farmers to produce relatively few varieties of fungible, surplus commodities in unsustainable production systems. The policy also leaves our livestock and poultry producers locked into vertically integrated production systems in which they have no bargaining power at the point of entry and little recourse or legal protection, even in the face of blatant and abusive practices by the vertical integrators.

Elsewhere in these comments, we call for measures to increase the diversity of agricultural products and markets for our nation's farmers. In addition, we continue to support the measures proposed for a Competition Title in the 2002 Farm Bill debates. These measures include increased bargaining power and regulatory protection in production contracts for our farmers and ranchers - including a prohibition on mandatory arbitration clauses in the contracts - limits on the ability of packers and processors to control captive supplies of livestock, and clear directives to end undue price preferences. We also support significant improvements to the Mandatory Livestock Price Reporting Act to ensure that livestock producers get timely, accurate,

comprehensive and transparent reporting of livestock prices, a basic requirement for a fair market for their products. We hope you will not overlook these and other important competition policy issues as you formulate your farm bill recommendations.