

WEEKLY UPDATE
SUSTAINABLE AGRICULTURE COALITION
May 21-25, 2007

Please note there was a special edition Weekly Update this week, issued on Wednesday. Refer to that special edition for news from earlier this week.

ACTION NEEDED

Urge House Ag Members to Save and Strengthen CSP During Full Committee Markup: With the fate of the Conservation Security Program in the House version of the farm bill hanging in the balance, we encourage everyone to use next week's Memorial Day recess as an opportunity to speak with your Representative and their staff about the importance of the CSP in your state. Please go to the SAC Farm Bill Action Center starting Saturday for a new action alert about the state of play concerning CSP and full list of House Agriculture Committee members. Between now and when the full House Agriculture Committee meets for markup in late June, we must urge those Members to support full funding for CSP and oppose the substantive weakening of the program contained in Chairman Peterson's proposal that has now been reported out of the conservation subcommittee.

Competition Title Update and Action: Co-sponsors are need for Rep. Leonard Boswell's (D-IA) Competitive and Fair Agricultural Markets Act (H.R. 2135), an identical bill to Chairman Harkin's competition bill in the Senate. We want the bill or major pieces of the bill offered as an amendment to the House farm bill during full Committee markup. Current co-sponsors include House Agriculture Committee members Jeff Fortenberry (R-NE), Steve Kagen (D-WI), and Earl Pomeroy (D-ND). Other members co-sponsoring the bill include Rep. Bruce Braley (IA), Barbara Cubin (R-WY), Marcy Kaptur (D-OH), and David Loebsack (D-IA).

Targets for action are members of the House Agriculture Committee who are not yet sponsors of H.R. 2135, particularly those who voted in a Subcommittee markup for one of its provisions -- prohibitions on mandatory arbitration clauses in production contracts, including Rep. Gillibrand (NY), Holden (PA), Baca (CA), Donnelly (IN), Costa (CA), and Mahoney (FL). See the alert at the SAC Farm Bill Action Center for more information.

THIS WEEK

CSP/CSIP Update

1. Victory -- Congress Approves FY2007 Supplemental Appropriations with CSP Uncapped: On Thursday, Congress approved a \$120 billion FY2007 Supplemental Appropriations bill (H.R. 2206), which includes \$17 billion in domestic funding. President Bush said he will sign the bill this time, after vetoing the first version earlier. The good news for SAC is that the bill removes for FY2007 the cap on Conservation Security Program (CSP) funding imposed in the FY 2006 and 2007 regular appropriations act. This will give CSP sufficient funds for the 51 watershed sign-up announced by USDA to go forward and allow the contract modifications from earlier year contracts to be finalized and for payments to start. In addition, the supplemental extends the Milk Income Loss Contract (MILC) program for one month through September 30, 2007, which means the program funding can be included in the budget baseline for the next farm bill without requiring offsets. The bill also included about \$3 billion for an agriculture disaster assistance package.

2. Promise -- Harkin Plan Unveiled: As we mentioned in the special edition, Chairman Harkin announced his plans for the conservation title publicly for the first time on Thursday. He specifically mentioned his intention to provide \$6 billion in new funding for the conservation title, including \$3 billion for the new Comprehensive Stewardship Incentives Program (CSIP), \$2 billion for the Wetlands

Reserve, and the remainder for a new, melded easement program and several other smaller provisions. There was fairly extensive press coverage.

3. Step in Right Direction - Peterson Changes Gears on CSP: Last week, House Ag Chairman Collin Peterson (D-MN) issued his farm bill conservation title proposal to slash funding by \$1.1 billion for the Conservation Security Program (CSP), severely weaken the program's substantive language, and mothball the program until 2012. As the bill went to markup in Subcommittee on Tuesday this week, the chairman made it clear to Members that they would not be allowed to vote on amendments to restore or increase funding for CSP, or for any other conservation programs, from the farm bill "reserve" fund because all the reserve funds were already spoken for in his draft farm bill. Hence, Rep. Kirsten Gillibrand's \$3 billion CSP funding amendment in Subcommittee was offered but had to be withdrawn without a vote.

The next day, the Chairman indicated to the press that he was not actually planning to use the whole reserve fund in his draft farm bill, leaving Members perplexed about his earlier edict. On Thursday, shortly after Senate Chairman Harkin announced the outlines of his proposed conservation title, Chairman Peterson told the press corps that he had changed his mind and that Members could offer amendments predicated on spending money from the reserve fund in future subcommittee markups and also that he planned to offer an amendment in full committee to restore the \$1.1 billion CSP cut that is now enshrined in the Subcommittee's bill and to mothball the program for just two years rather than the original 4-year hibernation proposal. Confused yet? So are we. But if nothing else, the latest pronouncement is a step in the right direction at least.

SAC is developing amendment options to improve both the substance and funding for the CSP in the House bill, and hopes to see a strong amendment offered when the bill reaches full committee in late June.

A Competition Victory in House Livestock Subcommittee Mark Up: On Thursday, the House Agriculture Subcommittee on Livestock, Dairy, and Poultry marked up its section of the farm bill, which includes competition issues. House Ag Committee Chairman Peterson's mark for the bill contained no competition provisions. Both Peterson and Ranking Member Bob Goodlatte (R-VA) participated in the markup debate but did not vote on amendments.

During the markup, Subcommittee Chairman Leonard Boswell (D-IA) offered an amendment which would prohibit mandatory arbitration measures in livestock and poultry contracts by providing that arbitration could be used to resolve a contract only if both parties agree to arbitration voluntarily after a contract dispute arises. The Subcommittee approved the amendment on a vote of 8-6. Rep. Boswell offered but then withdrew an amendment to require 90 days written notice to a producer before cancellation of a production contract. He also offered and withdrew an amendment with improvements to the Mandatory Livestock Price Reporting. USDA representatives at the hearing were unable to provide a definitive answer to Chairman Peterson's question about the percentage of market transactions currently captured by USDA's livestock price reporting program. Rep. Boswell did not offer his entire Competitive and Fair Agricultural Markets Act (H.R. 2135) as an amendment.

Contract issues also arose in the debates over dairy measures. The Chairman's mark includes a provision to make permanent a pilot program for dairy forward contracting. Rep. Gillibrand (D-NY), Kagen (D-WI) and Cardoza (D-CA) raised concerns that the provision does not include sufficient producer safeguards indicating they would want consideration of changes in the bill. In response to a question from Rep. Kagen, USDA representatives at the markup replied that USDA has done no study or analysis of the effects of forward contracting on smaller producers. Rep. Kagen also offered an amendment which was approved on an 8-6 vote to provide \$12 million in assistance to U.S. veal producers hurt economically by veal imports from Canada allowed under NAFTA.

The Chairman's mark also contained a provision to end the \$9.90 support price for milk and instead provide support prices based on other dairy products, with support for cheddar cheese blocks at \$1.13, barrels at \$1.10, butter at \$1.05 and Non-Fat Dry Milk at 80 cents per pound. The prices would be supported by USDA purchases of these dairy products with formulas to reduce the price support if maximum purchase levels are exceeded for 12 consecutive months. In addition, there was much discussion of an amendment offered and withdrawn by Rep. Costa (D-CA) to create a Commission to consider a unified national milk marketing system. This a turn around from the California dairy industry previous position of not wanting to be included with any other region in a milk marketing order.

The markup also included debate over an amendment offered and withdrawn by Rep. Kagen (D-WI) which would allow the interstate shipment of meat inspected by state inspectors in states which USDA certifies as meeting federal standards for meat inspection. In response to questions, USDA representatives noted that they have just completed an audit of 28 state meat inspection programs and found that 27 of them met the federal meat inspection program standards.

Another provision slipped into the Chairman's mark but not discussed at the markup may be generating considerable public debate in coming weeks. The provision would preempt any state or local laws that prohibit the use in commerce of any article that USDA has inspected or passed or determined to be of "non-regulated status" (including any GMO approved by USDA). SAC strongly opposes this measure which would prohibit actions such as a state banning production of a GE crop that produces human pharmaceuticals because potential contamination of food crops or a state recalling tainted meat that had passed a USDA inspection.

Another measure approved without discussion would allow a mandatory animal identification program to be implemented as part of mandatory country of origin (COOL) labeling. R-CALF, Western Organization of Resources Councils and many other organizations object to this provision, which could turn the current voluntary National Animal Identification System into a mandatory system. Presumably the provision was added as a "poison pill" to prevent COOL from becoming mandatory.

Bills, Bills, Bills – This Week's Hit Parade

1. Commodity Payment Limit Reform Bill: On Thursday, Senators Byron Dorgan (D-ND) and Chuck Grassley (R-IA) introduced the *Rural America Preservation Act* of 2007 (S. 1468) to place limitations on the amount of farm commodity program subsidies any one farm may receive. The newly introduced bill is similar but not identical to legislation they introduced in the previous two Congresses and to an amendment they sponsored during the 2002 Farm Bill debate that gained a two-thirds affirmative vote on the floor of the Senate. SAC issued a press release (posted on the website) in support of the bill.

The bill limits annual per farm commodity subsidy payments to \$250,000, with caps of \$40,000 on direct payments, \$60,000 on counter cyclical payments, and \$150,000 on loan deficiency payments and marketing loan gains. It stops the use of generic commodity certificates or crop forfeitures to the government to evade the limits. All payments will be tracked through entities and partnerships directly back to the individual who is the ultimate beneficiary. All beneficial interests in an entity would be subject to payment limitations, making it more difficult to create "paper" farms for the purposes of exceeding the limits. In order to prevent farms from reorganizing in a manner that frustrates the intent of the limitation, USDA is directed to issue regulations to attribute payments on a farm to the person exercising primary control over the operation.

The bill also provides a "measurable standard" by which USDA determines who should and should not receive farm payments. It requires that management be personally provided on a regular, substantial, and continuous basis through direct supervision and direction of farming activities and labor and on-site services. The combined labor and management standard is 1,000 hours annually or 50% of the commensurate share of the required labor and management. Landowners who share rent land to an

actively-engaged producer remain exempt from the “actively engaged” rules provided their payments are commensurate to their risk in the crop produced.

The bill has yet to be scored for its budget impact. However, based on an earlier Congressional Budget Office score of a proposal that lacked many of the loophole closing features of this one, it is predicted to save over \$1.5 billion. As noted in the SAC press release, “The Act also provides a means to increase funding for popular farm bill initiatives in a year when spending is constrained. This is a common sense, pro-family farmer way to help provide needed support for value-added agriculture, new markets, improved nutrition, rural development, beginning farmers, and conservation.”

2. Pollinator Habitat Bill: On Thursday, Senator Max Baucus (D-MT) introduced the *Pollinator Protection Act* of 2007 (S. 1496), a marker for the farm bill, with 29 bi-partisan co-sponsors. The Act would amend the CRP, CSP and EQIP to include protection of pollinator habitat among the primary purposes of those programs. SAC worked closely with the Pollinator Partnership on the measure. The Act is a good first step in fostering greater protection and increased populations of both the European honeybee and a host of native pollinators including other insects, birds, and bats. SAC will continue working for stronger measures in USDA conservation programs to provide greater protection of pollinators with on-farm practices such as reduced pesticide use through integrated pest management, the use of diverse crop rotations, and the promotion of organic agriculture.

3. Food Stamp Bill: On Thursday, Chairman Tom Harkin (D-IA) and former chairman Dick Lugar (R-IN) introduced the *Food Stamp Fairness and Benefit Restoration Act* (S. 1529). The bill restores an inflation adjuster to the standard deduction, an adjuster that was stripped from the program as part of the 1996 welfare reform bill, eroding benefits ever since. The bill also eliminates the current very low cap on child care deductions, indexing the asset limit, makes legal immigrants fully eligible for the program, and increase eligibility time limits for unemployed adults who do not have children. Together the provisions are estimated to cost about \$4 billion over the life of a five-year farm bill.

4. Minority Farmer Marker Bill: With the goal of providing greater access and opportunities for socially disadvantaged farmers and addressing hunger and nutrition issues, Representative Joe Baca (D-CA) this week unveiled a bill with a broad package of reforms for the 2007 Farm Bill. *The Nutrition and Opportunities for the Underserved and Rural Incentives to Secure the Heartland* (NOURISH) Act (H.R. 2401) includes provisions to help minority and disadvantaged farmers access USDA loans and technical assistance, ensure fairness in agricultural production contracts, and improve farm worker safety. The bill also addresses several key SAC priorities by seeking to improve the participation of socially disadvantaged farmers in all USDA conservation programs and increase their access to the VAPG program. In addition, H.R. 2401 provides \$25 million in mandatory funding for the Farmers Market Promotion Program, consistent with SAC Farm Bill recommendations. Eighteen members of the Congressional Hispanic Caucus, chaired by Rep. Baca, and three members of the Congressional Hispanic Conference have signed on as cosponsors. Rep. Baca is the Chairman of the House Agriculture Committee’s Subcommittee on Department Operations, Oversight, Nutrition and Forestry.

5. Senate Northeast Marker Bill: On May 17, Senator Charles Schumer (D-NY) introduced the *Farm, Nutrition and Community Investment Act* (S. 1424), a companion bill to the House version of the so-called “northeast marker bill” introduced by Representative Rosa DeLauro (D-CT) earlier this month (see the May 4th edition of the SAC Weekly Update for a complete analysis). While the bill is nearly identical to the House version, the Senator version includes SAC’s recommendations for reauthorization of the Farmers Market Promotion Program (FMPP) in the next Farm Bill. Specifically, the bill would provide \$25 million in mandatory annual funding for FMPP, create specific statutory categories for the range of direct marketing activities eligible for funding (including EBT systems), and encourage funding for underserved areas. S. 1424 is cosponsored by Senators John Kerry (D-MA), Edward Kennedy (D-MA), and Joseph Lieberman (D-CT).

6. Biofuels Innovation Program Bill: On Wednesday, Senators John Thune (R-SD) and Ben Nelson (D-NE) introduced S.36, the *Biofuels Innovation Program Act*. The bill would provide funding to communities, farmers, cooperatives or other entities to assess the feasibility of a biofuels production facility in their region using “dedicated energy crops” as the feedstock for the energy producing facility. Dedicated energy crops include any crop that is not included in the commodity programs of Title 1 and that does not have the potential to be invasive or an obnoxious weed.

In addition, a group of landowners or farm operators, an energy or agricultural company or refinery, a Resource Conservation and Development council, or any entity that submits an acceptable proposal for production and use of a dedicated energy crop is eligible to be selected by USDA to establish a Biofuels Innovation Project. The BIP will encompass a project area that is within a 70-mile radius of an existing or proposed biofuels facility or has some other boundary determined by USDA. Farm operators and owners in the BIP area would be eligible for payments for growing dedicated bioenergy crops on land that is subject to numerous restrictions intended to ensure that the land has some history of agricultural production.

BIP payments include an annual rental payment for five years and cost-share payments for establishing the energy crop. Payments are also provided for collecting, harvesting, storing, and transporting biomass produced on the BIP. BIP participants must agree to undertake specified conservation practices. They must also agree to provide USDA with information which can promote the production of bioenergy crops and the development of biorefinery technology and be used to evaluate bioenergy transition assistance. A maximum of 5 million acres can be enrolled in BIP at any given time. The bill provides that the BIP will be provided mandatory funding through the Commodity Credit Corporation, though there is not currently a cost estimate.

The Thune-Nelson bill includes features similar to the bioenergy bill introduced by Sen. Klobuchar with Sens. Harkin, Conrad and Durbin (see 5/18 Weekly Update for details), though its rental payment, establishment cost share, and handling and transportation payment would be more expensive than the Klobuchar bill’s incentives payments. The Klobuchar bill also contains a CSP enhancement payment for native, perennial mixtures and for research demonstrations.

Rural Development Title Action Delayed?: Rep. Mike McIntyre (D-NC), chair of the House Ag Subcommittee on Specialty Crops and Rural Development, will likely be busy managing a bill on the House floor during the first full week of June. If so, the Subcommittee markup of the farm bill rural development title will not begin until the following week. At a meeting with the House Ag Committee staff today, staffers were told there will be no new hard money for rural development, which has no current baseline funding. Any new funding in the rural development title would have to be from reserve funding, and thus even current programs with mandatory funding like the Value-Added Producers Grant Program (VAPG) will be at risk. We will issue an action alert and put it on the SAC Farm Bill Action Center on our website with as much lead time as we can to rally support for the VAPG, the Rural Entrepreneurs and Microenterprise Program, and the Farmers Market Promotion Program.

Adjusted Gross Revenue Insurance: Scott Marlow of the Rural Advancement Foundation International, as SAC member group, today sent the House Subcommittee on General Farm Commodities and Risk Management a memo to reply to questions posed to him during a recent crop insurance hearing (see the 5/18 Weekly Update for details). The memo details the ways in which the farm bill could help make AGR insurance work for contract growers and help simplify and improve AGR insurance for all farmers. Working with RAFI, we hope to be able to gain traction for some of these proposals in the the upcoming subcommittee mark-up for this subcommittee.

REMINDER: Next week is the one-week long congressional recess for Memorial Day. That means most Members are back home and holding town hall meetings and the like.