



December 22, 2005

From: Izaak Walton League of America
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Re: Official Farm Bill 2007 Comments

The Izaak Walton League is a private, non-profit conservation organization that for more than 80 years has supported strong federal conservation policies on private lands, especially agricultural lands. The Farm Bill is perhaps the single most important piece of legislation for the lands, waters and wildlife of our country. And its impact on the lives of individual farmers and their communities is profound.

The Izaak Walton League of America is pleased to provide the following Official Farm Bill 2007 Comments in response to the six specific questions as requested by USDA.

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?

Current federal farm policy is dominated by the programs contained in the Commodity Title of the Farm Bill. The commodity title of the farm bill is in need of reform through effective payment limitations and the closing of loopholes utilized to avoid existing limitations. Currently, the use of generic certificates allows the avoidance of any restriction on payments whatsoever under the marketing loan program. Similarly, forfeiture also enables avoidance of any payment limits in that program. Additionally, abuse of the multiple entity rule is a loophole for unearned payments under the Loan Deficiency, Counter Cyclical and Direct Payment Programs. As documented by the GAO:

“USDA’s regulations to ensure recipients are actively engaged in farming do not specify a measurable standard for what constitutes a significant contribution of active personal management. By not specifying such a measurable standard, USDA allows individuals who may have limited involvement with the farming operation to qualify for payments...According to GAO’s survey and review of case files, USDA is not effectively overseeing farm program payments...For about one-half of the farming operations GAO reviewed for 2001, field offices did not use available tools to determine whether persons were actively engaged in farming.”

-- [GAO-04-407](#), a report to the Chairman, Committee on Finance, U.S. Senate

The current system of unlimited and manipulated commodity production payments creates a vicious circle where those production subsidies are bid into expanding production, increasing rental rates, land prices, property taxes and price-depressing surpluses. The limitless payments essentially negate their purported purpose of helping farmers by increasing the cost of doing business, driving down both profitability and opportunity in agriculture.

As documented by the Federal Reserve Bank of Kansas City's Center for the Study of Rural America:

"This begs the question why the sizable federal payments are not spurring more economic growth... As noted previously, most farm payments are attached to commodity programs. That is farmers receive payments for growing certain commodities... Simply put, commodity programs wed farming regions to an ongoing pattern of economic consolidation. It should not be surprising, therefore, that the very places that depend most on federal farm payments also happen to be places where economic consolidation is happening apace... Traditional programs simply do not provide the economic lift that farming regions need going forward."

--Drabenstott "Do Farm Payments Promote Rural Economic Growth?"
Main Street Economist, March 2005. Federal Reserve Bank of Kansas City, Center for the Study of Rural America.

The next farm bill must enact strict payment limitations and close the loopholes for avoiding those limitations.

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

Reducing our trade-distorting subsidies would put the US in compliance with World Trade Organization rules; rules that the US helped create. Failure to do so would expose a wide variety of industries to possible punitive tariffs from foreign governments. Although agriculture subsidies would trigger the tariffs, they could be placed on any industry, from electronics to manufacturing.

Instead of the trade-distorting subsidies, U.S. Farm Policy should prioritize conservation programs. Conservation program payments are not restricted by WTO rules and they best serve the public good by conserving and protecting natural resources, while simultaneously serving as an available and appropriate financial safety net for producers in a volatile marketplace.

Enhancing and expanding conservation funding for programs like WRP, WHIP, EQIP, CRP and CREP, in addition to a critically important working-lands conservation program for production agriculture like CSP, will ensure the global competitiveness of America's farmers in full compliance with international trade rules.

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

With the top eight percent of subsidy recipients collecting 78 percent of payments according to USDA figures (Associated Press, March 2005), current farm policy is clearly neither fair nor effective. Instead, instituting payment limits and closing loopholes in the system would make sure taxpayer dollars are being used more appropriately, and prioritizing conservation programs would achieve an equitable distribution of farm policy funding.

USDA Economic Research Service argues:

“Indeed, farm program payments have had some unintended consequences from a rural development perspective. For instance, higher payments can increase farmland prices, making it more difficult for beginning farmers and land-intensive nonfarm businesses to get started. To the extent that land is owned by absentees, farm program payments may benefit absentee owners more than local farm operators and farming communities. Finally, with most payments going to the largest farms, higher program payments may have encouraged farm consolidation and fewer farms over the long run.”

--McGranahan and Sullivan, “Farm Programs, Natural Amenities, and Rural Development.” USDA-ERS Amber Waves, Volume 3 Issue 1, February 2005.

Conservation programs are open to any farmer or rancher—not just the growers of a small number of select commodities—and serve every American taxpayer by protecting and improving our nation’s natural resources.

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

Meeting these goals requires, first, adequate funding of existing conservation programs. Consider the following excerpts from the Congressional Research Service report RL32940 “Agriculture Conservation Programs: A Scorecard,” June 3, 2005:

Conservation Reserve Program (CRP)

Backlog/interest In the last general signup (8/30/04 - 9/24/04), FSA accepted 19,732 offers to enroll 1.19 million acres from 26,080 offers to enroll 1.67 million acres, according to data posted on the FSA website, visited 5/12/05.

Conservation Security Program (CSP)

FY2005 spending (est.) Spending limited to \$202 million. (Current law limits total CSP spending to \$6.037 billion between FY05 and FY14.)

Backlog/interest

18 watersheds in portions of 22 states were eligible in FY04. Watersheds in the Southwest and New England were largely excluded, as were the major agricultural states of Florida and California. All working farmland is eligible regardless of crop grown. An interim rule establishes a “contract limit,” capping the total payments to not more than 15% of local land rental rates multiplied by the number of acres enrolled for Tier I, 25% for Tier II, and 40% for Tier III. This contract limitation could lessen participation by smaller acreage farms and farms and ranches of any size with very low rental rates.

Environmental Quality Incentive Program (EQIP)

FY2005 spending (est.) Spending limited to \$1.017 billion (\$1.20 billion authorized).

Backlog/interest In FY2004, 47,510 contracts were accepted and the remaining 135,394 applications went unfunded. The total eliminated cost to eliminate this backlog would be \$2.204 billion. The most unfunded contracts were submitted in TX (18,121), followed by AR (9,403). In terms of cost, the largest amount was AR (\$190 million), followed by TX (\$162 million), according to information in the FY06 budget notes.

Farmland Protection Program

FY2005 spending (est.) \$112 million (\$125 million authorized).

Backlog/interest The FY2006 budget request states that “The demand for the program has exceeded available funds by approximately 300 percent.” During the 2004 signup, 216 applications with a total cost of \$101 million to enroll 48,488 acres went unfunded. States with the most unfunded requests were SC

(59), followed by KY (36). The greatest cost of unfunded applications was SC (\$27 million), followed by MD (\$18 million). The largest number of acres were in SC (13,104), followed by NV (8,804 acres).

Grasslands Reserve Program

FY2005 spending (est.) Spending limited to \$128.4 million (a total of 2 million acres and \$254 million through FY07).

Backlog/interest In FY04, 10,122 applications were submitted to enroll 6.5 million acres; 1,055 applications enrolling 283,000 acres were accepted, leaving a backlog of unfunded applications that totals more than \$1.1 billion, according to the FY06 budget notes.

Wetlands Reserve Program

FY2005 spending (est.) Enrollment limited to 154,500 acres, which will cost an estimated \$274.5 million. Authorized to enroll 250,000 acres annually with no annual spending limit specified (measured in calendar years).

Backlog/interest In FY02, 3,173 unfunded easement applications would have enrolled 536,000 acres at an estimated cost of \$622 million. The most applications were from AR (357), followed by MN (331). The most land was in FL (79,000 acres), followed by AR (76,000 acres). The cost of the easements was greatest in FL (\$90 million), followed by AR (\$ 63 million), according to the FY06 budget notes.

Wildlife Habitat Incentive Program

FY2005 spending (est.) Spending limited to \$47 million (\$85 million authorized).

Backlog/interest In FY2004, WHIP had 3,033 unfunded applications at a total cost of \$10.7 million. AR had the most unfunded applications (218), followed by IA (187). AK had the highest cost for these applications (\$2.1 million), followed by RI (\$814,000), according to the NRCS website, visited 5/20/05.

The popularity of conservation programs can hardly be overstated, but the shortfall in funding—in terms of amount authorized as well as the amount sought by applicants—is an obvious obstacle to achieving the environmental conservation goals already within reach. This existing circumstance was made further aggravated by the budget reconciliation process just completed in congress.

Secondly, meeting the goals requires careful administration of conservation compliance rules. As further documented by the GAO:

“USDA’s Natural Resources Conservation Service has not consistently implemented the 1985 Food Security Act’s conservation provisions. Inconsistent implementation increases the possibility that some farmers receive federal farm payments although their soil erodes at higher rates than allowed or they convert wetlands to cropland... According to GAO’s nationwide survey, almost half of the Conservation Service’s field offices do not implement the conservation provisions as required because they lack staff, management does not emphasize these provisions, or they are uncomfortable with their enforcement role... Finally, the Farm Service Agency, the USDA agency responsible for withholding benefits for violations identified by the Conservation Service, often waives these noncompliance determinations without adequate justification. Without support from the Farm Service Agency, the Conservation Service’s field staff have less incentive to issue violations.”

--GAO-03-418, a report to Ranking Democratic Member, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate

But we must remember that conservation at USDA is nonetheless a successful endeavor on the whole. The Farm Service Agency described the success of CRP as follows:

- Safeguards millions of acres of American topsoil from erosion;
- Improves air quality;
- Provides food and habitat for wildlife; and
- Protects ground and surface water from water runoff and sedimentation. Countless lakes, rivers, ponds and streams are cleaner, healthier and more useful because of CRP.

CRP is the Federal government's largest and most effective conservation program on private lands. Since its inception in 1986, this program has helped reduce soil erosion by more than 40 percent and restored 1.8 million acres of critical wetland acreage.

Even more impressive, CRP's success is accomplished through local voluntary partnerships between individuals and USDA. Instead of mandating participation, the program uses financial incentives to encourage farmers and ranchers to voluntarily establish valuable conservation practices.

Additionally, the nationwide implementation of a working lands conservation program like CSP would provide the means to create a never before realized level of conservation practice on potentially every farm and ranch in the country. A program that makes conservation an integrated and ever-present element of agriculture production is an obvious means to best achieve real conservation and environmental goals.

5. How can Federal rural and farm programs provide effective assistance in rural areas?

As reported by the Economic Research Service of the USDA¹, current farm subsidies do not provide effective assistance to rural areas:

"Yet, despite decades of farm program payments, economic researchers have been unable to establish that these payments help sustain farm-based communities. Many areas that have consistently garnered high payments from farm programs have lost population decade after decade, even during periods when most other rural areas were gaining population... Farm programs, as they are currently structured, do not address the causes of long-term population decline experienced by many farming communities." (McGranahan and Sullivan, 2005)

Interestingly, this same ERS research points out that help for rural areas may best come in the form of conservation program spending by augmenting and increasing natural amenities:

"Natural amenities are highly correlated with population and employment growth—they even shape agriculture.... the number of farms has increased in counties with high levels of natural amenities. While these amenities are not the only factor affecting farm numbers, it is clear that many beginning farmers want to farm—and live—in a pleasant outdoor setting... Assessments of program impacts in rural areas tend to focus directly on jobs, or, as above, presume that programs, such as farm programs, affect population change largely by affecting local economic opportunities. The analysis of the gap in population change between high-farm payment and other rural counties

suggests, however, that rural amenities, such as climate, landscape, and access to services, are major explanations for why high payment counties have tended to lose population decade after decade, even as other rural areas have grown. Other research also indicates that, while new rural jobs bring people, it is equally true that new rural people bring jobs. Rural counties, particularly high-farm-payment counties, lose a substantial proportion of their young people after they finish high school. Young adults with children or older adults in retirement will not flock to rural areas for high income. Instead, they will do so to seek a high quality of life, which encompasses schools, community life, pleasant landscapes, and opportunities for outdoor recreation, all of which will contribute to the economic vitality of the area.”

Clearly, effective assistance to rural areas would best be achieved in the next farm bill by prioritizing conservation spending to enhance communities’ “natural amenities,” rather than continuing the preference given to production subsidies.

¹McGranahan and Sullivan, “Farm Programs, Natural Amenities, and Rural Development.” USDA-ERS Amber Waves, Volume 3 Issue 1, February 2005.

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

The membership of the Izaak Walton League of America has enacted policies that define a focus for agricultural research and development. The next farm bill should address agricultural product development, marketing and research within these guidelines:

1. The League supports the development of agricultural systems that sustain both natural resources and people. Policies and rules in commodity, tax and other farm-related programs that work against conservation and sustainable agriculture should be changed. Incentives and cost-sharing arrangements should be provided for sustainable farming systems that work in concert with nature and are designed to produce quality food, protect human health, enhance opportunities in farming, and strengthen farm communities. Funding should be provided for education, research and extension.
2. Expand government-sponsored research and the development of agricultural techniques and crop types that minimize erosion problems, reduce dependence on pesticides, and otherwise enhance habitat for fish and wildlife while protecting water quality, soil and the health and safety of farmers and the public.
3. The widespread use of antibiotics in the production of livestock raises concerns about development of antibiotic-resistant strains when these are used for both livestock and humans. The League supports federal legislation to help prevent the emergence of antibiotic-resistant infections by forbidding use in livestock as growth promoters or for disease prevention, except those for which studies have demonstrated that there is no harm to human health due to development of resistant strains.
4. The production and marketing of food for human consumption without the use of chemicals or artificial preservatives has grown in recent years and with it consumer confidence in and demand for these “organically produced” products. The League opposes any attempt by the U.S. Department of Agriculture to modify established “Organic” food certification standards by authorizing irradiation, fertilization by sludges, and other additives and chemical applications in food production or processing.

5. Genetically engineered organisms (GMOs) have become increasingly significant and could threaten the biodiversity of global ecosystems, local habitats and the gene pools of organisms. Demand for labeling of these altered products is increasing. Production of sterile hybrid seed threatens existing seed-saving practices. Given that many uncertainties exist about these GMOs and their impacts on the environment, the League urges that:
 - a. An independent federal Council on Genetically Engineered Organisms be established.
 - b. This independent, nonpartisan council shall establish technical guidance for assessing current and proposed technology, ecological issues, consumer concerns and organic agriculture and wildlife issues as part of a comprehensive, pre-market approval system that promotes sustainability and provides oversight to regulatory entities dealing with GMOs.
 - c. The scientific community critically studies and evaluates the long-term effects of GMOs.
 - d. Consumers are informed of what is being consumed through required labeling, and that they have the right to naturally produced foods.

Thank you for the opportunity to comment on the 2007 Farm Bill. The Izaak Walton League of America supports Farm Bill legislation based on the values that farming should be profitable, natural resources should be protected and federal funding should be distributed fairly.

Please contact Brad Redlin, Director, Agricultural Programs, if you have questions on these comments or other issues.

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