

LOOKING AHEAD: KANSAS AND THE 2012 FARM BILL

FIELD HEARING BEFORE THE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS
FIRST SESSION

AUGUST 25, 2011

Printed for the use of the
Committee on Agriculture, Nutrition and Forestry



Available via the World Wide Web: <http://www.fdsys.gov/>

U.S. GOVERNMENT PRINTING OFFICE

71-636 PDF

WASHINGTON : 2012

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

DEBBIE STABENOW, Michigan, *Chairwoman*

PATRICK J. LEAHY, Vermont	PAT ROBERTS, Kansas
TOM HARKIN, Iowa	RICHARD G. LUGAR, Indiana
KENT CONRAD, North Dakota	THAD COCHRAN, Mississippi
MAX BAUCUS, Montana	MITCH McCONNELL, Kentucky
E. BENJAMIN NELSON, Nebraska	SAXBY CHAMBLISS, Georgia
SHERROD BROWN, Ohio	MIKE JOHANNIS, Nebraska
ROBERT P. CASEY, Jr., Pennsylvania	JOHN BOOZMAN, Arkansas
AMY KLOBUCHAR, Minnesota	CHARLES E. GRASSLEY, Iowa
MICHAEL BENNET, Colorado	JOHN THUNE, South Dakota
KIRSTEN GILLIBRAND, New York	JOHN HOEVEN, North Dakota

CHRISTOPHER J. ADAMO, *Majority Staff Director*

JONATHAN W. COPPESS, *Majority Chief Counsel*

JESSICA L. WILLIAMS, *Chief Clerk*

MICHAEL J. SEYFERT, *Minority Staff Director*

ANNE C. HAZLETT, *Minority Chief Counsel*

CONTENTS

	Page
FIELD HEARING(S):	
Looking Ahead: Kansas and the 2012 Farm Bill	1

Thursday, August 25, 2011

STATEMENTS PRESENTED BY SENATORS

Stabenow, Hon. Debbie, U.S. Senator from the State of Michigan, Chair- woman, Committee on Agriculture, Nutrition and Forestry	1
Roberts, Hon. Pat, U.S. Senator from the State of Kansas	1

Panel I

Brownback, Hon. Sam, Governor, State of Kansas, Topeka, KS	6
Schulz, Kirk, Ph.D., President, Kansas State University, Manhattan, KS	8

Panel II

Baccus, Steve, Kansas Farm Bureau, Minneapolis, KS	13
Esping, Karl, Kansas Sunflower Commission, Lindsborg, KS	14
Goyen, Kent, Kansas Cotton Association, Cunningham, KS	15
Grecian, Ken, Kansas Livestock Association, Palco, KS	17
Henry, Bob, Kansas Soybean Association, Robinson, KS	18
McCauley, Kenneth, Kansas Corn Growers, White Cloud, KS	19
Schemm, David, Kansas Association of Wheat Growers, Sharon Springs, KS ..	21
Shelor, Gregory, Kansas Grain Sorghum Producers, Minneola, KS	22

Panel III

Bach, Ron, Director, High Plains Farm Credit, Jetmore, KS	32
Brinker, Kathleen, General Manager, Nemaha-Marshall Electric Cooperative Association, Inc., Axtell, KS	33
Brown, Ron, President, Kansas Association of Conservation Districts, Fort Scott, KS	35
Crouch, Barth, Conservation Policy Director, Playa Lakes Joint Venture, Sa- lina, KS	36
Tempel, Robert, General Manager, Windriver Grain LLC, Garden City, KS	38
Whitham, Jeff, Chairman and CEO, Western State Bank, Garden City, KS	39
Wilder, Karen, Scientific and Regulatory Affairs Director, The Schwan Food Company, Salina, KS	40

APPENDIX

PREPARED STATEMENTS:	
Baccus, Steve	56
Bach, Ron	62
Brinker, Kathleen	66
Brown, Ron	81
Brownback, Hon. Sam	85
Crouch, Barth	89
Esping, Karl	97
Goyen, Kent	100

IV

	Page
PREPARED STATEMENTS—Continued	
Grecian, Ken	103
Henry, Bob	111
McCauley, Kenneth	116
Schemm, David	120
Schulz, Kirk	123
Shelor, Gregory	131
Tempel, Robert	134
Whitham, Jeff	138
Wilder, Karen	141
ADDITIONAL DOCUMENT(S) SUBMITTED FOR THE RECORD:	
Brownback, Hon. Sam:	
Change in Water Levels, Predevelopment to Averag 2009-2011, Kansas High Plains Aquifer	154
Crouch, Barth:	
Farm Bill Biologists in Playa Lakes Joint Venture	155
Playas and the Ogallala Aquifer-What's the Connection?	156
Tempel, Robert:	
Company profile containing various figures and photographs, Windriver Grain LLC	158
U.S. Corn Production Pie Grows	162
Kansas Planted Acres	163

LOOKING AHEAD: KANSAS AND THE 2012 FARM BILL

Thursday, August 25, 2011

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY,
Wichita, KS

The Committee met, pursuant to notice, at 9:17 a.m., at the Hilton Wichita Airport, 2098 Airport Road, Wichita, Kansas, Hon. Debbie Stabenow, Chairwoman of the Committee, presiding.

Present: Senators Stabenow, Roberts

STATEMENT OF HON. DEBBIE STABENOW, U.S. SENATOR FROM THE STATE OF MICHIGAN, CHAIRWOMAN, COM- MITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

Chairwoman STABENOW. Well, good morning and we will call the Committee to order, the Senate Committee on Agriculture, Nutrition, and Forestry. It is my great pleasure to be here in Kansas with all of you. I have been very much looking forward to the opportunity to hear from you about what we can do to support agriculture in Kansas and rural communities, our great universities, and all those that help to strengthen agriculture for our country.

It was my pleasure a while back to have the opportunity to host Senator Roberts in Michigan at Michigan State University, and I returned the favor today by wearing purple for Kansas State.

[Applause.]

Chairwoman STABENOW. I said, do not tell my friend at Michigan State, though. But it really is wonderful to be here, and I think before going farther in an opening statement, I will turn it over to Senator Roberts. I do want to say a special hello to the Governor, though, who we worked together on many things and, Sam, it is wonderful to see you, Governor Brownback, and, of course, Dr. Schulz, it is wonderful to have you here as well.

But I am going to turn it over first to Senator Roberts.

STATEMENT OF HON. PAT ROBERTS, U.S. SENATOR FROM THE STATE OF KANSAS

Senator ROBERTS. Well, thank you, Madam Chairwoman, for calling this field hearing today. Welcome to Kansas and welcome to Wichita. We are delighted to have you. I would just simply say that when I was in Lansing, Michigan, home of the Fighting Spartans, their colors are green and white. And I got this lovely green and white tie that I wear a lot.

[Laughter.]

Senator ROBERTS. But I promised her——

Chairwoman STABENOW. Another one.

Senator ROBERTS. I promised her, I promised her I would wear that green and white Spartan tie when Michigan State plays Nebraska, that is for sure.

[Applause.]

Senator ROBERTS. Before I begin my statement, I want to thank the 46th Governor of Kansas, my dear friend and colleague, Sam Brownback. We served together in the Senate for 12 years and had a very unique and close relationship. Thank you for joining us, Sam. I know your schedule is very, very busy. We had served alongside the Governor, as I say, in the Senate.

As a former State Secretary of Agriculture, why we are fortunate to have Sam's perspective on Federal farm policy. Seated next to the Governor is the 13th President of Kansas State University, home of the ever optimistic and fighting Wildcats, Kirk Schulz, Madam Chairwoman. You will be happy to know that President Schulz spent some time teaching in Michigan earlier in his career.

Kansas State, like many of our Nation's land grant institutions, is vital to development and well-being of America's agriculture sector. The Research and Extension Services that are provided by these institutions, more particularly Kansas State, lay the foundation for our farmers and our ranchers and our agribusinesses. Thank you, President Schulz, for being here this morning.

We are here to talk about the next farm bill and how Kansas farmers and ranchers, agribusiness, and rural communities are impacted by policies that are created in Washington, for better or for worse. Agriculture is the backbone of our state's economy. It provides roughly \$15 billion worth of sales, according to the most recent census by the Department of Agriculture.

Each year, each year Kansas has planted nearly 23 million acres to a variety of crops like wheat, grain, sorghum, corn, sunflowers, cotton, and potatoes. I do not know if we have anybody growing cherries here in Kansas, but if you do, raise your hand and you will get a big welcome from the Chairwoman.

Well, Kansas is home to 2.8 million people. It is also home to over 6 million cattle, 1.8 million hogs and pigs, 120,000 dairy cows, and usually they are in a better mood today than some of our producers.

As we prepare for the reauthorization of the Farm Bill, it is important for us to begin by listening to these producers, those with the dirt under their fingernails, to provide the best perspective on the effectiveness of Government regulations and programs.

Let me just say at the outset that we have, because of the time restraints, witnesses who I think will speak for all of agriculture, but if any individual producer out there wants to submit a statement for the record, it will be made part of the record. Simply give it to me or one of my staff and you can either email it, you can Twitter it, you can tweet it. Do not put in on Facebook. Or you can simply write it out on a yellow tablet—I still use that—and give it to us.

Farm bills are not designed with one state in mind. They are national in scope because all that they must protect producers from all states at a base level. This year in Kansas is a case in point

of a need for a strong safety net. Boy, did we find that out yesterday and what we have found out this year.

I do not know what it is about Mother Nature. Here we are going from an earthquake yesterday to a drought today and some people are going back to Washington to a hurricane. This is a very unusual year.

But anyway, our Kansas producers have experienced floods where they are still putting up sandbags on the Missouri as we are dealing with a drought in 70 counties. The Governor has asked the Secretary of Agriculture now for 70 counties being designated in regards to emergency status.

Yesterday I led a drought tour to see firsthand the effects of Mother Nature. Tammy Oast's [phonetic] camp has already done that. The Governor has done that. Others have done that. And we wanted to do it as well. I have been working with the state and the USDA to find ways to provide necessary and responsible relief for our farmers and ranchers.

We know that our programs face budget pressure, and they should. The Federal debt and deficit are out of control. All of the Department programs should be under consideration and a budget review. The Chairwoman agrees with me on that point. And the Agriculture Committees, with the best experience and knowledge of these programs, should lead in that effort.

Agriculture faces a tough challenge ahead. Global population continues to grow at a rapid pace. We are going to exceed 9 billion people on this planet in the next several decades. That is a lot of mouths to feed. At the same time, emerging economies are demanding higher valued protein and grains.

In order to meet this demand, agriculture must double our production. Some folks question the need for a Farm Bill with commodity prices where they are today. I do not have to tell this crowd that prices can fall much more quickly than they rise. And one thing about it, when you have good farm prices and you do not have a crop, that is sheer frustration.

Without an adequate safety net, plenty of producers struggle to secure operating loans, lines of credit, cover input and equipment costs. We need those producers to stay in business if we are going to meet this global challenge and do so in a way in that protects our most valuable resource, our future generations.

Thank you to all of our witnesses today. I know you are very busy. Thank you for taking time out of your busy schedule. I look forward to your testimony, along with the Chairwoman, and hearing not only about the Farm Bill, but also the impact of Federal regulations on your operations, the number one issue that I continue to hear about. It used to be, Did you read the bill? Now it is, Did you read the regulation? Now it is, Are you even aware of the tidal wave of regulations that are coming down the pike?

So often I hear from producers that the heavy hand of Government intervention impacts them more than any other program. With this in mind, last week I sent the President a list of proposed regulations put forth by his Administration that impact our agriculture industry. I am hopeful that he will take a close look at them.

By the way, the Chairwoman held our very first hearing with the head of EPA and with the Secretary of Agriculture on the impact of regulations. So I am hopeful that he will take a close look at the letter that I sent listing the regulations that you all have told me are simply counterproductive, and other regulations, and try to insert some good old Kansas common sense into these actions.

Again, thank you to all of our witnesses today and those in the audience who have traveled a long way to be with us. We want to hear from you, too. Again, anyone may submit testimony by signing near the entrance, and then you can send us an email or drop off a hard copy by September 1 to be part of the public record. Thank you, Madam Chairwoman.

Chairwoman STABENOW. Well, thank you very much, Senator Roberts, and let me emphasize again, we do want to hear from each and every one of you, and please submit in writing, if we are not hearing from you as one of the panels today.

Let me also follow up and just emphasize again, I know all of you know this, but we need to say over and over again that the Farm Bill is a jobs bill. 16 million people in this country work because of agriculture, because thousands and thousands and thousands of people in Kansas and all around our country, one out of four in Michigan, jobs are in agriculture.

And so, it is critically important, not just for producers, but for all of us to care about agricultural policy and having it be effective in this country. And certainly, farmers, ranchers here in Kansas know the importance of a strong safety net.

You have been dealing, of course, with devastating droughts, too much water on one end, huge droughts on the other end, and I think if there ever was a time that it was clear or if anybody ever needed to be reminded about the risks that farmers face, they should be very aware of it this year, and the need for a strong safety net or effective tools to manage risk are critically important now more than ever and we are committed to working with you to do the very best we can.

It is the top principle that we are focused on in the Farm Bill. But as we go into the process, let me just remind you that we are in a very serious budget situation, as you know, that is forcing us to look at the Farm Bill differently than in the past. We need to be evaluating everything the Government does, measuring every program, streamlining and consolidating programs.

We have done that. We are doing hearings on that. We want to make it easier for you, not harder. If we can streamline and take away some of the paperwork, we certainly want to do that, like we did with the 1099 forms earlier this year, and we need your input on that as well.

But we also know we have some tough choices ahead. There is no doubt that we are going to face another round of serious cuts in the deficit reduction process that has been set up. Agriculture has already taken substantial and, in my judgment, disproportionate cuts in the current budget. And Senator Roberts and I are working very closely to make sure that does not happen in the future.

Let me just review the facts of what we are dealing with this year. The House of Representatives passed a bill earlier in the year

that would have cut \$48 billion in production agriculture's baseline. That did not have the votes in the Senate. Instead, Senator Roberts and I have worked very hard and successfully to create a process where our Agriculture Committees can recommend to the Deficit Reduction Committee what we believe should be the cuts and the policies related to that.

As a result, the Deficit Reduction Agreement did not make any immediate cuts to agriculture, which, frankly, was a short-term victory for us, to be able to create a process where our Agriculture Committees are the ones that are proposing the policies that make most sense for agriculture.

But we also know that agriculture remains a target with this new super committee as they finalize their plans to reduce another \$1.2 trillion in spending. Again, we know that the deficit is real. We know we need to tackle it. We know everybody in farm country and every rural community understands that they have to do their part like everybody else. But we also know it has got to be done right and that is what we are committed to doing, and it has got to be fair for agriculture.

The process is that on the Committee, we have until October 14th, which is not very long, to give this new committee our recommendations, so it is even more important that we are here today and that we can hear from you, because our staffs are working closely and effectively together to put together what it is that we will be recommending.

Bottom line, I think it is clear that we in agriculture must make some tough decisions or somebody else is going to make them. And so, we are anxious to work with you to make sure we get this right. We know the Farm Bill is going to look a little differently than it has in the past, but we are asking everybody to look at again what is most effective, what do we need to do to make sure that we are strengthening our support for your efforts.

We do not want to get bogged down in old arguments or bureaucracy, but we need to focus on what you need, what is most cost effective, what are the tools you need, what does the safety net look like. So we welcome your input. We need it. We need to hear from you so that we can get this right. What should an effective farm safety net look like? What are your priorities? What programs can be streamlined, consolidated? What does not work? What do we not need to be doing?

This is not going to be easy, but I have a great partner in Senator Roberts and we have a great seasoned Committee, as he and I both emphasize to folks, with more former Chairs of Agriculture Committees and Agriculture Secretaries and Governors and the Chair of the Budget Committee and the Chair of the Finance Committee, and I think if there ever was a time when we had an experienced group of folks in the Senate to be able to focus on the right kind of agricultural policy, I think it is now.

So I am confident that we can come up with common sense solutions that will support and strengthen American agriculture and rural communities, while helping to put our country on a better financial footing for years to come.

So let me turn it back to Senator Roberts to introduce our first guest. And welcome again.

Senator ROBERTS. Our first witness is his Honorable Governor of Kansas, Governor Sam Brownback.

STATEMENT OF HON. SAM BROWNBACK, GOVERNOR, STATE OF KANSAS

Governor BROWNBACK. Welcome to Kansas. Delighted to have you here and looking with your purple on and this panel, we have a saying here, Every man a Wildcat, every man, woman a Wildcat. That would be true, I think, across this panel here. Probably true in the room, by and large, so we are delighted to have you here, delighted to have you in the state. You would welcomed to any K-State football games, too, that you would like to come to. Kirk—

Mr. SCHULZ. Yes, I can work that out.

Governor BROWNBACK. We can work that one out. We ought to be able to handle that one.

One quick observation. Glad to be on this panel and delighted to be with my former colleague, Pat, who I loved serving with and he is just a fun, knowledgeable guy. There are two people in this room, I would submit to the entire audience and to you, Madam Chairwoman, that no ag policy in this country, I would stack them against anybody in the country, in Pat Roberts and Barry Flinchbaugh that are sitting up here on the front row.

These are two gentlemen that have been through, I do not know, how many farm bills, written them, and—six, seven farm bills, literally, that they have been through from staff member on up to chairing the Committee in the House, and you were right. We are going into this huge deficit time period.

You are going to have to rewrite the restructuring of the Farm Bill and I cannot think of a better time to depend upon that expertise and get from the rest of the Congress, All right, here is the number, then how do we fit within this number, and that number is going to be lower than what it has been in the past. And we are planning at state government now for a substantially lower level of Federal money.

Over half of our budget is Federal pass-through money, and I am telling everybody that in our departments, that number is going down and it is going down substantially and we should prepare for it, because the Federal deficit is completely unsustainable. Everybody knows that. And if we do not decide on this and do something about it, other forces will, whether it is market forces or somebody else on Appropriations or Super Committees or something like that.

So I just think it is critical that we do that and you have got great expertise in my former colleague that I am delighted to be here on the panel to share with.

I want to focus in a very brief period of time comments on one sector of the Kansas agricultural economy and that is the sector that is over the Ogallala Aquifer. And you have got much broader issues to deal with, but in the western third of our state is fossilized water, the Ogallala. It is a High Plains aquifer over several states and we have got a chart here somewhere, I think they are going to put up or we have got it back here, of the region and the decline in the Ogallala.

Now, the significance of this is the region that it overlays, the 1st Congressional District of Kansas, which Tim Huelskamp was

here, Pat used to represent that district, is the number one agricultural district in America. Now, I am sure some people in Michigan are going to want to check that number out and see if they are not in that, but I will bank that number with you. That is the number one agriculture-producing district in America for value of agricultural products.

It is where much of the cattle herd of the United States is fed out. The people that eat beef in this country and around the world, they get it from there. We have an issue with the decline of this aquifer and we need to maintain the water and we need to conserve and extend it into its future.

So at state level, we are looking at things we can do to do that. I am pushing that we move away from the use it or lose it doctrine of western water law in the State of Kansas and that we get away from this development policy because we need a conservation policy.

We are looking at local management districts. We call them Intensive Groundwater Management Districts, and having these originated on a local basis. As you will see as well from this chart, the saturated thickness of that aquifer varies from region to region. It is different. The water does move, but not fast. It moves about a foot a day. But if you have got a well that you are pulling water from, it pulls from that region and the water does move, but not fast.

We need to conserve and extend the Ogallala if we are to conserve and extend, and I want to see us grow the agricultural production in the 1st Congressional District. So I have put forward written testimony in front of you today of what we could use and would be very helpful in Federal farm policy to help us do that.

One is a High Plains groundwater resource conservation program. No new Federal monies, but using the current funds to encourage the movement to dry land in some of this region because the water is over-appropriated in the Ogallala Aquifer and I described this in this particular piece.

A second one that I think would be critically important to us, and Senator Roberts knows this issue better than anybody in America, is crop insurance for limited irrigation. Right now, your two options on crop insurance are full irrigation or no irrigation, dry land. You have got one of two options.

Well, we really need a middle option here about, Okay, we cannot put on 18 inches of water this year of this aquifer. We can do six or 12, but you cannot get crop insurance on that, and you know that for so many people, if they cannot get crop insurance, I cannot get financing for this. So this is not going to happen.

But that would help us tremendously and that is being discussed already with the USDA Risk Management Agency for a three-state pilot on this, our state, Colorado, and I think Nebraska is involved in that over the Ogallala region. It would be very helpful for us to be able to move that forward.

The next is a currently existing program, the AWEP [phonetic] Program that has been used to pull some irrigated land out of production. That needs some more flexibility for us to be able to work. That was put in the 2008 Farm Bill. It has been of some use. We think it needs to be used not only to implement for foregone in-

come, but to provide incentive payments for this transition in a period of time, and we have put forward specifics here that we have worked through as a state.

And then finally, as far as specific recommendations, and I think Dr. Schulz will go into this more, we need agricultural research into low water areas, or what we can do with lower water amounts, and the one that quickly comes to mind is in the grain sorghum field. We need more crop variety development.

And I might suggest to you a different route of doing crop research. One of the things we have had difficulty with is, we will do the research, but getting it out—a seed variety out to farmers is a tough high-cost thing.

Maybe we could put some of our agricultural research in this and with private companies to develop these varieties, these grain sorghum varieties, or having scientists at Kansas State University work with a private company to develop the varieties, so we do not have this huge gap between research and what I can plant in my field, because what our guys need, ladies and gentlemen need, we need the varieties.

We need these that are drought tolerant, that can produce on less water, and we need it now. We need it yesterday. And to get that partnership and do it with a private company, along with the K-State land grant involved in it as well, those partnerships are starting to develop in other areas and would be very useful in crop production, the crop industry, crop variety development.

I am delighted to join with you. This is a narrow piece of a big Farm Bill you have to consider, but on our issues of water over the most productive agricultural district in America, this is probably the biggest thing you could help us out with. Thanks so much.

[The prepared statement of Governor Brownback can be found on page 85 in the appendix.]

Senator ROBERTS. Thank you, Sam, for your testimony. Let me indicate that the Topeka regional office for RMA, the Risk Management Agency, and Rebecca Days is the person that we have been working with there, and that has now gone to the Washington level for a limited irrigation crop insurance program, just as you have recommended. The plan would allow farmers with limited water resources to ensure their crop yields between the irrigated and the dry land levels with the use of limited irrigation.

We have sent a letter to the RMA. We have been in touch with the RMA. I will be calling the RMA urging them to consider this new program as quickly as possible, and I want to thank Rebecca for all of her help.

It is my pleasure now to introduce our second witness, the President of the Kansas State University, Dr. Schulz.

**STATEMENT OF KIRK SCHULZ, Ph.D., PRESIDENT, KANSAS
STATE UNIVERSITY**

Mr. SCHULZ. Thank you. It is a real pleasure to be here this morning. I appreciate the opportunity to speak on behalf of Kansas State University.

Chairwoman STABENOW. it is indeed my pleasure to welcome you on behalf of Kansas State University, to Kansas, the heartland of our great country. We are pleased to have you in our state and we

thank you and value your leadership and the work of this important Committee.

To Senator Roberts, welcome back home. I am pleased to tell you that Coach Snyder has told me, we will throw to the tight end more this season. So I wanted to be sure that my testimony was particularly relevant to the things you were interested in besides agriculture.

[Laughter.]

Mr. SCHULZ. As you know, Senator Roberts, Kansas State University has long been an active player in agricultural science, animal health, and plant sciences. This research indeed is one of the University's premier areas of expertise and was one of the key factors in the locating, by the Department of Homeland Security, the National Bio and Agro-Defense facility in Manhattan, Kansas on the campus of Kansas State University. NBAF will be next door to the University's state of the art, biosafety level three research facility as we affectionately know it as Pat Roberts Hall.

This is home to the University's Biosecurity Research Institute which will provide an important transition for research from Plum Island to NBAF when it is complete and built in Manhattan, Kansas.

Also this morning, I would like to welcome our valued friends and stakeholders to this hearing. Without question, this group represents a broad range of interests that are all, in one way or another, affected by the health and vitality of Kansas and U.S. agriculture. These folks have been and will continue to be key leaders ensuring a safe and secure food supply, not only for Kansas and the Central Plains, but indeed, our nation and the world as well.

It is also my pleasure to testify on a panel with Governor Sam Brownback, a noted agricultural leader in our state and nation, and former student body president at Kansas State University. Thank you, Governor Brownback, for your service to agriculture and the State of Kansas.

I would like to direct my comments now a little bit towards the 2012 Farm Bill. It is indeed fitting and appropriate that these hearings begin in states where agriculture remains a major force in the economy. Agriculture and related food system enterprises are indeed drivers of the Kansas economy.

In Kansas, the value of commodity cash receipts from agricultural products is about \$12 billion annually. Roughly 53 percent of that value is from livestock, in particular beef cattle. The livestock inventory on January 1st, 2001 [sic] reported 6.3 million cattle and calves, ranking Kansas second in the nation in that category. Indeed, cattle outnumber the citizens of Kansas by over two to one, with 2.8 million residents, and you can win a whole lot of Trivial Pursuit games by knowing that particular fact.

In support of the beef cattle inventory in the state, Kansas is one of the leading states in numbers of cattle and feed, and it leads the nation in meat processing capacity. Kansas continues to be a national leader in both wheat and sorghum acres, and in grain-milling capacity.

Because agriculture and related food industries are central to the Kansas economy, this testimony and the content of the 2010 Farm

Bill are of keen interest to Kansans, land grant institutions, and the many industries that the Farm Bill affects in our state.

Kansas State and Michigan State maintain a friendly banter around which school was the first and which school the second land grant university. I can answer that question for you. We do not have to go anywhere else.

[Laughter.]

Mr. SCHULZ. That particular debate, however, has historic significance in that 2012 will mark 150 years since the signing of the Merrill Act and the establishment of the land grant system which, by any measure, has had a great effect on this country, both educationally, through ag, through research and extension, and I think is one of the reasons really the U.S. has been so competitive in this area.

The partnership that has developed between the states and the Federal Government with the enactment of the Merrill Act, and subsequently the Hatch and Smith-Lever Acts, provide a broader access to higher education and application research findings on and off campus. Efficiencies that have been achieved or knowledge generated by research and communicated to producers through extension programming have been a solid investment of public resources and will continue to really affect the future of agricultural research in this country.

Public investment in agricultural biosciences is leveraged to maintain an abundant and safe food supply, sustainably use natural resources, and promote healthy communities. Therefore, we encourage the Committee to craft language that increases the authorization for capacity funding of Hatch, Smith-Lever, Extension Services of the 1994 Institutions, the Evans-Allen Program, which is 1890s research, 1890 Institutions Extension, and McIntire-Stennis Cooperative Forestry.

So let us look back very quickly at the 2008 Farm Bill which really had some important language in the form of the innovative proposal referred to as Creating Research, Extension, and Teaching Excellence for the 21st Century, or simply Create 21.

Some important elements of Create 21 are as follows: Following enactment of the 2008 Bill, funding for AFRI, which is the Ag and Food Research Initiative, grew from \$191 million in fiscal year 1. However, that funding remains far short of the \$700 million that was authorized in the 2008 Farm Bill and could be a target of budgetary cuts as Congress continues to pressure reductions in discretionary Federal spending.

Like many land grant universities, Kansas State University relies heavily on extramural funding from USDA to drive research and outreach programs in support of the food system. In 2009, nearly one-third of all external awards coming to Kansas State University were from the U.S. Department of Agriculture.

Therefore, for our scientists to continue to multiply 20-fold, the Federal investment in agriculture research and discovery for certainly the good of Kansas and the U.S. economies, AFRI must grow to meet that \$700 million expectation to make sure that we are continuing to move forward in research and extension.

One of the things, too, that has been a very popular political discussion has been earmarks and the bridges to nowhere controversy.

However, Federally-directed funding in the agricultural sector has generally resulted in tremendous public good.

There are lots of examples that every land grant institution could lay out there of where these congressionally-directed dollars have had a substantive and important impact on the states, and make sure that they are directing dollars towards issues of importance in that particular region and state.

A few things out of Kansas State University that have resulted from these congressionally-directed dollars include the Wheat Genetics and Genomics Research Center which has been funded through earmark appropriations since 1984. The genetic tools derived from this collection have been deployed around the world and contributed significantly to the development of high-value wheat germplasm.

The Governor already talked a lot about the aquifer and those particular issues in the western part of the state, and water use efficiencies and things like that are also the type of research done through the land grant institutions that will form the basis for continued agricultural success in these areas.

Food safety, pre-harvest work focused on *E. coli*, a major cause of food-borne illnesses in humans in the United States, again through congressionally-directed funding. And finally, the Great Plains Sorghum Improvement and Utilization Centers, truly one of the pride of Kansas State University, is the largest consortium of multi-disciplinary sorghum researchers covering all aspects of research and education from genomics through utilization and economics.

All these programs, formerly funded by earmark appropriations, have yielded tremendous results that provided excellent benefits to the citizens of Kansas and beyond. We encourage language in the 2012 Farm Bill that authorizes appropriations to restore these important programs.

We understand the need for Federal spending priorities, but these programs are investments that are good for Kansas and good for the nation. We also are very, very proud, and a part of the land grant institutions across the country are extension. Our research and extension professionals throughout the state deliver solutions to the folks in the field, bring the research to bear, and make sure that we are continuing to make great advances in agricultural research and extension, not only in Kansas, but elsewhere.

Just a few ways that our extension service continues and has delivered solutions in Kansas include work on watershed protection and improvement. Solutions for rural communities, which our Governor has led some really exciting initiatives to try and make sure that we are doing everything we can to support our rural communities.

4-H. This is a tremendous program. Kansas is very proud of our 4-H program, and this involves a lot of young people, getting them interested in agriculture, but preparing those leaders for tomorrow that will be so important as our nation looks forward.

Air quality solutions for beef feed yards. Improved health and well-being for individuals of all ages. And I could go on and on about the terrific things that research and extension professionals do in Kansas and across the country.

It is my hope that this testimony captures the enduring optimism and can-do spirit that has been a common thread connecting almost 150 years of history in the land grant university system. That thread is a valued service to the clientele of that system. Faculty and staff at Kansas State University and land grant universities across the nation recognize that their work takes place on behalf of the greater good, a broader goal, and a common vision that is much bigger than their individual achievements.

Members of the United States Senate Committee on Agriculture, Nutrition, and Forestry can be confident that every dollar of Federal investment authorized by the 2012 Farm Bill and expended at Kansas State University will be a wise and lasting investment.

That investment is guaranteed to be leveraged further and to spawn innovation, discovery, and creativity that will be translated into solutions to improve the lives of Kansans, the lives of people in the Midwest, our country, and the world.

I thank you for this opportunity to provide testimony and wish you the best of luck.

[The prepared statement of Mr. Schulz can be found on page 123 in the appendix.]

Senator ROBERTS. Thank you, Dr. Kirk, and thank you, Senator Brownback. I know that you have a very busy schedule. You are certainly welcome to stay for all of the hearing and hear all the witnesses, should you choose to. You are excused and we are ready for the second panel.

Chairwoman STABENOW. Thank you very much. We do want to ask our panelists to come forward now as quickly as we can. We want to make sure we have ample time to hear from everyone and to be able to ask questions of you. Please come forward.

Senator ROBERTS. Our second panel is being greeted by the Chairwoman. Mr. Steve Baccus of the Kansas Farm Bureau; Mr. Karl Esping, the Kansas Sunflower Commission; Mr. Kent Goyen of the Kansas Cotton Association. I like to think I had something to do with that.

Mr. Ken Grecian, the Kansas Livestock Association; Mr. Bob Henry, the Kansas Soybean Association; Mr. Kenneth McCauley of the Kansas Corn Growers; Mr. David Schemm, the Kansas Association of Wheat Growers way out there in Sharon Springs; Mr. Greg Shelor of the Kansas Grain Sorghum Producers from Tineola.

Gentlemen, you may start and we can start with Steve Baccus. Mr. President?

Chairwoman STABENOW. I would just remind, at this point—and again, welcome. We have asked each of you to speak for four minutes. We certainly want any written testimony that you have, but because of the number of people that we have today, we are going to ask you to keep your statements to four minutes. Thank you.

Senator ROBERTS. Madam Chairwoman, if I could, I would like to have the representative from the big 1st District, who is here sitting on the front row, Mr. Tim Huelskamp, our Congressman from the 1st District. Tim, would you please stand? Thank you for coming.

[Applause.]

Chairwoman STABENOW. Welcome. Glad to have you. Please.

STATEMENT OF STEVE BACCUS, KANSAS FARM BUREAU

Mr. BACCUS. Madam Chair, Ranking Member, thank you for coming to Kansas and for the opportunity to provide comments to this Committee. My name is Steve Baccus. I am a producer from Minneapolis, Kansas. My operation consists primarily of corn and soybeans, and we do occasionally grow a little wheat.

I have the privilege of serving as President of Kansas Farm Bureau, the State's largest general farm organization. Kansas Farm Bureau represents nearly 40,000 families who work each day to grow crops and livestock that travel around the globe to feed this hungry world. Our grassroots organization can be found in every one of the state's 105 counties.

As you well know, these local entities are the foundation of our organization and the starting point for our policy development process. Our member-adopted policy generally supports development of the next Farm Bill that preserves the principles of the 2008 Bill. However, these are challenging times, so concerted efforts to determine which programs have broad support as well as deliver the best return in terms of providing a strong safety net as well as ensuring fiscal return need to be our focus.

Madam Chair, let me cut to the chase. There are essentially two items that I would like to leave you with today that are critical to American agriculture. American agriculture relies on a strong safety net. In today's market, that consists primarily of crop insurance as well as the direct payment.

As you know, crop insurance allows us to manage risk and protect revenue on our farms. Depending on who you ask, recent cuts to crop insurance and changes in the SRA have resulted in between \$12 and \$20 billion in savings. You probably also know that are additional cuts will result in either increased premiums to producers or reductions in the number of products available. We cannot afford this kind of weakening of the safety net in today's market.

As you heard, we in the Midwest have been experiencing a record drought this summer. In fact, you do not have to drive too far from this hotel to observe first-hand those conditions, as many of your staff did yesterday. That weather reality illustrates the need for the continuation of direct payments used by producers to continue operations when markets or Mother Nature are not so kind.

They also provide stability for younger producers to enter our very capital-intensive business. So supporting a strong safety net, Madam Chair, is Job 1.

American agriculture can remain viable and sustainable only when given the opportunity to operate in an environment free from burdensome and costly regulations. Currently, Federal agencies have proposed rules or are drafting guidance on a significant list of topics which will quite literally make continuing the family farm a daunting task.

I know this is a Farm Bill hearing, but efforts to inject common sense into regulatory schemes will go far in ensuring that we as producers can continue our efforts to provide safe, affordable, and abundant food both at home as well as abroad.

In short, we are grateful for your service and commitment to Kansas and to American agriculture. We look forward to the oppor-

tunity to work with you and the Committee to craft a farm bill that keeps producers profitable as well as competitive. Thank you and I would be happy to take questions at your convenience.

[The prepared statement of Mr. Baccus can be found on page 56 in the appendix.]

Senator ROBERTS. Our next witness is Mr. Karl Esping of the Kansas Sunflower Commission. Thank you, Steve, for summarizing so quickly.

STATEMENT OF KARL ESPING, KANSAS SUNFLOWER COMMISSION

Mr. ESPING. Thank you, Chairwoman Stabenow, Senator Roberts, distinguished members of the Committee, welcome to Kansas. My name is Karl Esping. I am a fifth generation farmer from McPherson County, which is about an hour north of here. And I am sure pleased that you have chosen Kansas as a venue to listen to the impact of the Farm Bill hearings.

Although I am Chairman of the Kansas Sunflower Commission and a member of the National Sunflower Association, I am here today representing myself and fellow oil seed producers in Kansas. Some quick facts about sunflowers. Kansas plants about 125,000 to 150,000 acres per year. In 2011, USDA has estimated 1.8 million flowers are planted nationwide, of which about 80 percent of these are planted to oil seed varieties.

Most of these flowers are grown in the eight Midwestern states, as we affectionately call them, the High Plains. Farm Bill programs, and particularly the Risk Management programs, are a vital food security mechanism that keeps American food safe and affordable. Kansas producers are a part of that industry that has a positive trade balance. More importantly, these programs keep American agriculture successful and give producers a much-needed safety net.

As we look at the future of the Farm Bill, cuts in funding are eminent. However, I hope the appropriators in Washington will allow your Committee the opportunity to determine how these funds are distributed. The expertise and ag backgrounds of the Committee members will be extremely important as the limited resources are being distributed.

As you look at the priorities of the Farm Bill, please consider that producers need a safety net for crop failure. Crop insurance has been and still is the best tool for these situations. I feel that full funding for the Crop Insurance Program is of the highest priority for oil seed growers. Both production and revenue protection insurance products are important options. I encourage the Committee to continue the flexibility currently found in Federal crop insurance.

Conservation programs are also very important. Flowers are generally a part of a robust no-till rotation, a practice which has gained wider acceptance through EQIP funding.

Direct payments and market loan programs are also important pieces of the Farm Bill. Direct payments provide the financial security needed for producers to remain in business. Market loan programs serve an equally important role in sustaining producers. These loans allow debt repayment while still being sensitive to

market trends. Just as with all other programs, we see and understand the need for fair reductions.

In the world of sunflower production, research is vital. We have talked about that already this morning. Although not directly tied to the Farm Bill funding, it is important for members of Congress and appropriators to understand how research helps agriculture producers keep up with the increasing demand for food in the world. The USDA ARS system is a key component of conducting genetic research and pest management.

Partnerships with the National Sunflower group and its growers and the Kansas Sunflower Commission have provided vital funding through the ARS. These partnerships link ARS with Kansas State University and other universities in the Midwest. Over the last three years, \$2.6 million has been invested by this partnership while USDA has invested approximately \$6 million.

I understand there will be many more public interests lobbying your Committee for debt reduction actions. We still produce the safest and most abundant food worldwide. We need your support and we need your leadership in Congress to continue our tradition and our way of life.

With the utmost respect to you and the difficult decisions that you have ahead, I would ask that you remember those of us who are out in the country that put food on the world's tables as you make these decisions. Thank you.

[The prepared statement of Mr. Esping can be found on page 97 in the appendix.]

Chairwoman STABENOW. Thank you very much.

Senator ROBERTS. Thank you very much, Karl. From Cunningham, Kansas, representing the Kansas Cotton Association, Mr. Kent Goyen.

STATEMENT OF KENT GOYEN, KANSAS COTTON ASSOCIATION

Mr. GOYEN. Chairman Stabenow, Senator Roberts, thank you for this opportunity to discuss farm policy issues before this Committee today regarding the 2012 Farm Bill. I am Kent Goyen, a cotton and grain farmer from Pratt, Kansas. Our farm has been producing cotton since 1999 when cotton production came to Kansas.

I am here today representing the Kansas Cotton Association and our 2,000 members who produce cotton or have cotton grown on their land in our 23 southern Kansas counties. Our cotton production is certainly not the cornerstone of Kansas agriculture. We are Kansas growers who have invested over \$60 million since 2000 in gins, warehouses, and cotton-specific farm equipment. Policy related to cotton and farm legislation is vital to us and to the commitment we have made to cotton production in Kansas.

Nationally, cotton has a footprint of approximately 19,000 growers who plant between 10 and 13 million acres in 17 cotton-producing states. Direct and indirect employment within the cotton industry surpasses 420,000, and generates economic activity in excess of \$100 billion.

The debate over this legislation will take place in an environment of limited budget outlays and the perception that high prices negate the need for a safety net as well as trade policy negotiations. The Agriculture Committee is willing to contribute its fair

share to deficit reduction, but reduction should consider savings already achieved and reductions should not dictate policy changes to the authorizing committees.

Committees should be allowed to develop policy that complies with the mandatory reductions. Policies should allow farm programs to continue as a viable safety net. The WTO–Brazil case puts cotton’s marketing loan program and counter-cyclical programs under special scrutiny. It is imperative that the framework agreement negotiated by the respective governments remain in effect until the 2012 Farm Bill is enacted and the dispute resolved.

We believe effective farm policy should be market-oriented, allow for full production to meet the market demand, provide for an effective safety net, ensure availability of competitively-priced cotton domestically and internationally, encourage maximum participation without regard to farm size or structure.

We support the 2008 Farm Bill’s approach to cotton program and all its components, from the marketing loan to the direct and counter-cyclical payments. The centerpiece of the cotton program has been the effective marketing loan program. It provides a safety net for producers, but does not harm the competitiveness of cotton.

It gives rural lenders the confidence they need to make critical operating loans available. It has been a lever to move other important reforms such as standardized bales and bale packaging, electronic warehouse receipts, and heightened standards for cotton warehousing and shipping.

Direct payments are an integral part of the current farm safety net. Opponents look at high commodity prices and seek to cut or eliminate these payments. However, farm bills are written for the longer term and elimination of these payments could prove disastrous when prices fall.

Direct payments provide a level stability for our food and fiber supply and financial stability required by lenders and suppliers without distorting production decisions. It is critical to preserve as much baseline spending authority as possible for this primary piece of the safety net.

Crop insurance is an essential risk management tool for cotton producers. Our industry continues to examine concepts that improve the various cotton crop insurance products. Revenue coverage, enterprise policy rates, and group risk products are examples of improved products that can provide a menu of risk options for growers.

The cotton provisions of the 2008 Farm Bill worked well. If policy changes are inevitable in the 2012 Bill, the cotton industry remains ready to work with the Agriculture Committees to explore alternative programs that provide the needed safety net to our industry in a manner that is consistent with our international trade obligations and within budget constraints. Thank you for this opportunity.

[The prepared statement of Mr. Goyen can be found on page 100 in the appendix.]

Senator ROBERTS. Thank you, Kent. And if I just might make an observation, Madam Chairwoman, after ’96, in a different kind of Farm Bill, we got into the cotton production and I am always fond of telling the National Cotton Council and my southern colleagues

that when Stephen Foster wrote that little song, Those Old Cotton Fields Back Home, he was talking about Kansas.

[Laughter.]

Senator ROBERTS. Our next witness from Palco, Kansas, representing the KLA, Mr. Ken Grecian.

**STATEMENT OF KEN GRECIAN, KANSAS LIVESTOCK
ASSOCIATION**

Mr. GRECIAN. Madam Chairman, Senator Roberts, my name is Ken Grecian. My wife and I have a grain and cow-calf operation in Graham County in northwest Kansas. I am President of the Kansas Livestock Association and also serve on the Board of Directors of the National Cattlemen's Beef Association, which KLA is an affiliate. I am very pleased to be with you today.

KLA is a trade organization representing 5,600 members in legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker production, cattle feeding, dairy production, grazing land management, and diversified farming.

KLA members believe the livestock industry is best served by free enterprise and free trade. KLA members oppose attempts to narrow the business options or limit the individual freedom of livestock producers to innovate in management and marketing of their production.

KLA strongly opposes the regulation commonly referred to as the GIPSA rule issued by the Grain Inspection, Packers and Stockyards Administration last year. In short, the U.S. producers are concerned the GIPSA rule would greatly expand the role of government in marketing livestock and eliminate producers' ability to benefit from their efforts to improve the quality of their livestock.

The proposed regulations ultimately would remove from the marketplace products that consumers prefer. Producers have responded to consumer demand by finding innovative ways to develop and market premium quality branded products. Programs like Certified Angus Beef, U.S. Premium Beef, naturally-raised and others would be jeopardized.

These alternative marketing arrangements have allowed producers to get paid for the value that they add. These arrangements ensure a consistent supply of livestock that meet requirements of such programs. Without these arrangements, neither these programs or producer alliances that support them are sustainable.

KLA members believe that the proposed rule would set the beef industry back to a time when all cattle received the same average price and beef demand was in a downward spiral. How can a system that sells the entire show list for the same price each week be more fair than the current system that pays for the actual value of cattle?

When prices for all classes of cattle have reached record highs this year, how can claims of market manipulation by packers or the lack of competition in the beef industry be taken seriously? We strongly urge you to take action to prevent the implementation of this rule.

Senator Roberts, in June you asked my friend, Frank Harper, if he thought we needed a Livestock Title in the next Farm Bill. And

I would say, No, thank you. The Livestock Title reminds me of the old adage, We are from the Government and we are here to help.

KLA members believe free markets or markets free from Government interference best serve the beef industry. The Livestock Title only provides a home for misguided initiatives like the GIPSA rule; that we prefer that the Farm Bill does not restrict our marketing options or distort market signals.

For any additional issues that affect livestock industry, I would ask you to refer to my written comments. And again, I thank you for the opportunity to be able to testify today. Thank you.

[The prepared statement of Mr. Grecian can be found on page 103 in the appendix.]

Senator ROBERTS. Thank you, Ken. And now we turn, from Robinson, Kansas, representing the Kansas Soybean Association, Mr. Bob Henry.

STATEMENT OF BOB HENRY, KANSAS SOYBEAN ASSOCIATION

Mr. HENRY. Good morning, Madam Chairwoman, Ranking Member Roberts. I am Bob Henry, a soybean farmer from Robinson, Kansas. I am a member and serve on the Board of the Kansas Soybean Association and I represent Kansas on the American Soybean Association Board of Directors. In that capacity, I am serving on the American Soybean Association's Farm Bill Task Force.

The Kansas Soybean Association is pleased to provide our initial thoughts on priorities for the 2012 Farm Bill. I want to highlight the significance and value of soybean production to the economy in Kansas. In 2010, Kansas produced approximately 138 million bushels of soybeans, making it the 9th largest soybean producing state in the country.

At an average price of \$12 per bushel, the farm-gate value of soybeans produced in Kansas in 2010 exceeded \$1.6 billion. Soybean products provide additional value to Kansas as well. Soy meal is used for livestock production and soy oil is used for bio-diesel, as well as bio-based products. Some bio-based products have been developed using check-off dollars to fund university research in Kansas.

Kansas agriculture has long enjoyed the stability that farm programs have provided. Over the years, these programs have taken many different forms such as freedom to farm. Direct payments historically have provided basic support for farm income.

The programs included in the current Farm Bill have helped to stabilize the farm economy while providing the cheapest food of any country in the world. Other programs such as crop insurance and the ACRE program have become very important to agriculture as producers attempt to manage risk.

Kansas soybean producers feel that crop insurance has matured into a valuable risk management tool, this year a great example of the variability of the Kansas producers can experience. The record production for soybeans in the previous two years is being offset this year by flooding, heat, and dry conditions that can be typical of Kansas summers.

Kansas soybean producers believe that one of the most important areas of the current Farm Bill that needs to be continued is the Federal support for crop insurance. The ACRE program has the po-

tential to be an important risk management tool with some modifications. The variability of production in Kansas has led to a slow adoption of the program for revenue assurance.

Use of the state production average does not work in many areas of Kansas. The additional requirements for participation throughout the length of the current 2008 Farm Bill and the required reduction in the direct payments contribute to Kansas's low sign-up.

International trade plays an important role in the current price that soybean producers receive. Six of ten rows of soybeans are exported out of the country. Continued funding of the Foreign Market Development Program and the Market Access Program at its current levels is vital. For each one public-private dollar spent, exports increase by \$35. Agriculture is one of the few areas that enjoys a trade surplus. Each billion dollars of agriculture exports equals 8,000 jobs.

We support the provisions in the Energy Title including the bio-based market program and bio-energy program for advanced bio-fuels. Bio-diesel is the only currently recognized advanced bio-fuel.

Madam Chairman and Mr. Roberts, this concludes my statement regarding the Kansas Soybean Association's position on development of the 2012 Farm Bill. We will be pleased to respond to any questions that you and other members of the Committee might have. Thank you for holding this hearing in Kansas. We look forward to working with you in crafting the 2012 Farm Bill.

[The prepared statement of Mr. Henry can be found on page 111 in the appendix.]

Senator ROBERTS. Thank you, Bob. And now representing the Kansas Corn Growers from White Cloud, Kansas, Mr. Ken McCauley.

STATEMENT OF KENNETH McCAULEY, KANSAS CORN GROWERS

Mr. McCAULEY. Madam Chairwoman, Ranking Member Roberts, it is a pleasure to be here representing the Kansas Corn Farmers and farmers, really, all over the state. My name is Ken McCauley and I am past President of the National Corn Growers, currently belong to the Kansas Corn Commission and very active in the Kansas Corn Growers Association.

I last stood before your Committee in 2007 testifying on the 2008 Farm Bill and much has changed since then, but much has stayed the same. For example, in 2008, loan deficiency in counter-cyclical portions of the current Farm Bill were relevant. Today you would be broke before you reached the loan rate or the NLDP was taken.

But as I said, we still have a severe need for risk management and this is vital for the communities of Kansas. I farm near White Cloud, Kansas, in the northeast corner. My wife and I produce corn and soybeans. My son and his wife also have a family farm in conjunction with our farm. We share labor and management and machinery, so to help him get started.

My need for risk management is different than my son's, and I think it is a vital tool for all farmers, but especially our young farmers. We need to continue crop insurance for that main reason.

Kansas corn is a strong and growing commodity that provides a great economic benefit to our state. In fact, with a value over \$3

billion, the 2010 Kansas corn crop was the highest valued grain crop in the history of our state.

Advancements in technology and farming practices have been vital to corn success in Kansas. This year our Kansas corn growers planted 5.1 million acres with about 80 percent covered by crop insurance. This summer's extreme weather conditions will lower our yield, but I believe the resilience of our crop and the efforts of our farmers we will ensure that we continue to meet the needs of our customers.

To say that Kansas is a diverse state is an understatement, especially this year. This summer, some of the farmland very close to my home is under water from the Missouri River. But, however, we have enjoyed a relatively good crop with ample rains. This is contrasted with a large part of Kansas that is suffering through extreme drought. Even in a normal year, difference in climate, elevation, weather patterns from east to west are extreme.

But what works for the McCauley farm probably will not work for a farmer in western Kansas. When you look at things like multi-year losses, especially in a state like Kansas where the western half can experience extreme drought while the eastern half can experience ample rainfall, statewide triggers just do not work.

While the western half needs different things, we think that we need to look at opportunities to strengthen the crop insurance program. Risk management is not the only important thing to farmers. It is important for rural communities. When you talk to the banker about an operating loan, he will want to know what crop insurance coverage you have. It is an integral part of the way we do business in agriculture.

That is why farmers need effective risk management, a combination of crop insurance revenue-based programs. We strongly support crop insurance tools as the most important foundation of a farmer's safety net. Let us also strengthen the revenue-based program that we have today, fix the holes in the safety net while maintaining strong and viable Federal crop insurance program.

Triggering a counter-cyclical revenue program closer to the farm level, for example, Crop Reporting District, will provide more realistic risk management for growers. I have a friend who farms in west Kansas at an elevation of 3,800 and my elevation is 883. It is impossible to assume that we have the same issues.

As NCGA President, I was involved in some of these revenue products and I am very proud to have done that. But we continually are told to brace for cuts to the farm programs as our Government works to be more efficient. I believe farmers will understand the fiscal responsibility and we simply ask that the cuts to farm programs be proportionate to other programs.

Even though direct payments are under fire, they do provide a valuable safety net for a farmer who is under extreme conditions and does not always qualify for enough risk management tools that we have today. For example, when you are in an extreme severe drought, or even a shallow loss, there is never enough risk management or money to go around. If direct payments are cut, please understand Kansas farmers will incur more risk.

Beyond that, we are supportive of any free trade, the trade agreements that we have, the Korea, Colombia, and Panama trade

agreements, and I would like to say agriculture is one of the few bright spots in the American economy today. Our farmers are continuing to work hard to meet the needs of their customers. Flash floods, drought, et cetera, but with a strong safety net and strong open markets, agriculture and America can continue to thrive and can continue to bolster our economies. Thank you very much.

[The prepared statement of Mr. McCauley can be found on page 116 in the appendix.]

Senator ROBERTS. Ken, thank you very much. Our next witness is from Sharon Springs, Kansas, out by Mount Sunflower. Madam Chairwoman, the real trick to Mount Sunflower is not especially to climate, it is to find it. I have been out there three or four times and one time ended up in Colorado with a driver that insisted that he was on the right road. I told him he was not, but that is beside the point. Anyway, from Sharon Springs, representing the Kansas Association of Wheat Growers, we are pleased to welcome Mr. David Schemm.

STATEMENT OF DAVID SCHEMM, KANSAS ASSOCIATION OF WHEAT GROWERS

Mr. SCHEMM. Madam Chairwoman, Ranking Member Roberts, thank you for the opportunity to address you today. My name is David Schemm. I am the third generation to farm on the far western edge of Kansas near Mount Sunflower and Sharon Springs. I produce wheat, sorghum, corn on my farm, along with my wife, Lisa, and two teenage sons. I serve as President of the Kansas Association of Wheat Growers and I am honored to have this opportunity to submit comments regarding the future of our country's farm policy.

First, I would like to thank you for finding a path forward in the recent deficit reduction debate that will involve your Committee. We hear all too often that the general public is becoming more removed from the farm, and to put our future in the hands of those who do not understand agricultural's unique vulnerabilities is a big concern for our producers.

Wheat is an important crop for Kansas. Last year, farmers planted just under 9 million acres with hopes of being able to take advantage of near record prices. Unfortunately, Mother Nature had different ideas than producers did and some areas of our state received less rain over the past 12 months than they did in the dust bowls of the Great Depression.

While some of our producers are struggling with record dryness, others have seen record rainfall and flooding. I can think of no other year in my 18 years as a producer that highlights the importance of the Federal Government as a partner in my operation.

We count on the Federal Government for research and development to address production challenges we face, or an aggressive free trade agenda to allow access to world markets for our products. And in years like this for a functioning safety net to be able to address the risks that are out of our control.

The farm safety net has protected not only our country's family farms, but it has also helped our rural communities. As President of my local school board, having served on that board for the last nine years, I have watched our enrollment drop almost 20 percent

and our local business has suffered during the seven years of drought.

However, since 2008, I have seen our enrollment stabilize and actually have increased by almost 10 percent this year. Local businesses are expanding and adding employees. Without a safety net, my operation, and many other family operations in our state would no longer exist and our rural communities would be much smaller or even no longer exist. With a farm safety net, farms have survived, new businesses have come into our area, and a new generation is coming back to the farm.

We know that the challenges you face in Washington are startling and we producers share your concern about a large Federal deficit and a weak economy. We recognize the probability that the 2012 Farm Bill will be smaller in dollars than the 2008 Bill, but while many challenges lie ahead in crafting the next Farm Bill and while it may seem that we as farmers have many complaints about the 2008 Bill, I am often reminded by our members that right now we have the best farm safety net we have had in history.

It is my hope that we do not lose track of that thought as we begin work on the 2012 Farm Bill. Can changes be made to make programs more efficient and more functional? Yes. Should we take a hard look at all the programs in the Bill to ensure the public that their tax dollars are well-spent? Absolutely.

But I also hope that we can remember that our agriculture success of today was built on the safety net of yesterday. I would like to thank you for coming to our state to hold this Farm Bill field hearing. Field hearings show your commitment to hearing firsthand from farmers and ranchers about the effect of farm legislation on individuals across this country. It has been an honor to submit my testimony and speak on behalf of wheat producers, and I look forward to any questions you may have.

[The prepared statement of Mr. Schemm can be found on page 120 in the appendix.]

Senator ROBERTS. I want to thank you very much, David, for that very fine statement. Our next witness representing the Kansas Grain Sorghum Producers from Minneola, Kansas, not too far from Dodge City, Kansas, America, is Mr. Greg Shelor. Greg, I think your dad was a dean, right?

Mr. SHELOR. Yes.

Senator ROBERTS. I miss those occasions in public service when he served in public service with what I call meaningful dialogue.

Mr. SHELOR. Meaningful. Well put.

STATEMENT OF GREGORY SHELOR, KANSAS GRAIN SORGHUM PRODUCERS

Mr. SHELOR. Thank you, Madam Chairman, Senator Roberts for having giving us an opportunity to testify. As you said, I am Greg Shelor. I represent the Kansas Grain Sorghum Producers Association. I serve as President for that organization. I am past President of the national organization some five years ago and also serve on the United Sorghum Check-Off Program. It is a newly started check-off program that we are looking at doing some of the research that Senator Brownback and Dr. Schulz was commenting on earlier.

I farm some 140 miles west of here. As Pat said, it is south of Dodge City. Grain sorghum, I rotate that in with wheat on dry land no-till. Raise corn and soybeans in partnership with my oldest son on some [inaudible] so I have tried to keep it diversified out there.

If you had went on a little farther west yesterday, you would have seen things just keep getting progressively worse as the farther west you go. There are areas on past Tim's area that there was sorghum that was planted that did not even come out of the ground. It was still laying there just as seeded as the day they put it in. So we have got a large area from western Kansas through Oklahoma through Texas that is pretty devastated in crops.

It does not look like anything in the horizon for moisture to help us out. This is going to go on into the winter, long-range forecasts, and even it is going to affect next spring a lot of crops, so as we go on looking at this Farm Bill, crop insurance, as most of them have alluded to, is going to be really important for a lot of producers out there. It is going to need to be kept strong and viable so that a lot of these producers will have some income to be able to stay on their farm.

It has been kind of hard to justify the direct payments in the past when you have good crops and good prices, and as you look out there now with the disaster coming on and stuff, that is another safety tool that helps producers make up the void that crop insurance does not cover, because crop insurance does not cover all of your expenses.

It does a large portion of it, but as the direct payments cover more of that, that helps them go to the bankers and get their financing for the next coming year, and it is really important to them that they can put that down on their financial statements and cash flows that they actually have some money that is coming in, that the bankers can look at that and say, Yeah, you have got crop insurance to cover it and you also have these direct payments coming in.

So as we go on forward with that, that is two main issues that are really important to producers out there, especially in these dry areas. They alluded to the research.

We have had some really good appropriations in the past for sorghum research and it has been cut, but as an industry that does not get a lot of support from the private companies in research for sorghum where we are looking for any areas where we can get some money to put into that and appropriations through the ARS and et cetera helps do a lot of good research for us, along with what we are doing with our national check-off.

So if you have any other questions or anything I can answer, be glad to help.

[The prepared statement of Mr. Shelor can be found on page 131 in the appendix.]

Senator ROBERTS. Well, we want to thank you, Greg, and we turn now to the Chairwoman to ask the questions that she has for the panel. Madam Chairwoman?

Chairwoman STABENOW. Well, thank you very much, and, Senator Roberts, I first want to say that I think this panel deserves the award for having the most people that stayed right on time. I

am very impressed. In Kansas. You are right, we only had one person a little bit over. We will not mention his name.

[Laughter.]

Chairwoman STABENOW. But I will tell you that this is impressive. I do not think we could quite say that when we did our panels in Michigan.

So let me ask all of you. Almost all of you have spoken about the critical nature of crop insurance. I think all of you mentioned that and we understand the important role that direct payments play for many of you as well. But is it fair to say—and I guess I would open this up to any of you—because several of you said that the most important tool at the moment, the thing you would be most concerned about losing would be crop insurance.

Is that a fair statement? I mean, anybody disagree with that? Okay. So if we are looking at that and how we could strengthen that for you, because of the concern about shallow loss and so on and what happens from that gap with the crop insurance and so on, what can we do if we are looking at crop insurance to make that better for you or maybe, in your particular instance, it works fine. Or to cover more?

I know that we have a number of crops that are not covered or are not covered well and that is one of the issues we have to look at, also. I know in my state we have had a lot of areas where we have crop insurance that is very effective, other areas where—and we need to work on it.

But if you are focused on crop insurance, what would you suggest, any of you, as to the way to strengthen that as a risk management tool for you? Yes?

Mr. MCCAULEY. Madam Chairwoman, thank you for not mentioning his name. I have two suggestions and most of my points were about maintaining the affordability of it as it is today. We talk about less subsidy to the companies. I think it is important that companies are there for us. But the affordability today is reasonable.

The shallow loss and the declining APH's of these drought-stricken areas is very important. Dr. Barnaby told me earlier that he has a paper, and I think those things are being studied, but I think that is very important to the concerns that I have.

Chairwoman STABENOW. So you are talking about the difference between the coverage on the crop insurance and what your actual loss is?

Mr. MCCAULEY. Well, no. As your crop declines from these severe droughts, extended droughts of Texas and western Kansas and all over, those decline your insured acreage and that is the APH.

Chairwoman STABENOW. Yes, absolutely. Anyone else? Yes.

Mr. BACCUS. I think it is important that we simply stop cutting from the program. We have cut \$6 million out of the crop insurance program each of the last two years and that is a huge hit. Any more is going to hamper product development as well as increase premiums to the producers and I do not think we can afford that.

I would like to see us take a look at RMA and the requirements they have on claims. We are dealing with [inaudible] right now in corn harvest in Kansas and the rules that they have for their claims agent are totally unrealistic. They are wanting them to go

out into the fields, walk every field, and collect samples from every field. There physically are not enough crop adjusters on this planet to do that, and yet, that is what RMA is requiring. So there are some ridiculous regulations like that that need to be looked at.

Chairwoman STABENOW. Yes?

Mr. BACCUS. As Ken alluded to, the concern that I hear from our producers is multi-year droughts and a declining APH. I would allude to a situation with a man in the ocean with lead weights being tied to his feet. He can stay afloat for a year or maybe two, but eventually he ends up drowning.

While the program was complex and was slow to implement, the SURE Program was actually like throwing a float to that person to allow them to survive better to the next year, and that is one thing I have definitely have heard from our members.

Chairwoman STABENOW. So SURE, we have had a lot of concern that not many people signed up, it was complicated in the beginning and so on. But do you think that kind of approach makes sense if we were bringing it closer to the farm and making it a little less complicated?

Mr. SCHEMM. Yes, very much. What we have heard from our producers is that the SURE Program did help to give them true relief from a multi-year drought. Like I say, they were just slowly, with the declining APH's, we saw even on our operation a shrinking operation until the SURE Program, if we can make it quicker and less complex.

Chairwoman STABENOW. Thank you very much. Yes?

Mr. GOYEN. I would echo the thoughts and ideas. It has to remain fundable. It has to remain to where the farmer can afford it. It has to remain affordable to the local farmer. In the cotton industry, it is a little bit different and it will throw another kink in things, but we are paid on the quality of what we raise, too, and there is no provisions in that for—in this year's crop, they were probably going to see a decline in quality as well as yield.

If there were some provisions somewhat to where we could insure against the quality and the yield, it would surely be beneficial to us, also.

Chairwoman STABENOW. Okay. Thank you.

Mr. HENRY. I just want to comment about, especially addressing soybeans, there is some real disparity in how soybeans are covered in different parts of the country, and speaking for the growers in the south, many of them do not participate in crop insurance on soybeans because of the complexity of the program and the coverage is just not there.

So there are, especially in soybeans, there is lot of disparity throughout the country in different regions about how soybeans are covered. So we need to address those problems to make that a viable option for them.

Chairwoman STABENOW. Thank you. One other quick question and I will turn it to Senator Roberts. Mr. Grecian, I wanted to first congratulate you. I understand you received the Grassland Award for conservation practices back in 2008. Congratulations. I wonder if you might just speak for a moment about the role of conservation from your perspective in agriculture. How do you use the conserva-

tion programs and practices in your operation to put yourself in a better position?

Mr. GRECIAN. As alluded to, western Kansas suffered through five years of drought starting in about 2002, and it could have been devastating to our native rangeland. The EQIP Program allowed us to cross-fence. We drilled some wells, put in pipelines, spread our water supply, and did a more efficient job of grazing.

It was an educational process to me, as well as benefitting my bottom line, and also sustaining our cow herd. To go hand in hand with that, the release of CRP acres to be grazed has basically saved our operation's cow herd about five times in the last 25 years.

But as far as conservation programs, they are—other things that we have done, we have put in a lagoon in our feeding operation to help enhance water quality. At the size we are, it probably would not have been necessary, but I saw it as a way of making sure that we were not going to contaminate any groundwater in the area.

So the programs that we cannot justify an entire cost of have been very beneficial. The cost shares from the EQIP Program have been very, very beneficial to the livestock industry.

Chairwoman STABENOW. Thank you very much. Senator Roberts.

Senator ROBERTS. Let me just say that both the Chairwoman and I are very strong supporters of EQIP. I have some questions for each of the witnesses. I will try to rip through these because I know Panel 3 is waiting.

Steve, as you know, young farmers and ranchers face an uphill road just to get into agriculture. I remember cutting a 30-second spot in an even-numbered year some time back saying the most important question we face in agriculture is not all of the details in the Farm Bill. It is, where is the next generation of farmers going to come from.

By the way, I filmed that spot up on Highway 36 between Norton and Peaburg at that old stone house up there with the windmill. It was the fastest take that we ever took because right in the middle of the spot, we discovered there was a rattlesnake in that stone building, so we got out of there pretty fast.

[Laughter.]

Senator ROBERTS. First take Roberts. That is what that was about.

But you work with these young farmers every day, so you can—you mentioned your son is a partner with you. Just talk a little bit about the challenges that a young farmer faces in building a successful operation. What do you do if you are a young farmer and you go into your lending institution, your banker, and they come in to apply for a loan, and how are these requirements different than they would have been for you? I will go to Steve and Ken and anybody else who wants to say something.

Mr. BACCUS. The longer you are in agriculture, the more equity you build up, assuming you have a successful operation, I guess. If you do not, you are not in agriculture any longer. The beginning farmer or rancher does not have that choice. He does not have the equity to fall back on.

But I can tell you, through the Kansas Farm Bureau Young Farmer/Rancher Program, we do not need to ask the question, Who is going to farm this land? We have a multitude of young farmers

and ranchers out there that are extremely optimistic, that are extremely upbeat, that are looking forward to doing their role to take over the farm operations in the future.

It is contingent upon us to develop the financing tools to help these people get the money they need for their operating notes, to buy the machinery. It is contingent upon us to help design risk management programs, like everyone on this panel has been talking about today, so they can go into their lenders and say, Here is my insurance program, here is my risk management program. If I do not raise a crop, this is still what I stand to receive. And that is absolutely critical to the success of our next generation of farmers.

Mr. MCCAULEY. I totally agree with Steve, totally agree with Steve. It is very important, and I will add one important thing. When I started farming in 1972, it was a very good time. We had prices—it was before all the inflation hit. We grew equity.

And as a young person, and I think today, these prices are actually growing equity for the small and younger farmer, and I think it is just really important that we do everything we can so they can preserve that equity and move into the positions that we are in, and actually become next generation's leaders. I think it is just vitally important.

And one of the reasons that I am doing the things that I am doing today and have one is to help that generation succeed.

Chairwoman STABENOW. Great.

Senator ROBERTS. Karl, we have already gone over this. If you can pop up with any new ideas, why it would be good. Given the tight budget environment that we are looking forward to streamlining programs and try to increase the efficiencies, are there areas within the farm programs that you utilize where you think there might be opportunities for some streamlining or even changes in the programs?

Mr. ESPING. Ideas, yes. I am sitting here thinking. The RMA thing, the crop insurance side there is a considerable amount of work going on in western Kansas now. We have been in contact with Rebecca some—

Senator ROBERTS. Speak into the mic.

Mr. ESPING. Sorry, okay. Very good. Some of the— within crop insurance and the RMA, there is a potential or study going on not allowing producers with a crop following sunflowers to be insured. And we have been in contact with Rebecca several times in the Topeka office, and of course, national office, also. But that is a concern.

If you are a western Kansas grower or west of 183 and you are growing flowers this year, you will be exempt from having any crop insurance coverage for next year, a restriction that I strongly question.

But as far as streamlining, making it simple. That is a difficult thing for everybody involved, but the red tape reductions, that would help.

Senator ROBERTS. I just might add that the SURE Disaster Program is part of the package that is available to producers in a drought. The only problem is that not many farmers I know, even in dry land operations, are going into the business of insuring their

pastures starting out. Maybe after five years of this, that is the case, and then you only get paid 18 months after you apply. And there is a 10 percent cut in regards to the program and there are about 23 pages you have to wade through to sign up for the damn thing.

So we might want to consider a different kind of disaster program. I know that is very popular up in the north. Why they have to wait for 18 months for it is a little bit beyond me. But they have a disaster every year. So pardon that editorial.

Chad Bassinger and his wife, Cassandra, took us on that tour yesterday of the drought during the early '30s, a lot of dry land wheat, a lot of pasture land, or what is left of it, and he knows the area. He is just as smart as a whip and he is a perfect example of the kind of young farmer you are talking about, Steve and Ken. So they are out there. They just want a chance.

Ken, the Kansas Livestock Association, since the debate about the GIPSA rule first began, and you have talked about it, I have been concerned that the Department did not have a proper grasp of the rule's economic impact on both producers and consumers.

We pushed on that and the USDA finally acknowledged this as an economically-significant rule, so did the Chairwoman, and they have ordered a cost benefit analysis. What a surprise. Unfortunately, some have suggested that the Department split its proposed GIPSA regulation on how livestock are marketed in this country into two parts as an attempt to bifurcate the enormous cost of this rule. What is your view of that?

Mr. GRECIAN. Well, I think I answered that when I said we do not need a Livestock Title, but from KLA's perspective, and we realize that there is a difference between species and perceived marketing problems. But I guess our concern is we would want to see the whole thing before we would support it.

And myself, as an individual producer, when we look at the fact that Congress basically stripped most of the provisions out of the Livestock Title in the writing of the last Farm Bill, would those—if it were split by species, would it soon be melded into one policy or regulation that would affect us, just like the one that we have today?

Senator ROBERTS. Unfortunately, we do not have an endangered species to work on a constant basis with all of these regulatory agencies. And in this particular case, the agency did go outside of the intent, the specific intent of Congress.

And that is one thing that I know the Chairwoman and I are very concerned about, is when an agency just takes it upon themselves to say, Well, we are going to accomplish whatever agenda that they have and work toward that agenda regardless of Congress. That is why the Chairwoman hauled in—well, asked the people to come in to testify and say, Now, can we work this out? Look at the intent of Congress, you are outside the intent of Congress. As she plays the good cop. I obviously play the bad cop. But at any rate—and that is how it works. But thank you for your comments.

Bob Henry, you have outlined several ways the current farm programs could be improved, all the work the Soybean Association is doing to look into these ideas. We want to certainly provide the best safety net possible, but we have recognized that we have the

budget deficit. So personally on your own farm, can you tell me which or what program is the most important one to you?

Mr. HENRY. Well, I think, as probably I would speak for most farmers here, the risk management, how to protect yourselves in times of short crops or low prices. Being a highly capital-intensive industry and business that we are all involved in, the amount of capital it takes to operate that business has been commented on previously.

As you go into the bank to borrow money, to take loans, to get operating loans, to buy machinery, whatever your need is, and it does not really matter what age group you are in, whether it is young or older farmers, the capital investment is tremendous, the capital requirements.

Some way to create that safety net. In good times, in good crops we do not need it. It is the extremes of low prices or low yields that put us all in a real crunch as far as finances and the future to go on for the next year. So I think that is probably—risk management, from an individual standpoint, is probably the number one priority.

In talking with other members on the board from all over the country, that seems to come to the forefront in every conversation you have.

Senator ROBERTS. Kent, I skipped you. I did not mean to do it. We have got very few cotton farmers who participate in the ACRE Program nationwide. Do you utilize the program on your cotton acres, and if so, has it worked for you? If not, can you talk a little bit about some of the reasons you chose not to sign up?

Mr. GOYEN. Personally, no, I am not involved in the ACRE Program. Very few in our area are signed up for that.

Senator ROBERTS. Two percent of the farmers in Kansas signed up.

Mr. GOYEN. It encompasses too wide an area before [inaudible] are pulled, and it is just a complicated thing. It was a hit to direct payments that nobody really wanted to give up, give up a known for an unknown. They did not want to do that when they first started. The area statewide would not work for cotton especially, but that you had to sign up for all the crops and then there was no recourse. If you signed up once, you could not get out of the thing. So basically, that is why most people did not sign up for it and were not too excited about it.

It is a complicated thing. Even the FSA office, they have a hard time explaining that one, how it is going to affect you and what is going to happen. I think basically it could be a good program, but it has got to be fine-tuned a little bit. The areas, either they have come down to a county-wide or a small district of some sort to where maybe that would—the yield monitors would kick off then.

But it is going to take a lot of fine-tuning, but I think basically it could be a good safety net and a good program if the revenue and the yields and everything else were implemented into it.

Senator ROBERTS. Ken, is your bank pretty interested in which farm programs you utilize? Are there some specific programs that are more important to banks than other programs? Do banks ask what level of crop insurance you purchase, how much you will receive in direct payments?

Mr. McCAULEY. I have not had that talk with my banker. I know he knows that I carry crop insurance. One of the things that is going on in this year is farming is very profitable. No matter whether you are borrowing money or not, bankers are interested in what level your coverage is, and they want to know everything about a young person.

When you talk about crop insurance, most of them may even ask for the receipt to show—and the reporting of it. So, you know, your crop insurance goes across now to cross-check with the FSA office. The banker is asking both those people those things. So yes, they are asking those questions.

Senator ROBERTS. I appreciate that. David, 18 years of farming. You do not look that old. You have never seen a year that highlights the importance of the farm safety net more in this year in a year where devastation seems to be more the norm than the exception, what farm programs do you really rely on? What program do you know will absolutely be there for you at the end of the day by helping keep you afloat?

Mr. SCHEMM. As has already been alluded to, the crop insurance program has been vital for our operation. And again, when I go into the banker, he wants to know what my coverage level is, what crops I am going to be growing, and what my insurance level is going to be on them. So the crop insurance program has been very vital to us.

When we were going through those drought years and, unfortunately, it looks like we may be facing another one in our area again this year, the SURE program, once it finally did manage to come through, it actually did throw that float out to us to help us to try to more effectively survive, because we were watching our coverage level just shrink.

But the insurance has been the key program. The direct payment has also been vital, though, because it has helped to offset the higher insurance premiums that we have been dealing with. I mean, we have seen record high prices and it just takes more money to insure that crop with those record high prices. And unfortunately, when you do not have a crop to sell, it does not matter what the price is.

Senator ROBERTS. How long did it take you to sign up for the SURE Program and then how long did it take for you to get a payment?

Mr. SCHEMM. Months.

Senator ROBERTS. Months?

Mr. SCHEMM. We had a situation on my own farm where because of the issue between RMA and the local FSA, we were actually 2.1 percent off on acres on one field that we actually overpaid. We paid more to RMA, to the insurance, than what we should have. And as a result of that, that delayed our SURE Program for a SURE payment by approximately three months.

Senator ROBERTS. What did you do? Pay it back or what?

Mr. SCHEMM. It got lost somewhere in there, but—

Senator ROBERTS. All right. Thank you for that. That is very helpful. Greg, you are extremely diversified right in the heart of the drought. Can you talk about how the drought has impacted your operation? I cannot remember all the things you are into now,

but you are very diversified for obvious reasons, but what decisions have you had to make in order to cope?

Mr. SHELOR. Well, it is just kind of onset. We actually had a fair wheat crop this spring, but with the drought coming on now, it is going to affect our fall crops. We are 30 to 40 days from putting fall wheat in again, and it does not look promising for that. And that is going to affect next year's production and even next year's summer crops because we rely on a lot of water retention in our soil, our subsoil. That is what makes it through the summer growing, and we have depleted all that. So that is going to take a lot of moisture to replenish that.

So the crop insurance is going to be extremely important to be able to keep some payments coming and keep some cash flow going through the farm. And as it was alluded to earlier, the direct payments help make up that difference that the crop insurance does not cover, because, you know, you can only insure 65 or 70 percent of it. So you still have a void in there that you have got to make up the difference.

And just one little comment I would like to make on the young farmers. They have got this TIP Program with the CRP. That has worked real well, getting some young producers in our area to be able to pick up some farm grant. It allows two years extension of the present land owner on his CRP payments if they give it over to a young person.

I know of three just in our area that has utilized that. So that is one arena that is really helping maybe get some young farmers back involved in production agriculture.

Senator ROBERTS. Well, thank you—pardon the pun— thank you for that tip. I am way over time here, 13 minutes, 46 seconds. I stand chastised, Madam Chairwoman, but I would yield to you for any further questions you might have.

Chairwoman STABENOW. Well, at this point, I just want to thank all of you for being here. It is very important information and testimony. We look forward to working with you as we put the pieces together for the Farm Bill and recommendations and how we focus on risk management. We know it is extremely important in farm safety net. So we look forward to working with all of you. We would excuse you and ask that our third panel come forward.

We are going to call the meeting back to order and ask that all of our panelists join us and I will turn this over to Senator Roberts to make the introductions. Thank you.

Senator ROBERTS. From Jetmore, Kansas, representing the High Plains Farm Credit folks, he is the Director out there, Mr. Ron Bach. From Axtell, Kansas, the General Manager of the Nemaha-Marshall Electric Cooperative Association, Ms. Kathleen Brinker. From Fort Scott, Kansas, the President of the Kansas Association of Conservation Districts, Mr. Ron Brown.

And from Salina, Kansas—yeah Salina, not Salina—the Conservation Policy Director of the Playa Lakes Joint Venture, Mr. Barth Crouch. Then from Garden City, we have the General Manager of the WindRiver Grain LLC, Mr. Robert Tempel. And Garden City again, the CEO and Chairman of Western State Bank—good, we have a banker—Mr. Jeff Whitham. Jeff, good to see you

And then we have the Director of Science and Regulatory Affairs and Chief Nutritionist for the Schwan Food Company in Salina Kansas, Karen Wilder. That is a big outfit that is producing a lot of pizza and making a lot of young school children very happy. I know they are supposed to eat great big plates full of broccoli—you put the broccoli on the pizza. Maybe we can do that.

But at any rate, we will start off with Mr. Ron Bach. Ron?
Chairwoman STABENOW. Welcome.

STATEMENT OF RON BACH, DIRECTOR, HIGH PLAINS FARM CREDIT

Mr. BACH. Thank you, Madam Chair, Senator Roberts. Thank you for the opportunity to testify here today. My name is Ron Bach and I am a first generation farmer from Jetmore, Kansas. I am also an elected member of the High Plains Board of Directors, Farm Credit.

High Plains Farm Credit is located in Larned, Kansas, and is part of a nationwide farm credit system. High Plains is owned by over 1,000 farmers that borrow from us here in Kansas. I serve with seven other elected directors and one appointed.

I am pleased to say that Farm Credit is one of those entities under the jurisdiction of your Committee that costs taxpayers nothing in Federal resources. In fact, in addition to paying taxes, we pay for the cost of our regulatory oversight, we pay insurance premiums that are counted as Federal revenues as well.

Further, by returning earnings in the form of patronage payments to the farmers and cooperatives that own the system, we make sure the capital is flowing to rural areas. Last year, those patronage distributions came to almost \$800 million across the country of which High Plains Farm Credit returned approximately \$725,000 to our farmers. That is not a bad rural development program in itself.

We are not coming to you today with a specific request for any Federal spending. However, included in my written statement, underscores several actions that the Committee might take that will have a positive impact on those we finance.

At this time when many commodities are experiencing price levels that allow farmers to realize profits in their operations, it is important to remember the simple adage that what does go up tends to go down. My point is that just because some commodity prices may be high now, do not abandon the safety net that will ultimately protect farmers when prices fall.

The drought in southwest Kansas has left many farmers without a crop this year. My experience has left me with half a wheat crop and a well-below my expected model crop. The lack of rainfall has left my cow-calf operation in jeopardy. I sold off some of the cows and the remaining pairs, some of which are on CRP grass, will be split and sold earlier than usual, leaving me with a down-sized herd.

As I stated, I grow wheat. A very important part of the safety net is an effective, well-managed crop insurance program. I am grateful to have crop insurance as I have already collected a wheat claim check and I will be filing for a grain sorghum loss.

As you know, crop insurance already has shouldered significant cuts. We in Farm Credit continue to work hard to ensure that our customers and others have access to crop insurance policies they need to protect their investment in crop and farming operations. We urge that should the need to achieve savings from any of these programs, that the industry and those that are experienced in the day-to-day delivery of these be provided the opportunity to comment on proposed changes.

Lastly, it is important for the Agriculture Committee to recognize that you have done a good job in overseeing the Farm Credit system. As you look for opportunities to assist agriculture without the need for direct Federal outlays, we stand ready to work with you if there are any areas that Farm Credit might utilize its experience and proven success to help so that we can continue to efficiently and effectively meet our mission.

Thank you for the opportunity to provide you some background on how Farm Credit is meeting the needs of Kansas farmers and some thoughts about the next Farm Bill. We appreciate your commitment to agriculture and look forward to working with you as you move forward in developing the next Farm Bill. I would be pleased to respond to your questions. Thank you.

[The prepared statement of Mr. Bach can be found on page 62 in the appendix.]

Senator ROBERTS. Ms. Brinker.

**STATEMENT OF KATHLEEN BRINKER, GENERAL MANAGER,
NEMAHA-MARSHALL ELECTRIC COOPERATIVE ASSOCIATION**

Ms. BRINKER. I missed the purple memo, I think, today. Thank you, Chairwoman Stabenow, and Ranking Member Roberts for this opportunity to testify before this Committee. Electric cooperatives utilize several programs authorized in the Farm Bill and we appreciate this opportunity to share with you how those programs strengthen rural America.

I am Kathy Brinker and I am the General Manager of Nemaha-Marshall Electric Cooperative in Axtell, Kansas. Our cooperative provides affordable, reliable electricity to over 3,000 homes, farms, and businesses in northeast Kansas. We are governed by a democratically-elected Board of Trustees who, like our 21 employees, live and work with our members.

Our employees volunteer their time on local boards and organizations in the small communities where they live. In the case of Nemaha-Marshall and other cooperatives, this commitment to community is not a coincidence. It is the way we are.

Nemaha-Marshall is one of 30 electric cooperatives in Kansas and is among 900 not-for-profit member-owned systems that serve 42 million in 47 states. Providing electric service in sparsely populated states like Kansas is a challenge. Today, cooperatives in Kansas average just three customers per mile of distribution line compared to 19 customers statewide.

In Michigan, the co-op averages eight customers per mile compared to a statewide average of 38. Still, even under those challenging conditions, Kansas co-ops brought electric service to families in every corner of the state and today we continue to do so, keeping the lights and air conditioning on every single day.

Co-op service areas are often large and their population small, so the not-for-profit electric co-op model is very important. With fewer people to share high fixed costs, affordable credit through the RUS loan program is key to our operation. In the last five years alone, RUS has approved more than \$400 million in loans to Kansas electric cooperatives.

Nemaha-Marshall recently applied for an RUS loan to upgrade our facilities to meet the changing needs of our consumers. The loan levels are authorized by Congress every year in the Ag Appropriations Bill. The loan level of the largest program, Federal financing bank loans, has been set at \$6.5 billion in recent years, and we urge you to keep that financing in the 2012 budget.

We ask for your help in removing restrictions and ensuring RUS loans can be used to address all our needs, whether the loans are for renewable generation, new caseload generation, or making environment upgrades to existing generation.

Another program we use regularly is the REDL&G Program, or the Rural Economic Development Loan and Grant Program. USDA provides zero interest loans to electric co-ops which then pass the funds through to create jobs and services in rural areas.

One example of how the REDL&G Program works in my hometown of Seneca, Kansas, a local employer, Koch and Company, received a \$450,000 REDL&G loan in 2004 for a cabinet plant expansion. Nemaha-Marshall was proud to sponsor this project which created 55 new jobs and retained 185 jobs at that time.

Since then, Koch and Company has expanded twice more and last year had an annual revenue of \$40 million. They employ a total of 300 employees with an annual payroll that exceeds \$8 million.

Electric cooperatives have been leaders in energy efficiency because of our mission to provide reliable electric service at the lowest possible cost, not to make a profit for shareholders. An example of a successful energy efficiency program is the How\$mart Program created and implemented by Midwest Energy in Hays, Kansas.

The cooperative funds approved efficiency projects and the consumer repays the co-op on their electric bill. Midwest Energy has completed over 400 projects. As a locally based electric utility, Nemaha-Marshall's goal is, and always has been, providing the best possible electric service at the lowest possible price to our members. Just as importantly, we are also here to support our communities and the people who live in them.

Thank you for your continued support of the electric programs and the REDL&G program. They have been vital for protecting affordable financing and in helping co-ops grow in our communities. We look forward to working with you to develop a rural energy savings program. Thank you for the opportunity to share my experiences. I will be happy to address any questions.

[The prepared statement of Ms. Brinker can be found on page 66 in the appendix.]

Senator ROBERTS. Thank you, Kathleen. Ron Brown.

**STATEMENT OF RON BROWN, PRESIDENT, KANSAS
ASSOCIATION OF CONSERVATION DISTRICTS**

Mr. BROWN. Madam Chairman, Senator Roberts, I am Ronald Brown, current President of the Kansas Association of Conservation Districts and I am pleased to have the opportunity to provide testimony on the 2012 Farm Bill on behalf of our organization. And I do have soil under my fingernails.

Kansas is currently facing a significant drought in 66 of our 105 counties, and that was moved up to 70 last week, and one of those counties is mine. With the southwest part of the state being ranked as an exceptional drought area, the U.S. Drought Monitor, the highest ranking on the scale. Kansas farmers and ranchers now face the worst conditions in decades, understand all too well the frustration and sense of futility that predecessors felt when the lack of rainfall in the '30s turned the Great Plains into a giant dust bowl.

But the key difference between the dirty '30s and today is the improved farming and soil conservation practices that prevent wind erosion and keep the Great Plains from experiencing the dust storms that plagued the area back then.

It is critically important not only to the state's economy, but also to our quality of life that effective farming and soil conservation practices remain a high priority. Partnerships on the local, state, and Federal level are essential for coordinating and streamlining these efforts.

The 2012 Farm Bill should be developed to ensure that these partnerships and coordination of effort to that end. KACB urges consideration of the following: Encourage landowners and operators to apply conservation practices appropriate for their operations that will permit them to maintain economic viability while maintaining and improving their natural resources.

Farm Bill conservation programs be resource-driven, locally led with sufficient flexibility to allow funding to be directed to local priorities and concerns. Provide technical assistance funding to generate a broad range of soil, water, air, and habitat benefits. The conservation technical assistance program and each of the Farm Bill conservation programs are necessary to implement conservation practices and achieve proper land and water management.

CTA funding allows NRCS to provide the local assistance and planning efforts conservation districts need to promote conservation to their local producers. Fully fund NRCS to meet the growing need for technical assistance, deliver Farm Bill conservation programs, coordinating with conservation districts, technical service providers, and other partners.

Fund the 2012 Farm Bill conservation programs at or above 2008 Farm Bill's levels, and identify opportunities to streamline and improve efficiency within the program options. Ensure that the delivery system for conservation programs is easily accessible for conservation program customers. The sign-up process must be simple, easy to understand, completed with reasonable effort, and reach a broad customer audience.

We support the continued sign-up for USDA conservation programs as well as consolidating NRCS Farm Bill conservation programs to improve efficiency, simplify the application process, and

better utilize available program funding. Conservation programs must provide a balance of sorts for those that set land aside for conservation priorities and those that provide incentives and cost-share for working lands.

Given the projected increase in world population, programs must provide assistance to implement or maintain conservation practices on working lands that produce much needed food, feed, fuel, and fiber.

Farm Bill Conservation Title funds should supplement conservation district efforts to provide education and outreach to landowners, producers, and the general public. Again, CDA funding is critical to allowing NRCS to provide locally-targeted and needed assistance.

Reducing on-the-farm energy consumption and developing a renewable energy production is critically important for American agriculture and forestry. Technology such as wind, solar, anaerobic digestion, biomass, cellulosic, biofuels, ethanol, bio-diesel, and yet to be developed technologies are key features of sustainable agriculture and forestry.

Incentives should be provided to encourage implementation of new sustainable energy production. Much work remains to be done to complete PL-566 small watershed district projects. Fund all phases of the program to plan, install, and rehabilitate structures that protect our fragile farmlands.

This is not the time to ignore the devastating impacts of floods and the associated cost to our Nation's agriculture economy.

In closing, we would urge Congress, at a minimum, to maintain mandatory conservation funding levels as agreed in the 2008 Farm Bill so that conservation programs aimed at providing critical assistance to farmers, ranchers, and other landowners to address local resource issues will continue to benefit us all with improved air and water quality and soil health. Let us honor the memory of our past to build a better future. Thank you for your time.

[The prepared statement of Mr. Brown can be found on page 81 in the appendix.]

Chairwoman STABENOW. Thank you.

Senator ROBERTS. We thank you, Ron, and we go now to Barth Crouch. Mr. Crouch.

STATEMENT OF BARTH CROUCH, CONSERVATION POLICY DIRECTOR, PLAYA LAKES JOINT VENTURE

Mr. CROUCH. Madam Chairwoman, Senator Roberts, I am glad that we got this opportunity to be here. I am a transplanted South Dakotan that moved to Kansas permanently in 1994, and one of the first duties I had was to work with then-Chairman of the House Ag Committee, Mr. Roberts, on the '96 Farm Bill.

It has been an interesting relationship over the years. It is always fun to be around Senator Roberts.

Senator ROBERTS. It took us about a year-and-a-half to get the damn thing done, but we got it done. Thank you for your help.

Mr. CROUCH. Hopefully it will not take that long this time.

Senator ROBERTS. No, we cannot do that again.

Mr. CROUCH. Playa Lakes Joint Venture, it is one of those things that when you work for them, you have to explain constantly to

other people who are you and where are you and what you do. We are a conservation organization that I like to think of as we are either the glue or the grief that is needed to get conservation done across six states with a partnership with 17 state, Federal, and local conservation organizations and agencies.

As such, our primary mission is working on, as our name states, is trying to find ways to conserve and restore the Playa Lakes. And I want to publicly thank Senator Roberts at this time because of his unwavering support for the Rodney Dangerfield of wetlands, the Playa Lakes. And I think without his support, we would not have the one practice that specifically is for Playa Lakes, CP-23(a), for all of you jargon folks from the USDA world.

And the fact that he has consistently supported conservation throughout his time has led to, inadvertently, Playa is being conserved by CRP and through now recent efforts with the Wetland Reserve Program.

If only 40 percent of the Playa's across the southern High Plains were conserved, we would see something that we need to have happen very dramatically and that is the major source of recharge for the Ogallala Aquifer are Playa Lakes. Now, it is a slow recharge. It is three inches per year, at the maximum, but if 40 percent of them were conserved, that would lead to around 50 to 100 billion gallons of water each year going back into the aquifer.

And so, it is very important to us to have that conservation go on for the Playa Lakes and for our whole region out here in the southern High Plains.

I had a set of talking points to go through. My good friend, Ronnie Brown, covered 90 percent of them, so I will get to the chase. The things we need in the Conservation Title are the tools that help the landowners who are the stewards of conservation in this country do the right thing and avoid the regulatory problems that come when we have changes. I think that the more tools in the toolbox we can have and the better funding for those we can have the better.

The other thing that he brought up as well that we fully support, and that is why I sent you the map that showed where the conservation positions that are part NRCS and part partners out in the land that go door to door and talk to landowners and work with them on which conservation program would work for them. Those are vitally important and those kind of programs and the flexibility to do them are what we need in the Farm Bill.

And with that, I am glad to be here. I am glad to see you. And I wish I had more connection with Michigan, but my good friend, Gordon Geyer, keeps trying to get me to come back there, because he has got a bear hunting spot that is really awesome.

Chairwoman STABENOW. He is a very good friend of mine. You ought to take him up on it.

Mr. CROUCH. I will.

[The prepared statement of Mr. Crouch can be found on page 89 in the appendix.]

Senator ROBERTS. Thank you, Barth. Our next witness, wearing a green and white tie on behalf of the Michigan State Spartans, Mr. Robert Tempel from Garden City.

**STATEMENT OF ROBERT TEMPEL, GENERAL MANAGER,
WINDRIVER GRAIN LLC**

Mr. TEMPEL. Thank you. Madam Chairwoman and Senator Roberts, we would like to thank you for inviting us to come to talk to you a little bit about the Farm Bill and a little bit about our business. It is our honor to serve the producers of southwest Kansas, an honor to speak with you today.

WindRiver Grain LLC is a commercial grain facility which loads and unloads 110-car units in Garden City, Kansas. Our company was established in 1997 as a joint venture with a cooperative system, independent grain companies, and a multinational grain company. The mission of our company was to bring world markets to southwest Kansas.

Initially, our main focus was shipping 110-car units to the Texas Gulf on the BNSF railroad. Quickly we saw additional opportunities into Mexico, California, and the Northwest. None of these opportunities would have been possible without the commitment of origination customers, destination customers, and railroads wanting to develop a long-term relationship that developed into a long-term partnership.

In 2007, Bonanza Energy chose to build a 55-million gallon ethanol plant next to our facility in Garden City. Again, the relationship we developed with the BNSF railroad was one of the biggest reasons Bonanza decided to build next to our facility.

Overnight, this growth doubled the size of our company, as well as adding 39 good-paying jobs to Kansans. This has also created economic growth in our surrounding communities as well as creating opportunities to encourage young people to come back to rural America.

The policies put into place in past Farm Bills were the catalyst which allowed us to see this economic growth in rural America. We feel it is important to communicate in how biofuels and industry has created commerce, jobs, and opportunities in our communities. This tied production and culture to the energy market, thus creating positive economic growth which has rippled throughout southwest Kansas and in other rural communities.

This ripple effect has also been seen in other service businesses such as the 90-plus independent trucking firms who buy fuel, tires, repairs, and food in our local community. Production ag culture has been energized by ethanol demand. A few decades ago, U.S. produced roughly 8 million bushels of corn.

One decade ago, we were seeing over-production in the corn market. Today, U.S. farmers produce around 13 billion bushels of corn due to ethanol demand increasing in the middle of this decade. Today, ethanol demand uses this additional 5 million bushels of corn.

The corn production pie has increased due to this marketplace providing incentives for increased seed research, fertilizer efficiencies, increased water and land and conservation efforts. Looking towards the next Farm Bill, we believe crop insurance programs is vital to production agriculture and needs to be a priority in funding. If there are choices to be made, crop insurance is one that needs to continue to be reviewed and strengthened.

With the current conditions, we would also encourage USDA to fully support efforts to achieve approval defining grain sorghum as an advanced biofuel. This promotes sorghum production as a means of reducing the demand on our precious water supply in southwest Kansas.

American farmers can meet this demand if given the proper market signals and common-sense Government policies. In order to meet the future global food and feed demand, we cannot afford over-regulation that stifles production agriculture. We are going to need research coming from land grant universities, working with the industry in production agriculture to meet the food and fiber needs of this growing world.

Thank you for giving us the opportunity to share with this Committee a little bit about our business in rural America and how the past Farm Bills have impacted our own families and communities. We feel blessed to work with these hard-working Americans. We realize there are going to be reductions in all areas of Government spending. We understand and commend you on taking these necessary actions.

In closing, I will leave you with this thought. America was founded on principles of hard work, freedom, liberty, and the faith that God will guide and protect those who seek His wisdom. May He guide and bless you as you lead this great country. Thank you.

[The prepared statement of Mr. Tempel can be found on page 134 in the appendix.]

Senator ROBERTS. Thank you so much, Robert. Those were certainly pertinent words indeed. Jeff Whitham, we had to have a banker. Western State Bank, Garden City. Could not have a finer one.

STATEMENT OF JEFF WHITHAM, CEO AND CHAIRMAN, WESTERN STATE BANK

Mr. WHITHAM. Chairwoman Stabenow, thank you and welcome to Kansas. Senator Roberts, good morning. I am a banker from Garden City, Kansas. To locate that for you, Madam Chair, our high school football team's success depends upon our hatchet game with Dodge City and we have been in a rebuilding mode lately.

[Laughter.]

Mr. WHITHAM. You know, as I think about talking about farm support programs at the USDA and where we are in terms of needing to balance this Federal budget that we all recognize, and I am glad to see a large enough percent of American voters have focused on it, that it is important and probably going to get done, as we talk about these programs, we have to focus on which ones are more effective and that is what I would like to try to address this morning.

From our perspective, the most effective program is the multi-purpose Crop Insurance Program, and for a couple of reasons, Madam Chair. First, our producers pay about 41 percent of that premium, so the Federal Government, the taxpayer, gets some leverage.

Secondly, our producers are compensated, usually largely, when they have a problem, either a yield problem or a price problem. So that is pretty effective. As you talk about these programs in 2011,

you have to think about the SURE Program. It is an effective program. It is going to fill out a lot of lost revenue for our producers out in southwest Kansas because of this drought. And I should have mentioned, we run banking centers, about eight banking centers from southwest to northwest Kansas and we see a fair bit of that difference in yields every year.

The direct payment program, I would tell you, is a little less effective simply because our producers receive those payments whether they have a good year or a poor year. It may not be all that effective for the taxpayer.

We have—maybe switching over to the EQIP Program or to the Conservation Titles in the Farm Bill, the EQIP Program in our country is a good program. We generally see it being used for terracing ground, and as you know, in our country, it is a soil conservation and a water conservation tool largely.

We see it used for terracing, which again our producers help lever by paying part of the cost. And we also see it being used by something that our Governor talked about this morning. We are going to be slowly abandoning irrigation wells in western Kansas as we do not have enough volume to be effective with those crops, and that has already started and the EQIP Program has a portion of the program that helps those irrigators discontinue irrigating, and it is useful actually on the family farm that I am a part of. We have used that part of the program.

Another thing you might be interested in as you spend a lot of time reading the paper and thinking about the capacity of banks to cover the needs of farmers, credit needs of farmers, I notice that some folks kind of lump us in with money center banks and banks that have had significant problems, and still are, with residential real estate and commercial real estate loans and are having problems actually getting their loan volume up.

I would tell you, other than maybe a few banks in the Kansas City-Lawrence area, that would not be a problem in Kansas. These rural banks have plenty of capacity, largely because for the last four years, our customers have had—our farm customers have had good years. That means that being the good money managers they are, they have paid down debt.

To give you a little bit of a feel for that, we could probably make—we have \$234 million in loans and we could make a \$50 million increase in that pretty easily, and with this drought, we probably will start doing that.

Again, thanks for coming to Kansas.

[The prepared statement of Mr. Whitham can be found on page 138 in the appendix.]

Senator ROBERTS. We thank you very much, Jeff. And last but not least, Ms. Karen Wilder, who is the Director of Science and Regulatory Affairs—note Regulatory Affairs— and Chief Nutritionist for the Schwan Food Company up in Salina.

STATEMENT OF KAREN WILDER, SCIENTIFIC AND REGULATORY AFFAIRS DIRECTOR, THE SCHWAN FOOD COMPANY

Ms. WILDER. Thank you, Chairwoman Stabenow and Ranking Member Roberts. I appreciate the opportunity to testify here today. My name is Karen Wilder. I am the Director of Finance and Regu-

latory Affairs for the Schwan Food Company and Chief Nutritionist.

The Schwan Food Company is a leading branded frozen food company, one of the largest frozen food companies in the world employing more than 17,000 people in the processing, manufacturing, transportation, distribution and sales of frozen foods. I oversee all aspects of the nutrition initiatives at Schwan and its wholly-owned subsidiaries, including Schwan's Food Service, Inc.

Schwan's Food Service develops, markets, and distributes frozen food products to schools and many other institutional channels throughout the United States. Feeding America's children began with the company more than 36 years ago.

Schwan's Food Service is one of the leading and most innovative school food service companies providing products to approximately 72,000 of the more than 96,000 private and public schools throughout the United States. About 70 percent of the products distributed to schools are produced and manufactured at the facility in Salina, Kansas. Thank you, Senator Roberts, for making note of that.

Over the years, Schwan's Food Service has played a significant role in helping to convert USDA commodities into food products that met school needs in terms of nutrition, student acceptance, as well as cost. And we respectfully urge you to keep the USDA Commodity Food Program, including commodity processing, strong and well-oriented to meet the nutrition and budget objectives of schools.

To meet the demands of the school food service markets, Schwan's Food Service has spent millions of dollars in research and development to make our products healthier and more nutritious while at the same time making foods that kids will actually eat.

Some of the items worth noting is that Schwan's has introduced a line of products that carry the LiveSmart Schools. They meet the dietary guidelines of 2010. They provide 51 percent whole grains, less than 35 percent calories from fat, less than 10 percent calories from saturated fat, and less than 600 milligrams of sodium per serving.

By the fall of 2012, at least 60 percent of our school products will meet the LiveSmart School criteria. We also participate in the HealthierUS School challenge, a component of the First Lady's Let's Move campaign. We are proud that the Schwan's product innovation has enabled many schools to affordably meet the ambitious nutrition criteria of this campaign.

Our goal is to support school food service directors across the Nation as they strive to provide even more nutritious foods that are affordable and acceptable to students. We believe strongly in the wisdom of school food service directors to strike a balance between nutritional improvement, student acceptance, and budgetary limits.

We commend the USDA in food nutrition service for its thoughtful consideration of policy and guidance aimed at enhancing the National School Lunch and School Breakfast Program. We believe that many of the recommendations made by the Institute of Medicine in its report, *School Meals, Building Blocks for Healthy Children*, can serve to ground the proposed rule in science.

That said, the Schwan's Food Company recommends certain revisions to help ensure student acceptance and expand accessibility, while meeting the nutritional needs of today's students. Our rec-

ommendations echo the recommendations of school food service directors across the nation, as presented by comments submitted by the School Nutrition Association, including the Kansas State School Nutrition Association, the voice of school nutrition.

We recommend refinements in the proposed rules to support the legitimate concerns of America's school food service directors to balance nutrition objectives with considerations of cost and student taste preferences.

In addition to our substantive recommendations regarding meal patterns, sodium reduction, whole grains, tomato paste crediting, saturated fat, we also echo the very important recommendation of SNA regarding implementation of these rules. Even if all the recommendations that are made regarding the proposed rules were accepted, it will force dramatic changes in the school meal program.

The risk of unintended consequences is substantial. The responsible way to implement these changes would be to publish an interim final rule with implementation optional for school year 2012–2013.

The enhancement reimbursement rates recently enacted by the Healthy Hunger-Free Act, provide a powerful incentive to schools to implement the new standards. Those who cannot would have an opportunity to adjust. Importantly, any problematic provisions of the meal standards could be revised before the rules are made final.

We respectfully submit that the implementation schedule is best because it protects our children and schools from unintended consequences. Thank you for considering my testimony.

[The prepared statement of Ms. Wilder can be found on page 141 in the appendix.]

Chairwoman STABENOW. Well, thank you very much to each of you, and I think this panel is particularly important to be able to expand upon the areas of the Farm Bill because it is so comprehensive. It certainly is about commodities, producers of all types, but we are also talking about Farm Credit and financing and nutrition and elec co-ops, and certainly conservation and all of our grain operations and agri-business and how we are able to move.

And when you are speaking about all the jobs that come from farm equipment and transportation and so on, it just reinforces for me how critical the agricultural economy is to America's overall economy. And so, we thank you for all of your comments.

I would start first talking a little bit more about conservation, and appreciate, Mr. Ron, you giving me the book, A History of Natural Resource Conservation in Kansas. Appreciate that. I chaired a county board of commissioners in Michigan and worked closely with our Conservation District at the time and learned a lot and gained tremendous respect for the work that is done in our conservation districts.

But I wonder if you might talk a little bit more about conservation programs, Mr. Brown, and what is most attractive. I know CRP, I know from working with Senator Roberts that Kansans love the CRP Program and we do in Michigan as well, but I wonder if you might talk about the benefits of that as well, but more broadly, what you think is most important and most effective in conservation.

Mr. BROWN. Okay. Firstly, I would like to maybe elaborate a little bit on what Senator Roberts said earlier about doubling our food production in the future. I have heard it a little different way, but we will have to produce as much food in the next 40 years as we have in all of previous history in this country, which I do not know how those two would correlate, but I am sure it will be similar.

With that in mind, we do need a sustainable agriculture, and by sustainable, we would have conservation as the bottom line of that. We have endorsed and talked a lot about EQIP already this morning and the CRP, which is very fine, but one of our base problems, and we have already talked about the aquifer out west and I am in the eastern part where we have surface water, sediment being a big problem with our water supply lakes and all that.

And what we are dealing with now that is a big ticket item that is really hard to deal with is stream bank erosion and stream bed degradation. I would submit that probably the greater part of the sediment in the Mississippi Epoxy [phonetic] area could be from stream bank erosion rather than field and farm erosion because we have done a great job of retaining soil erosion on our farmland over the years.

We are not done, we are not finished, but we have went a long way. But we are in a big ticket item on stream bank erosion, and how we are going to cope with that I do not know. But it is a serious problem. We have many Corps of Engineers lakes in eastern Kansas that are filling with sediment. Some are nearly half full of sediment at this point.

And there has been some experimenting with dredging. They have been experimenting with many things, and they are so costly, and it is hard to build new lakes now, and our population increase is still expanding in parts of eastern Kansas around the metropolitan areas, and the demand for domestic water is growing every day. So I think we need to maybe elaborate a little bit more.

EQIP has worked wonders and we do not want to discontinue that, and I would think—and I mentioned in my statement—that we would like to see the consolidation of most of these farm conservation programs where they will be easier to access to the farmers.

Chairwoman STABENOW. Well, Mr. Crouch, you talked about the Wetland Reserve Program. This is something that has been particularly important to us in Michigan as well. But I wonder if you might talk a little bit more about the importance of that program and any suggestions that you have related to that.

Mr. CROUCH. Well, thank you for asking about the Wetland Reserve Program. It is probably—there are some changes coming to it that we really like, that we have seen pilots done. Nebraska has a pilot right now where if you are doing center pivot irrigation and you have a wetland in your field, you can enroll it in WRP and the center pivot continues to roll. I think that is a wonderful opportunity that should be offered to the rest of the country to do that.

Since it does not have a baseline, I am very much afraid that it will get lumped with other easement programs and be much reduced, and we would hope that that does not happen. If there is a way to find the money, and I know you have not asked me yet

to point out a program that we could cut and I will not do that until—

Chairwoman STABENOW. No, I will ask you. Please do, yes.

Mr. CROUCH. There is one that we feel does not seem to—and I have talked to a lot of my farmer and rancher friends about as well. It is a program that a former Chairman of the Senate Ag Committee's private program and much loved by him and is not loved by us and that is the CSP Program. I think there is money there that could be moved to other places and used in a more useful manner.

Chairwoman STABENOW. Thank you very much. Did anyone else want to respond on conservation? Yes, and we have talked about this. I guess I would just ask if anyone else—I do not know, Mr. Bach—first of all, I was very interested that you are a first generation farmer.

You know, so many times we are hearing from folks that are second, third, and fourth generation, and getting into farming as a first generation farmer, I am wondering, from your perspective, why did you do that?

Mr. BACH. Well, it is a little unique. My father actually worked for the railroad. But it was an exciting venture to me. I mean, it was—it really came about that through my high schools years and such working for a producer that was of retirement age.

And then coming back, he was ready to retire, so I bought him out, and through a series of buying him out for a share of the crops, and it put me in a position to then rent his ground and then later bought it and expanded it beyond that pretty well.

Chairwoman STABENOW. Recently, the Secretary was in Michigan and we were talking about some ideas that he has about supporting the kind of efforts you are talking about where it is passing on the farm, not to someone within the family, which is the most traditional way and we certainly want to make sure we are protecting that opportunity, but maybe some other options that would support a farmer to be able to mentor someone that wants to get into farming and be able to move and turn their operation over.

I do not know if you would have any suggestions on any incentives that we might focus on to be able to make that easier.

Mr. BACH. Well, Farm Credit currently has a Young and Beginning Farmer Programs.

Chairwoman STABENOW. Absolutely.

Mr. BACH. Each association has their own—a little bit differently among associations, I mean, whether they relax the credit standards a little bit or with a non-family member being eligible to co-sign for a loan or what might be the standards now. That is usually the biggest hurdle to get around, is the capital needs that a young beginner farmer would need.

And that is where I would maybe—I want to reiterate anyway the direct payments are necessary to a young farmer beginning. I mean, as we get more established in farming, they may not be a big part of the dollars as crop insurance, and crop insurance, you have got to have that safety net, but the direct payment is something a young farmer does rely on. He needs every dollar he can get anyway. Thank you.

Chairwoman STABENOW. Absolutely. Thank you. Ms. Brinker, we have done a hearing in the Agriculture Committee, as you know, on the great work that rural electric co-ops are doing now and how to expand. There are a lot of efforts around energy efficiency, the REAP Program as well as the new Rural Energy Savings Program that we have been talking about.

So I was very interested in your testimony about Midwest Energy. You said they have 400 projects right now that are going. But could you talk about the Rural Energy Savings Program a little bit more, how it would encourage more co-ops to be able to implement these types of programs? Because I think there is a lot of interest around the question of energy efficiency, to be able to do more incentivizing of those kinds of programs.

Ms. BRINKER. Well, the up-front costs have always been kind of a barrier from encouraging people to spend on energy efficiency. In the example we have here in the state, Midwest Energy up-fronts those costs and creating a loan then to the member who then repays it over a period of time with their utility bill.

With the Rural Energy Savings Program, we think that the Government could be more involved in encouraging that nationwide for people to be energy efficient in their homes and remove the barrier of those homeowners' up-front costs.

Chairwoman STABENOW. Thank you. Let me talk about research for a second, and, Ms. Wilder, you did not specifically talk about that, but I am wondering to what extent working with the USDA that you are involved or with the universities and so on. I am sure you are very involved in that as a company, certainly. But if you have any comments on the research programs or suggestions as it relates to the USDA?

Ms. WILDER. Absolutely. We are involved with a number of universities including Kansas State. We are happy about our relationship with Kansas State. We have looked at a new cultivars of wheat.

Whole grains has become a mainstay in the proposed rule for the school meals, and the one thing that we know is that whole grains have evolved so that they are not bitter, grainy, or rejected by children, because if products are not going to be eaten by the children in the school meal program, whether it is school breakfast or school lunch, then we have failed at delivering nutrition to children to help them be and do the best they can in a school day.

Other areas of research are around dairy, looking at cheese, trying to address issues related to sodium reduction, fat reduction while still retaining flavor. And then certainly with regards to assessing student acceptance, we do a lot of testing with universities. They basically manage an assessment of intake of different kinds of foods, different combinations of food to determine plate waste.

At the end of the day, the school food service director needs to meet the guidelines that are set by the Food and Nutrition Service of USDA, but if those particular food items are not accepted by children, if children do not have enough time to eat the items and they are thrown again, it really imparts significant costs to the manufacturer as well as to the school itself.

Chairwoman STABENOW. Great. Well, thank you. And I have one other question and then I will turn it over to Senator Roberts. I

am wondering, Mr. Tempel, as well as Mr. Whitham, crop insurance. You mentioned the importance of crop insurance. Any suggestions for us as we look to the future as to areas we should focus on for improvement?

Mr. TEMPEL. I guess from our side, it is just continuing to make sure we support that because it looks like it is the best safety net. From our standpoint in our business, it is the main thing we want to make sure that we suggest to your board.

Mr. WHITHAM. You know, it is the primary—it is the primary program that at the bank we focus on our producers participating in and need to know what their coverage levels are, and it is a program—you are asking questions about how it might be changed. Thinking of it a little bit more from a taxpayer's point of view, there probably could be some means testing as to size of operations.

Chairwoman STABENOW. Well, thank you very much. I am going to turn it over to Senator Roberts.

Senator ROBERTS. Thank you very much, Madam Chairwoman. Ron, obvious question. Crop insurance. We have heard crop insurance about a hundred times. I hope we have the message and I hope we can bring that message to Washington. Are there certain farm programs that are absolutely critical to your ability to lend to producers with some degree of confidence? And what is it about these programs in particular that make them important to you as a lender over a several year period, over the longer term?

Mr. BACH. Well, now, I will reiterate that I am a director, not a lender. I mean, I set policy and such and you did take that steam away. As you stated, the crop insurance are the underlying standards, I mean, to know what your fallback position is and such.

You asked—what was your question on the programs?

Senator ROBERTS. Well, which programs you really depend on and what is it about those programs or the program or whatever that makes it unique to you so you have confidence to make that loan to that young farmer, or for that matter, any farmer over a period of years? What is it about the program?

Mr. BACH. Well, the reliability of it. I mean, it is about the program, I mean, the fact that you can take the dollars right to it, if you are talking about the Farm Bill program, I mean, and what—

Senator ROBERTS. I guess what I am driving at is for you to tell us what has been both of our concerns is the degree of stability, the degree of predictability of these kinds of programs so that you can look down the road, not only next crop year, but hopefully five, hopefully ten on down the road, and that that message should be delivered to the Congress in regards to the budget deliberations we have.

I am not talking about any particular program increasing whatever, but at least look at the stability and the predictability of our lending institutions in this country, which is why I think there is a lot of money sitting on the sidelines as opposed to wandering into the economy or being invested in the economy.

Mr. BACH. Well, I think it would be great if we could have a longer Farm Bill than five or seven years. I mean, they would have to do it continually. But there is the stability of having what we

use as knowing that the program is going to be there year after year. I mean, I do not know if that answers your question or not.

Senator ROBERTS. We are going to keep it simple and that is exactly the answer I was looking for. Kathleen, can you describe to us the investments you will make using the RUS loan, and further, how does RUS secure the loan to ensure that Nemaha-Marshall makes the payments?

Ms. BRINKER. Well, yes, Senator. Just as our first loan did back in the late '30s and early '40s, our current loan, which was \$7.6 million, will be used to build infrastructure, poles and wires, substations, such as that, to provide reliable energy to our consumers. I want to reiterate, too, that this is kind of a zero cost thing, too, because it is a loan. It gets repaid back. Just as our first loan did in the late '30s and early '40s, that loan has been paid back 100 percent.

The co-operatives have an exemplary record of repaying those loans. So our investment we use for that will also be going from a self-read, self-calculate method of members figuring their own bill, reading their own meter, to a system where the meter is read remotely and the bill calculated for them.

And how do they secure the loan? RUS provides a lien, takes a lien on all of our plants and our investment. So they have a lien on our assets so they have some sort of guarantee.

Senator ROBERTS. Well, then conversely, if that loan was not available, how would a change of financing costs and your co-ops' ability to even make those improvements?

Ms. BRINKER. Well, we would be forced to go to private financing, which would then be higher costs. Many times our local banks and stuff do not have the funding available to fund such large loans as \$7.6 million. With those higher costs, too, it is a shorter term. These facilities, many of ours, have been out there for 70 years already.

So with a shorter term loan and higher costs, it does not fit well with the electric co-operatives. These facilities are designed to last 30 or 40 years and that is how the RUS loan program is.

Senator ROBERTS. Axtell is over by Seneca, right?

Ms. BRINKER. I live in Seneca.

Senator ROBERTS. You live in Seneca. Sixth grade, Holt Junior High. That is what they called it then. Actually it was sixth grade. We went up to Seneca to play basketball and there were holes in the gym, in the wall, and the snow came through the holes on the basketball court. We just had fifth and sixth graders. I feel sure that Seneca has seventh and eighth graders on that team.

[Laughter.]

Ms. BRINKER. Crops are not the only thing we grow there.

Senator ROBERTS. Did your dad have anything to do with that? He probably played against us. Well, at any rate.

Ron, you have got to come back with me to Washington one time. When you come back, drop in. We will try to find out who is in charge of the rural fugitive dust program.

[Laughter.]

Senator ROBERTS. And that we had Chad Bassinger and his wife, Cassandra, we had that big bus. We did not cause hardly any dust. There are still the lakers out there. I am sure out west there is

some blowing, but not nearly as much in Kingman and Reno County. We are now blowing away. We do not need to post an EPA inspector at every county road to find a grain truck if it is tearing up dust.

Back in the '70s when this came about at first, I finally located, as a Congressman, after three days of trying, the young lady in charge of rural fugitive dust. Her suggestion was to send water trucks out at ten in the morning and three o'clock in the afternoon and tamp down all those dusts on the county roads. Did I realize how much dust we have in Kansas? And I said, Yes, ma'am, I do.

But with the CRP Program and everything else that is involved that you have already mentioned, conservation. So can you help me come back and find who the heck ever it was that opened up that file and decided to start that up again?

Mr. BROWN. I don't have an idea. I do not even want to know, I don't think.

Senator ROBERTS. All right. Let me go on here. Barth, thank you for your comments about the CRP and all your work in making it successful. Can you tell us a little bit about what you envision down the road between the relationship between the wildlife habitat and livestock operations we have been successful in opening up and raising on some land that had been reserved for a very critical habitat, but when you get into a situation like we are into, why it still remains a good partnership. Can you talk about that a little bit?

Mr. CROUCH. Absolutely, Senator. One of the things that the Kansas Conservation Partnership has advocated for some time is that the rules on the Conservation Reserve Program should allow, at no cost to the landowner, a way to turn lands that want to be grazing lands again into grazing lands while they are in CRP Program.

The easiest way to make sure that that land turns into grazing land is to graze it while it is in the CRP. That makes it more possible for the land to become what it needs to be. I had that lesson brought home to me. Two years ago we had a Greater Prairie Chicken tour that goes into Lincoln County, and a gentleman there named Bill Donnelly, we were out looking at his pasture and he showed me, he said, What do you see there?

You know, ever since I have been in school and all my life, people have been saying, What do you see on the land? And it was a low ridge. And he said, Can you tell the difference between that ground and this ground? This was native prairie, never been broken. He said, What is that? I said, I do not know.

And he said, Well, that is where my dad did his first on his own CRP, planted it back through native grasses, because he said it was not worth farming it and he was tired of watching it not produce a crop, and so he put it back. And immediately grazed it the first year. And it does not look like, unless with that little ridge where the dirt had blown in and settled in the fence line, except for that you would not know that it was any different.

What we are hoping for with the Lesser Prairie Chicken Initiative is to get folks that want to come out of CRP and go into grazing to allow them to do that with using EQIP, using even the

Grasslands Reserve Program to get there. And that is where I see the changes that we need.

And some of these—the one that drives us crazy and I have got a friend that would shoot me if I did not say it now. CP-25, the Rare and Endangered Habitat, in Kansas and a lot of those areas, it needs grazing to become the kind of habitat we really need for the wildlife. In the long run, those wildlife species and that grassland all worked with grazing before.

Senator ROBERTS. We just got that done after considerable discussion. I would add that the lesser or the greater prairie chicken seems to thrive pretty good on the acreage that is grazed as opposed to the other acreage where you get invasive species coming in and really causing problems. So it is not an either/or situation and it is a partnership situation which I want to thank you for that.

So Robert, you are a business manager. I was going to ask what your biggest challenges are. Let me just rephrase it. Are you facing increased regulatory burdens? Answer, yes.

[Laughter.]

Senator ROBERTS. Or do you have concerns about paperwork for compliance? Answer yes.

[Laughter.]

Senator ROBERTS. I wonder who majors in this stuff. How can you attract young people who could do the software to keep up with all the regs coming out. Can you talk a little bit about that? I mean, where do you find people to keep up with this stuff? I have a staff. I have 16 people. I should not have said that. I have 12 people. You did not know about the other four.

[Laughter.]

Senator ROBERTS. We have the darnedst time. We have the darnedst time and I know that your staff does, too, just keeping up with the dang fool regulations and the cost. It is just killing us. So have at it.

Mr. TEMPEL. Well, from our standpoint, you know, the regulations, just like the sweet buggers we cannot get bends now. So in a lot of these flat-bottomed bends and things like that, they will not allow us, which we have all had flat-bottomed bends for a long time, and so the sweet buggers, we are not allowed to get in those at this point, so we are having to come up with different ways to do that.

Senator ROBERTS. Why?

Mr. TEMPEL. Because they are saying that the risk of somebody getting hurt in a bend with an auger in there that allows one side, and that is the biggest thing.

Senator ROBERTS. Okay.

Mr. TEMPEL. And then the other thing, you talk about dust emissions. I mean, just another thing for us, the ethanol plant. We are next to each other within basically 50 years of each other and we cannot have a conveyer going to the ethanol plant because of dust emissions. So we run a truck around to that ethanol plant, create more dust than we would going into the ethanol plant directly. But if we tie them together—

Senator ROBERTS. You had better water it down at ten in the morning and at three in the afternoon.

[Laughter.]

Mr. TEMPEL. You had better have a big water truck.

Senator ROBERTS. First we have to find the water.

Mr. TEMPEL. One other thing we talked about in crop insurance, I guess I wanted to mention, we think we should keep that in private hands, not to go into some other program, but to keep that in private hands as well.

Senator ROBERTS. Jeff, what should the Committee consider to address the credit needs of producers?

Mr. WHITHAM. Yes, sir. You asked the last panel some questions about young farmers or young men and women trying to get into farming. And first of all, USDA has some good programs for young and beginning farmers. They have some real estate programs that are fixed rate and go out to 40 years. They have some programs for equipment and operating that will handle young farmers up to a certain size and then they have to graduate.

So we have worked with a number of young farmers as they have come out of that graduation program, I call it, and I am sure the Farm Credit System folks have done the same thing. We look for ways to work with these young sons and son-in-laws of producers and their wives. They are our next crop of customers. They have more risk initially, just because it just is so capital intensive.

These farms programs—that crop insurance and that disaster payment program help a lot. That disaster payment program that I criticized a bit because—well, it does provide benefits to smaller farms and younger farmers. They just do not have as much equity and liquidity to withstand a couple of years of poor prices or poor yields.

So we work at it pretty hard. It is still a bit of a chore. If there is not a family member helping out a lot, it is a pretty tough chore to get done.

Senator ROBERTS. What is the average size farm in Finney County? I know that it varies from all the—

Mr. WHITHAM. You know, it probably is six to eight quarters of ground. Most of these producers own some ground and rent some ground. Most of these producers irrigate some ground, probably a third irrigation and two-thirds dry land, about that size. Probably a couple sections.

Senator ROBERTS. My staff is going to criticize me and beat me about the head and shoulders for me even bringing this up, but we do have a tremendous—I do not know what to call it—it is a misunderstanding on the part of an awful lot of people who want to shape the farm program to help small family farmers. And that is somebody five-foot-two in Vermont as opposed to somebody six-foot-four in Finney County.

Now, I am not going to get into all that I get into on that because it just gets me riled up and the Chairwoman does not want me to do that and take the time to do it. But you said capital intensive. And to be a farmer in Finney County, Kansas, America, and produce what you do produce in the good years to help our country, this country and a very troubled and hungry world, you cannot do that.

Small farmers, God bless them, and all the niche markets and I love specialty crops. I eat a Bing cherry every morning with a glass of ethanol.

[Laughter.]

Chairwoman STABENOW. Add some blueberries and apples.

Senator ROBERTS. Add some blueberries. Well, I do all this with Chair Grassley. I do not know if he wants to do that or not.

But it is so capital intensive. And bless your heart for really focusing on these young farmer issues. I have said enough on that.

Karen, I really share your concern with the USDA Food and Nutrition Service. You talked about science-based, science-based. We need more one-armed scientists so they cannot say on the other hand.

[Laughter.]

Senator ROBERTS. Science-based nutrition standards for foods, one, improve the nutritional profile of school foods. Everybody wants to do that. Two, do it in a way that schools and communities can forward. Certainly you want to do that. And three, stop and think about it, provide foods that school children actually want to eat.

Now, you have got school meal rules that are proposed without making the changes that you have recommended. And the Child Nutrition Bill gives specific instructions to school meal rules. They are contrary to the new rule on national nutritional guidelines. And you are stuck in the middle. You are in purgatory. You are in regulatory purgatory.

The other thing I want to get upset about is, is that I, from time to time, go to elementary schools and eat the school lunch program that the kids eat, share with them. And we talk a lot and basically, started the Reading is Fundamental Program and I am trying to get them excited about reading. Big ticket item.

But then we have school lunch. The president in Garden City, by the way, I cannot remember what elementary school it was, the young man greeted me. He was student body president, and we all file in and he had his tray first and then whatever and then he left several little openings there on the tray, pockets, whatever you want to call them.

At any rate, they were empty and the food minder at the end of the check-off saying, you know, told him to go back and fill what he had not filled, which he did. And so, then we went to the table and I, of course, behaved and I took everything.

So at any rate, while we were sitting there eating, all of a sudden I noticed him glancing around and by that time, there were quite a few people emptying their trays and whatever, I looked and he had not eaten any of the three that he had not chosen and it went into the ash can and came back.

I said, I thought they told you to eat that or that you were supposed to eat that. He said, Oh, they do all the time. And I said, And you do not eat it? He says, No, I do not like it. I said, Well, do you not get a little hungry at the end of the day? He said, I do. I go straight to Taco Bell.

Now, there is a lesson there. I understand that the people are trying—the Federal Government now, not 4-H, not what you see on television, not any number of entities that tell you to do what

grandmother told you to do in the first place, moderation of all things, but the Federal Government now is in the business of less salt and maybe taxing jelly rolls—I am not making this up. That was an idea that popped up in the Finance Committee, no pun intended.

Holy cow. We are getting into a big nanny government that tells us what to eat, how to eat, when to eat it and everything else, and I am all for a nutritious diet. Goodness knows, we have a real problem with obesity. As a matter of fact, if we could put a program next to obesity, it would be funded.

But what do you do? How do you operate with this indecision? Are you the one that they drafted to get up to speed, all this, and keep up with the regulations and know what you are doing and everything else?

Ms. WILDER. Absolutely.

Senator ROBERTS. Bless your heart. You need a purple heart or something.

Ms. WILDER. Unlike you, I have more than actually 12 behind me and my staff that help to interpret. I also visit with hundreds of school food service directors and I will tell you that there is a lot of fear and concern in the hearts of food service directors who do the best they can to pull together a nutritious meal for the children that they serve.

They listen to the children. They have them come in and taste foods. They actually get students to do a thumbs up/thumbs down on foods. This particular regulation that was issued as a proposal by the Food and Nutrition Service is unprecedented, not only in terms of the number of changes and regulations built into it, and the fact that it is unfunded to the level that food service directors need, but the fact that food service directors were never asked for their opinion. They were never asked.

How is this going to work in your school? They were never asked to even pilot or test, which frankly, has happened in the past with the Food and Nutrition Service. So lo and behold, we are faced with a whole host of changes in the menu plans. Now we are feeding children at different ages, different grades, different foods, different calorie levels.

The sodium restrictions are exceedingly difficult and while we all need to cut back on sodium, the reality is, salt is in a number of foods, not only for functional purposes—think about dough development for those of you that make bread. Take salt out. What happens to it?

But also preservation. Think about meats. Food standards. Many of the food standards are going to run counter to the proposed rules. So again, this has not really been thought through.

From a science standpoint, the school breakfast and school lunch program are there for the purpose of helping to arm children with the food and the nutrition that they need to think, to act, if it is in athletic programs, if it is playing a musical instrument. It is to help a student do the best they can.

We know from research and research that we funded that hungry children do not learn. They act up in school. They do not feel well. They are going to the school nurse. So if we have got a pro-

gram that is funded, but the children do not eat the foods, then we have failed them.

And all I can say is, again, we need to kind of hold back on some of the regulations, the way they have been proposed. The time lines are exceedingly aggressive. It is going to cost food companies, including us, a lot to try and manufacture a process and a product that delivers products that schools want. And then the question is, will children eat the food?

So we are very concerned and we know a lot of other members of industry are also concerned.

Senator ROBERTS. I thank you for your comments and it is a subject matter I know the Chairwoman and I care very deeply about. And I am not going to go into any more rants on big nanny government. I think that that closes my questions, Madam Chairwoman. If you would like to ask additional questions or make some concluding remarks, I would certainly applaud those at this time.

Chairwoman STABENOW. Thank you very much. And thank you, each and every one of you, and to everyone who has been with us today. This has been very helpful and very important. I want to thank you, Kansas, for sending an extremely thoughtful and knowledgeable Senator, one that keeps us entertained at every meeting. So I thank you for that as well.

But in all seriousness, we know we have a lot of challenges in front of us, probably the toughest Farm Bill to write since the first one was written. But we all know it is an opportunity for us to take a tough look and to do our best to make sure that everything we are doing, every dollar we are spending is spent and stretched as effectively and as far as possible, and that is what we are doing.

Agriculture has and will continue to be a part of solving problems in our country, including our deficit, and we will all work together to do our very best job on that. But let me just close by saying that really supporting American agriculture and rural communities is a lot more than about funding levels or even policies.

In my judgment, it is about our way of life in America. It is about communities, it is about values, it is about a sense of responsibility. We have a large number of our men and women in the armed services coming from rural America. Why? Because there is a sense of giving back. And I think that is worth fighting for. Our way of life is worth fighting for.

To me, in addition to everything else we talk about, that is an important reason to have a strong rural America with a strong agricultural background. And that is what we are focused on doing and I very much appreciate your being here.

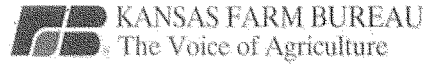
We would just indicate again that we need to have any comments you would like to make given to us in the next five business days, which would end at 5:00 p.m. on September 1st.

With that, thank you so much for having me. It is great to be in Wichita, Kansas, and the meeting is adjourned.

[Applause.] [Whereupon, at 12:18 p.m., the hearing was adjourned.]

A P P E N D I X

AUGUST 25, 2011



2427 KFB Plaza, Manhattan, Kansas 66503-8508 • 785-587-6000 • Fax 785-587-6602 • www.kfb.org

Office of the President

August 25, 2011

Honorable Debbie Stabenow
Honorable Pat Roberts
Members of the Senate Committee on
Agriculture, Nutrition and Forestry
Washington, DC 20510

RE: 2012 Farm Bill Field Hearing, Wichita, Kansas

Madam Chair, Ranking Member, and Members of the Committee,

Thank you for coming to Kansas and for the opportunity to provide comments as we begin a discussion of future farm policy for our nation.

I am Steve Baccus, a producer from Minneapolis, Kansas. My operation consists primarily of corn and soybeans. We also occasionally grow a little wheat. I have the privilege of serving as the President of Kansas Farm Bureau, the state's largest general farm organization.

Kansas Farm Bureau represents nearly 40,000 families who work each day to grow crops and livestock that travel around the globe to feed a hungry world. Our grass-roots organization can be found in each of the state's 105 counties. As you well know, those local entities are the foundation of our organization and the starting point for our policy development process.

The parallels between this hearing and one held years ago in Dodge City are striking. At that time the nation faced a budget crisis and the calls for cuts to farm programs were as deafening as they are today. Similarly, at that time, farmer support programs had already been the subject of significant reductions in spending. And, like today, the need for a stable and functional safety net for our nation's food system was paramount.

I reference that time in history not to downplay the current situation - we are certainly at a point where the leaders of our nation must take significant steps to curb spending and put our fiscal house in order - but to reinforce the current situation in agriculture spending. In recent years we've sustained \$12 billion in cuts to crop insurance, and due to record commodity prices we've generally not accessed counter-cyclical payments. Yet, critics continue to call for the reduction or

elimination of the farm safety net, putting at risk not only the ability of our producers to secure financing for ongoing operations but also the food security of our nation.

Given the economic times and the exploding world population, it is more important than ever that we critically examine programs to ensure a strong safety net which protects opportunity for America's farmers and produces true value for American taxpayers.

Our member-adopted policy supports development of the next Farm Bill based on the following principals:

- Baseline funds should not be diverted outside the Farm Bill.
- In general, the concepts of the 2008 Bill should be extended.
- Efforts should focus on providing a strong safety net that does not necessarily guarantee a profit, but that protects crop and livestock producers from catastrophic losses.
- The farm safety net should include both direct payments and crop insurance as well as mechanisms to protect producers when the market shifts downward.
- The Farm Bill must provide effective risk management tools.
- Producers must be allowed the flexibility to plant in response to market demands.
- Conservation programs must continue to protect natural resources.
- Trade agreements and compliance efforts must be recognized.
- Efforts made to promote market access should be continued.

Commodity Programs and Crop Insurance

Direct payments have been foundational in maintaining a strong safety net for American agriculture. They also remain one of the only segments of our farm policy deemed compliant with international trade policy. These payments are also relied upon by banks in their efforts to meet increasing loan standards when financing farm operations.

Direct payments also provide a mechanism to encourage a new generation of farmers to enter the industry. In a day when the average age of a Farm Bureau member is 59 years this concept becomes more important than ever.

In 2011, parts of Kansas and the Midwest are experiencing extreme drought. At the same time other parts of our state and neighboring states are experiencing record flooding. Direct payments provide a stabilizing force which, in some cases, allow producers to remain on the farm until better times arrive.

If priorities must be declared then a strong and viable crop insurance program will top our list. Viable risk management tools have become the most dependable resource producers can access to ensure a revenue stream and minimize the inherent risk that weather injects into a farming operation.

We have greatly appreciated recent efforts by RMA to address the concerns of producers surrounding issues such as limited irrigation policies, spring planted crops, and a host of other issues. The agency has become a valuable partner to the industry and we look forward to the opportunity to continue to work with them.

That relationship can only continue if cuts to crop insurance programs are off the table. Recent actions have obliterated any discretionary spending and future cuts will result in impacts to the producer subsidy side of the program. Premiums will increase and obtaining crop insurance may become financially prohibitive to producers, removing what may be the most significant component of the future farm safety net.

Conservation

Our policy strongly supports working lands programs. Chief among those is EQIP which is, in our opinion, the best and most effective way to implement multiple conservation practices. Many of our farmers and ranchers are engaged in multiple contracts on projects that impact a wide range of conservation practices. Simply put, preserving existing funding in EQIP or to the extent possible expanding these opportunities creates a win for all involved.

We continue to have concerns about whole-farm programs requiring producers to enroll every acre of farm ground or range land in a single program. Throughout its history the CSP has had limited impact among our producers. The enrollment process is difficult and dollars are targeted and limited such that the benefits often don't reach the level of broader-based programs such as EQIP.

While we remain supportive of the CRP, the current discussion may provide an important opportunity to reassess the focus of this program. As you know, the original intent of the program focused on environmentally sensitive land. It also served the dual purpose of helping reduce grain stocks at a time when supply was far greater than necessary.

While the original intent remains valid, the committee may want to consider the following as it moves the CRP to a new focus

- Limiting whole-field enrollment to fewer acres.
- Reforming the Environmental Benefit Index to assure erosional issues are paramount to wildlife issues.

- Providing higher priority and higher payments for highly sensitive areas such as buffers, wetlands other water quality protection measures in Continuous CRP.
- Reducing or eliminating rental penalties for emergency haying and grazing when weather-related or other emergency situations warrant and promoting a simpler and quicker process for those decisions.
- Grazing whole fields with appropriate reduction in payments to maximize the productive value of those acres.
- Providing alternatives to burning in semi-arid regions without negative repercussions to producers who are bidding new contracts.
- Allowing expiring contracts to re-enroll buffers and field borders when the field does not qualify as a whole during the re-bid process.

Trade

Producers have long supported the concept that expanded opportunities to market commodities outside of our borders will result in better international relationships and provide stability to the industry. To this end we support ongoing efforts to increase market access and/or elimination of trade barriers. The Market Access Program and the Foreign Ag Service are key components in this effort and should be continued.

While not directly related to Farm Bill reauthorization, we also strongly support current Food Aid programs, which allow the United States to use its agricultural capacity to enhance food security and economic development around the globe. These programs enhance the reputation of the U.S. as a reliable supplier of agricultural products and expertise and as a leader in fostering global economic development. Food Aid programs directly translate to future opportunities to develop new markets and promote healthy economies world-wide.

Finally, regarding trade, we would be remiss if we did not voice our strong support for enactment of pending Free Trade Agreements with Korea, Panama and Colombia. As you well know, each day we wait is a day the U.S. loses valuable market share. We ask that you continue efforts to bring those efforts forward for votes and move them toward enactment so that producers can benefit from those new opportunities.

Rural Development

Kansas Farm Bureau recently began a focused effort to better understand and develop solutions to the decades-old trends of out-migration and rural decline. While agriculture continues to play a significant role in rural economies, many regions today depend on a broader economy which can directly support the economic health of farm families who seek off-farm employment opportunities as

well as the educational and social opportunities necessary to maintain a healthy and productive rural America. In many instances this rural economy has been the bright spot in recent economic downturns. We should do everything we can to ensure that this segment of our economy continues to thrive.

In today's environment, where resources are scarce, focus on collaborative efforts that maximize impact is the only option. To that end we offer the following for your consideration as you draft a rural development title:

- USDA today administers 31 of the 80 federal economic development programs. Serious effort should be made to streamline the number of programs offered and the process by which communities access funds and program assistance.
- Federal incentives should promote regional cooperation and encourage local governments and community groups to work together to develop and advance diverse regional economies through innovation and performance based assessments.
- Fundamentally, trends can only be turned when communities have stable and progressive leadership, access to wealth and capital, incentives to attract and retain youth, and growing and vibrant entrepreneurial climates. Federal programs should focus on these areas.

Research

As you know, world populations are exploding. In any best case estimate agricultural production must produce 70 to 100% more by 2050 than we do today. Current efforts are likely to yield only a 40% increase in our production by that time. We have significant work to do.

Federal programs must encourage both public and private investment in efforts that will produce new information to improve soil, environmental and socioeconomic conditions and allow producers to continue to produce high quality, affordable food on a shrinking land base.

We must also strive to improve the acceptance and implementation of technology in agriculture. Our competitive advantage in world markets will be maintained only through the continued support and encouragement of technological advancements. To that end, our partners in the biotech industry should be encouraged to cooperatively develop protocols for products as they come off patent to allow producers to access and implement cost effective practices on their operations.

Regulation

American agriculture will remain viable and sustainable only when given the opportunity to operate in an environment free from burdensome and costly

regulation. Currently, federal agencies have proposed rules or are drafting guidance on a significant list of topics, including (but not limited to) the following:

- Expanding jurisdiction and regulation of waters of the U.S.
- The use of GPS systems in production agriculture
- Increased regulation of smoke and dust
- Efforts to introduce endangered species on privately held property
- Regulation of livestock emissions of greenhouse gases
- New permitting for the application of pesticides
- Reassessment of the safe use of Atrazine
- Efforts to expand or enact numeric nutrient criteria for waters across the nation

We greatly appreciate efforts to encourage common sense approaches to regulation which, if implemented, would put many producers out of business. Please keep up the good work.

Conclusion

As you move forward to make difficult decisions on the future of farm policy, Kansas Farm Bureau in cooperation with farmers and ranchers across the state and nation stands ready to assist.

Thank you for coming to Kansas!

Respectfully submitted,



Steve Baccus
President

Statement by

Ron Bach, Farmer and Director

High Plains Farm Credit

Before the

Senate Committee on Agriculture, Nutrition and Forestry

August 25, 2011

Madame Chairman and members of the Committee; thank you for the opportunity to testify here today. My name is Ron Bach, and I am a first generation farmer from Jetmore, Kansas. I am also an elected member of the Board of Directors for High Plains Farm Credit. My statement will provide some background on the Farm Credit System, comments on the current drought conditions, and your theme for this hearing "Looking Ahead: Kansas and the 2012 Farm Bill."

Background on the Farm Credit System

High Plains Farm Credit is a part of the nationwide Farm Credit System, established by Congress in 1916 to provide a dependable source of credit and other related financial services to farmers, ranchers and others consistent with the eligibility criteria set out in the Farm Credit Act.

High Plains Farm Credit is headquartered in Larned, Kansas, where the first loan was booked for the Farm Credit System. We are one of 89 private institutions, including five funding banks (four Farm Credit Banks and one Agricultural Credit Bank) and direct-lending associations, all of which are cooperatively owned by the farmers, ranchers, agricultural cooperatives, rural utilities and others in rural America that borrow from them.

High Plains Farm Credit is owned by 1,086 farmers that borrow from us here in Kansas. Every Farm Credit association is organized as a cooperative that is owned and governed by its farmer-members. I serve with 7 other elected directors and one appointed director. In Farm Credit, employees are not allowed to serve as directors of our lending institutions.

Each Farm Credit association obtains funds for their lending programs from one of the five System banks. At High Plains, we get our funding from U.S AgBank, FCB (headquartered in Wichita, Kansas), which is cooperatively owned by 26 local associations. The five System banks own the Federal Farm Credit Banks Funding Corporation (located in Jersey City, NJ), which, serves as an agent for the banks and

markets to the investing public the System-wide debt securities that are used to fund the operations of all Farm Credit System institutions.

Regulatory Oversight by the Farm Credit Administration

All Farm Credit institutions are regulated by the Farm Credit Administration (FCA), which was created by Congress and is subject to oversight by both House and Senate Agriculture Committees. The Farm Credit Administration is an arm's-length, independent safety and soundness regulator. FCA's three board members are nominated by the President and confirmed by the Senate. The FCA has all of the oversight and enforcement powers that every other Federal financial regulatory institution has to ensure that Farm Credit institutions operate in a safe and sound manner.

The Farm Credit System's mission, ownership structure and authorizing legislation is unique among financial institutions. For farmers, rancher and the cooperatives that they rely on, it is critically important that Farm Credit's safety and soundness regulator understands our unique mission and what it takes to be successful in accomplishing that mission. Changing our regulatory oversight would threaten our ability to accomplish the mission set out for us by this Committee in the Farm Credit Act.

Looking Ahead: Kansas and the 2012 Farm Bill

We recognize that our Nation is facing a significant budget crisis and that this will have a significant impact on the work of the Committee as you put together the next Farm Bill. We understand that allocating precious resources among numerous deserving priorities will make the task before you that much more difficult. I am pleased to say that the Farm Credit System is one of those entities under the jurisdiction of your Committee that costs taxpayers nothing in Federal resources – in fact in addition to paying taxes we pay for the cost of our Federal regulatory oversight and we pay insurance premiums that are counted as Federal revenues as well – and yet we deliver an extremely valuable service to agriculture and rural America. Further, by returning earnings in the form of patronage payments to the farmers and cooperatives that own the System, we make sure that capital is flowing to rural areas. Last year those patronage distributions came to almost \$800 million across the country of which High Plains Farm Credit returned \$725,000 to Kansas farmers. That's not a bad rural development program in itself.

We are not coming to you today with a specific request for any direct Federal spending; however, we would like to underscore several actions the Committee might take that will have a positive impact on those we finance and help make available to them the tools they need to manage the risk of a very volatile agricultural economy.

At this time when many commodities are experiencing price levels that allow farmers to realize profits in their operations, it is critically important to remember the simple adage that what goes up does tend to go down. If there is one thing our farmers have demonstrated time and time again is their ability to increase their productive capacity beyond what the marketplace can absorb. When they successfully respond to market

signals to increase production, most often, the result is lower prices, and those prices often sink below what farmers need to cover expenses. My point is that just because some commodity prices may be high now please do not abandon the safety net that ultimately will protect farmers when prices fall. As a Nation we continually ask farmers to make the significant capital investments that are necessary to increase their productive capacity to meet increasing world demand for safe food. As we have seen what Mother Nature can do this year to destroy the hard work of many farmers, it would be wrong to demand that producers take on the total risk of providing our Nation and a fair part of the world with food security.

The drought in Western Kansas has put many farmers without a crop this year. My experience has left me with less than half a wheat crop and a expected below average milo crop. The lack of rainfall has left my cow-calf operation in jeopardy. The pastures are dry and brown. I have sold off some of the cows and the remaining pairs, some of which are on CRP grass, will be split and then sold earlier than usual leaving me with a down-sized herd.

As I stated I grow wheat and milo. A very important part of the safety net is an effective, well-managed crop insurance program. I am grateful to have crop insurance as I have already collected a wheat claim check and will be filing for a milo loss. As you know crop insurance already has shouldered significant cuts. Despite the adjustments in the standard reinsurance agreement, we in Farm Credit continue to work hard to ensure that our customers and others have access to the crop insurance policies they need to protect their investment in their crop and farming operations. We urge that should there be a need to achieve savings in any of these programs that the industry and those that serve it be provided the opportunity to comment on proposed changes to programs so that unintended consequences can be avoided. Those that are experts in the day-to-day delivery of these programs must be allowed to help design changes so that the greatest risk management benefit can be achieved for every dollar spent.

At Farm Credit we continue to utilize all available authority and program resources that permit us to make credit available to the broadest group of producers. The guaranteed loan programs of the Farm Services Agency help us work with farmers that may not be as sound financially or that present a greater risk for some other reason as compared to our normal customers. We urge you to review these programs to ensure that they reflect the needs of today's farmers. It is essential that the caps on loan size be allowed to increase to reflect continued inflation in land values and the cost of production. Farmers must be able to obtain sufficient financing for them to have a viable sized operation. This is especially important in the case of young and beginning farmers who may bring outside investment into their operation by those not actively engaged in agriculture. If we are truly interested in promoting young and beginning farmers, we need to allow them to be as creative as they need to be to make their operation viable.

We recognize that rural development continues to be a key focus of the farm bill. Having a vibrant rural economy that provides job opportunities for farmers and members of their families and amenities such as quality education and health care facilities and access to

broadband remain critically important to the rural quality of life. It is important that programs be maintained that assist rural communities in addressing their necessary community facility needs. Some have suggested that innovative approaches that some institutions in the Farm Credit System have been using to make private capital available for critical community facilities be curtailed or eliminated. At this time of tight budgets those truly interested in rural areas should be seeking to encourage all sources of private investment instead of fighting to lock some sources out. We would encourage you to support creative ideas that cost taxpayers nothing.

Finally, as you may be aware the Farm Credit System continues to operate under a statute that last had significant changes about twenty-five years ago. While other Committees in Congress are struggling with reform of the housing GSEs, it is important for the Agriculture Committee to recognize that you have done a good job overseeing the Farm Credit System. There is a reason that farmers did not suffer the same dramatic decline in their access to credit that many small businesses have during this recent financial crisis. That is because the Farm Credit System stood firm in ensuring that farmers would have continued access to the credit they needed. Despite this success, we continue to identify areas where this old statutory infrastructure may constrain our ability to meet the credit and related service needs of today's agriculture and where the Farm Credit Act may need some adjustment to reflect the realities of today. As you look for opportunities to assist agriculture without the need for direct Federal outlays, we stand ready to work with you to see if there are areas where Farm Credit might utilize its experience and proven success to help or where adjustments in the Farm Credit Act may be necessary so that we can continue to efficiently and effectively meet our mission.

Thank you for the opportunity to provide you some background on how Farm Credit is meeting the needs of farmers in Kansas and some thoughts about the next Farm Bill. We appreciate your commitment to agriculture and look forward to working with you as you move forward in developing the next Farm Bill.

Testimony of

Kathy Brinker
General Manager, Nemaha-Marshall Electric Cooperative

Before the
Senate Agriculture Committee

“Looking Ahead: Kansas and the 2012 Farm Bill”
Wichita, Kansas
August 25, 2011

Thank you, Chairman Stabenow and Ranking Member Roberts for this opportunity to testify before the Committee. Electric cooperatives and the communities we serve utilize a number of programs authorized in the Farm Bill, and we appreciate this opportunity to share with you how those programs help us meet our goals and strengthen rural America.

I am Kathy Brinker and I serve as the general manager of Nemaha-Marshall Electric Cooperative located in Axtell, Kansas. Our electric cooperative provides affordable, reliable electricity to 3120 homes, farms and businesses in northeast Kansas. Nemaha-Marshall was incorporated in 1938 by rural residents to serve rural consumers in all of Nemaha and Marshall counties and parts of Washington, Pottawatomie, and Jackson counties in northeast Kansas. We border Nebraska to the North and the Blue River to the west. Our co-op builds and maintains over 1500 miles of electric distribution line with only 2.17 electric meters per mile.

We currently have 21 employees who live and work with our members, and we are governed by a democratically elected Board of Trustees who also live and work locally. Our cooperative participates in farm safety days, supports the local 4-H and FFA groups, attends job fairs at

our local schools, and works with our local law enforcement and fire departments to educate students and emergency personnel about electric safety. Our employees volunteer their time on local boards and organizations in the small communities where they live. This commitment to community is not unusual in our part of Kansas, and we like to think of ourselves as just one of many good neighbors.

In the case of Nemaha-Marshall and other electric cooperatives, this commitment to community is not a coincidence, it is the way we were designed to work. Our business model and cooperative principles recognize that local decision-making and management benefits the local community and those communities in turn strengthen us.

Nemaha-Marshall is one the 30 electric cooperatives in Kansas which serve 464,649 people. There are more than 900 not-for-profit, member-owned rural electric cooperative systems across the United States. In total, those co-ops serve 42 million customers in 47 states. The National Rural Electric Cooperative Association (NRECA), our not-for-profit service organization, estimates that cooperatives own and maintain 2.5 million miles

or 42 percent of the nation's electric distribution lines covering three-quarters of the nation's landmass.

Rural Utilities Service

Providing electric service in sparsely populated states like Kansas has always been a challenge. After the Rural Electrification Act was first passed in 1936, and the REA (as the Rural Utilities Service was then called) analyzed Kansas – there was a question whether the population density in the state was high enough to support electric infrastructure. And since that time the population density has decreased. Today, cooperatives in Kansas average just 3 customers per mile of distribution line, compared to an average of 19.4 customers statewide. In Michigan, that co-op average is 8.1 customers per mile of line compared to a statewide average of 37.8. Still, even under those challenging conditions, Kansas co-ops brought electric service to families in every corner of the state, and today those co-ops continue to meet the challenge of keeping the lights (and air-conditioning) on every single day.

Rural Utilities Service Electric Loan Program

Co-op service areas are often large and their populations small, so the not-for-profit electric co-op model is very important in providing affordable, reliable electricity to our members. Since there are fewer people to share those high fixed costs, affordable credit through Rural Utilities Service (RUS) loans is key to our operation.

The Rural Utilities Service is 76 years old, and still plays a vital role helping electric cooperatives provide reliable, affordable electricity. RUS loans have been a particularly important source of reliable credit for Kansas electric cooperatives. In the last five years alone, RUS has approved more than \$400 million in loans to Kansas electric cooperatives. Those loans are used to replace poles and wires, improve co-op facilities and provide up-to-date technology.

Nemaha-Marshall Electric Cooperative recently applied for an RUS loan to convert our metering system and upgrade our facilities to bring us into the 21st century. Many of our cooperative facilities are over 60 years old and need to be replaced. Today's customers include larger farming operations with different power needs than those of 60 years ago. This RUS

loan will help us meet the changing needs of our consumers and provide the best service possible. For example, previously we used a billing system where each member read his or her own meter and figured the bill using a rate chart. RUS loans will allow us to move to a system where the meter is read remotely and the bill determined for the member, and also provide tools for managing energy use.

The RUS Electric Loan levels are authorized by Congress every year in the Agriculture Appropriations bill. The loan level of the largest program, Federal Financing Bank loans, has been set at \$6.5 billion in recent years and we urge you to support maintaining that level once again in fiscal year 2012. Over time the purposes for which RUS loans can be used have been restricted. Since cooperatives have a wide range of capital requirements, we ask for your help in ensuring RUS loans can be used to address all of our needs – whether the loans are for supporting renewable generation, or new baseload generation, or making environmental upgrades to existing generation.

The Guaranteed Underwriter Loan Program provides another important source of co-op financing. That loan level was \$500 million in

fiscal year 2011 and should be maintained at that same level again in fiscal year 2012. In addition to investing in the electric cooperative network, the fees paid on Guaranteed Underwriter loans are a source of non-Federal funds which can then be used to fund rural economic development. As an example, the fees paid on \$500 million in loans can in turn provide \$30 million for Rural Economic Development Loans and Grants – what is known as the REDL&G program.

Rural Economic Development Loans & Grants (REDL&G)

Under the REDL&G program, USDA provides zero-interest loans to utilities (including electric co-ops), which, in turn, pass the funds through to local businesses and other groups that create jobs in rural areas. This positive cycle of business development can strengthen both the co-op and the local communities by helping stabilize populations and the co-op's customer base.

Attached to this testimony is a summary of the Rural Economic Development Loans and Grants that were approved between July of 2008 and July of 2011. As you can see, during that short period of time, 24 projects either created or saved 707 jobs in rural Kansas. We believe that

the program is a valuable tool in offsetting population flight and job losses in rural Kansas.

One example of how the REDL&G program works can be found in my hometown of Seneca, Kansas. A local employer, Koch and Company, a cabinet and door manufacturer, received a \$450,000 REDL&G loan in 2004 for a cabinet plant expansion. The project created 55 new jobs and retained 185 jobs at that time. Since then, Koch and Company has expanded twice more and in 2010 had annual revenue of \$40 million. They employ a total of 300 employees with an annual payroll that exceeds \$8 million. While about 75% of their cabinets are sold within a 600 mile radius of Seneca, their doors are shipped all over the United States and Canada.

Energy Efficiency

Rural electric cooperatives have a straightforward mission: to provide reliable electric service at the lowest cost possible. That is one reason electric cooperatives have been leaders in energy efficiency. We were created to provide affordable and reliable electricity – not to make a profit for shareholders.

Electric cooperatives across the nation, including in Kansas, have for many years provided information and advice to consumers to help them manage their energy bills. This includes programs and incentives for their member-owners to use electricity in an efficient and cost-effective manner. The wide range of assistance includes rebates for energy-efficient appliances, the replacement of compact fluorescent light bulbs, and time of day rates to encourage off-peak usage.

An energy efficiency program that has gained national attention for the cooperatives and for Kansas is the How\$mart™ program created and implemented by Midwest Energy, an electric cooperative in Hays. This program allows for “on bill” financing of energy efficiency improvements made to the customer’s home.

The process starts with an energy audit at the customer’s home. The audit determines how best the customer could improve the efficiency of their home through cost-effective energy efficiency improvements. “Cost-effective” improvements are determined by whether or not the cost of the improvements can be repaid through savings on their electric and gas bills over a specified period of time, usually ten years. Midwest Energy advances

the cost of improvements, the customer signs loan documents, and then agrees to repay Midwest. Even including the loan payment, the customer's electric and gas bills should be equal to or less than the amount they would expend for those same bills without the improvements.

One big advantage to this program is that it removes barriers that exist for low income or rental properties to make energy efficiency improvements as it requires no up-front cost. Since 2007, Midwest Energy has completed over 400 projects. Since the financing is on the utility bill and the value of the improvement conveys with the property, the cost of improvement is paid by the current owner or occupant of the house even if ownership of the home changes.

One opportunity for federal legislation is to build on the success of local cooperatives and enact the Rural Energy Savings Program Act (RESPA). Modeled in part after Midwest Energy's How\$mart™ program, RESPA would expand RUS lending authority and allow RUS participate in specific voluntary energy efficiency programs. A co-op could then create an "on-bill financing" mechanism that allows its members to borrow money for energy efficiency improvements at their homes and businesses and to pay

back those loans through their monthly electric bills. This is a co-op program with a proven track record in Kansas, and it could help bring down electric bills in other states as well.

Derivatives

Senators, as you examine important issues for electric cooperatives, I would also ask that you take note of the current difficulties being borne as a result of so-called financial reform legislation. NRECA is working with the Administration and Congress to ensure co-ops are not unduly burdened by dual Federal Energy Regulatory Commission (FERC) and Commodities Futures Trading Commission (CFTC) regulation.

NRECA CEO Glenn English testified in front of the House Agriculture Committee on July 21 on this subject. He explained that rural electric cooperatives use commercial transactions and commodity derivatives to keep costs down by reducing the commercial risks associated with electricity, capacity, and necessary electricity production inputs.

Congress recognized in the Dodd-Frank Wall Street Reform and Consumer Protection Act that elimination of the Commodity Exchange Act's (CEA)

exemption for energy transactions could lead to duplicative and potentially conflicting regulation of transactions now subject to FERC regulation.

We certainly hope that the CFTC will choose to write its rules in a manner that minimizes potential conflicts with FERC regulation. We encourage you to urge the CFTC not to impose a regulatory regime on individuals for commercial transactions involving nonfinancial energy commodities.

We believe in writing the next Farm Bill, there could be an opportunity through the CEA to address any duplicative and burdensome CFTC regulations that end-users face as the Dodd-Frank financial reform legislation is implemented. This is an appropriate means of ensuring that CFTC recognizes Congressional intent with regard to the end-user exemption.

Conclusion

As a locally based electric utility in Northeast Kansas, Nemaha-Marshall's goal is "providing the best possible electric service at the lowest

possible price” to our members. Just as importantly, we are also here to support our communities and the people who live in them.

Thank you for your continued support for RUS electric loans, the Guaranteed Underwriter Loan Program, and the Rural Economic Development Loan and Grant Program. These programs have been vital for providing affordable co-op financing, and in helping co-ops grow jobs in our communities. There are also new opportunities in energy efficiency, and we look forward to working with you to develop a locally-driven Rural Energy Savings Program that can be delivered by co-ops nationwide. Finally, your continued work to make sure that derivatives regulation does not unduly burden electric cooperatives is very much appreciated.

Thank you again for this opportunity to share my experiences. I would be happy to address any questions you may have.

Development Loans/Grants July 2008 - July 2011

Borrower Name	Ultimate Recipient (Business receiving pass through loan with RED-L or entity receiving initial loan from RED-L if a RED-G)	TOA	Status Amount	Date Obligation	Jobs Created	Jobs Saved	Total Jobs
WEST ENERGY INC	Calm Creek Carriers, LLC	RED LOANS (ELECTRIC)	\$740,000	3/5/2009	20	0	0
WEST ENERGY INC	McCarthy Farms	RED LOANS (ELECTRIC)	\$740,000	7/13/2011	10	0	0
WEST ENERGY INC	Oakley Hospitality - hotel in Oakley	RED LOANS (ELECTRIC)	\$740,000	5/21/2009	20	0	0
RIE LAND ELECTRIC COOP, INC	Cloud Co. Health Center	RED LOANS (ELECTRIC)	\$300,000	2/23/2011	3	2	2
JING HILLS ELECTRIC COOP, INC	CTI - Concordia JD dealership	RED LOANS (ELECTRIC)	\$740,000	9/22/2010	6	35	35
JING HILLS ELECTRIC COOP, INC	Carroco JD - Concordia	RED LOANS (ELECTRIC)	\$740,000	7/13/2011	12	20	20
JING HILLS ELECTRIC COOP, INC	City of Concordia - Industrial Park utility extension	RED GRANTS (ELECTRIC)	\$300,000	9/21/2010	22	46	46
JING HILLS ELECTRIC COOP, INC	City of Concordia - Industrial Park utility extension	RED LOANS (ELECTRIC)	\$740,000	9/27/2010			
ATLAND ELECTRIC	Farrar Corp. - Norwich	RED LOANS (ELECTRIC)	\$740,000	3/5/2009	15	130	145
AL TELEPHONE SERVICE CO INC.	Natoma Corporation	RED LOANS (TELEPHONE)	\$740,000	5/21/2009	6	0	0
AL TELEPHONE SERVICE CO INC.	Norton Hospital (Health Clinic in Norton County)	RED LOANS (TELEPHONE)	\$740,000	6/7/2010	6	131	137
AL TELEPHONE SERVICE CO INC.	Norton Hospital (Health Clinic in Norton County)	RED GRANTS (TELEPHONE)	\$300,000	6/3/2010			
OLDEN BELT	KM Hospitality (Hotel in Ellis, KS)	RED LOANS (TEL)	\$740,000	9/30/2009	13	0	0
WEST ENERGY INC	City of Wakeeney (fire pumper truck)	RED GRANTS (ELECTRIC)	\$171,156	9/30/2009	0	0	0
WYLAND ELEC COOP	Crawford County Hospital	RED LOANS (ELECTRIC)	\$600,000	5/21/2009	19	0	0
WYLAND ELEC COOP	Schmidt Construction - Ope, KS	RED LOANS (ELECTRIC)	\$180,000	5/23/2011	3	0	0
VALLEY ELECTRIC COOPERATIVE, INC.	City of Parsons (Tolken Industrial Park)	RED LOANS (ELECTRIC)	\$740,000	3/5/2009	70	0	0
VALLEY ELECTRIC COOPERATIVE, INC.	City of Parsons (Tolken Industrial Park)	RED GRANTS (ELECTRIC)	\$300,000	3/5/2009		0	0
VALLEY ELECTRIC COOPERATIVE, INC.	City of Parsons (Tolken Industrial Park)	RED GRANTS (ELECTRIC)	\$1,820,000				
STEM ELECTRIC COOPERATIVE INC	Kansas Hardwood - Belvue	RED LOANS (ELECTRIC)	\$192,000	2/23/2011	8	0	0
STEN-JEFF COOP	Oskaloosa Medical Center (d/o/a Holland Eye Clinic)	RED LOANS (ELECTRIC)	\$307,200	8/14/2008	5	0	0
VALLEY TELE-COMMUNICATIONS, INC.	CIT (Community Improvement Team)	RED LOANS (TEL)	\$1,239,200	2/22/2011	12	0	0
VALLEY TELE-COMMUNICATIONS, INC.	Manhattan Total						
VALLEY ELECTRIC COOPERATIVE ASSN	Gilmore Solutions (in Sterling, KS)	RED LOANS (ELECTRIC)	\$192,000	7/6/2010	2	5	5
WYLAND ELEC COOP ASSN	Spur Ridge Veterinary Hospital	RED LOANS (ELECTRIC)	\$354,400	7/20/2009	4	4	4
WYLAND ELEC COOP ASSN	Martin Machine	RED LOANS (ELECTRIC)	\$185,000	5/21/2009	6	35	35
WYLAND ELEC COOP ASSN	BTI - Bucklin (Pratt JD dealer facility)	RED LOANS (TEL)	\$740,000	7/6/2010	0	34	34
OKLA TELEPHONE ASSOCIATION, INC.	City of Caldwell - firetruck	RED GRANTS (TEL)	\$177,200	6/3/2010	0	3	3

I Businesses Assisted
Loan Funds
Grant Funds
its Establish RLFs that can assist other
nesses

24
\$11,930,600
\$1,248,356



**TESTIMONY BEFORE THE
U.S. SENATE COMMITTEE ON AGRICULTURE
FIELD HEARING IN WICHITA, KANSAS
AUGUST 25, 2011**

**Ronald Brown, President
Kansas Association of Conservation Districts**

I am Ronald Brown, Board President of the Kansas Association of Conservation Districts, and I am pleased to have the opportunity to provide testimony on the 2012 Farm Bill on behalf of our organization.

Kansas is currently facing a significant drought in 66 of our 105 counties, with the southwest part of the state being ranked as an "exceptional drought area" by the U.S. Drought Monitor, the highest ranking on the scale. Kansas farmers and ranchers now faced with the worst conditions in decades understand all too well the frustration and sense of futility that their predecessors felt when the lack of rainfall in the thirties turned the Great Plains into a giant Dust Bowl.

But the key difference between the Dirty Thirties and today is the improved farming and soil conservation practices that prevent wind erosion and keep the Great Plains from experiencing the dust storms that plagued the area back then.

It is critically important not only to the state's economy but also to our quality of life that effective farming and soil conservation practices remain a high priority. Partnerships on the local, state and federal level are essential for coordinating and streamlining these efforts.

The 2012 Farm Bill should be developed to ensure those partnerships and coordination of effort. To that end, KACD urges consideration of the following:

- Encourage landowners and operators to apply conservation practices appropriate for their operations that will permit them to maintain economic viability, while maintaining and improving their natural resources. Farm Bill conservation programs should be resource-driven and locally led with sufficient flexibility to allow funding to be directed to local priorities and concerns.
- Provide technical assistance funding to generate a broad range of soil, water, air, and habitat benefits. The Conservation Technical Assistance Program and each of the Farm Bill conservation programs are necessary to implement conservation practices that achieve proper land and water management. CTA funding allows NRCS to provide the local assistance and planning efforts conservation districts need to promote conservation to their local producers.
- Fully fund NRCS to meet the growing need for technical assistance to deliver Farm Bill conservation programs, coordinating with conservation districts, technical service providers, and other partners.

- Fund the 2012 Farm Bill conservation programs at or above 2008 Farm Bill levels and identify opportunities to streamline and improve efficiency within the program options.
- Ensure that the delivery system for conservation programs is easily accessible for conservation program customers. The signup process must be simple, easy to understand, completed with reasonable effort, and reach a broad customer audience. We support continuous signup for USDA conservation programs as well as consolidating NRCS Farm Bill conservation programs to improve efficiency, simplify the application process, and better utilize available program funding.
- Conservation programs must provide a balance of support for both those that set land aside for conservation priorities and those that provide incentives and cost share for working lands. Given the projected increase in world population, programs must provide assistance to implement or maintain conservation practices on working lands that produce much-needed food, feed, fuel, and fiber.
- Farm Bill Conservation Title funds should supplement conservation district efforts to provide education and outreach to landowners, producers, and the general public. Again, CTA funding is critical to allowing NRCS to provide locally targeted and needed assistance.
- Reducing on-farm energy consumption and developing renewable energy production is critically important for American agriculture and forestry.

Technologies such as wind, solar, anaerobic digestion, biomass, cellulosic biofuels, ethanol, biodiesel, and other yet-to-be developed technologies are key features of sustainable agriculture and forestry. Incentives should be provided to encourage implementation of new and sustainable energy production.

- Much work remains to be done to complete PL-566 small watershed district projects. Fund all phases of the program to plan, install, and rehabilitate structures that protect our fragile farm lands. This is not the time to ignore the devastating impacts of floods and the associated costs to our nation's agricultural economy.

In closing, we would urge Congress to, at a minimum, maintain the mandatory conservation funding levels as agreed to in the 2008 Farm Bill so that conservation programs aimed at providing critical assistance to farmers, ranchers, and other landowners to address local resource issues will continue to benefit us all with improved air and water quality and soil health. Let's honor the memory of our past to build a better future. Thank you for your time.

Capitol Building
Room 241 South
Topeka, KS 66612



Phone: 785-296-3232
Fax: 785-368-8788
governor@ks.gov

Sam Brownback, Governor

STATEMENT FOR THE RECORD

By

**SAM BROWNBACK
GOVERNOR of KANSAS**

Before the

SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

UNITED STATES SENATE

August 25, 2011

Chairwoman Stabenow and members of the Senate Committee on Agriculture, Nutrition and Forestry, it is truly my pleasure to welcome you to the great state of Kansas. I am most proud to welcome back home my good friend and colleague — Senator Pat Roberts. His personal commitment to support the agriculture industry has made a difference in the life of every farmer and rancher. Kansas agriculture has always been in good hands as a result of his leadership. As we celebrate our state's 150 year anniversary, it is extremely appropriate to recognize the importance of agriculture to our state and the nation by hosting this hearing.

Kansas has a strong agricultural tradition that predates its statehood. As our state's largest industry, agriculture continues to be a significant contributor to the state's economic well-being. Even during trying economic times like these, Kansas agriculture provides Kansans with jobs and the opportunity to flourish. Agriculture is our state's largest industry. Your presence here is a reminder to Kansans of the importance of agriculture and a reminder to the nation of the importance of our state's most significant contribution to the U.S. economy.

My testimony today will focus on the policy options related to the Ogallala aquifer. Agriculture is key to the economic vitality of Kansas and water is key to agricultural production. In Western Kansas, we have a tremendous, but not unlimited, resource in the Ogallala aquifer. The vitality of the western portion of the state depends heavily on agricultural production and businesses supported by this water resource.

On July 21, of this year, I hosted an economic summit on the future of the Ogallala aquifer. This summit was one of a series of economic summits we are holding across Kansas to help develop our plan for economic growth. Nearly 400 stakeholders were in attendance.

The hard work, determination and leadership of farmers and ranchers in Western Kansas have created an agricultural economy that is of tremendous benefit to Kansas and the world. The First Congressional District of Kansas, home of my good friend Senator Roberts, is the number one congressional district in the nation in terms of the value of agricultural products marketed. The top five counties in agricultural sales in Kansas

represent 24 percent of the state total. All five top counties in agricultural sales are in Western Kansas and the heart of the Ogallala aquifer.

The Ogallala aquifer is vital to the Kansas economy. It is the main source of water for all uses in the western third of the state. Counties located above the Ogallala aquifer account for roughly two-thirds of the state's agricultural economic value. Without Ogallala resources, agriculture and all of its related businesses could not be sustained, manufacturing could not continue, recreational opportunities would diminish and the communities in the area would cease to exist.

The Farm Bill provides critical federal support for soil and water conservation. New and modified programs are needed to achieve significant and permanent water conservation in areas of severe decline in the High Plains aquifer. The High Plains aquifer, of which the Ogallala is the dominant portion, is a resource of national concern. High-capacity well pumping, an increase in irrigated crop production and periodic droughts have all contributed to long-term, declining water levels.

Kansans understand the severity of this issue and are working together to develop state solutions to address the challenges of the declining Ogallala. However, in order to truly make an impact, a multi-state approach accompanied by appropriate federal policy would be useful.

Let me share with you a few program options.

- *High Plains Groundwater Resource Conservation Program*

I recommend inclusion of this program in the Farm Bill. It would provide incentive payments to water right holders through the USDA in exchange for retiring all or a portion of their water right. For example, the payment could be equal to the difference between the farm program payments received for the land over the past 10 years and the estimated payments which would have been received in those 10 years on non-irrigated land or reduced irrigation, depending on whether they are retiring all or part of their water right. This could be taken as a lump sum payment, or as an average spread out during those 10 years. This should be structured to involve no new federal monies.

States could be given the opportunity to administer the program themselves — and can combine these payments with state-level incentives to retire the water rights. These payments would guarantee the water right holders would not lose money on their farm program payments by switching to dryland production during the 10-year period. This guarantee would remove one barrier from producers considering retiring their water right. In combination with state-level programs, like the Water Transition Assistance Program (Water TAP) currently being used in Kansas to retire water rights in high-priority areas, and federal tax credits for donating water rights to the state, this would add another level of incentives for water right retirement, and help preserve the aquifer for future generations.

- *USDA-Risk Management Agency: Limited Irrigated Crop Insurance*

Kansas supports implementing limited or deficit irrigation, in which a producer reduces by several acre-inches the water applied on a crop. New crop hybrids and irrigation tools make limited irrigation an option that is more profitable than dryland crops, minimizes the negative economic impacts to the regional economy and can achieve conservation goals with widespread adoption.

Crop insurance is an important risk management tool to producers. Currently, there is no crop insurance for a limited irrigated crop. A field may be insured as fully irrigated or as dryland. When the amount of irrigation

water is reduced to less than full crop demand, dryland production is the only insurable option even with some irrigation applied.

Kansas, along with Nebraska and Colorado, has been working with personnel from the USDA-Risk Management Agency (RMA) Regional Field Office, and the USDA-RMA in Kansas City. The USDA-RMA has given tentative approval to develop and offer limited irrigated crop insurance in these three states perhaps as soon as 2012 if certain products, procedures and milestones can be met in time. We encourage resources directed to RMA to implement a limited irrigated crop insurance product in 2012. During the severe drought of 2011, many producers have opted to use a portion of their 2012 water allocation in 2011. This will reduce their allocation in 2012, and a limited irrigated crop insurance product will be a valuable option for them.

- *USDA-Natural Resource Conservation Agency: EQIP - Ag Water Enhancement Program*

The Agricultural Water Enhancement Program (AWEP), established in the 2008 Farm Bill as part of the Environmental Quality Incentive Program (EQIP), is aimed at improving water quantity and quality. The Ogallala aquifer was specifically noted in this program as a priority area. To significantly impact the Ogallala declines, AWEP flexibility is necessary to implement new and innovative approaches to water conservation.

(There are currently four AWEPs in Kansas: Northwest GMD4, Southwest Kansas GMD3, Big Bend GMD5 and Equus Beds GMD2. Water conservation is a primary objective in all four AWEPs, but in GMD3 and GMD4, which are over the Ogallala portion of the High Plains aquifer, there is interest in permanent full or partial water right retirement. There are 353,062 eligible acres GMD4's AWEP. GMD3's AWEP eligible area covers 617,236 acres. Combined, that is more than 970,000 potential eligible acres. The 2011 contracts enrolled 4,558 acres, with applications for another 1,565 acres pending, of which about half are anticipated to be funded this year.)

Kansas supports permanent full or partial irrigation water right retirement, in defined priority decline areas where additional water right development is not allowed.

NRCS's position has been to provide support for implementation and foregone income, but not to provide incentive payments. The AWEP contracts are typically five years with six years of implementation. Enrolled fields can be put back into irrigated production after the contracted period. The foregone income is based on the short term period of the contract. It does not reflect the permanent conservation of water by a full or partial water right retirement, and the subsequent permanent land use change. AWEP must have the ability to make payments that reflect a change that would be legally permanent.

It would be appropriate to consider either assigning the administration of AWEP to USDA Rural Development or to provide greater flexibility to meet program needs within NRCS so it can address the water resource directly.

- *Funding agriculture research for low water usage crops such as sorghum.*

Dr. Kirk Schulz, president of Kansas State University, will share with you the critical nature of research funds in the next Farm Bill. Agriculture research supported by federal programs has led to amazing advancements in biotechnology, leading to increased production and more beneficial cropping systems. Sorghum is one of the most drought tolerant crops currently under cultivation. It offers farmers the ability to reduce costs on irrigation and other on-farm expenses. Targeted research on sorghum production can lead to increased usage of more water efficient crops, an expanded feedstock for biofuels production, and decreased water usage in areas such as the Ogallala region.

I love agriculture. I love Kansas. I love our rural communities. As Governor, I am committed to lead our state down a path of economic growth — including growing the agricultural economy. In order to sustain long term economic growth, we must address the challenges of the aquifer. We are committed in Kansas to working with our stakeholders, creating incentives and eliminating disincentives to conserve, and making progress in sustaining the life of the aquifer. We ask you to partner with us in this endeavor to save one of our greatest resources.

Again, welcome to Kansas, and thank you for the opportunity to speak with you today.

**Testimony for
Barth Crouch, Conservation Policy Director
For Playa Lakes Joint Venture
Before the Senate Agriculture, Nutrition, and Forestry Committee Field Hearing
On the Conservation Title for the 2012 Farm Bill,
Wichita, Kansas, August 25, 2011**

Chairwoman Stabenow, Ranking Member Roberts, and Members of the Committee, on behalf of Playa Lakes Joint Venture (PLJV) and the partnership that we represent, I thank you for the chance to provide input on the Conservation Title of the next Farm Bill.

Playa Lakes Joint Venture is a partnership of 17 State and Federal Natural Resource agencies, non-governmental conservation organizations, and energy providers that works in parts of six states of the Southern High Plains.

Our primary mission is the restoration and conservation of playas, the ecologically important seasonal wetlands of the area that provide the major source of recharge for the Ogallala Aquifer, the economic engine for the outstanding levels of production agriculture in the region.

We are also very involved in the conservation of birds, both the migratory waterfowl, shorebirds, and wading birds that use the playas on their travels in migration and the grassland species that depend upon the mixed grass and short grass prairies of our area, including the imperiled Lesser Prairie-Chicken (LEPC). To accomplish our mission, we must and do work closely with the primary stewards of the land in our states, the farmers, ranchers, and landowners who own and control over ninety percent of the PLJV area.

Our nation's agricultural producers today face unprecedented challenges in producing the food and fiber needed by this country and for export to our growing world population. Their challenge is to produce at the highest levels possible while still being the very best possible stewards of our nation's natural resources. To that end they, and we, need the largest possible array of conservation practices and funding provided in the next Farm Bill to support those practices that can be provided in this time of deficits and budget declines.

Additionally, to accomplish that, we in the conservation field need to work hand in hand with USDA and agricultural producers to target implementation of those practices, simplify and streamline them administratively, and continually evaluate the outcomes produced by conservation practices carried out under the auspices of the 2012 Farm Bill.

The Top Priorities for the 2012 Farm Bill

The Conservation, Energy and Forestry Title programs provide an important legacy of private lands conservation and need to be focused in ways that lead landowners and producers toward providing ecosystem services and benefits while retaining their ability to be profitable. Investments in conservation should provide the best results possible by targeting funding and program acres to key resource concerns, monitoring actual outcomes, and adaptively managing what, where, and how conservation practices are utilized. Programs should be modified to improve the ability to measure off-farm ecological benefits of on-farm practices while ensuring farmers have the proper incentives in place to maximize those benefits. Our recommendations on the various conservation programs follow.

Conservation Reserve Program (CRP) – We urge you to reauthorize USDA's most successful conservation program at current levels to meet PLJV priority conservation needs and strong landowner support of this vital program. The Conservation Reserve Enhancement Program (CREP) and Continuous CRP authority should also be reauthorized.

With respect to our primary mission of conserving playas, CRP, through the general signup and the Continuous CRP practice CP23a, is the major conservation program that is accomplishing that goal. To show the need for targeting for playas through a Conservation Priority Area (CPA) under general signup criteria, let's use as an example a four county area in SW KS, which includes Finney, Gray, Meade, and Seward counties. In 2008 without any spatial targeting mechanism, we found there were 295 playas encompassing approx. 4,400 enrolled wetland acres out of a total CRP acreage of approx. 233,000 acres. In that same area, if we targeted a General Signup CRP with a Playa CPA offering extra Environmental Index Benefits (EBI) points and achieved a target of forty percent of eligible fields with playas contained in the acreage offered, for a total enrollment of approx. 289,000 acres, there would be 13,484 playas enrolled encompassing approx. 13,500 acres of wetland. Targeting retains the voluntary nature of the program while achieving a higher enrollment percentage of the desired natural resource concern

CRP in the PLJV states, through both general signup contracts and State Acres for Wildlife (SAFE) Continuous CRP practices in KS, OK, NM, TX, and CO, has also provided critical habitat for many struggling grassland wildlife species and has led to an expansion of the occupied range of the Lesser Prairie-Chicken, which is currently being considered for protection under the Endangered Species Act (ESA).

In both of the recent CRP General Signups 40 and 41, PLJV staff and partners have worked with USDA's FSA and NRCS to target the enrollment of CRP into areas most beneficial to Lesser Prairie-Chickens by the use of CPA's that allowed the program to stay voluntary but gave more EBI points to the acres offered that were included in the CPA.

In an example shown to FSA personnel at the National, State, and Local Office Level, it was shown that in an area of SW KS having approx. 680,000 expiring acres enrolled in CRP in 2008, there was a conservatively estimated population of 4,000 LEPC. If we re-enrolled approx. 327,000 acres, which was only fifty percent of the available cropland in the targeted area, by targeting for LEPC, the population of LEPC was projected to increase to slightly more than 4,000. This shows that by targeting we will be able to maintain LEPC populations with less overall acres in CRP. We would ask that Congress would direct the Secretary to consider the effects of targeting CRP enrollments for other priority natural resource concerns in the way demonstrated in signup 41 for LEPC.

However to increase the populations to where they are no longer under consideration for listing under the ESA, we will need to target almost as many total acres as are now found in their current range. Coupling that large acreage needed for the LEPC with the needs of other species, need for Continuous CRP and Conservation Reserve Enhancement Programs (CREP), and other natural resource concerns across the country is why we are asking to continue the CRP cap at 32 million acres.

Since October 2009, CRP has been capped at 32 million acres, allowing the possible reconversion to cropland of a total of 4.6 million acres of CRP by 2013. An additional maximum of 6.5 million acres of CRP contracts are to expire by 2014. This could allow for the enrollment of new, more environmentally beneficial CRP acres to replace some of the acres that are and will be no longer under contract.

The CRP in the PLJV Region also contributes important income to rural communities that are struggling in the current economic downturn. CRP lands stimulate fish and wildlife production, which in turn, encourage outdoor recreation and associated economic business development in many rural communities while providing landowners a steady income from their poorest land.

Specific CRP Recommendations (in priority order):

1. Maintain acreage cap at 32 million acres.
2. Establish a new, geographically targeted one-million-acre program to benefit prairie grouse, by using CRP to achieve the habitat goals of the Grassland Plan for North American Prairie Grouse. As these contracts expire, give them the highest priority for enrollment in Grassland Reserve Program rental

contracts or long-term easements. To begin this process, PLJV has asked FSA to set aside 500,000 targeted SAFE acres for the Lesser Prairie-Chicken since the summer of 2009.

3. Change the general signup EBI to allow extra points for wetlands, including playas, contained within the field offered.
4. Maintain cropping eligibility dates for CRP enrollment using crop years 2002-2007. This prevents the conversion of native plant communities to crop production for short periods, in order to make newly converted tracts eligible for CRP enrollment.
5. Direct USDA to continue to review CRP payments to ensure that they are competitive with potential crop income on acres that have a high EBI, offer imperiled species habitat, or are otherwise an ecological priority for enrollment.
6. Require the establishment of regionally appropriate plant materials lists for CRP plantings, as well as the creation of state-level lists of certain plants disallowed in CRP mixes due to their invasive or overly aggressive nature. These lists should be established in cooperation with FWS, state wildlife agencies, and STC Habitat Technical Teams; they should not be restricted to state noxious weed lists.
7. Improve mid-contract management for wildlife and other benefits. Increase available technical assistance, including internal USDA resources and external contract consultants, in order to assist landowners in implementing appropriate mid-contract management practices. Provide 75 percent cost-share for mid-contract prescribed burning, (exceeds standard 50% cost-share rate due to the overriding and geographically broad importance of prescribed fire in CRP); and allow ecologically beneficial, short-term grazing for mid-contract management without financial penalty.
8. Maintain current managed and emergency haying and grazing provisions that prevent forage removal practices that are detrimental to wildlife.

Acreage Caps – For the conservation reserve and wetlands reserve programs (CRP and WRP), county-based limits to participation have been put in place by the farm bill to avoid adverse local economic impacts from land retirement. The secretary cannot enroll more than 25 percent of cropland in any county in CRP or WRP. Additionally, not more than 10 percent of the cropland in a county is eligible to enroll in a WRP easement.

Specific Acreage Cap Recommendation:

Remove WRP from the 25 percent combined CRP/WRP county acreage cap, leaving CRP with a 25 percent cap and WRP with a 10 percent cap unless either cap is waived by request from county authorities. We should also consider allowing county caps to be raised if the resource concern that is adding the extra acres is spatially targeted.

Wetlands Reserve Program (WRP) – America is in jeopardy of losing the Wetlands Reserve Program after FY2012. It is one of the 37 current Farm Bill programs without a continuing baseline. Other sources of funding must be identified for the program to continue.

The WRP is used widely across the country to restore wetlands previously drained for agricultural purposes; the benefits from WRP are perhaps the broadest of any USDA conservation program. Restored wetlands revive lost habitats, help to retain water (thereby reducing downstream flooding), process nutrients and capture sediment and contaminants from upstream sources. Wetlands also provide migratory bird habitat, which in many cases have diversified local rural economies as wildlife enthusiasts visit large restoration areas. The "ecosystem services" benefits to society from WRP go far beyond the individual sites.

In the last few years, through a combined emphasis from NRCS at the national, state, and local level, and in partnership with the members of PLJV, playas have begun to be enrolled into WRP in larger numbers than ever before. These wetlands, essential to the recharge of the Ogallala Aquifer, are then permanently restored and conserved which affords much better protection for them than enrollment in CRP.

We recommend reauthorizing WRP at 2008 Farm Bill authorization levels to continue this growing trend of permanent protection of playas. The WRP should continue to be a stand-alone program because of its unique functions and restoration components.

Specific WRP Recommendations (ranked in priority order):

1. Increase the acreage and/or funding level to allow 200,000 acres to be enrolled into the program each year for the next ten years.
2. Return the current requirement for 7 years of ownership rule to 1 year for eligibility for enrolling in the WRP program.
3. Seek permanent authority for the WRP Reserved Grazing Rights program in the 2012 Farm Bill. Continue using the 3 eligibility criteria legislated in the 2008 Farm Bill (“(i) is compatible with the land subject to the easement; (ii) is consistent with the long-term wetland protection and enhancement goals for which the easement was established; and (iii) complies with a conservation plan.”). The grazing use should follow the Wetland Reserve Plan of Operations, which should include guidance to avoid overgrazing.
4. Expand the WREP Pilot started in 2010 in Nebraska that allows acres under center-pivot irrigation to be enrolled in WRP. This program is attracting landowners in the Rainwater Basin area of NE because it allows the center-pivot to continue to be used over the non-wetland crop acres while simultaneously conserving the wetland acres in the field. It is our view that irrigators in the rest of the playa region would also be very interested in this program that allows working lands to contain functional wetlands.

Grasslands Reserve Program (GRP) – The GRP is another of the 37 current Farm Bill programs that is without a continuing baseline after FY2012 and so will need a funding source identified to continue. In the paragraphs that follow are outlined the reasons why this program is vital to the interests of our primary missions of conserving playas and meeting the habitat needs of birds, especially grassland endemic birds. Playas contained in native grasslands are the least altered and most functional of all playas. To continue recharging the Ogallala, meeting the food and rest needs of migrating birds, and offer recreational opportunities, these playas need nothing more than contractual assurance that they will remain in intact native grasslands.

Temperate grasslands comprise the most altered and least-protected terrestrial ecosystems on Earth, with less than two percent being protected worldwide (Hoekstra et al. 2005). About 55 percent of US grazing lands are privately owned. These private holdings include the most productive grazing lands, accounting for more than 90 percent of the forage produced in the United States. They are also highly threatened with conversion and fragmentation. From 1983 to 2007, approximately 25 million acres of grassland in the U.S. were converted to other uses, primarily cropland (GAO 2007). Additionally, significant losses of USDA Conservation Reserve Program acreage are forecasted for much of the Northern Great Plains (Fargione et al. 2009). Stephens et al. (2008) noted that conversion rates in these grassland systems exceeded that of the Amazon rainforest. One consequence of this extensive and continuous conversion is that even once abundant and widely distributed species are showing major declines. According to the State of the Birds Report (North American Bird Conservation Initiative, U.S. Committee 2009) endemic grassland birds are the fastest and most consistently declining bird assemblage in North America, with species declining from 68 to 91 percent since 1966.

The Farm Bill is the most powerful tool available to help producers keep grazing lands in production and maximize the critical benefits to clean water and habitat conservation these lands provide. Both ranchers and wildlife benefit from large blocks of un-fragmented lands and associated healthy ecosystems. Farm Bill programs like GRP are critical to keeping private ranchers in business and providing both economic and ecological benefits to society.

Kansas and Oklahoma ranchers are the sole stewards of the last of America's declining tall grass prairie and KS ranchers have demonstrated a keen interest in preserving that landscape by leading the nation in offering conservation easements on 41,998 acres. GRP is vital to protect the PLJV Region's rare and declining prairie landscapes.

Specific GRP Recommendations (in priority order):

1. Remove the acreage cap on GRP and provide \$100 million annually in mandatory funding. A strong unmet landowner demand for GRP among landowners is well documented, with just over 10 percent of applications funded in 2005.
2. Direct the Secretary to apply 80 percent of overall program funds to permanent GRP easements. Landowner demand for permanent easements has greatly outpaced available funding, and current USDA studies indicate greater public benefits per unit cost from permanent easements.
3. Prioritize GRP funds for conservation of ecologically significant native grasslands that provide the highest values as working grazing lands and intact grassland habitats. GRP is a program designed to benefit exceptionally valuable and threatened habitat and resource types – native grasslands. The location, extent, and quality of these habitats are not distributed uniformly across the country; it is concentrated primarily in lands lying west of the Mississippi River (with some significant grassland savannahs in Florida). Among the factors the Secretary should consider for program eligibility are tract size, relationship to larger grassland resources, and prevalence of grassland habitats in the project area's historic natural cover, demonstrated importance of lands for threatened or endangered species or species of conservation concern. Therefore GRP should be targeted where the best resources are located.
4. Create an enhancement component for GRP similar to the CREP and WREP to allow State and private matching and state-specific targeting of protected grasslands. A GREP program would improve targeting of funds to participating states' most important grassland resources and leverage additional funds for the program.
5. Continue to prioritize acres expiring from CRP for GRP enrollment. This prioritization should be subject to the current limitations; including a maximum 10 percent of total GRP allocations, meeting high ecological value standards, and other eligibility standards.

Environmental Quality Incentives Program (EQIP) – The EQIP program provides technical and financial assistance to farmers and ranchers who face threats to soil, water air and related natural resources. Eligible land includes cropland, rangeland, private non-industrial forestland etc. EQIP national priorities include: impaired water quality, conservation of ground and surface water, reduction of emissions, reduction of soil erosion and sedimentation, and improvement or creation of wildlife habitat for at-risk species.

EQIP is an extremely flexible program and has been used to do everything from creating ecosystem service payments to installing more efficient irrigation systems. It is the most important working lands Farm Bill conservation program with \$1.2 to \$1.4 billion dollars allocated per year. EQIP is also the major basis for several regional conservation efforts, including NRCS's Lesser Prairie-Chicken Initiative.

PLJV Region producers have consistently shown strong interest in addressing resource concerns on their land. Applications for assistance far exceed available funding. EQIP should be reauthorized and baseline funding continued. EQIP funding is the major component for the NRCS's Lesser Prairie-Chicken Initiative, which is now in its second year and is likely to continue for at least four more years. This Initiative holds the promise, through developing a Conferencing Opinion between USDA and USFWS, to allow landowners to carry out grazing operations without fear of regulation if the bird becomes listed.

PLJV and its partners have worked in cooperation to target the application of the NRCS LEPC Initiative so as to get the most habitat improvement for the LEPC while assisting the landowners that really are hosting the birds on their land to carry out conservation that will improve their bottom line as well.

Specific EQIP Recommendations (ranked in priority order):

7. Lands that are permanently protected, such as those with a permanent GRP, FRPP, or other easement, should receive priority consideration for stewardship (EQIP) funds. Lands protected from conversion by an easement are not necessarily managed to address natural resource concerns; however, protection from conversion ameliorates a primary threat to the duration of conservation practices.
2. Create greater incentives for landowner participation in key areas. Higher cost-share rates for selected practices within key areas would result in more targeted conservation. The statutory purpose for EQIP of assisting producers to meet regulatory burdens is still met by making funds available to all producers that must meet blanket regulations; however, increased incentives, such as higher cost-share rates, better concentrates funds and participation in areas that will better address the sources of impairments. Additionally, increased participation in targeted areas increases the scale of the conservation benefits.

Farm And Ranch Lands Protection Program (FRPP) – We encourage continuing the FRPP as it has been used to protect fragile native grasslands in other parts of our states and holds the promise to expand that protection into the area of the lesser prairie-chicken.

In KS for example, native grasslands protected under FRPP tended to be larger acreages and involve more matching funds from partners, which lowers costs for USDA.

Specific FRPP Recommendations (in priority order):

1. Maintain current level of funding at \$200 million annually. In 2005 and 2006, the most recent years for which data were readily available, a strong unmet demand for FRPP among landowners is clearly documented. In both years, NRCS received nearly twice as many applications than appropriated funding could support.
2. Easement Restrictions – Clarify that FRPP easements may restrict more intensive agricultural uses that are incompatible with protection of property's conservation values (e.g. breaking sod to convert rangeland to cropland) or would lead to off-property impacts (e.g. decline in water quality associated with confined animal feeding operation). Accordingly, Title II, Subtitle E, Section 1238I, paragraph B should be modified as follows:

“SEC. 1238I. FARMLAND PROTECTION PROGRAM.

(b) PURPOSE – The purpose of the program is to protect the agricultural use and related conservation values of eligible land by limiting nonagricultural uses of that land. Restriction of certain agricultural uses may be permitted to extent such restrictions are necessary to protect conservation values of eligible land and are compatible with the viability of existing agricultural uses.

Wildlife Habitat Incentives Program (WHIP) – WHIP should be reauthorized and continue to focus on priority fish and wildlife species and habitats on all lands suitable for habitat development.

To maximize conservation opportunities and improve technical assistance delivery, USDA should recognize the management authority of state fish and wildlife agencies and readily enter into cooperative agreements to help USDA design, plan, implement and monitor conservation programs that benefit fish and wildlife resources.

As an example of WHIP's popularity in the PLJV Region, since the program began in 2009, KS landowners have enrolled over 243,000 acres into WHIP, with applications typically exceeding the available funding.

WHIP is also a major component of funding for the NRCS's Lesser Prairie-Chicken Initiative being carried out in the PLJV Region and has also benefitted from being targeted to areas that will produce the most habitat results for the LEPC.

Specific WHIP Recommendations (ranked in priority order):

1. Funding cap per entity and per project should be eliminated.
2. Maintain current funding for WHIP.
3. Maintain flexibility in cost share rates to reflect regional differences in cost of practices.

Other Priority Considerations for the Conservation Title

Technical Assistance (TA) – When asking landowners and producers in the PLJV area what do you most need from USDA and our partners regarding conservation, they almost unanimously reply, “More face to face technical assistance from someone who is knowledgeable about both what is needed for the natural resources and how I manage my farming or ranching operation.” PLJV has been an active partner in promoting technical capacity in using Joint Venture dollars and funding we have raised to support local capacity to deliver Farm Bill Programs. Increased TA resources in our region has led to almost 30 additional cooperative positions between NRCS and a mix of PLJV partners including Pheasants Forever, Rocky Mountain Bird Observatory, The Nature Conservancy, and the KS Forest Service. These positions are trained wildlife biologists and range conservationists that work out of local USDA offices directly with producers and landowners to inform, plan, and implement the conservation practices most suitable for the producer or landowner.

Technical Assistance is the foundation of effective conservation and is the main vehicle we can use to relay latest programmatic advances such as targeting of enrolled acres to where they do the most good. TA is where we get the opportunity to answer the producers’ question of “Why do you want me to implement the program in this way?” Once they understand the programs goals, they become willing partners in making programs even more efficient. Where knowledge is the barrier to meeting environmental challenges, technical assistance alone can be enough to assist producers. Where financial assistance is needed--in the form of cost-share, stewardship payments, easements, or rental payments--technical assistance is necessary to effectuate that funding. Technical assistance guides effective implementation of programs and multiplies the benefits of the financial assistance. However, as reported by the Statement of Managers to the 2008 Farm Bill, “the demand for technical assistance exceeds the present supply of technical resources, and the private sector cadre envisioned in the 2002 Farm Bill has not developed.” This is why PLJV has worked with other Joint Ventures and the Association of Fish and Wildlife Agencies to promote more and better TA.

Specific TA Recommendations (ranked in priority order):

1. Increase the availability of technical assistance funding by creating a Farm Bill program Technical Assistance Account for use across programs based on a fixed percent of each mandatory program as recommended by NRCS.
2. Increase the availability of Technical Assistance Providers (TAP) to facilitate implementation of Farm Bill programs.
 - a. Expand and encourage utilization of private sector and NGO cooperative TAP positions by allowing the conversion of Financial Assistance funds to support these agreements.
3. Make Farm Bill program funding “no-year” funding to more effectively use existing funds and allow for more holistic planning.

Program Consolidation – Program consolidation is being discussed for many of the current conservation programs due to the large array of programs and practices that seem to be aimed at the same results. We think that program consolidation should be supported if it follows the principles below:

- It results in real benefits including lower transaction costs for landowners and producers
- It is not simply a vehicle for reducing investments in conservation
- Original program purposes are maintained

- Program flexibility, land and landowner eligibility, and conservation benefits are increased
- It results in better program accountability

That concludes our suggestions for the Conservation Title of Farm Bill 2012.

On behalf of PLJV and our partners, I thank the Committee Chairwoman and Ranking Member for the opportunity to provide testimony to the Committee on the Conservation Title of upcoming Farm Bill and we and our partners stand ready to assist Committee Staff with technical questions on the Conservation Title suggestions contained within this document.

Attached:

- PLJV Fact Sheet
- Playas and Recharge
- A map of NRCS and PLJV Partners Cooperative Private Lands Biologist Positions in the PLJV Region

**Karl Esping
Testimony Before the
U.S. Senate Committee on Agriculture, Nutrition and Forestry
Field Hearing in Wichita, Kansas
August 25, 2011**

Thank you Chairwoman Stabenow, Senator Roberts and distinguished members of the Committee. Welcome to Kansas, my name is Karl Esping, I am from Lindsborg, Kansas in McPherson County, about an hour north of here. My wife Wanda and I are the fifth generation to operate our farm. I am so pleased you have chosen Kansas as one venue to listen to the impact of Farm Bill programs and funding on Midwestern producers. Although I am Chairman of the Kansas Sunflower Commission and a member on the National Sunflower Association Board, I am here today representing myself and to represent the interests of other sunflower producers and also similar interests of other minor oil seed crops like canola. It is a great honor for me to represent the thousands of farmers who produce these commodities.

First I will give you some quick facts about sunflowers in Kansas and nationwide. Annually, Kansas plants between 100,000 and 150,000 acres of oil seed and confection sunflowers. In 2011 USDA estimated 1.8 million acres of sunflowers were planted nationwide. Oil seed production makes up 1.4 million of those acres with non-oil about 400,000 acres. Almost all of those acres are planted in eight mid-western States.

Farm Bill programs, and particularly the risk management programs, are a vital food security mechanism that keeps American food safe and affordable. Kansas producers are part of an industry that actually has a positive trade balance and is a growing part of the American economy. I am sure you are aware Farm Bill dollars are infused back into rural America through purchases of farm goods and services, agriculture inputs and everyday household needs. They are a part of the financial equation that keeps rural America whole. More importantly, these programs keep American agriculture successful and give producers a much needed safety net.

As we look at the future of the Farm Bill it appears cuts in funding are eminent. Particularly since recent times have brought relatively good market prices, but remember the only constant in agriculture markets is volatility. We understand this need to reduce expenditures and hope all programs under the Farm Bill will take fair and appropriate decreases. However, I hope the appropriators in Washington will allow your committee the opportunity to determine how funds will be distributed amongst the Titles and programs within the Farm Bill. The expertise and agriculture backgrounds of the Committee members will be extremely important as the limited resources are distributed.

As you look at priorities in this new Farm Bill please consider that producers still need a safety net for crop failure and disaster. Crop insurance has been and still is the best tool for these situations. Full funding for the crop insurance program is the highest priority for sunflower growers and I suspect that it is the case for all commodities. Both production and revenue protection insurance products are important options for producers. The flexibility these options offer is important as producers weigh input costs, planting decisions and premiums. I encourage the Committee to continue the flexibility currently found in federal crop insurance.

Certain conservation programs in the Farm Bill have been an important part of sunflowers maintaining acres and in some States even gaining acres. Sunflowers are generally part of a robust no-till rotation, a practice that has gained wider acceptance and implementation through EQIP funding. Initiatives like this are why conservation programs are vital to the overall success in agriculture. There may need to be some streamlining of programs to increase efficiencies, but there is still a need for conservation practices and cost-share programs for those practices.

Direct payments and market loan programs are also an important piece of the Farm Bill for minor oil seed producers. Direct payments provide the financial security needed for producers to remain in business when markets are low and/or crops fail or have decreased yields. Market loan programs serve an equally important role in sustaining producers; these loans allow debt repayment while still being sensitive to market trends. Having the assurance that a future crop can be used as collateral and that crop can be sold when markets are optimized provides stability in income and the marketplace. Just as with all other programs, we see and understand the need for fair reductions but these programs are still important to provide some funding.

In the world of sunflower production, research is a vital component of improved market place and production. Although not directly tied to Farm Bill funding, it is important for members of Congress from agriculture States and appropriators to understand how research helps agriculture producers keep up with the increasing demand for food. The USDA Agriculture Research Service is a key component of conducting genetic research, pest and disease control research and alternative use research.

In partnership with the National Sunflower Association Kansas growers and the Kansas Sunflower Commission along with growers in other states help provide vital funding for USDA's Agricultural Research Service (ARS). The goal of this research is to significantly increase yield and production through improved genetics and increased pest resistance. Partnerships link ARS with Kansas State University and other universities in sunflower production states. Over a 3-year period, \$2.6 million has been invested by this partnership while USDA has invested approximately \$6 million. We feel this \$6 million is a very wise investment of federal dollars. We recognize that ARS research funding is not part of the farm bill, but as producers we strongly believe that aggressive research at the federal ARS level along with Universities and grower groups is critical to our future and the future competitiveness of American agriculture.

I understand there will be many more public interests lobbying your committee for other programs and overall debt reduction actions. So I will take this opportunity to remind you that American agriculture is the original industry that got this country started. We still produce the safest and most abundant food worldwide. In Midwest States like Kansas, agriculture is still a major contributor to state and local economies. We need your support and leadership in Congress to continue our tradition and our way of life. With the utmost respect to you and the difficult decisions you have ahead, I would ask you remember those of us out in the country that put food on your tables as you make these decisions. Thank you.

**Kansas Cotton Association
Kent Goyen testimony
Senator Pat Roberts Ag Committee Field Hearing
Wichita, KS
August 25, 2011**

Senator Roberts, thank you for the invitation to discuss policy issues before this committee today regarding the 2012 Farm Bill. I am Kent Goyen, a cotton and grain farmer from Pratt, Kansas. Our farm has been producing cotton since 1999 when cotton production came to Kansas. I am here today representing the Kansas Cotton Association and our 2,000 members who produce cotton or have cotton grown on their land in the 23 southern tier Kansas Counties.

Economic Importance: While cotton production is certainly not the cornerstone of Kansas agriculture, for Kansas growers who have invested over 60 million dollars since 2000 in gins, warehouses and cotton specific farm equipment, policy relating to cotton in farm legislation is vital to us and the commitment we have made to cotton production in Kansas. Nationally, cotton has a footprint on approximately 19,000 growers who plant between 10 and 13 million acres in 17 cotton producing states. Direct and indirect employment within the cotton industry surpasses 420,000 and generates economic activity in excess of \$100 billion.

Farm Bill Environment: The debate over this legislation will take place in an environment of limited budget outlays, and a perception that high prices negate the need for a safety net as well as trade policy negotiations.

- 1. Record deficits: The agriculture community is willing to contribute its fair share to deficit reduction. But, reduction should consider savings already achieved**

and reductions should not dictate policy changes to the authorizing committees. Committees should be allowed to develop policy that complies with the mandatory reductions. Policy should allow farm programs to continue as a viable safety net.

2. The WTO-Brazil case puts cotton's marketing loan and counter-cyclical programs under special scrutiny. It is imperative that the Framework Agreement negotiated by the respective governments remain in effect until the 2012 Farm Bill is enacted and the dispute resolved.

Farm Bill Principles: We believe effective farm policy should:

1. Be market-oriented
2. Allow for full production to meet market demand
3. Provide for an effective safety net
4. Ensure availability of competitively-priced US cotton domestically and internationally
5. Encourage maximum participation without regard to farm size or structure

We support the 2008 Farm Bill's approach to the cotton program and all of its components, from the marketing loan to direct and counter-cyclical payments. The centerpiece of the upland cotton program has been the effective marketing loan program.

1. Provides a safety net for producers but does not harm the competitiveness of cotton
2. It gives rural lenders the confidence they need to make critical operating loans available.
3. It has been the lever to move other important reforms such as standardized bales and bale packaging, electronic warehouse receipts and heightened standards for cotton warehousing and shipping.

Direct payments: Direct payments are an integral part of the current farm program safety net. Opponents look at high commodity prices and seek to cut or eliminate these payments. However, farm bills are written for the longer term and elimination of these payments could prove disastrous when prices fall. Direct payments provide a level of stability for our food and fiber supply, and financial stability required by lenders and suppliers without distorting production decisions. It is critical to preserve as much baseline spending authority as possible for this primary piece of the safety net.

Crop Insurance: Crop insurance is an essential risk management tool for cotton producers. Our industry continues to examine concepts that improve the various cotton crop insurance products. Revenue coverage, enterprise policy rates and group risk products are examples of improved products that can provide a menu of risk options for growers.

Summary: The cotton provisions of the 2008 Farm Bill work well. If Policy changes are inevitable in the 2012 bill, the cotton industry remains ready to work with the Agriculture Committees to explore alternative programs that provide the needed safety net to our industry in a manner that is consistent with our international trade obligations and within budget constraints.

Thank you for the opportunity to present these comments.



Testimony

on behalf of the

Kansas Livestock Association

with regard to

Looking Ahead: Kansas and the 2012 Farm Bill

Submitted to the

United States Senate Committee on Agriculture, Nutrition and Forestry

Senator Debbie Stabenow, Chair

Submitted by

Ken Grecian

President

Kansas Livestock Association

August 25, 2011

Wichita, Kansas

Ken Grecian
 Kansas Livestock Association
 Page 2 of 9

Madam Chairman, Senator Roberts and members of the committee, my name is Ken Grecian. My wife, Barb, and I own and manage a grain and cow-calf operation in Graham County. I currently serve as President of the Kansas Livestock Association (KLA) and serve on the Board of Directors of the National Cattlemen's Beef Association (NCBA), of which KLA is an affiliate. I am very pleased to be with you today.

KLA is a trade association representing nearly 5,600 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seedstock, cow-calf and stocker production, cattle feeding, dairy production, grazing land management and diversified farming operations.

Kansas ranks second nationally with 6.3 million cattle on ranches and in feedyards. Those cattle generated \$6.53 billion in cash receipts last year. Kansas is a national leader in cattle feeding and beef processing. The Kansas beef cow herd is the sixth largest in the country at 1.48 million head. Kansas' Flint Hills provide grazing for about 500,000 head of cattle each year.

The Kansas dairy industry is a significant contributor to the Kansas economy. There are 118,000 milk cows in Kansas. In 2010, Kansas dairies produced nearly 2.5 billion pounds of milk worth more than \$346 million.

The presence of Kansas State University, the Animal Health Corridor and the addition of the National Bio and Agro-Defense Facility positions Kansas as a world leader in animal health research.

Development of the next farm bill is an important process for livestock producers. Whether directly or indirectly, the provisions included in the farm bill can have a dramatic impact on our members' businesses. KLA members oppose agriculture policies that pit one industry group against another, distort market signals and inadvertently cause economic harm to the livestock sector.

KLA members believe the livestock industry is best-served by the process of free enterprise and free trade. Even with its imperfections, free trade is relatively more equitable than regulated and subsidized markets which retard innovation and distort production and market signals. KLA members oppose attempts to narrow the business options or limit the individual freedom of livestock producers to innovate in the management and marketing of their production.

GIPSA Proposed Rule on Livestock Marketing

KLA and NCBA continue to strongly oppose the proposed regulations issued by the Grain Inspection, Packers and Stockyards Administration (GIPSA) issued June 22, 2010. KLA and NCBA filed extensive comments which may be found at <http://www.kla.org/proposedgipsarule.aspx>.

In short, producers throughout Kansas and the United States are concerned that the proposed regulations would greatly expand the role of government in marketing livestock and eliminate

Ken Grecian
 Kansas Livestock Association
 Page 3 of 9

producers' rights and ability to market livestock to capture the benefits of their efforts to improve the quality of their livestock.

As outlined in both sets of comments, the regulations outline new definitions to be used to interpret the Packers and Stockyards Act that would expand the jurisdiction of USDA over all marketing arrangements. USDA would require the reporting of marketing arrangements and then would post them on the USDA web site. Producers participating in marketing arrangements would have limited ability to protect their private information from public disclosure.

The proposed regulation has broad application and may include existing contractual arrangements if the agreement between the buyer and the seller were modified by the parties. The proposal also would require buyers to justify any discount or premium paid. USDA then would review these transactions and make determinations of violations based upon its judgment, not marketplace economics.

The proposal includes new definitions of "competitive injury" and "likelihood of competitive injury" and new listings of circumstances that may be considered "unfair, unjustly discriminatory and deceptive practices or devices." Both sets are so broad that mere accusations, without economic proof, would suffice for USDA or an individual to bring a lawsuit against a buyer.

The proposal's new listings of criteria USDA would use to determine whether an undue or unreasonable preference or advantage was made by a buyer include requiring the buyer to make similar offers to all livestock producers; requiring the buyer to make price premium offers in a manner that does not discriminate against any other seller; and requiring the buyer to make offers known to all sellers if such offer is made to one or more seller.

Finally, the proposal would ban packer-to-packer livestock sales and allow dealers to represent only one packer. This language may have unintended consequences for some smaller regional packers and dealers.

We believe these provisions would negatively impact producers and consumers in the following ways.

Lost Opportunities and Lost Profits: NCBA and KLA members are concerned this regulatory proposal, coupled with the risk of litigation from USDA and citizen suits, likely would cause buyers to withdraw marketing arrangements rather than run the risk of litigation, civil penalties and potential revocation of licenses.

If marketing arrangements were restricted, producers and consumers would be the losers. The proposed regulation would restrict cattle producers' freedom to market their cattle as they see fit. It would limit their opportunity to capture more of the value of their cattle and eliminate important risk management tools. Regulating marketing agreements would impact nearly 65% of the fed cattle market.

The proposed regulations ultimately may remove from the marketplace products consumers prefer. Producers have responded to consumer demand by finding innovative ways to develop

Ken Grecian
 Kansas Livestock Association
 Page 4 of 9

and market premium quality and branded products. Programs like Certified Angus Beef, U.S. Premium Beef, “naturally raised” and others would be jeopardized. These alternative marketing arrangements have allowed producers to get paid for the value they add. These arrangements ensure a consistent supply of livestock and poultry that meet the requirements of such programs. Without this consistent supply, these programs cannot be sustained.

The 2007 USDA GIPSA Livestock and Meat Marketing Study, which was overseen by GIPSA, found reducing or eliminating the use of alternative marketing arrangements (AMAs) would negatively affect both producers and consumers. No segment of the beef industry, from the ranch to the consumer, would benefit from the reduction or elimination of these marketing arrangements. The GIPSA study results showed if AMAs were reduced 25%, the 10-year cumulative effect would be a loss of \$5.141 billion for feeder cattle producers; a loss of \$3.886 billion for fed cattle producers; and a loss of \$2.539 billion for consumers. If marketing arrangements were eliminated, the 10-year cumulative losses for producers and consumers would be as follows: feeder cattle producers - \$29.004 billion; fed cattle producers - \$21.813 billion; and consumers - \$13.657 billion. Combined losses across all segments would exceed \$60 billion.

Loss of Privacy/Risk of Litigation: The proposed regulation requires packers to file copies of marketing arrangements with USDA. Packers may assert some information is confidential and request that it not be released. However, producers who are parties to the marketing arrangements would not have the same opportunity to claim privacy. This means confidential producer information could be posted on USDA’s web site for producer competitors to view. The regulation would lessen the burden for bringing an action against a packer. Packer livestock purchase records likely would be a part of any litigation. Producers participating in questioned transactions likely would be drawn into the litigation.

Negative Restructuring of the Industry: NCBA and KLA members believe the proposed regulation prohibiting packer-to-packer sales and the potential elimination of marketing arrangements likely would encourage vertical integration. In order to satisfy consumer demand currently being met through the use of marketing arrangements, packers may choose to own livestock in larger numbers (today, packers directly own less than 5% of the market) rather than risk litigation.

Like many of my fellow cattle producers, I have freely chosen to embrace alternative marketing arrangements because they give me the opportunity to capture more of the value of the calves I produce. I feed my calves in partnership with a commercial feedyard, that then markets them through U.S. Premium Beef. This has allowed me to earn premiums when my cattle meet certain quality and yield criteria. To maximize these premiums, I have invested in improved genetics.

The proposed regulation would require purchasers of my cattle to justify paying more than a “standard price” for my livestock. What is a “standard price” and who sets it? The regulation seems to infer that is the role of government. I strongly oppose the government setting “standard prices” for my livestock.

If my competitors (other producers) don’t agree with the justification the packer offers for not paying me a “standard price”, the packer may be sued. I am certain this threat of litigation would

Ken Grecian
 Kansas Livestock Association
 Page 5 of 9

lead beef processors to move to a one-price-fits-all buying strategy. My opportunity to earn premiums for my good cattle would be gone and my investment in superior genetics would be lost.

KLA and NCBA members believe the proposed rule would set the beef industry back to a time when all cattle received the same average price and beef demand was in a downward spiral. How can a system that sells the entire show list for the same price each week be more fair than our current system that pays for the actual value of the cattle? When prices for all classes of cattle have reached record highs this year, how can claims of market manipulation by packers or a lack of competition in the beef industry be taken seriously?

The rule also goes far beyond the intent of Congress. Members of this committee will recall several of the proposals contained in this rule were either defeated or withdrawn during consideration of the last farm bill.

Perhaps most importantly, this proposal violates cowboy ethics. Cattle producers are an independent bunch. We won't sit still and let a government bureaucrat or trial lawyer tell us how we should sell our livestock.

We strongly oppose the GIPSA rule and urge you to take action to prevent its implementation.

Conservation Title

Several conservation programs authorized in previous farm bills have played an important role in assisting farmers and ranchers enhance our nation's natural resources for food production, wildlife habitat, and water quality. By helping landowners preserve, protect and improve their working lands, these programs have provided a significant benefit.

In Kansas, the Environmental Quality Incentive Program (EQIP) is improving habitat for grassland-nesting birds under consideration for listing as threatened or endangered species, enhancing the health of grazing lands, improving water quality near lakes used for public drinking water, improving air and soil quality, conserving groundwater and reducing soil erosion. In fiscal year 2010, our state Natural Resources Conservation Service personnel completed over 900 contracts impacting over 213,000 acres of our state's agricultural landscape.

Farm and Ranchland Protection Program (FRPP) and Grassland Reserve Program (GRP) conservation easements are in strong demand by our state's agricultural landowners who desire to sell their development rights to protect their lands for future generations of farmers and ranchers. In many instances, selling a conservation easement has been a helpful tool for estate and succession planning as today's landowners prepare for the next generation of farmers and ranchers.

The FRPP and GRP programs are especially important to protecting and preserving Kansas' native rangelands. The Flint Hills, Red Hills and Smoky Hills areas comprise some of the most important grasslands in the country.

Ken Grecian
 Kansas Livestock Association
 Page 6 of 9

Kansas leads the nation in the number of GRP agreements. To date, this program has permanently protected over 36,000 acres of high-quality native grasslands, through 66 GRP conservation easements in Kansas. We realize GRP does not have baseline funding for the next farm bill, but we encourage Congress to reauthorize this program and give it favorable consideration for its share of funding.

KLA also encourages this committee to remind your colleagues that federal funds spent on conservation are a good investment in our country's natural resources and the ultimate beneficiary is the general public. In addition, conservation program spending is not an entitlement as participants are required to use these funds on the land and, in many instances, are required to invest their own time and personal funds as a match or cost-share contribution.

Conservation Easement Tax Incentive

The Food, Conservation, and Energy Act of 2008 (farm bill) included a provision to extend the income tax incentive for qualified conservation gifts, including donated conservation easements. This extension expired December 31, 2009, but last December Congress extended this enhanced incentive until December 31, 2011. The Kansas Livestock Association is supportive of making this incentive more permanent, as proposed in S. 339, the Rural Heritage Conservation Extension Act. This bipartisan bill is sponsored by six members of the Senate Agriculture Committee. We urge all senators on this committee to become cosponsors and push for passage of this bill before December 31, 2011.

Eastern Livestock Failure

Throughout the history of the cattle industry, we have experienced failed cattle dealers or marketing agents whose business dealings impacted hundreds of producers and hundreds of thousands of dollars. Last fall, we learned of yet another failed cattle dealer involving an estimated \$130 million in losses to producers, suppliers, truckers, auction markets and cattle feeders throughout the United States. As you know, the case is now in bankruptcy court.

These cases are difficult for the industry. We are all sympathetic to the producer/seller, supplier or trucker who did not get paid. However, in the cattle industry, we still value the "handshake deal" and believe most people are honest and truthful in their dealings. However, lending practices and financial security require that we analyze what transactions caused this and other failures. We need to understand what oversight was or was not provided to ensure the integrity of financial transactions. NCBA has established a working group to analyze these issues and to make recommendations to ensure the financial integrity of the feeder cattle trade. The group is composed of cattle producers from all segments of the industry, financial experts, lawyers, and representatives of auction markets, dealers, and marketing agents. The group hopes to make recommendations for consideration during upcoming farm bill deliberations.

Country-of-Origin Labeling

KLA has been a proponent of voluntary country-of-origin labeling (COOL) programs. KLA members believe the market will provide the information and attributes consumers desire and are

Ken Grecian
 Kansas Livestock Association
 Page 7 of 9

willing to pay to receive. The number of branded beef programs being utilized by beef producers is a testament to the signals provided by the market.

Despite broad beef industry opposition, the current mandatory COOL program was included in the last farm bill. KLA actively engaged in the development of the regulation in an attempt to limit the recordkeeping burden for the industry. While we believe the requirements of mandatory COOL have been relatively benign for most of our members, the same cannot be said for all beef industry participants.

Recent leaks of a preliminary report indicate the World Trade Organization (WTO) will rule in favor of Canada and Mexico in their complaint against the U.S. mandatory COOL program. While the U.S. will have the opportunity to appeal the WTO decision, we encourage U.S. officials to forgo the appeal and immediately begin efforts to adjust the program to comply with the WTO ruling.

It is in the interests of the U.S. as a whole, and the U.S. beef industry in particular, to resolve this dispute before retaliatory action is taken. Canada and Mexico are among the largest trading partners for the U.S. In terms of exports, Mexico and Canada represent the number one and two destinations for U.S. beef products. In 2010, Mexico and Canada purchased a combined \$1.546 billion worth of U.S. beef and beef products, nearly 40 percent of our total beef export value.

KLA strongly encourages the inclusion of language in the next farm bill to address the WTO finding. KLA recommends adopting language making the meat portion of the COOL program voluntary. An alternative approach would be to adopt the concept of substantial transformation wherein meat from any animal processed in the U.S. would be labeled as "Product of the U.S." KLA believes either approach likely will satisfy WTO requirements, although the voluntary program would be our preferred method of compliance.

GIPSA Scale Testing Rule

On January 20, 2011, the Grain Inspection, Packers and Stockyards Administration issued a final rule titled "Required Scale Tests." The rule clarifies the requirements for the frequency and interval of testing for scales used by regulated entities. At the same time, the testing requirement for scales used to weigh cattle sold through video auctions has been brought into question.

Video auctions are regulated entities and, therefore, are subject to the rule requiring the use of tested scales. However, due to the remote nature of the sales, the cattle often do not pass through a facility with scales. Cattle typically are weighed on nearby scales after leaving the seller's operation and before being delivered to the buyer. These scales typically are owned by grain elevators and other non-GIPSA-regulated entities and are tested only one time each year. Requiring the use of bi-annually tested scales adds unnecessary transaction costs, transportation costs and stress on the cattle. Even the flexibility allowed for scales with "limited seasonal use" may not be sufficient because of the arbitrary seasonal periods prescribed by the rule.

KLA supports language that would allow the use of scales tested annually in these types of transactions. Alternatively, expanding the "limited seasonal use" exception to allow the use of

Ken Grecian
 Kansas Livestock Association
 Page 8 of 9

scales tested any time within the previous six months would make the rule more workable. KLA seeks the support of the committee in addressing this issue, whether through legislation or in making the necessary regulatory changes.

Disaster Programs

Livestock producers appreciate the help offered through the Livestock Indemnity Program and the Supplemental Agricultural Disaster Assistance Programs. For some especially hard-hit producers, these programs have been essential to the continued survival of their operations. While extremes in weather always have been a challenge in agriculture, we see advantages in established programs with known guidelines versus an endless string of ad hoc disaster programs.

KLA does recommend a specific change to the Livestock Indemnity Program, if it is extended beyond its current expiration date. Some KLA members have been deemed ineligible for the program because they do not have a USDA farm number. We do not believe it necessary for a producer to participate in farm programs to be eligible for a livestock disaster program.

Agriculture Research

As we look at the next farm bill, it is imperative that we work to preserve the research title and not allow it to be raided in order to fund other titles or project areas. With the ever-increasing number of mouths we will have to feed in the United States and abroad, it is critical we have the tools and techniques to be as efficient as possible in producing beef. As an industry, we work diligently to find ways to improve our herds through genetics and production methods. However, we still rely on the research functions at USDA to help discover new tools and methods and, more importantly, to continue work on ways to treat and control diseases such as bovine tuberculosis and brucellosis, to name just two. USDA's ongoing work to protect our industry from fever ticks and foreign animal diseases is highly important to our industry, and we want to see it maintained. Therefore, we ask that the next farm bill include a strong and robust research title.

Conclusion

In June, my friend Frank Harper had the opportunity to provide testimony on "The State of Livestock in America." During that hearing, Senator Roberts asked him, "Do we need a livestock title in the next farm bill?" Having had time to reflect on the question, I unequivocally can say, "No, thank you." The livestock title reminds me too much of the old idiom, "We're from the government and we're here to help."

KLA members believe markets free from government interference best serve the beef industry. A livestock title only would provide a home for misguided initiatives like the GIPSA rule and COOL. We prefer a farm bill that does not restrict our marketing options or distort market signals. We look forward to working with you as the next farm bill is developed.



**Statement by Bob Henry, Board Member
Kansas Soybean Association
Before the
Committee on Agriculture, Nutrition, and Forestry
United States Senate**

**2012 Farm Bill Field Hearing
Wichita, Kansas**

August 25, 2011

Good morning Madame Chairwoman, Ranking Member Roberts, and Members of the Committee. I am Bob Henry, a soybean farmer from Robinson, Kansas. I am a member and serve on the board of the Kansas Soybean Association (KSA) and represent KSA on the American Soybean Association (ASA) Board of Directors. In that capacity, I am serving on ASA's Farm Bill Task Force. KSA is pleased to provide our initial thoughts on priorities for the 2012 Farm Bill.

First, I want to highlight the significance and value of soybean production to the economy in Kansas. Kansas produces approximately 138 million bushels of soybeans annually, making it the 9th largest soybean producing state in the country. At an average price of \$12.00 per bushel, the farm-gate value of the soybeans produced in Kansas in 2010 exceeded \$1.6 billion.

Soybean products provide additional value to Kansas as well. Soy meal is used for livestock feed, and soy oil is used for biodiesel as well as biobased products being developed by the chemical industry in Kansas and utilized extensively by the automotive industry.

A stable and thriving soybean industry is important for our country, farmers, and the State of Kansas.

Commodity Programs, Crop Insurance, and Disaster Assistance

The KSA board of directors supports the efforts that ASA Farm Bill Task Force is putting forth in attempting to find a solution to agriculture's need for a safety net and balancing that need against the country's current federal budget concerns.

Farm programs play an important role in underpinning the strength of the farm economy, which supports the overall U.S. economy. The importance of an effective safety net for farm income has grown as the rising cost of farm inputs has increasingly pressured farm profitability. Against

this backdrop of increased risk, KSA and ASA are examining changes in farm programs that enhance risk management alternatives for producers. Our efforts are focusing on improvements in crop insurance and ACRE that make these programs more broadly accepted, and on potential changes to loan rates and target prices so they might provide a more realistic safety net should prices tumble.

Federal Crop Insurance

Crop insurance is a vital part of the farm income safety net for soybean farmers. KSA and ASA believe crop insurance might need to be modified to reflect the lower return per acre and higher input costs for soybean producers in regions that do not participate at meaningful levels. The soybean industry is conducting a survey among soybean producers in different regions to determine why producers choose to participate, or not participate, in crop insurance and what improvements could be made to increase participation.

Average Crop Revenue Election (ACRE)

ASA supported including ACRE in the 2008 Farm Bill as an option to the traditional “three-legged stool” of farm program support – marketing loans, target prices, and direct payments. We believe the revenue guarantee provided under ACRE can be strengthened and modified to make it more attractive in regions of the country where participation is low. ACRE can work in tandem with an improved crop insurance program to provide a more effective safety net for all soybean producers.

KSA and ASA will examine replacing the state loss trigger with crop reporting districts. Moving the trigger closer to the farm is particularly important in states with high variability in yields among growing areas.

A second concern is that sign-up under the current ACRE program requires participation for the duration of the 2008 Farm Bill. This requirement discourages participation by producers who rent their land on an annual basis from landlords who are unwilling to make multi-year commitments.

A third issue is the 30 percent reduction in marketing loan rates required under the current ACRE program. The loan program is a critical marketing tool for soybean farmers in southern states who also grow cotton. The 30 percent reduction makes ACRE a non-starter for many southern soybean farmers.

KSA and ASA also support simplifying the ACRE program to make it more understandable and accessible to producers. The amount of paperwork required to participate in ACRE is excessive, and needs to be reduced if participation rates are to increase.

We recognize that program changes to make ACRE more effective likely will increase the cost of the program. Thus, the soybean industry also will be analyzing other potential changes to reduce cost. At this time, however, the analysis has not been completed, and we are not in a position to outline the cost effect of these changes.

Marketing Loans and Target Prices

With regard to current farm programs, ASA has long supported making target prices and marketing loan rates equitable between commodities. Counter-cyclical income support should be based on the relative value of each commodity. Loan rates must also reflect market values, or planting decisions will be distorted in years when prices are near or below loan levels.

The soybean industry is looking at the costs and implications of increasing loan rates and target prices to various percentages of historical five-year Olympic moving average prices. Several economists have noted that the cost of raising loan rates and target prices might be surprisingly small based on projected prices and that increasing current support levels might be an effective way to improve the safety net and protect producers in the event prices fall sharply in the future. As with the examination of options for changes to ACRE, the results of this analysis won't be available until later this year.

Direct Payments

Due to the wide disparity between current price-based support levels and market prices, direct payments represent a basic support for farm income if prices and yields were to fall sharply. This is particularly true for producers in regions where ACRE and crop insurance participation is low. Direct payments are the only farm program considered non-trade distorting, or Green Box, under the WTO.

SURE

Preliminary reports from some soybean farmers in some states indicate that the Supplemental Agricultural Disaster Assistance program, commonly known as SURE, will provide substantive relief for losses incurred during the 2008 crop year that were not covered through crop insurance indemnities. At the same time, SURE does not provide adequate disaster relief to producers in regions where participation in crop insurance is low or at low levels.

Conservation

Conservation programs represent the third largest sector in farm bill spending -- \$63.5 billion in FY-2012-2021 in the latest CBO baseline. ASA has historically supported funding for conservation programs on working lands, especially the Conservation Stewardship Program (CSP) and Environmental Quality Incentive Program (EQIP). However, we have concerns that too many soybean farmers are not enrolled in any conservation programs.

The complexity and labor-intensiveness of conservation programs is also a serious issue. ASA supports efforts to simplify and consolidate conservation programs to make them more accessible and useful for working lands. ASA's Conservation Committee is examining ways to achieve these goals.

International Trade

Exports are extremely important to American agriculture and the U.S. economy as a whole. Therefore, we support at least maintaining annual funding for the Foreign Market Development (FMD) program at the current level of \$34.5 million and for the Market Access Program (MAP) at the current level of \$200 million. According to a recent comprehensive study conducted by Global Insight for USDA, the multi-year effect of the increase in market development expenditures by both industry and government under these programs is equal to \$35 in agricultural export gains for each dollar spent. Given the proven success of these public-private partnerships, these programs need to be maintained. Eight thousand jobs are created for every \$1 billion in exports. Agricultural exports create 1.1 million jobs and \$184 billion in economic activity.

Through the World Initiative for Soy in Human Health (WISHH) and the World Soy Foundation, ASA is becoming increasingly involved in international food assistance and development programs. We support continued funding of Title I of P.L. 480 and the McGovern-Dole Food for Education Program, and we oppose disproportionate reductions in food aid funding.

Research

The future of any industry is appropriate research, and agriculture relies on unbiased public research. ASA supports robust funding for USDA research programs, including competitive grants under the Agricultural Food and Research Initiative (AFRI). ASA will continue to urge increasing AFRI funding to the level authorized in the 2008 Farm Bill of \$700 million.

Energy

There are several Energy Title programs in which KSA and ASA has a strong interest, including the Biobased Market Program (Section 9002), the Bioenergy Program for Advanced Biofuels (Section 9005), and the Biodiesel Fuel Education Program (Section 9006). We recognize that the Energy Title programs do not have baseline funding beyond 2012, which creates a significant challenge to extending these programs and building on the benefits they have provided.

The Biobased Market Program continues and expands the federal biobased procurement program and voluntary labeling program. This is an effective and important program for promoting the emerging biobased industry, which has significant potential to enhance agricultural markets, displace foreign petroleum and fossil fuels, and contribute new “green” jobs to the economy. Under the Biobased Market Program, USDA administers the BioPreferred Program, which is a preferred procurement program for all federal agencies.

The soybean industry is also partnering with companies and investing resources into biobased product development. Funding from the farmers’ checkoff dollars, administered by the United Soybean Board and the Kansas Soybean Commission, has provided research funding to Pittsburg State and Kansas State University for the development of soy biobased products.

One example of the great potential for biobased products is the increasing use of soy based foams and plastics in automotive interiors. In 2009 it was reported that Ford was using soy-based polyurethane foam seat cushions and seatbacks in more than 1.5 million Ford, Lincoln and Mercury vehicles, representing a reduction in petroleum usage of approximately 1.5 million pounds. Ford's use of soy-foam headliners on the 2010 Ford Escape and Mercury Mariner was reported to result in a 25 percent weight savings versus traditional headliners.

The Biobased Market Program, established and expanded through previous farm bills, plays an important role in the development of the biobased products industry in the United States. By providing a procurement preference for federal government purchases, the program helps pull products into the market and encourages investment and development of biobased products.

The Biobased Market Program received mandatory funding totaling \$9 million for 2008-2012. With the expansion of the BioPreferred and biobased labeling program, KSA and ASA support providing additional resources for USDA to administer the programs and further promote biobased markets.

The Bioenergy Program for Advanced Biofuels is a program of significant interest and opportunity for biodiesel producers. Biodiesel is the first, and currently the only, advanced biofuel commercially produced in the United States. The biodiesel industry is still working to establish itself in the competitive marketplace with the entrenched petroleum diesel industry, which enjoys the benefit of decades of infrastructure and market development. While adjustments may be needed to reflect the evolving advanced biofuels industry, KSA and ASA believe the program can continue to play an important role in supporting the development of advanced biofuels that displace foreign petroleum, provide environmental benefits, and promote jobs and economic development, particularly in rural America.

The Biodiesel Education Program plays a vital role in helping expand marketplace acceptance and use of biodiesel as a low-carbon, renewable, diesel fuel. It supports technical outreach efforts to engine manufacturers, truckers, and fuel marketers that will eventually allow the use of higher biodiesel blends in conventional diesel applications. KSA and ASA support the continuation of a relatively small investment of a minimum of \$1 million annually for the Biodiesel Education Program in the 2012 Farm Bill.

Conclusion

Madame Chairwoman and Mr. Roberts, that concludes my statement regarding KSA's position on development of the 2012 Farm Bill. We will be pleased to respond to any questions you or other Members of the Committee might have. Thank you for holding this hearing in Kansas and for the opportunity to provide a statement for the record.

Testimony of Ken McCauley, White Cloud, KS
Before the U.S. Senate Committee on Agriculture, Nutrition & Forestry
Wichita, KS

August 25, 2011

Madam Chairwoman, Ranking Member Roberts and members of the Committee, on behalf of Kansas corn farmers, I appreciate this opportunity to present a farmer's view on upcoming farm bill discussions.

My name is Ken McCauley. I am a past president of the National Corn Growers Association and currently serve on the Kansas Corn Commission and am an active member of the Kansas Corn Growers Association.

I last stood before your committee in 2007 to testify on the 2008 Farm Bill. Much has changed in the past four years, but much has remained the same. In 2008, for example, loan deficiency and countercyclical portions of the current farm bill were still relevant. Today, you'd be broke before you reached the level to collect an LDP. But as I said, much has remained the same. Notably, the need for a strong safety net for growers continues to be vital to Kansas.

I farm near White Cloud, Kansas in the northeast corner of Kansas. My wife and I produce corn and soybeans. My son, Brad and his wife also have a family farm operation of their own nearby. They farm in conjunction with us sharing equipment and labor. My needs for risk management are different than those for my son. He is the reason I am concerned about risk management. It is a vital tool that is needed especially by our young farmers. I am over 60 years old, but I feel we need to be looking at risk management that is more relevant to the exposure needs of the younger farmer. We have a lot of young farmers and we desperately need them to succeed in agriculture.

Kansas corn is a strong and growing commodity that provides a great economic benefit for our state. In fact, with a value of over 3 billion dollars, the 2010 Kansas corn crop was the highest valued grain crop in the history of our state. Advancements in technology and farming practices

have been vital to corn's success in Kansas. This year, our Kansas growers planted 5.1 million bushels of corn. This summer's extreme weather conditions will lower our yield, but I believe the resilience of our crop and the efforts of our farmers will ensure that we will continue to meet the needs of our customers.

To say Kansas is a diverse state is an understatement, especially this year. This summer, some farmland in my county is under water due to the flooding of the Missouri River. My family farm has enjoyed an excellent growing season with timely rainfall. This is contrasted with a large part of Kansas that is suffering through an extreme drought. Even in a normal year, differences in climate, elevation and weather patterns from eastern to western Kansas are extreme. White Cloud sits at 883 feet above sea level. I have a friend who farms near Weskan in Wallace County, elevation 3,852 feet above sea level. Not only do the farmers in the high plains of western Kansas have higher elevations, they also have a different climate, with much lower annual rainfall, later planting dates, and a higher occurrence of drought.

Kansas corn farmers have purchased Federal crop insurance for over 4 million acres of corn, that's about 80 percent of our corn acres. Participation in the crop insurance program in Kansas is high because of the reasons I mentioned earlier. Weather here is undependable with droughts, storms, hailstorms and wind. That's why Kansas farmers rely on a strong and viable crop insurance program.

But what works for the McCauley farm probably won't for a farmer in western Kansas. When you look at things like multi-year losses, especially in a state like Kansas where the western half can experience extreme drought, while the eastern half can experience ample rainfall, statewide triggers don't help much. We need to look at opportunities to strengthen the crop insurance program—conventional crop insurance and products like the revenue-based crop insurance.

Risk management is not only important to the farmers. It is important to rural communities. When you talk to the banker about an operating loan, he'll want to know what crop insurance coverage you have. It is an integral part of the way we do business in agriculture. That's why farmers need effective risk management—a combination of crop insurance and revenue-based

programs. We strongly support crop insurance as an important part of a farmer's safety net. Let's also strengthen revenue-based risk management tools to fix the holes in the safety net, while maintaining a strong and viable federal crop insurance program.

By finding a way to get a revenue-based risk management tool, like ACRE, closer to the farm level, for example by Crop Reporting District, this type of program could provide more realistic coverage for growers. Of course, additional changes would have to be adopted to minimize or eliminate any overlap with Federal crop insurance.

My friend's farm in Weskan has no resemblance to my farm in White Cloud. It is impossible to assume the same rules apply the same to both of us. That is why it is important to look at conditions, not just at the state level, but closer to the actual farms for which the products are providing coverage.

As NCGA President, I was involved in the discussions when the first revenue-based programs were introduced. These tools are already in place and now we need to learn from what we have and make improvements to reach our goal to plug holes in the safety net.

We are continually told to brace for cuts to farm programs as our government works to become more efficient. I believe farmers understand the need for cuts across the board, and we simply ask that the cuts to farm programs be proportionate to other federal programs. Even though direct payments are under fire they do provide a valuable safety net for a farmer who is under extreme conditions and doesn't always qualify for enough of the risk management tools that we have today. For example, when you are in a severe extended drought, there is never enough risk management. If direct payments are cut, at least some of that money should be used to strengthen the risk management programs for our growers.

Beyond securing a solid safety net for our growers, I continue to hope for passage of the Free Trade Agreements with Korea, Columbia and Panama that are currently on the table. These are vital to U.S. agriculture in providing strong export markets for our agricultural products. These

would be an economic benefit for our country, and we can use all the economic growth we can get.

Agriculture is one of the few bright spots in the American economy today. Our farmers are continuing to work hard to meet the needs of all their customers. Late planting, floods, drought—these are all a part of nature, and it is nature and its unpredictable twists and turns that we work with every day. With a strong safety net, and strong, open markets, agriculture in America can continue to thrive and continue to bolster our American and Kansas economies.

Thank you again for this opportunity to share this information with the committee.

**Testimony of David Schemm
before the Senate Committee on Agriculture, Nutrition and Forestry
2012 Farm Bill Field Hearing in Wichita, Kans.
August 25, 2011**

Madam Chairwoman, Ranking Member Roberts and Members of the Committee, thank you for the opportunity to address you today. My name is David Schemm, and I farm on the far Western edge of Kansas, near Sharon Springs. I produce wheat, sorghum and corn on a 15,000 acre dryland farm, along with my wife, Lisa, and our two teenage sons. I serve as President of the Kansas Association of Wheat Growers, and am honored to have the opportunity to submit comments regarding the future of our country's farm policy.

First, I would like you thank you for finding a path forward in the recent deficit reduction debate that will involve the appropriate committees of jurisdiction. We hear all too often that the general public is becoming more removed from the farm and to put our future in the hands of those that do not understand agriculture's unique vulnerabilities would be difficult to fathom.

Wheat is an important crop for Kansas. Last year, farmers planted just under nine million acres, with high hopes of being able to take advantage of good prices. Unfortunately, Mother Nature had different ideas than many producers did, and many areas of our state received less rain over the past twelve months than they did in the dust bowl days of the Great Depression. While many of our producers struggle with record dryness, still others have seen record rainfall and flooding. I can think of no better year in my 18 years as a producer to highlight the role the federal government plays as a partner in my operation. We count on the federal government for research and development to address production challenges we face; for an aggressive free trade agenda to allow us access to world markets for our products; and for a functioning safety net to address risks out of our control, such as those we have seen this year.

We know that the challenges you face in Washington are startling, and wheat producers share your concern about a large federal deficit and weak economy. We recognize the probability that the 2012 Farm Bill will be smaller in dollars than the 2008 bill. I hope that with careful consideration of the role of the federal government, we can evaluate the programs we have in place and end this debate with a 2012 Farm Bill that provides an equal or better safety net for our food supply.

Kansas Farms and the 2008 Farm Bill

Although our nation's economy as a whole continues to struggle out of our most recent recession, the agricultural economy is a bright spot. Farm income is up, and farmers are earning more of their income from the marketplace than ever before in recent history. Strength in our agricultural sector in the face of nearly unprecedented market and weather volatility makes a strong case for the federal government to continue its commitment to production agriculture. The safety net provided by the 2008 Farm Bill, isn't going to make a farmer rich, or even provide a return on their investment, but the safety net does keep farmers and ranchers on the farm and gives them the ability after a disaster, crop failure, or weak market to farm another year.

There are six programs in the current bill that Kansas wheat producers see as contributing to that safety net.

The direct payment is one of the most reliable farm programs our producers have had. Many producers use it to secure operating loans, buy up the level of coverage of their crop insurance higher than they might have otherwise, or in the worst of years, use it to put groceries on the table. The direct payment has also received strong support from wheat growers in the past, as it is the most World Trade Organization-friendly of our current suite of farm programs. With the United States exporting 35 million metric tons of wheat this past marketing year, trade compliance is an important consideration when writing the 2012 bill.

The federally subsidized crop insurance program is another oft-cited piece of our farmer's safety net. It represents a partnership between the federal government and the wheat farmer - with each entity responsible for a portion of the cost. This program has grown in importance to many of our producers over the last decade and now is a program many of my neighbors would struggle to farm without. In Sharon Springs we average less than 20 inches of rain each year and other parts of western Kansas average less than 14 inches annually. Crop insurance gives us the certainty to plant a crop in the fall, when we can't be certain Mother Nature will come through for us. Crop insurance does have challenges though and that is why we are hesitant to rely solely on it as a safety net. It doesn't offer protection against large shifts in local market prices, which at times last summer were \$2.00 off the price on the Kansas City Board of Trade. Revenue coverage can also deteriorate after multiple years of low prices or disasters. Nevertheless, crop insurance is an important component of the safety net.

The marketing loan program has been used sparingly by wheat producers since the last farm bill. It is designed to place a floor under prices, and allows farmers some flexibility in marketing their crops. For example, it is tied to local prices, so when historically-wide basis levels occurred, some producers were able to use this program to cover input costs as they came due after the crop, while they waited for basis levels to tighten. However, the low loan rate can force this program to be one of last resort for producers.

The counter-cyclical program also strives to create a floor price that producers will receive. However, the floor price is now set around half the cost of production - and therefore hasn't been an effective part of our safety net in a decade.

The SURE program was new in the 2008 farm bill and in Kansas has been heavily criticized by farmers for the level of complexity and for its lack of timeliness in making payments. Those two items aside, SURE does have the ability to fill the gap that exists between crop insurance levels and lost income. I have also been told that the SURE program is one that will expire before the 2012 farm bill and therefore will have no baseline funding in the future. If the program could be reworked so that it provided the same coverage, in a simpler manner and without waiting for the marketing year to end for payments to be made, I think the program could prove beneficial.

The ACRE program is one that has garnered little participation from Kansas wheat producers, with less than 2% of wheat acres in 2009 enrolled in the program. This low participation rate among

Kansas producers can likely be attributed to multiple causes. Certainly, one of the major concerns for wheat producers in Kansas is the presence of a state-level trigger. In Kansas, where our annual rainfall ranges from above 45 inches in the southeast to under 15 in the southwest the necessity to trip a state-level loss trigger has proven to be too much of an unknown for a large number of our producers to commit to the program, which would require them to give up 20% of their direct payment.

The 2012 Farm Bill

I hope that by highlighting the myriad of farm programs today and how they are viewed by wheat producers, you will understand that there isn't a "one-size-fits-all" farm program. Each of these programs has a slightly different goal and protects against different risks. Our country's farmers are unique individuals on unique operations. One program that works well for me, may not work for my neighbor, let alone a farmer in another state. As you work on the future of farm legislation, please remember that flexibility and variety in programs provides the best protection.

While many challenges lie ahead in crafting the 2012 Farm Bill, and while it may seem that we have many complaints about the 2008 bill, I am often reminded by our members that right now, we have the best farm safety net in history. It is my hope that we don't lose track of that thought as we begin work on the 2012 bill. Can changes be made to make programs more efficient or more functional? Yes. Should we take a hard look at all of the programs in the bill to ensure the public that their tax dollars are well spent? Absolutely. But I also hope we can remember that our agricultural success of today was built on the safety net of yesterday.

I would like to thank you for coming to our state to hold this farm bill field hearing. Field hearings show your commitment to hearing firsthand from farmers and ranchers about the effect of farm legislation on individuals across the country. It has been an honor to submit testimony and speak on behalf of wheat producers. I look forward to any questions you may have.

STATEMENT FOR THE RECORD

By

DR KIRK SCHULZ
PRESIDENT KANSAS STATE UNIVERSITY

Before the

SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
UNITED STATES SENATE

August 25, 2011

Introduction

Chairwoman Stabenow, it is indeed my pleasure to welcome you, on behalf of Kansas State University, to Kansas, the heartland of our great nation. We are pleased to have you in Kansas, and we thank you and value your leadership in the work of this important committee. Senator Roberts, to you I simply say "welcome home"! Your record in support of U.S. agriculture is second to none, and we are appreciative of your service as Ranking Member on this committee. I would like to also welcome our valued friends and stakeholders to this hearing. Without question, this group represents a broad range of interests that are all, in one way or the other, affected by the health and vitality of Kansas and U.S. agriculture. These folks have been, and will continue to be, key leaders in ensuring a safe and secure food supply, not only for Kansas and the central plains, but indeed our nation and the world as well.

Kansas and the 2012 Farm Bill

The purpose of our gathering today is to continue the dialogue that began on May 31 in East Lansing, MI, among agricultural stakeholders and members of this Senate committee. The Michigan testimony and continuing discussions will shape the content of Title VII, the research title of the 2012 Farm Bill. It is indeed fitting and appropriate that these hearings begin in states where agriculture remains a major force in the economy. The title for this field hearing today, as posted on the committee's webpage, is "Looking Ahead: Kansas and the 2012 Farm Bill." Agriculture and related food system enterprises are indeed drivers of the Kansas economy. In Kansas, the value of commodity cash receipts from agricultural products is about \$12 billion annually. About 53% of that value is from livestock, mostly beef cattle. The livestock inventory on January 1, 2011, reported 6.3 million cattle and calves, ranking Kansas second in the nation in this category. In fact, cattle outnumber the citizens of Kansas by over 2:1 (2.8 million residents). In support of the beef cattle inventory in the state, Kansas is one of the leading states in numbers of cattle on feed, and it leads the nation in meat processing capacity. The remaining 47% of annual agricultural receipts in Kansas is found mostly in wheat, sorghum, corn and soybeans. Kansas continues to be a national leader in both wheat and sorghum acres and in grain milling capacity.¹ Because agriculture and related food

¹ Kansas Farm Facts 2010 at http://www.nass.usda.gov/Statistics_by_State/Kansas/Publications/Annual_Statistical_Bulletin/index.asp accessed August 11, 2011

industries are essential to the Kansas economy, this testimony and the content of the 2012 Farm Bill are of keen interest to Kansans.

The Land-Grant System and the 2012 Farm Bill

The land grant university history is another reason it is fitting that testimony on behalf of the 2012 Farm Bill began in Michigan and continues in Kansas. Kansas State and Michigan State maintain a friendly banter around which school was the first and which school the second land grant university. I am certain that debate will continue. That particular debate, however, has historic significance in that 2012 will mark 150 years since the signing of the Morrill Act and the establishment of the land grant system. At the time that federal legislation was signed by President Lincoln, little could he or the authors of the bill have imagined the far-reaching implications of the enactment of that land mark legislation. The partnership that was developed between the states and the federal government with the enactment of the Morrill Act and subsequently the Hatch and Smith-Lever Acts provided broader access to higher education and application of research findings on and off campus. One of the results was the development of an agricultural economy and a food system that is unmatched across the globe. Efficiencies that have been achieved through knowledge generated by research and communicated to producers through Extension programming have been a solid investment of public resources. A recent report written to make a compelling case for investment in agricultural research and development indicates the benefit-cost ratio to be on the order of 20:1.² The U.S. is fortunate to have abundant natural resources within its borders, and those resources have been critical in contributing to the food security enjoyed by her citizens. The public land grant system has been critical in leveraging that investment into a safe and abundant supply of food. In contrast, ongoing events in the eastern Horn of Africa underscore the tragic consequences that can accompany regional food insecurity, regardless of the root cause.

Public investment in agricultural biosciences is leveraged to maintain an abundant and safe food supply, sustainably use natural resources, and promote healthy communities. Therefore, we encourage the Committee to craft language that increases the authorization for capacity funding of Hatch, Smith-Lever 3(b)-3(c), Extension Services at the 1994 Institutions, Evans-Allen Program (1890s Research), 1890 Institutions Extension, and McIntire-Stennis Cooperative Forestry.

Looking Back at the 2008 Farm Bill

The 2008 Farm Bill contained important language in the form of an innovative proposal referred to as “Creating Research, Extension, and Teaching Excellence for the 21st Century” or simply CREATE-21. Some important elements of CREATE-21 are highlighted below:

- USDA reorganization/dissolution of CSREES and the establishment of the NIFA. NIFA director to be a high-profile scientist, appointed by the President and consulting with the Secretary or designee. Provide leadership and vision for tackling societal challenges for which land grant universities would be key part of the solution.
- Enhanced competitive funding for food and agriculture emphasizing growth of competitive programs including increased authorization up to \$700 M/year with the establishment of AFRI.

² For Want of a Nail: The Case for Increased Agricultural R&D Spending at <http://www.ars.org/docLib/TotalPackageAndAbstract.pdf> accessed August 11, 2011.

- Constituent-driven enhanced mandatory funding for organic agriculture, specialty crops, beginning farmer/rancher, and biomass research and development.
- Enhanced role for USDA REE under secretary, consolidation of REE budget lines and emphasis on enhanced capacity funding.

We affirm our continued support for the language adopted in the 2008 Farm Bill and request the language be carried forward in the 2012 Farm Bill. Following enactment of the 2008 bill, funding for AFRI grew from \$191 M in FY08 to \$262 M in FY11. However, that funding remains far short of the \$700 M authorized in the 2008 Farm Bill, and could be a target of budgetary cuts as congress continues to pressure reductions in discretionary federal spending. Like many land grant universities, especially those not affiliated directly with a medical schools, Kansas State University relies heavily on extramural funding from USDA to drive research and outreach programs in support of the food system. In FY09, for example, nearly one-third of all external awards coming to Kansas State University were from USDA. Therefore, for our scientists to continue to multiply 20-fold the federal investment in agricultural research and discovery for the good of the Kansas and U.S. economies, AFRI must grow to meet the \$700 M.

Since FY10, the request for applications from AFRI placed considerably more emphasis on larger, longer, multi-institutional, and multi-disciplinary grants. Program areas focused on broad priorities with opportunity for tremendous societal benefit (climate change, childhood obesity, sustainable bioenergy, food safety, and global food security). Although the need for investigation in these important areas can easily be justified, this approach resulted in unintended consequences across the land grant system. First, as noted previously, the difference between the rate of growth of authorized funding for AFRI anticipated by the 2008 Farm Bill and the enacted level of funding in the federal budget for AFRI meant that funds committed in the first year for larger multi-year awards resulted in a significantly smaller pool of competitive funds available for funding in other years. Secondly, focus on larger issues and larger, longer awards, though laudable, resulted in omission of program areas of critical importance to U.S. agriculture (e.g. emerging plant pathogens, diminishing ground water resources, etc.).

Therefore, we recommend the authorization for AFRI in the 2012 Farm Bill be no less than \$700 M. Moreover, it is absolutely critical that the authorized amount be fully funded within the federal budget. It is recognized that a similar argument could be made by other federally funded research programs that bring value to U.S. citizens (e.g. NIH, NSF). However, compared to NIH and NSF (about \$30 billion and \$7 billion, respectively), the total level of funding within USDA for research (about \$2 billion) is significantly less. Further cuts to competitive and capacity funding for agricultural programs may result in significant damage to improvements in food production efficiency, which will be required to feed the predicted growth in world population.

All Earmarks Are Not “Bridges to Nowhere”

The ongoing Continuing Resolution to the 2011 Federal Budget negotiations concluded this past spring with zeroing out of earmark spending. It is recognized that earmarks were seen by some in the public sector as secretly appropriated funds targeted to pet legislative projects that largely had limited practical benefit. In some cases, that arguably could have been true. However, federally directed spending in the agricultural sector has generally resulted in tremendous public good. The following are examples of earmark-funded activities led by Kansas State University that have delivered value for the federal investment.

- The **Wheat Genetics and Genomics Resource Center** (WGGRC) had been funded through earmark appropriations since 1984. Over that time period, the Center maintained a massive collection of wild wheat and goat-grass strains obtained from diverse geographical regions across the globe. Through the years, the genetic tools derived from this collection have been deployed around the world and have contributed significantly to the development of high-value wheat germplasm. This germplasm has been used by numerous wheat breeding programs at land grants across the country, including Kansas State University. Genes deployed in germplasm from the WGGRC have now been incorporated into wheat varieties to provide durable resistance against diseases and insect pests, including rust diseases of wheat. It is unknown when the next devastating disease like UG99 stem rust will come to the United States. If properly resourced, the WGGRC will, without question, contribute genetic tools to help maintain and improve wheat production with resistant varieties for Kansas and the world.
- Separate appropriations funded pre- and post-harvest **Food Safety** at Kansas State. Pre-harvest work focused on *Escherichia coli* O157:H7, a major cause of foodborne illnesses in humans in the United States. This work focused on the ecology of *E. coli* O157:H7 in cattle and recently provided important new and improved methods for the detection in environmental samples. The post-harvest food safety work focused on reducing hazard detection time to control pathogenic bacteria. Over the years of funding, the research has contributed to technology and information transfer that has been used by regulatory agencies to establish policy, by industry to establish safe processing and handling practices, and by consumers to improve food preparation. Additionally, this food safety research has also contributed to food security, protection, and defense strategies. The pre- and post-harvest food safety work established Kansas State University as a leader in food safety and security research. Excellence in this area contributed to the decision to build a state-of-the-art biosafety level 3 research facility at K-State. This building is the Biosecurity Research Institute, or BRI, at Pat Roberts Hall.
- It is said that water will be the oil of the 21st century. On July 21, 2011, Kansas Governor Sam Brownback convened an Economic Summit on the Future of the Ogallala Aquifer. That summit was held in Colby, KS, and focused on long-term sustainable use of the Ogallala, which is vital to the economy of western Kansas and several plains states. For years, Kansas State University has been focused on the Ogallala Aquifer. A federal earmark funded a studies evaluating **Water Use Efficiency**, including experimental subsurface drip irrigation site at Kansas State University. This system, now over 20 years in operation, is the oldest such system used for field crop research in the world. Practical, user-friendly computer decision aids developed by this project can maintain high grain yields while reducing applications of irrigation water by up to 25% and generating energy savings of \$40 per acre. Such results are critical for the western High Plains where ground water resources are rapidly dwindling.
- The **Great Plains Sorghum Improvement and Utilization Center** is the largest consortium of multi-disciplinary sorghum researchers covering all aspects of research and education from genomics through utilization and economics. It has facilitated the development of improved sorghum lines used in breeding programs at Kansas, United

States, Africa, Australia and Asia; improved technologies such as herbicide tolerance and in-season nitrogen management tools; improved crop management practices to enhance yield and feed and food quality; and create new market opportunities including new food and alternative bio-energy products. This project, formerly funded by a federal earmark, is squarely aimed at the national priorities of food security, advanced renewable fuels, water conservation, environmental stewardship, and climate variability.

All of the programs formerly funded by earmark appropriations have yielded tremendous results that provided excellent benefits to the citizens of Kansas and beyond. We encourage language in the 2012 Farm Bill that authorizes appropriations to restore these important programs. We understand the need for federal spending priorities, but these programs are investments that are good for Kansas and the nation.

Extension Delivering Solutions

As noted above, authorization for continued capacity funding is critical for maintaining not only discovery but also translation and delivery of new technologies to stakeholders. In simplified language, we think of research and discovery as asking questions and probing for new knowledge, whereas Extension “**delivers solutions**”.

Kansas State University takes pride in delivering educational solutions to issues and problems through our network of Extension offices in every Kansas county. Significant effort has been invested into the organization of multi-county Extension Districts which maintain a presence in each county. Maintaining local contact is a high priority. This district organization has been shown to serve clientele needs and interests better by allowing agents to become more specialized while providing a broader scope of educational programming. Further, it better leverages the economic investment through increased efficiency. To date, 40 counties have organized into 14 Extension districts. Extension’s programming is strategically focused on Kansas needs in growing our bio-economy through agricultural enterprises; improving the health of individuals, communities, and our natural resources; preparing our youth for our workforce; and enhancing quality of life. Technology has enhanced communication and educational delivery for Extension through routine use of webinars, web-based programming, smart phone delivery, and social networks. The national network of land grant university Extension has been further enhanced through on-line presence with eXtension.

The following points highlight specific examples of how the integration of academic programs, research and discovery, and Extension engagement results in “**delivering solutions**” in Kansas:

- **K-State Research and Extension delivers solutions to watershed protection and improvement.** In the last 8 years, environmental plans were developed and implemented by 1,500 farmers impacting over 100,000 animal units and 60,000 acres of cropland. Improvements include moving feeding and/or watering sites, changing grazing or feeding practices, establishing buffer strips, improving lagoons, reducing tillage and atrazine runoff. Extension programs have led to farmer adoption of pesticide BMPs and water quality improvements. Delivery of pesticide BMP educational programs in targeted watersheds resulted in BMPs being installed on approximately 50% of corn and grain sorghum acres in the watersheds and a 40% reduction of atrazine runoff. A KSU extension agronomist made 361 on-farm visits with farmers to get their commitment to implement atrazine BMPs.

From 2006-2009, farmers implemented atrazine BMPs on 51,525 corn and grain sorghum acres resulting in 66% (2006), 40% (2007), 65% (2008), and 51% (2009) lower atrazine concentrations in streams in targeted watersheds where BMPs had been implemented.

- **K-State Research and Extension delivers solutions for rural communities.** The Kansas PRIDE program links Extension with community volunteers to improve the quality of life in communities. In 2010, over 70 communities were engaged in PRIDE with 59,959 volunteer hours and 456 collaborative partnerships, towards completion of 1062 community betterment projects. PRIDE projects were supported with just over \$63,000 in public funds, \$118,000 in private funds and a total of \$1,067,000 in value of volunteer hours, for a total of roughly \$1.25 million investment in community betterment.
- **K-State Research and Extension delivers solutions for our future workforce.** With more than 62,600 youth participating in K-State Research and Extension's 4-H program in 2010, 4-H is the largest youth development organization in Kansas. In addition, more than 27,500 youth and adult volunteers leverage our capacity to reach youth across Kansas. Through "science ready" 4-H projects, youth in Kansas are learning about science, math, engineering and technology. Youth are discovering science is fun and relevant to today's most critical issues, including water quality, renewable energy, regional and local food systems, and American competitiveness in both rural and urban areas. In a 4-H food science club, comprising more than 50% African American boys, the students significantly increased their interest in improving dietary choices and enhanced their understanding of the process of digestion, individual caloric needs, and personal food choices. In addition, 54% of the young people reported they would consider a science related education and career path. We are reminded almost daily that workforce skills will challenge our ability to interact and be competitive with the world. Kansas 4-H is helping prepare youth for the workforce and to step up to the challenges of a complex world.
- **K-State Research and Extension delivers air quality solutions for beef feed yards.** K-State, in collaboration with other public universities and USDA, sought solutions to improving air quality around confined livestock feeding operations. Findings from this project were adopted by the National Cattlemen's Beef Association and EPA to satisfy feed yard reporting requirements under the Emergency Preparedness and Community Right-to-Know Act. Based economic surveys, abatement measure evaluations, and emissions measurements, researchers developed the first estimates of cost-per-unit for the reduction of emissions using sprinkler dust control on cattle feed yards. Nine central states regulators were trained on particulate matter emissions from agricultural sources, measurement methods, dispersion modeling, emission factor and emission reduction calculations, abatement measures and permit requirements.
- **K-State Research and Extension provides solutions leading to improved health and well being for individuals of all ages.** In 2010, The Expanded Food and Nutrition Education Program (EFNEP) found more than 95% of participants eat more healthfully, roughly 60% handle food more safely, 40% increased their physical activity, and more than 60% have less chance of running out of food before the end of the month. Research indicates that for every dollar spent on EFNEP, there is more than \$8 in future health savings. Through supplemental nutrition assistance program education, more than 180,000

educational contacts were made with clients, who receive an average \$273.33/household. The programming helps them choose the most nutritious foods within their limited budgets. More than 70% of clients indicate an intention to improve dietary intake by consuming more whole grains, more fruits and vegetables, more low fat dairy products, or less fried foods per day. More than 40% intended to increase their physical activity as a result of participating in SNAP-Ed. The “Walk Kansas” program promoted physical activity and healthy eating habits to the over 19,000 participants in 2010. Roughly 85% of participating Walk Kansas teams reached the goal of 30 minutes of exercise at least five days per week, and more than 95% reported increasing their consumption of fruits and vegetables during the 8-week program. Walk Kansas for Kids encourages youth to exercise at least one hour each day and eat healthier foods and to exercise with their families.

Training the Next Generation Food System Workforce

Recent revisions from the Population Division of the United Nations Department of Economic and Social Affairs of the United Nations Secretariat project world population growth to 9.3 billion people by 2050.³ Awareness of the growth in population, the need for action to prepare for the predicted growth, and the desire of that population for a higher standard of living was highlighted prominently in *A New Biology for the 21st Century: Ensuring the United States Leads the Coming Biology Revolution*. This National Research Council publication became the roadmap for the organization of the AFRI requests for applications released in FY10 and those so far released in FY11.⁴ As noted above, one of the grand societal challenges highlighted in those requests was global food security. Feeding a world with over 9 billion people is a complex and multifaceted problem that will require significant advances in plant and animal genetics, soil fertility, water and nitrogen use efficiency, animal nutrition, tillage and irrigation practices, and other areas. These advances must occur in a world with potentially more variable climate and will need to include major improvements in food distribution and breakthroughs in stored food preservation. The grand challenge to feed the growing world population again points to the need for AFRI to be re-authorized in the 2012 Farm Bill at no less than \$700 M and that it grow quickly to that level of appropriated funding.

Since its inception, the land grant university system has played an important role in continually providing new knowledge that advances the science and application of new technology. These advances allow production agriculture and agribusiness to meet and defeat agricultural production challenges to ensure food security for the United States. Undoubtedly the land grant university system will play a major role in global food security to meet ever increasing population challenges in the future. But, who will continue the education, discovery and outreach in the coming decades?

Replacing faculty positions vacated by retirements and lost to budget cuts at land grant universities over the coming decade is going to be a major challenge, if not a crisis. However, awareness of this looming challenge is increasing. As an example, The Coalition for a Sustainable Agricultural Workforce formed a partnership aimed at increasing the workforce pipeline by generating greater numbers of bachelor to doctoral degree recipients in an array of disciplines within agriculture.⁵ This coalition, a collection of prominent agriculturally related scientific societies, agribusinesses, and industry leaders, has proposed federal partnerships with leading agribusinesses to help resource this

³ World Population to reach 10 billion by 2100 if Fertility in all Countries Converges to Replacement Level at http://esa.un.org/unpd/wpp/Overview/Information/Press_Releases_WPP2010.pdf accessed August 11, 2011.

⁴ For example, see pages 1-2 at http://www.nrc.usda.gov/funding/rfas/pdfs/11_nrc_food_security.pdf accessed August 11, 2011.

⁵ Found at <http://www.sustainableagricultureworkforce.org/initiatives> accessed August 11, 2011.

effort. This effort and others are examples of the kind of initiatives that will be needed to address this growing crisis. We support initiatives to enhance the number of students selecting agriculture and related disciplines for their university training. We encourage the Committee to explore avenues so that the 2012 Farm Bill can raise national awareness of and authorization to begin to tackle this challenge to worldwide food security.

Related to the issue of the workforce pipeline, we additionally would encourage the committee to consider another problem that we face. Like many STEM (Science, Technology, Engineering and Mathematics) disciplines, graduate programs in agriculture attract bright and very capable international applicants into their doctoral programs. If these doctoral recipients are not placed in faculty or research associate positions in land grant universities in the United States, they return home. Home often means returning to the growing economies of India and China. It would seem prudent to consider ways to “reinvest” these doctoral recipients in the land grant university system to nurture and diversify the system.

Conclusion

It is my hope that this testimony captures the enduring optimism and “can do” spirit that has been a common thread connecting almost 150 years of history of the land grant university system. That thread is one of valued service to the clientele of the that system. Faculty and staff at Kansas State University and land grant universities across the nation recognize that their work takes place on behalf of a greater good, a broader goal, and a common vision that is much bigger than their individual achievements. Members of this United States Senate Committee on Agriculture, Nutrition, and Forestry can be confident that every dollar of federal investment authorized by the 2012 Farm Bill and expended at Kansas State University will be a wise investment. That investment is guaranteed to be leveraged further and to spawn innovation and discovery that will be translated into solutions to improve the lives of Kansans and others. I thank you for this opportunity to provide testimony.

**Testimony of Gregory Shelor before the
U.S. Senate Committee on Agriculture, Nutrition & Forestry**

August 25, 2011

Wichita, KS

Madam Chairwoman, Ranking Member Roberts and members of the Committee, I would like to thank you on behalf of Kansas grain sorghum farmers for the opportunity to share our views on discussions regarding farm bill programs.

I farm near Minneola in southwest Kansas, producing grain sorghum, wheat, corn and cattle. I am the president of the Kansas Grain Sorghum Producers Association and am a past president of the National Sorghum Producers.

Kansas is the nation's leading producer of grain sorghum. This year we are expected to produce 52 percent of the nation's sorghum crop. We normally produce between 40 and 50 percent of the U.S. grain sorghum crop. Sorghum is a feedgrain and is used as a feedstock for ethanol, for livestock feed and is exported to other countries. There is also a growing interest in food-grade sorghum, which is gluten-free and benefits those who choose a gluten-free diet, or cannot tolerate gluten in their diet due to Celiac Disease. Grain sorghum is a great benefit to many Kansas farmers because it can be grown in challenging conditions. It is naturally drought tolerant and does well even on marginal land.

We depend on farm programs for our day-to-day business decisions in Kansas. When I apply for a farm operating loan, my banker asks me two questions: Do you have crop insurance and what do you anticipate in direct payments? My ability to secure annual operating loans directly depends upon the stability of farm programs. Strong farm programs provide a certainty and stability that is vital for growers to be able to get operating capital from their banks. That operating capital bolsters local rural economies as well.

We appreciate your leadership in maintaining and strengthening farm programs. We understand agriculture will see cuts in budget negotiations, but those cuts should be equitable and proportionate to cuts to other programs.

Because most of the grain sorghum we raise is a dryland crop, risk management tools are vital to sorghum producers. Federal crop insurance and other risk management tools all have a place in ensuring a stable crop production system for the security of food, fiber and fuel.

In a state like Kansas, farmers are often faced with challenging conditions. Having a robust risk management system in place is vitally important to my farm. Direct payments also play a role on my farm, often filling in the gap between the level of risk management coverage I need compared to the level of coverage I can get. This is especially true in a year like this, where much of our state is suffering from varying levels of drought.

In Kansas, sorghum is used mainly for ethanol production and livestock. While most think of ethanol as a product made from corn, most Kansas ethanol plants use both feed grains to produce this renewable fuel. In fact, much of the ethanol produced in Kansas is made from grain sorghum. Having both grain sorghum and corn available allows ethanol plants more flexibility and better pricing opportunities. This ensures a strong and viable ethanol industry in our state, and also ensures a good value added market for sorghum producers.

Ethanol's co-product, distillers grains (DDGS) is a valued feed product for cattle feeders in Kansas. Cattle feeders like using sorghum wet or dry distillers grains in their feeding rations. The high-nutrient feed comes to them already processed, which is a valuable benefit to both feeders and sorghum farmers. It is also important for consumers to know that that one-third of total sorghum used to make ethanol re-enters the feed market as a distillers grain. Many feeders in Kansas actually prefer feeding distillers to feeding the whole grain because of ease of processing.

While I have focused on the use of grain sorghum for ethanol, I would like to mention the potential for the use of sweet sorghum and high biomass sorghum. As the potential for these biofuels crops advance, it will be important to develop risk management tools for these crops.

Grain sorghum is drought tolerant and well-suited to arid conditions we often experience in our state. As you know, many parts of the state are suffering a severe drought this year. While this drought will end, over the long term our issues with water will not. Sorghum will play an increasingly important role

in rotations in areas where water is in short supply. Water conservation is bound to be one of the prevailing issues of the future, and conservation will remain extremely important in the coming farm bill debate. Sorghum and other water smart crops will be an important part of the solution.

In closing, I would like to underline the importance of stable and viable farm programs, especially to minor crops like grain sorghum. Sorghum provides many benefits to conservation and crop rotations for our growers. Sorghum also plays an important role in a dependable feedgrain supply for our ethanol and livestock producers. However, as a crop that is used to make the most of difficult growing conditions, it is also uniquely exposed to risk. Well thought-out farm programs that address risks and the potential of grain sorghum will benefit our growers as well as our local, state and national economies.



August 11, 2011

"You cannot escape the responsibility of tomorrow by evading it today." Abraham Lincoln

Chairwoman Stabenow and Ranking Member Roberts, and members of the committee, we would like to thank you for allowing us to share our thoughts in regards to the upcoming farm bill. We also appreciate the opportunity to share our story from rural America on what previous farm bills have done to our local economy and our own business.

About WindRiver Grain, L.L.C.:

WindRiver Grain is a commercial grain loader and unloader located in Garden City – Southwest Kansas. Our company was established in 1997 as a joint venture between the cooperative system and Cargill. The mission of the company was to bring world markets to southwest Kansas wheat and feed grain producers. Initially our main focus was shipping 110 car unit wheat trains to the Texas gulf on the main line BNSF railroad. As a startup company, our owner's allowed us to act independently which in turn gave us the ability to cultivate our entrepreneurial spirit. Although inexperienced, our optimistic attitude allowed us to explore options that perhaps others may have viewed as impossible.

The BNSF railroad has been an incredible partner in helping us look for additional opportunities from the very beginning. Early on, we saw there were opportunities for unit trains into Mexico and also explored shipping split trains of wheat and milo. This concept entails loading 55 cars of wheat and 55 cars of milo. We were also able to develop an opportunity into the California flour mills which we call destination efficiency trains. This concept allows us to ship full trains into California and then break them into smaller units to service 3 or 4 flour mills which don't have the rail track capacity to handle 110 car units. Most of this was accomplished because we took an approach of partnering with our customers.

In 2007, Conestoga BioEnergy chose to build a 55 million gallon ethanol plant next to our facility in Garden City. Again, the relationship we have developed with the BNSF rail road was one of the biggest reasons Bonanza Energy decided to build next to us. Overnight, this growth doubled the size of WindRiver Grain and provided good jobs for Kansans. This growth has added approximately 39 good paying jobs between the ethanol plant, the Kansas Grain Exchange (a new support business at our facility) and WindRiver Grain. This has also created economic growth in the surrounding communities from trucking companies who buy fuel, equipment and other services. This multiplier effect has been huge for rural communities like ours. It is similar to how the auto industry multiplies jobs in Michigan.

Farm Policy Impacts on Southwest Kansas:

The policies which were put into place in the 2008 farm bill were the catalyst which allowed us to see this economic growth in rural America. With our current federal deficit many of our business sectors have suffered from a stagnant economy. We sympathize with these businesses and the families affected by it. We feel it is important to communicate how the bio-fuels industry has created commerce, jobs, and opportunities in our communities. Rural America today is made up of resilient people who have labored for generations to provide food and feed to the world. Production agriculture has been a relatively low margin business throughout history. Most producers have never experienced the current positive economic climate we have seen in the last several years. However, despite the higher commodity

prices, there is tremendous risk every year of drought and other natural disasters that cannot be predicted or controlled. We support the use of crop insurance as a means of protecting producers from these natural disasters. This program has been a vital safety net for producers and a means for them to continue production agriculture even in tough years. The commodity business is a cyclical business based on supply and demand and very dependent on the weather and farm policies and programs.

We would also like to commend you on thinking outside the box and trying to be proactive in developing opportunities for rural agriculture to thrive and prosper. Never in our life times have we seen prices for our products at such historically high levels. Demand for our products as food and feed has never been greater. How we navigate these prosperous times will say much about what rural America is all about. Continuing to be able to feed a growing global population over the next 40 years will take a coordinated effort from all of us.

The 2008 farm bill which supported biofuels development of new generation ethanol plants has had an extremely positive impact on rural American. This tied production agriculture to the energy market, thus creating an economic impact which has rippled throughout our economy in southwest Kansas and other rural communities. Our company went from a facility which historically handled between 15 and 17 million bushels of grain annually to a company which today handles between 43 to 48 million bushels of grain annually. This is a little over a twofold growth from 4 years ago. What does 47.5 million bushels of grain delivered to one facility look like? Picture a rural country elevator which is unloading approximately 50,000 trucks annually or 192 trucks per day, 5 days a week for the entire year. This equated to annual gross sales of \$263 million to our local economy. This doesn't take into account the 65 independent trucking firms and their families we work with to transport our commodities. These trucking firms buy fuel, tires, repairs, food, etc. in our local community. Last fiscal year we paid out nearly \$6.4 million to independent trucking firms from Windriver alone. This does not include the truck freight paid by Bonanza Energies on their outbound DDG shipments.

In addition, the ethanol plant annually ships approximately 19,500 truckloads of wet distillers feed, co-products of ethanol production. The co-products go to local livestock feeding operations. The ethanol plant also ships 1,980 rail car loads of outbound ethanol per year. These two products account for another \$190 million of economic activity within our local community. This entire economic growth in the farm belt has created a multiplier effect which has been a catalyst for our local economy. In total, this has created an estimated 39 direct jobs between the ethanol plant and WindRiver grain plus an additional 90 to 100 jobs from independent service providers. This wouldn't have been possible without the creation of the renewable fuels standard which helped to create this economic engine and nurtured this new growth industry.

Other Economic Effects:

These close relationships and partnerships between Bonanza BioEnergy, our local cooperatives, independent elevators, the BNSF rail road and WindRiver have created incredible opportunities for growth. It has also increased efficiencies for all parties involved. Examples would include using the same inbound truck scale to sharing main line rail switches with each other. It has created an economic incentive for the BNSF rail road to work with us in developing more inbound and outbound grain movement to our local end users or export customers. The possibilities are endless when all parties are looking to create Win/Win opportunities which have a positive impact on one another's businesses. This has truly been one of the hidden gems to creating this economic engine which has taken our company to a level few would have ever imagined. We have realized how important it is to work as a combined team, thinking beyond ourselves to create opportunities for everyone involved. We have also realized some opportunities are better off missed if they don't align with our Win/Win philosophy of doing business.

Current Regulatory Effects:

We need to use a common sense approach in how our industry is regulated. It appears to us out in rural America that the regulation encroachments on our businesses are over reaching. Case in point, the OSHA requirement on sweep auger bin entry is unrealistic. Those involved in business, whether it is in agriculture or the auto industry, realize safety is important, but also understand you can't eliminate all risk. We also feel the EPA is over reaching with proposed dust regulations on farming.

The Positive Effects of Ethanol in Rural America:

Production agriculture has been incentivized by ethanol demand. Two decades ago the US produced roughly eight billion bushels of corn. One decade ago that number had grown to ten billion bushels with some overproduction. Today, US farmers produce over thirteen billion bushels of corn because ethanol demand was introduced in the middle of this decade. Ethanol production became a part of the national energy policy. Today, ethanol demand uses roughly five billion bushels of corn, which is the increase in corn production from two decades ago. What has happened is the corn production pie has gotten larger due to the marketplace providing the incentives for increased seed research, fertilizer efficiency and increased water and land conservation efforts. The net result in western Kansas has been corn grown on land that was normally producing a wheat crop every two years. For example, we used to see a wheat fallow crop rotation. Today, due to improved farming practices along with new seed technology we have increased the productivity of our farm land. We complement Senator Pat Robert's foresight in giving farmers a market based flexible farm program starting with the 1996 Freedom to Farm legislation. We believe the policies of the past farm bills, which tied production agriculture to energy markets, have been a positive driver of the economy in rural America. We believe the insight of congress, to promote this initiative, will lead us to becoming a more energy independent country. We further believe that becoming more energy independent will aid in our national security. Isn't it time to forge our own identity with energy independence leading the way?

Blender Pumps:

Currently this year, USDA, through the Rural Development's Regional Energy for America Program (REAP), has provided aid for the installation of blender flex-fuel pumps in rural areas. We fully support this program and hope that it can be continued and expanded to include urban areas as well. This program has the potential to greatly assist in rural development and energy independence providing the mechanism for market access for mid-level ethanol blends and the means to overcome the current E-10 wall.

Grain Sorghum Defined As An Advanced Biofuel:

We are fully in support of continuing to include such a definition in the Farm Bill's energy title. We encourage USDA to fully support efforts to achieve approval of a similar advanced biofuels pathway with US EPA in the RFS 2. Promoting sorghum production is also a means of reducing the demand on our precious water supply in southwest Kansas.

Crop Insurance:

This is a vital program to production agriculture that needs to be a priority for funding. If there are choices to be made, crop insurance is one that needs to continue to be strengthened. This is a farm safety net that preserves and increases rural development for future generations. Producers and lenders have come to rely on this tool to manage risk in years of production variability.

CRP Issues:

We are advocates of scaling back the number of acres put into CRP in an effort to increase the number of quality acres that should be in production today. Environmentally sensitive ground should remain in CRP while productive ground in CRP should be allowed a market based early exit strategy from contracts.

Ag's Future:

We need a free market based flexible farm program that can address the changes that take place quickly in the world marketplace, while maintaining an environmentally sound approach. Americans farmers can meet this demand if given the proper market signals and common sense government policies. In order to meet the future global food demand, we cannot afford overregulation and legislation that stifles production agriculture. We are going to need research coming from the land grant universities working with industry and production agriculture to meet the food and fiber needs of our growing world population.

Closing Statements:

Again we thank you for giving us the opportunity to share with the committee a little about our business in rural America. We feel very blessed to work among so many wonderful hard-working Americans. We also appreciate the fact we live in a free country due to the sacrifices of those who have fought and died for the opportunities we have today.

We realize there are going to be reductions in all areas of government spending. We understand and commend you on taking necessary actions. We would just ask each of you that we have elected to bear in mind that rural America is a vital part of the success of our great nation.

We would like to leave you with this thought: America was founded on principles of hard work, freedom, liberty, and a faith that God will guide and protect those who seek his wisdom. May God guide and bless each of you as you lead our country. Thank you.

Sincerely,

Robert A Tempel, COO
WindRiver Grain, L.L.C.

SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE
Wichita Field Hearing, Thursday, August 25, 2011
Jeff Whitham, Conferee

I would like to address three topics related to farming in western Kansas that could be helpful as the Ag Committee works on the 2012 Farm Bill. I will address the topics from the perspective of a commercial banker and representing the Kansas Bankers Association. Those topics are the general condition of farming in recent years, the effectiveness of some Farm Service Agency (FSA) and Natural Resources Conservation Services (NRCS) programs and the capacity of Kansas banks to finance our agricultural businesses.

1. Recent Farming Conditions. 2008, 2009 and 2010 have been good revenue years for the great majority of our farm customers. Crop yields have been average or better and crop prices have steadily improved. Grain prices have increased partially because we have improving demand nationally and internationally and partially because our lower valued dollar makes it easier to export grain. Alfalfa prices are much higher because about all of Texas and Oklahoma are in exceptional, extreme or severe drought, according to the USDA's on-line drought monitor, and are short of livestock feed.

The effect on our bank has been a steady improvement during 2008 through 2010 in our farm borrowers' financial condition. Debt levels are down and liquidity has improved. Our bank's loan volume is lower than normal as our customers have had profitable years and reduced their debt.

Because of the present drought, 2011 will be a year with significantly less production, although prices are higher. Kansas Agricultural Statistics Service estimated on August 11 the state's 2011 wheat crop would be down 24%, corn down 15%, grain sorghum down 28%, soybeans down 28% and alfalfa hay production down 21%, which will be the lowest alfalfa hay production since 1956. South central and southwest Kansas are experiencing exceptional or extreme drought. The northern one third of Kansas farms are experiencing normal moisture levels.

I expect 2011 farm profitability for our southwest and west central Kansas customers decline substantially because of the drought. I believe gross revenue will decline for many borrowers because their crop production will fall more than can be made up with higher prices. These are the times when the USDA's commodity price and income support programs are most valuable.

2. Farm Bill Programs. Ag producers are the primary contributors to economic activity in western Kansas. The commodity support programs, disaster programs and conservation programs provide valuable support to our farm customers, and therefore to our communities. Our farm program policy will need to consider providing support to crop producers in difficult years while balancing the federal budget, which will probably require less spending in about all of the federal spending programs. One of the important issues for any federal spending program, as we work towards balancing the budget, is the efficiency of each program.

I think the most efficient program is the crop insurance program. Producers pay about 40% of the premium and do not receive benefits unless they experience revenue less than the level they have selected and paid for. They receive insurance proceeds when they need the assistance, not when they are experiencing average revenue years or better.

A less efficient program is the direct payment program that delivers a level set of payments whether the producer has had a good year or a poor revenue year. If our intent is to provide support to farmers when they have had a difficult revenue year, the direct program is not as effective as other programs.

The Supplemental Agricultural Disaster Assistance program, or SURE, makes payments to producers in counties that have suffered a disaster, usually a weather event, and it makes payments to producers in counties contiguous to the counties that experienced a qualifying disaster. I have noticed a number of our producers that had a good revenue year in 2008 received SURE payments because there was a disaster in an adjoining county. I think this program could be tightened up in the contiguous counties to provide taxpayers' money or our borrowed money to the producers that are more in need of assistance.

The Environmental Quality Incentives Program, called EQUIP, is an effective program that improves soil conservation practices and water useage processes. Producers pay a portion of approved changes in practices. Some of the activities I see completed are placing terraces in fields and transitioning from irrigation to dry land farming.

3. Commercial Bank Lending Capacities. Commercial banks and the Farm Credit System both have a 40% to 45% share of total farm debt in the country. (See Congressional Research Service; Agricultural Credit: Institutions and Issues; 2010) Our bank and many other bankers I talk with have a good amount of capacity to increase farm loan volume.

Those farm loan totals have been decreasing with good farm operating results during 2008, 2009 and 2010. As an example, our bank operated with a loan to deposit ratio of 80% to 85% for many years until about 2009. Our loan to deposit ratio is presently 64%.

Our bank could increase loans to ag customers around \$45 million. We, and most other community banks in Kansas, are ready to increase credit to our farm customers.

Thank you for the opportunity to present my thoughts on a few programs that will be considered in the next farm bill. Although I have appeared at the request of the Kansas Bankers Association, the views expressed are my own and may not necessarily be supported by the association.

Testimony of Karen Wilder, RD, MPH, LD

Schwan's Food Service, Inc.

Before the

U.S. Senate Committee on Agriculture, Nutrition and Forestry

August 25, 2011

Chairwoman Stabenow, Ranking Member Roberts, and Members of the Committee, thank you for inviting me to testify today. I greatly appreciate the time and attention you are devoting to preparation for writing the next Farm Bill.

My name is Karen Wilder, and I serve as the Director of Science and Regulatory Affairs and chief nutritionist for The Schwan Food Company (Schwan), one of the largest branded frozen food companies in the world, employing more than 17,000 people in the processing, manufacturing, transportation, distribution and sales of frozen foods both nationally and internationally.

I oversee all aspects of the nutrition initiatives at Schwan and its wholly-owned subsidiaries, including Schwan's Food Service, Inc. So, for the past seven years, I have played a leading role in Schwan product development and innovation. Prior to coming to Schwan, I was a nutritionist at General Mills for 18 years. I have a Bachelors of Science degree in Nutrition and Dietetics from North Dakota State University and a Masters of Public Health degree in Public Health Nutrition from the University of Minnesota. I am also a licensed dietitian.

Schwan's Food Service develops, formulates, markets, and distributes branded frozen-food products and meal solutions to schools, hospitals, chain restaurants, convenience stores, and many other institutional channels throughout the United States. Feeding America's school children began for the company more than 36 years ago. Schwan's Food Service is now one of the leading and most innovative school foodservice companies – providing products to approximately 72,000 of the more than 96,000 public and private schools in the United States.

In 1970, Schwan purchased a 12,000-square-foot food manufacturing facility in Salina, Kansas, and employed a little more than a dozen workers. Today, the plant has grown to more than 500,000 square feet with more than 1,500 dedicated, hardworking employees. Approximately 70% of the principal product Schwan's Food Service provides to our nation's schools is produced at this facility.

Leadership and Innovation

Schwan's Food Service has been a leading innovator in developing healthy and nutritious school meal options for school foodservice directors across the country. Every day, local school foodservice directors work their hearts out to stay within budget while providing the children in their schools excellent nutrition that the children will eat. With ample justification, America's school foodservice directors are proud of the tremendous progress that they have made in advancing the nutritional quality of school meals. Most children who participate in the National School Lunch and Breakfast Programs receive the most nutritious meals of their day at school. Of course, school foodservice directors have an unrelenting commitment to improvement of nutrition and acceptance of the foods they serve. So, school foodservice directors are not resting on past accomplishments, particularly given the public health crisis that child obesity presents. As they work to provide well balanced, great tasting, nutritious, and consistent high quality options to students every day, Schwan's Food Service strives to provide them food products that meet their objectives.

Over the years, our goal to be the leader in meeting school foodservice product needs led Schwan's Food Service to be a leader in helping schools convert USDA commodities into food products that met the school needs in terms of nutrition, student acceptance, and cost. We appreciate that the USDA commodity distribution program has allowed USDA to provide market relief in commodity market exigencies and provide a strong contribution to school foodservice. Any one who has recently visited a school foodservice kitchen in the morning of a school day knows the absurdity of delivering flour, tomato sauce, and cheese to a school rather than allowing for the commodities to be processed by Schwan's Food Service or one of our competitors into pizza or another highly desired school foodservice product. Not only would the cost of local preparation be far higher, the ability to consistently achieve modern nutrition objectives would be highly questionable. We respectfully urge you to keep the USDA commodity program, including commodity processing, strong and well oriented to meeting the nutrition and budget objectives of schools.

To meet the product innovation demands of the school foodservice market, Schwan's Food Service has spent millions of dollars in research and development to make our products healthier and more nutritious, while, at the same time, making food that kids will actually eat.

- Since 1999, Schwan's Food Service has taken a leadership role in the industry by making measurable changes in our products to improve their nutritional values.
- In 1999, Schwan's Food Service introduced *Tony's® SmartPizza®* products for mainline school lunches, setting a nutritional benchmark in the category by using protein in the crust, enabling the reduction of total fat and sodium.
- In 2005, Schwan's Food Service began developing whole grain pizza crusts with whole grain product introductions 2005-2009.
- In 2006, Schwan's Food Service launched the first of its 51% whole grain school pizzas.
- Internal company standards have been established specific to sodium and fat levels.

- In 2010, Schwan's Food Service announced that it would double the number of its 51% whole grain crust school pizzas by the fall of 2011, while reducing the sodium content of these same products by up to 10%.
- Working with a consortium of ingredient providers over the past several years, Schwan's Food Service created its current breakthrough recipe for its 51% whole grain crust.
- Our products are tested with children across the country to ensure that great taste is balanced with great nutrition.

So, the role of Schwan's Food Service is to develop and deliver products that meet the nutrition, student acceptance, and budget needs of school foodservice directors. In many ways, as those demands are more challenging, our dedication to the school foodservice market serves as a competitive advantage for the company. However, we do not advocate aggressive nutrition standards for competitive advantage. Our goal is to support local school foodservice directors as they strive to provide ever more nutritious meals that are affordable and acceptable to students. We believe strongly in the wisdom of school foodservice directors in striking the best possible balance between nutritional improvement, student acceptance and budgetary limits. They watch every day to see what foods are not eaten, how many students opt in or out of school lunch on days when a particular product is served and whether middle income families in their area can afford to keep their children in the school lunch program as fees increase. Only school foodservice directors are on the front line of keeping the school meal programs both nutritionally good and economically sound. Schwan's Food Service is proud of its role in responding to the demands of school foodservice directors and we are proud that the late Alfred Schwan of Salina, Kansas and Schwan's Food Service Vice President Pat McCoy have both been honored by SNA for their industry leading contributions to school foodservice.

Naturally, that sort of unique role in serving school foodservice is achieved through focused initiatives. Permit me to summarize Schwan's Food Service's major school foodservice nutrition oriented initiatives.

LiveSmart Schools™

The LiveSmart Schools™ initiative from Schwan's Food Service offers timely information and helpful tools to help schools address increasing interest in issues surrounding childhood nutrition. In addition, we are launching a new line of innovative menu items. With LiveSmart Schools™ products, schools can strike the right balance between taste and nutrition, offering an incredible variety of healthful choices sure to please kids, parents and the greater school community. Every LiveSmart Schools™ menu item adheres to the strict nutritional criteria of the HealthierUs School Challenge (HUSC), and it will meet the new school nutrition standards that USDA is now developing, however aggressive those standards may be.

Valuable Information and Tools

The LiveSmart Schools™ initiative from Schwan's Food Service provides school foodservice directors with an abundance of nutrition information – fact sheets, newsletter templates and more – and offers tips on how to best communicate to school administrators, school boards, parents and the media.

LiveSmart Schools™ Seal of Approval

The LiveSmart Schools™ Seal of Approval indicates products that meet the strict nutritional criteria of the HUSSC and Alliance for a Healthier Generation. Entrée products marked with the LiveSmart Schools™ Seal meet the following criteria per serving:

- 51% whole grain
- Less than 35% calories from fat
- Less than 10% calories from saturated fat
- Less than 600 mg sodium

The Live Smart™ seal on key Schwan's Food Service products help school foodservice directors identify that these items meet the strict nutritional criteria listed above.

Schwan's Food Service has introduced 20 new LiveSmart Schools products January-July 2011, with another 30+ products coming soon. No other company has developed this range of options for schools that are looking for nutritionally enhanced solutions. By the fall of 2012, these new products will represent more than 60% of the company's total school sales.

The HealthierUS School Challenge

The Healthier US School Challenge (HUSSC) was established to recognize schools that are creating healthier school environments through the promotion of good nutrition and physical activity. The USDA Food and Nutrition Service (FNS), set the criteria for which each of four levels of performance is defined. The criteria set reflect recommendations made by the 2005 Dietary Guidelines and recommendations of Institute of Medicine. In addition to nutritional changes made in the School Lunch Program, Healthier US Schools must also have a local school wellness policy. The HUSSC is supported by the First Lady's "Let's Move" campaign.

To improve the health of the Nation's children by promoting healthier school environments, changes are to be made by:

- Improving the quality of the foods served;
- Providing students with nutrition education; and
- Providing students with physical education and opportunities for physical activity.

The HUSSC has two sets of standards, one for reimbursable meals sold inside the School Lunch Program and the other for competitive foods and beverages sold outside of the School Lunch Program. The standards are outlined below:

Reimbursable Meals	Competitive Foods/Beverages
<ul style="list-style-type: none"> • Meet the USDA nutrition standards: -Minimum levels for calories, protein, calcium, iron, 	<ul style="list-style-type: none"> • Total Fat: Contributes no more than 35% of calories • Trans Fat: Less than 0.5 grams per

vit. A, and vit. C -Maximum levels for total fat not to exceed 30% of calories and levels for saturated fat not to exceed 10% of calories <ul style="list-style-type: none"> • 4 different entrées or meat/meat alternative are offered throughout the week • Whole-grain foods offered three or more times a week (Bronze and Silver) • Whole-grain foods offered every day of the week (Gold and Gold of Distinction) 	serving <ul style="list-style-type: none"> • Saturated Fat: Less than 10% calories from saturated fat • Sugar: No more than 35% sugar by weight • Sodium: No more than 600mg sodium per entrée • Portion size: Not to exceed the serving size of the food served in the NSLP
--	--

As a leader in school nutrition, Schwan's Food Service dedicated extensive research to create a line of innovative products that fit within the criteria set by the Healthier US School Challenge.

Alliance for a Healthier Generation

The Alliance for a Healthier Generation was founded in 2005 by the American Heart Association and the William J. Clinton Foundation to reduce the nationwide prevalence of childhood obesity and empower kids to make healthy lifestyle choices.

Earlier this year, Schwan's Food Service and 12 other companies teamed up with the Alliance for the Healthier Generation to make healthier school lunches possible for more than 30 million students across the country, including at least 14 million children who currently receive free and reduced price lunch as part of the reimbursable meals program. To accomplish this shared goal, we agreed to develop, market and competitively price products that will lead to healthier school meal options; streamline the ordering process; and make identifying healthy options easier.

As part of the collaboration, Schwan's Food Service will not price healthy options out of reach of school cafeterias by setting prices for healthier items that meet the Alliance's science-based standards for nutrition at prices no higher than less healthy products. The company also will increase the sales of compliant products to at least 50 % of the company's entire school sales within five years.

To be compliant, products must fall within the following categories within Alliance's guidelines for school foods:

- Lean protein products, such as lean red meat, skinless poultry, lean deli meats, fat-free or low-fat cheese, beans, and tofu.
- Low-fat lunch entrées with reduced total fat, saturated fat and sodium levels.
- Whole-grain products, such as bread, pasta and pizza crust.
- Fresh, canned or frozen fruit.

- Non-fried vegetables.
- Zero trans fat cooking oils.

The Proposed School Nutrition Standards Rule

There is no question that our nation is facing an obesity crisis. Addressing childhood obesity should be a national priority. Part of the solution lies in ensuring that the school meal programs and wellness initiatives in schools collaborate on steps to improve the health of school-aged children.

We commend USDA and FNS for its thoughtful consideration of policy and guidance aimed at enhancing the National School Lunch and School Breakfast Program. Indeed, the proposed rule represents an unprecedented effort to advance the nutritional health of school-aged children and to enhance the nutritional quality of foods and beverages served in the school meal program. We believe that many of the principles and recommendations made by the Institute of Medicine (IOM) in its 2009 report, *School Meals: Building Blocks for Healthy Children*, can serve to ground the proposed rule in sound science. That being said, Schwan's Food Service recommends certain revisions, to help ensure student acceptance and expand accessibility, while meeting the nutritional needs of today's students. Naturally, our recommendations echo the recommendations of the school foodservice directors as presented in the comments submitted by SNA, "the voice of school nutrition." I would like to emphasize that Schwan's Food Service recommends refinements in the proposed rule not for the convenience or competitive advantage of our sales to school foodservice. Schwan's Food Service has already announced a product line with over 50 offerings that meet the nutrition standards of the HealthierUS School Challenge. We recommend refinements in the proposed nutrition standards to support the very legitimate concerns of America's school foodservice directors about the need to balance nutrition objectives with considerations of cost and student taste preferences in a context where our children receive most of the food in their diet outside of school.

Meal Patterns

The proposed rule recommends the singular use of food-based weekly menu planning. This approach is consistent with the *2010 Dietary Guidelines for Americans*, which provides guidance to consumers to enable them to create wholesome, nutritious meal patterns over time. The proposed rule makes a rational case for the age/grade groups proposed.

However, we are concerned that the quantities required, particularly for breakfast, may exceed what the youngest age/grade group can eat. The IOM report recommends that school grade structures and meal service operations be considered to ensure that age/grade recommendations be successfully implemented. To that end, we recommend that schools have more flexibility in menu planning to allow the proposed meat/meat alternate to be combined across select days versus requiring a daily M/MA at each breakfast. Greater flexibility in meal planning enables schools to serve options such as breakfast sandwiches or yogurt that are nutritious and appeal to children, and especially helpful in schools with

alternative service models (e.g. breakfast while riding a school bus, breakfast consumed in the classroom, etc).

Sodium Reduction

We support the recommendation to reduce sodium content of foods distributed by the school meal program and foods available within the school campus. However, we proposed an extension of the timelines for sodium reduction to not only address the technical challenges, but also to align with student acceptance. We are proud to have led initiatives to improve the nutritional profile of our school product line. This includes significant reductions in the sodium content of key products distributed in school meal programs across the nation. Consistent with the IOM recommendation, we support the phase one reduction characterized as a 5 – 10% sodium reduction from baseline levels (School Nutrition Dietary Assessment-III) that targeted across four years, post implementation, not the proposed two year post implementation. Sodium reduction in school meals has never been tracked, nor has research been conducted to assess student acceptance and participation in the school meal program. A second phase of sodium reduction may become feasible *only* when research demonstrates student acceptance of the phase one (i.e. 5 – 10%). The second phase of sodium reduction requires new ingredients and technology to be successful. This approach also takes into consideration the simultaneous reduction of sodium levels in foods available outside the school environment, which can help foster a change in taste preferences of school-aged children. The third sodium reduction will be impossible to achieve without significant technological advances and broad brush shifts in sodium across the food supply and beyond the school meal program. This, in part, is due to the content of naturally occurring sodium in many foods served as part of the reimbursable meal.

Beyond sodium's role in flavor development of foods, salt and sodium serve important functional properties including: food safety in meat processing (e.g. pepperoni and sausage), texture in cheese making, leavening for bread and dough products, such as pizza crust, and to support shelf life by helping to retard mold and bacterial growth. For the food industry, many common foods require salt or sodium as part of the standard of identity. Ingredient suppliers and food manufacturers continue to pursue ways to lower or replace sodium. Very few salt/sodium replacers exist today that can quickly achieve significant sodium reduction *and* maintain organoleptic properties, sensory scores and quality expectations at a reasonable cost. These concerns are amplified as school food service organizations and food manufacturers develop foods for the school meal program. Research shows that children have more sensitive palates and are less willing to eat foods that do not look or taste like their favorites. Decreased participation rates in the school meal program threaten not only the financial integrity of the program, but also the NSLP's mission to safeguard the health and well being of school-aged children.

Whole Grains

Schwan's Food Service is a leader in providing the School Lunch and School Breakfast Program with foods made with whole grains. We agree that whole grains are those grain items that contain the germ, bran and endosperm in the same proportions as the unprocessed, raw native grain. However, there is

inconsistency as the terms “whole grain” and “whole grain rich” are cited throughout the proposed rule. Therefore, we recommend that these terms be defined and agreed upon by the USDA Food Safety and Inspection Service, FNS, as well as the Food and Drug Administration. Ingredients that are derived from grain or are themselves components of a grain such as isolated oat product and wheat starch should not be included in the definition of whole grain.

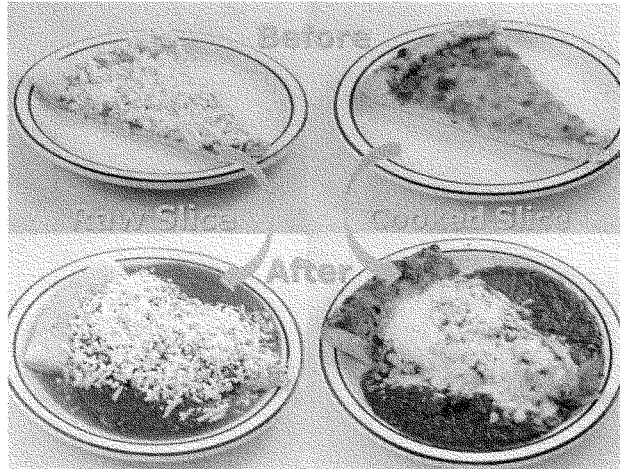
Proposing 51% whole grains as the benchmark for a significant source of whole grains does not provide the information necessary to document the actual amount of whole grains that can be credited towards the weekly whole grain requirements. The changes in calculating grain servings, as proposed from 14.75 grams (as detailed in the Food Buying Guide) to 16 grams minimum for bread serving, would require time to change current product formulations, require new product/label approvals, creating additional cost for both the manufacturer and school administrator. Therefore, we recommended a more efficient, transparent approach for crediting whole grains in a manner similar to the process of bread crediting in the Child Nutrition (i.e CN labeling) program. To illustrate this, consider that a serving of 51% whole grain bread would be credited as $\frac{1}{2}$ serving of bread and $\frac{1}{2}$ serving of whole grains.

Furthermore, we are concerned with the overly ambitious proposed timeline for implementing more servings of whole grains into the school meal program. Requiring only whole grain products in the school meal program is unrealistic and would require extensive resources and significant cost to implement without adequate time to evaluate student acceptance. A gradual approach to increasing whole grains is necessary to ensure optimal products are achieved without negatively impacting student acceptability and meal program participation. Agricultural production and food manufacturing must also be taken into consideration as grain production and whole grain processing will have to ramp up in order to meet demand. We recommended that USDA focus efforts of creating consensus and consistency regarding whole grain definitions and terminology, and delay the implementation of the whole grain proposal.

Tomato Paste Crediting

We do not support the proposed change regarding tomato paste crediting, which has no basis in the Dietary Guidelines or the IOM Report. We recommend maintaining the current practice of crediting tomato paste, as outlined in the current *Food Buying Guide*, on an “as if single-strength reconstituted basis.” The proposed rule would constrict important vegetable crediting and eliminate an important source of essential nutrients.

The current meal guidelines permit vegetable crediting for a variety of products. Many of the products made with tomato paste appeal to children and help sustain participation in the school meal program. By changing the crediting, many tomato-based sauces and salsa-type applications would no longer be factored into the weekly requirements for vegetables. These foods contribute important nutrients including: potassium (a nutrient of concern for children), vitamin A (specifically beta carotene), lycopene (an antioxidant) and vitamin C.



The proposed rule would lead to unintended consequences including a decreased willingness to build tomato products into school meals. Based on the proposed rule, to achieve one vegetable serving, an estimated three times (see inset photo above) the current quarter cup volume of tomato product (i.e. tomato paste, tomato sauce, or salsa) would be required. This increased amount is unrealistic for many single foods and combination foods, making the weekly vegetable serving requirement more difficult for schools to achieve. This potential consequence is contrary to the proposed rule's stated desire to increase children's consumption of foods containing magnesium and potassium. The volume-as-served method for calculating tomato paste and puree therefore does not accurately reflect the importance and nutritional value of tomato products or its role in the diets of school-aged children. Notably, the IOM *School Meals* report does not recommend a change in the way tomato products are calculated. And, for consistency purposes, the USDA Food Buying Guide for Child Nutrition Programs recognizes that 1 tablespoon of tomato paste is equivalent to $\frac{1}{4}$ cup vegetable serving. Tomato paste is nutrient dense; a tablespoon of tomato paste provides the equivalent of approximately three whole tomatoes.

Under the proposed rule, many nutrient dense foods might be eliminated from school lunch menus, including mixed dishes, soups, spaghetti and pizza. In all cases, these foods meet numerous nutrient components including grains, meat/meat alternates, and some contribute to the vegetable requirement. It's worth mentioning that, for the first time, the *2010 US Dietary Guidelines for Americans*, added a red vegetable category as part of the recommendations to consume nutrient rich vegetables.

Saturated Fat

The target value for saturated fat of less than 10% calories has been a recommendation of the *Dietary Guidelines for Americans* for more than 20 years. Most schools offer meals that meet this target, although caloric consumption in meals consumed exceeds this value. The proposed energy requirements by age/grade levels coupled with the proposed rule to offer fat-free or unflavored 1% milk should help schools move closer to the target value of less than 10% calories from saturated fat.

The proposed rule requests comments on additional changes based on the *2010 Dietary Guidelines for Americans*. We do not support lowering saturated fat consumption to less than 7% of calories as recommended by the Report of the Dietary Guidelines Advisory Committee. Final 2010 *Dietary Guidelines for Americans* did not adopt this recommendation.

Processed Foods

The proposed rule references processed foods several times and often when discouraging the consumption of foods typically high in sodium (i.e. processed meat). To ensure that communications regarding the term “processed foods” are fair and science-based, we pointed out that processed foods are often nutrient dense and contribute to the meal pattern as well as to the overall enjoyment of the school meal experience. The assumption that processed foods are unhealthy is not science based, and perpetuates the misguided belief that processed foods are inherently nutrient poor.

The definition used in the glossary of the 2010 report of the Dietary Guidelines Advisory Committee identifies processed foods as “any food other than a raw agricultural commodity including any raw agricultural commodity that has been subject to washing, cleaning, milling, cutting, chopping, heating, pasteurizing, blanching, cooking, canning, freezing, drying, dehydrating, mixing, packaging, or other procedures that alter the food from its natural state.” By this definition, virtually all of the foods that would be served in school food programs under the proposed rule are processed.

Processed foods play an important role in the School Lunch and School Breakfast Program. In addition to their nutritional benefits, processed foods are often economical and convenient. These are two highly relevant and desirable qualities for school meal programs and their administrators. The extended shelf life of processed foods can reduce food waste and expedite the food preparation process. Processed foods are also integral components of popular school lunch menu items, and therefore support higher rates of student acceptance.

Conclusion

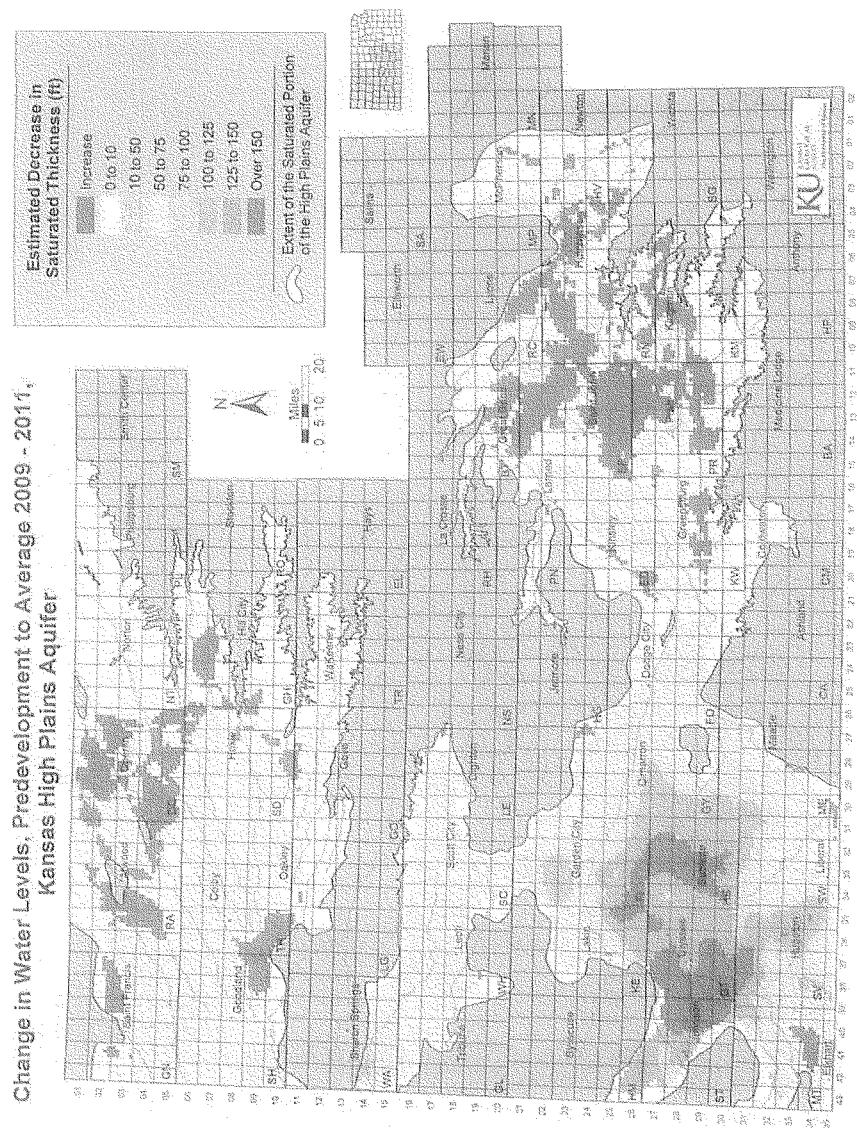
The proposed rule contains many changes to both the School Lunch and School Breakfast Program meals. Looking beyond the major changes in nutritional standards, the proposed rule would have dramatic impact on school foodservice budgets and, perhaps, the school budget as a whole. Further, we are concerned about the lack of time to evaluate the changes and the impact these changes have on

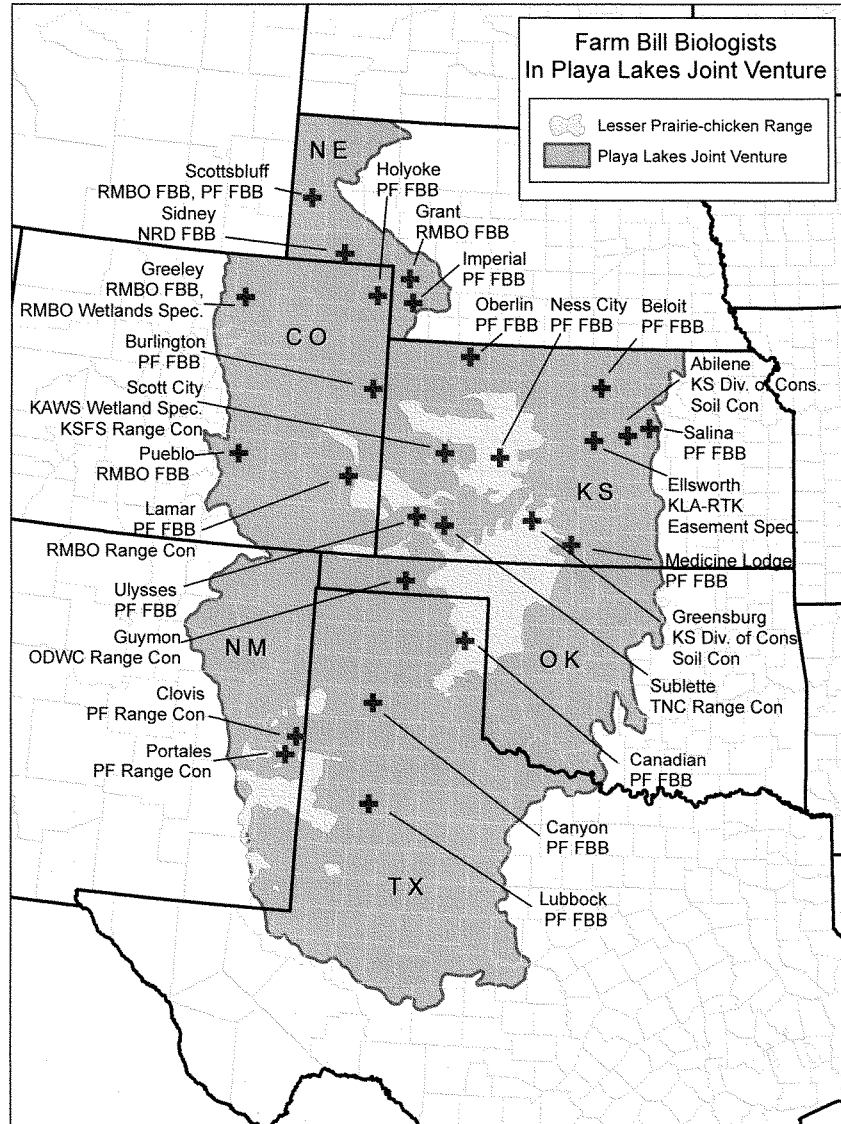
student taste and acceptance. According to USDA, its proposed rule would increase the cost of serving each school breakfast by 50 cents and each lunch by 14 cents. We respectfully submit that a vehicle for children's nutrition as critically important as school meal programs should not be subjected to dramatic changes in nutrition standards and economic pressure without opportunity for reasonable transition and full understanding of the impact that is likely to occur on various types of schools. Even if the proposed rule is revised as America's school foodservice directors have recommended, dramatic changes will be required. It's expected that many of the proposed changes will affect participation, as well as meal and food costs. We support the need for a thorough process of evaluations and extending the timelines for implementation of sodium reduction and the requirement for whole grains across the meal program. Our final recommendation is that instead of issuing a final rule, FNS issue an interim final rule compliance with which is optional pending promulgation of a final rule. A year of transition for implementation of these major changes in school nutrition standards would provide an opportunity for research and evaluations to confirm the effectiveness of the numerous changes the new rule will require. The enhanced reimbursement rate authorized by the Healthy, Hunger-Free Kids Act of 2010 would serve as a significant incentive for schools to meet the standards of the interim final rule.

I appreciate this opportunity to come before you today to provide testimony. Like other manufacturers, we recognize the important role we play in improving school meals and we look forward to ensuring that the products we make meet nutrition standards and help maintain student participation.

DOCUMENTS SUBMITTED FOR THE RECORD

AUGUST 25, 2011

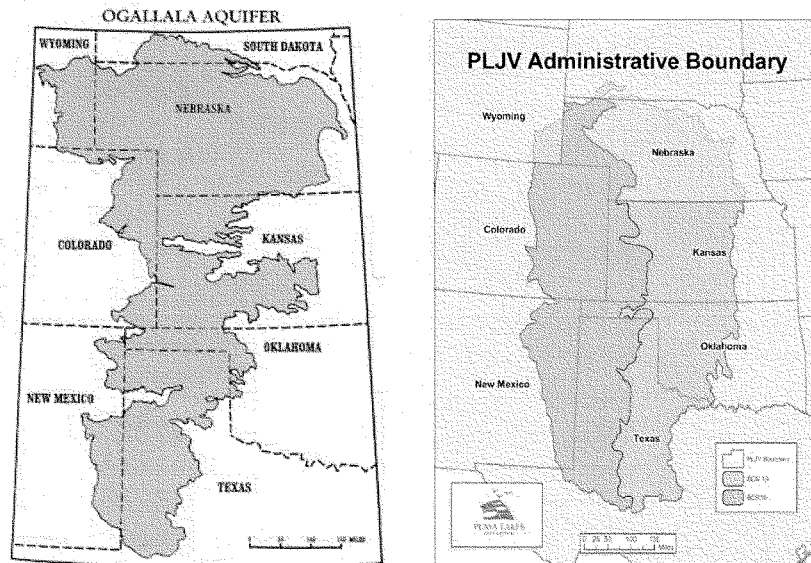




Playas and the Ogallala Aquifer – What's the Connection?

The Ogallala Aquifer underlies approximately 174,000 square miles of the western Great Plains region, particularly in Texas, New Mexico, Oklahoma, Kansas, Colorado and Nebraska. The Ogallala has long been a major source of water for municipalities, industries, and most notably agricultural development, since the turn of the century. More than 95 percent of the water pumped from the aquifer is used for irrigation. The resource is the driving force behind agricultural economies of the western Great Plains. In 1949, the Ogallala irrigated 3.5 million acres – by 1997, it irrigated 14 million acres. Consequently, the aquifer's water supply has declined steadily since the 1940s and recent figures show a 1.35-ft. drop per year from 1992 to 1997. Although current dry land farming techniques have resulted in reduced pumping, the amount of groundwater being withdrawn still greatly surpasses the aquifer's natural rate of recharge.

Mounting evidence points to playa lakes as the primary source of natural recharge for the Ogallala Aquifer. Playas are shallow, seasonal wetlands that are generally round and small with clay basins and are located across the grasslands of the western Great Plains. They are the most numerous wetland in the region, totaling more than 60,000. Playa lakes lie in the lowest point in a large, closed watershed, collecting rainwater and runoff from surrounding uplands. Numerous studies indicate that recharge into the Ogallala is focused under playas and can exceed three inches of water per year.¹ Maintenance of functioning playas is therefore critical to sustaining irrigation-based agricultural economies of the western Great Plains. The Playa Lakes Joint Venture (PLJV) conserves playa lakes, other wetlands and associated landscapes through partnerships for the benefit of birds, other wildlife and people.



The Ogallala Aquifer underlies a major portion of the PLJV's administrative boundaries and Bird Conservation Regions (BCRs) – where nearly all playa lakes occur.

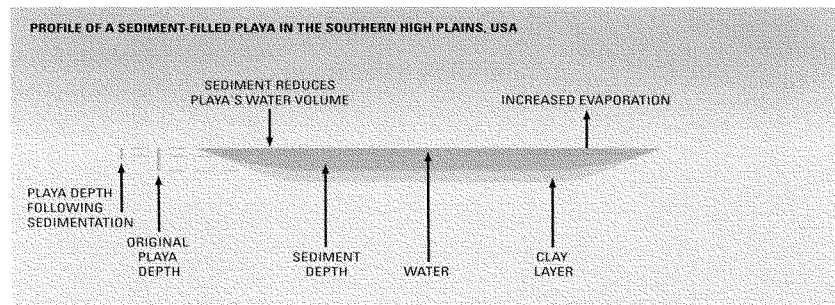
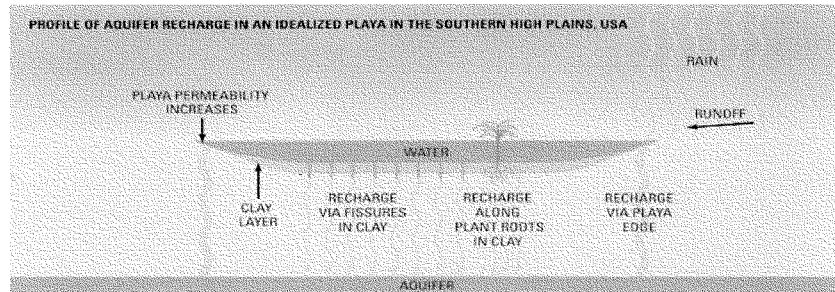
HOW DOES RECHARGE WORK AND WHY MUST PLAYAS BE MAINTAINED?

Aquifer recharge occurs through playa basins and along the perimeter of playas. When a dry playa receives a surge of water from rainfall or associated runoff, water flows into the playa basin and penetrates the clay layer through large cracks and plant root openings in the floor. These cracks eventually swell shut and become impermeable as the clay absorbs more water. Recharge also occurs along playa perimeters where clay is thin or non-existent. Current research on playas in the Southern High Plains of Texas found that recharge rates in playa basins exceeds three inches per year in unaltered playas. More than 70 percent of playas have been altered from their natural state by tilling, pitting, intentional filling or filling through sedimentation.

Of all these, sedimentation is the most critical threat to playa function, especially in regard to groundwater recharge². Sedimentation occurs on all playas that are surrounded by tilled lands. Water from rain and irrigation carry soil into playas, gradually filling them. Sediment build up reduces the volume of water playas can hold and increases the rate of water loss through evaporation, thus limiting recharge.

The PLJV and its partners work with landowners in Colorado, Kansas, Nebraska, New Mexico, Kansas and Texas, providing technical and financial assistance to conserve playas in agricultural and range land. Joint Venture partners have invested and leveraged close to \$50 million for hundreds of conservation projects since 1989. For more information contact the PLJV at:

103 E. Simpson, Lafayette CO 80026; tel (303) 926-0777; fax (303) 926-8102; www.pljv.org



¹Wood, W.W. 2000. Ground-Water Recharge in the Southern High Plains of Texas and New Mexico. United States Geological Survey FS-127-98.

²Luo, Hong-Ren, L. M. Smith, B. L. Allen, and D. A. Haukos. 1997. Effects of sedimentation on playa wetland volume. *Ecological Applications* 7: pp. 247-252.



COMPANY PROFILE

Established September 19, 1997

Come visit our Website: www.windrivergrain.com

E-mail: bob@windrivergrain.com

Vision Statement: To be the preferred market choice to U.S. grain originators and world end-users.

Fiscal Year	May 1-April 30	Toll Free #:	1 (888) 262-4062
Phone#:	1 (620) 275-2101	Fax #:	1 (620) 276-4045

General Manager	Bob Tempel
Operations Manager	David Cornett
Merchandiser Manager	Charlie Sauerwein, MAB
CFO	Kammi Hansen, CPA, MBA

Date:	Total Sales:	Date:	Total Sales:
04/25/98	\$12,795,801	04/30/05	\$75,643,072
04/30/99	\$35,375,080	04/30/06	\$72,273,665
04/30/00	\$47,711,554	04/30/07	\$80,786,946
04/30/01	\$37,232,907	04/30/08	\$246,679,620
04/30/02	\$43,837,416	04/30/09	\$230,378,115
04/30/03	\$49,834,741	04/30/10	\$187,364,235
04/30/04	\$96,057,648	04/30/11	\$264,490,318

Full-time Employees	16	Part-time Employees	2
Dispatcher/Merchant: Donny Huber		Merchandiser:	Jeff Huggard

Elevator Location
Garden City, KS

RR Access **Licensed Capacity (Bu.)**
BNSF 7,753,000
110 Car Train Loader & Unloader

Types of Grain Handled

Hard Red Winter Wheat
Hard White Winter Wheat
Yellow Grain Sorghum
Yellow Corn
Yellow Soybeans

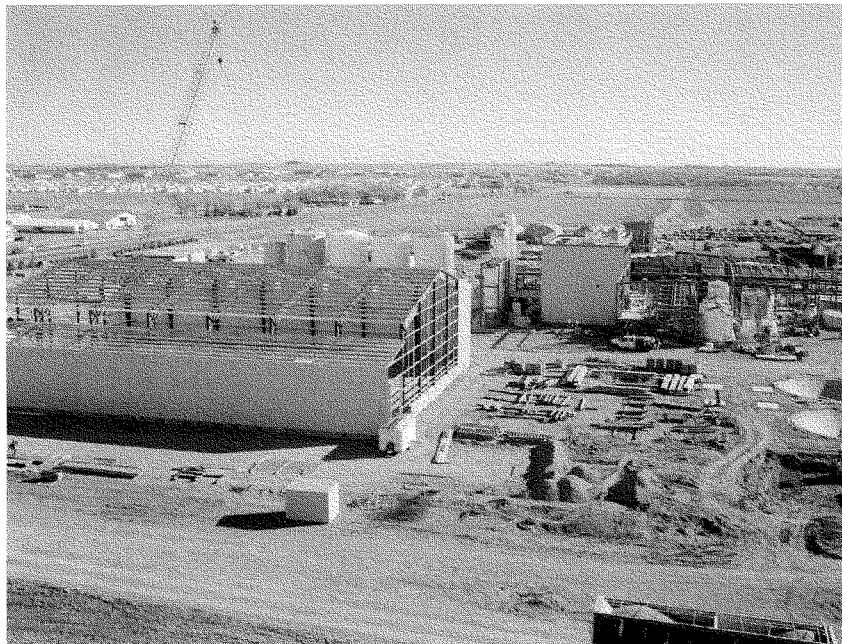
Affiliations

National Grain & Feed Association
Kansas Grain & Feed Association

WindRiver Grain in the beginning....



Bonanza BioEnergy during construction...



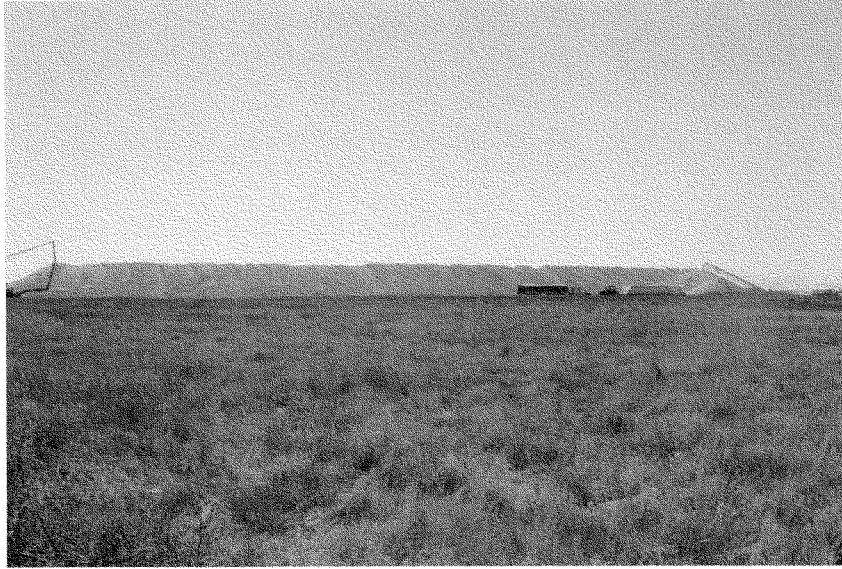
Our coverall, covered bunkers & 2010 milo ground piles...



Side view of the milo pile...



Distant view of the first 2010 milo pile and the second one beginning....



Aerial View of WindRiver & Bonanza BioEnergy...



U.S. Corn Production Pie Grows

	Production	Feed	Food, Seed, Ind	Ethanol*	Exports	End Stocks	Total Demand
1990/91	7,933	4,710	1,125	200	1,725	1,521	7,760
2000/01	9,915	5,842	1,307	650	1,941	1,899	9,740
2010/11	13,470	5,050	1,400	5,150	1,900	870	13,500

* Ethanol use is estimated in yrs 1990/91 and 2000/01

