

# NASDA 2007 FARM BILL RECOMMENDATIONS

*September 18, 2006*



The National Association of State Departments of Agriculture (NASDA)  
1156 15th Street, N.W., Suite 1020  
Washington, D.C. 20005  
202-296-9680 e-mail [nasda@nasda.org](mailto:nasda@nasda.org)  
<http://www.nasda.org/>  
President Valoria Loveland, Washington State Department of Agriculture

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# NASDA 2007 FARM BILL RECOMMENDATIONS

## PURPOSE

The commissioners, secretaries, and directors of the state departments of agriculture are keenly aware of the changing dynamics in food, fiber and fuel production around the world. As the chief agricultural officers in their states, they understand the importance of the entire food and agricultural sector, not only to their states but to the national economy as well. From their vantage point comes the National Association of State Departments of Agriculture's (NASDA) comprehensive set of strategic policy initiatives designed to enhance U.S. agricultural competitiveness and profitability and to ensure the survivability of U.S. producers. Our purpose is to contribute to a wide-ranging and constructive debate on agricultural policy and the next farm bill.

## INTRODUCTION

Agriculture is an important force in the economic, social, and political fabric of America. Agriculture is considered one of the protected Critical Assets to this nation as outlined by the Department of Homeland Security (DHS). The National Strategy for the Physical Protection of the Critical Infrastructures and Key Assets states that local governments represent the front line in protecting the people from acts of terrorism. States are asked to identify and secure the critical infrastructures and key assets under their control. Agriculture and Food is a protected Critical Asset. However, on the public front, agriculture is treated as a replaceable supplier and not as a Critical Asset. The definition of Agriculture and Food Sectors as a Critical Asset includes:

- The supply chains for feed, animals, and animal products;
- Crop production and the supply chains of seed, fertilizer, and other necessary related materials; and
- The post-harvesting components of the food supply chain, from processing, production, and packaging through storage and distribution to retail sales, institutional food services, and restaurant or home consumption.<sup>1</sup>

As representatives of the state departments of agriculture, we seek to outline in this document what issues must be addressed in the next farm bill for the United States in order to allow the best avenue for protecting agriculture as a Critical Asset to the safety and security of this nation and its people.

Policy decisions for and about agriculture, from the Homestead Act that helped settle the West, to the development of our Land Grant college system, were essential building blocks of our society. Now, as America faces the information age and the technology revolution of the 21st century, policy makers must not forget the agricultural foundation that supports our place in the world. Moreover, since the United States has experienced terrorist attacks and it continues to monitor and plan against terrorism in all its forms, there will be an unprecedented focus on the integrity and safety of our farm to table food supply chain. This will be a challenge for producers and policy makers alike.

Farming and ranching are the foundations of our \$1 trillion food and fiber business and nearly \$60 billion in annual exports. Agriculture is a major contributor in our country's trade balance. This vast industry is not only essential to the economic health of Rural America; it generates almost 16 percent of the total economic activity in the nation, as well as providing almost 18 percent of the country's jobs. This economic mainstay is rooted in the land resources of the country. More than 900 million acres of agricultural land is in the care of farmers and ranchers and their families, accounting for 60 percent of land use in the lower 48 states. Not only is a sound agricultural sector critical to the health and prosperity of our nation, it is essential to the environmental health of the nation as well.

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<sup>1</sup> *The National Strategy for the Physical Protection of the Critical Infrastructures and Key Assets*, Feb 2003. p viii, xii, 19

However, the business of producing food and fiber is undergoing unprecedented change. Economic, environmental, consumer, and technological forces beyond the control of individual farmers and ranchers drive this change; and as we have learned, so too does the necessary defense of our nation. Federal and state policy makers need to be aware of these forces to make prudent policy decisions that will help position U.S. agriculture to benefit from the opportunities this change will bring about. To ensure the future viability of our nation's production agriculture industry and Rural America, it is clear that state and federal policy makers must work together.

NASDA's Guiding Principles offer certain priorities for federal policy. Those priorities include important new roles for states, especially in the area of program and service delivery. These concepts are put forth as an attempt to best serve the needs of our agricultural producers in an increasingly competitive worldwide marketplace and to enhance our communities and other areas where agriculture exists.

## **GUIDING PRINCIPLES**

The policy process should be guided by three principles designed to be the guidelines for a comprehensive, coordinated, agricultural policy.

1. Profitability and Viability: A financially healthy and profitable agricultural sector is essential to the production of a safe, fresh, and affordable supply of food, fuel, and fiber. Moreover, economically viable farming and ranching enterprises will enable producers to increase their efforts to maintain a healthy environment, protect our natural resources, and build stronger communities in and around agricultural areas, ensure domestic security from disease, pest infestations, acts and or threats of terrorism, and other areas of vulnerability.
2. Level Playing Field Through Fair and Free Trade, Labor Laws, and Sound Science: A financially healthy and competitive agricultural economy can only result from a fair marketplace domestically and globally. Within these marketplaces, efficient, productive farmers and ranchers would have economic marketing and bidding power commensurate to their assets and production capabilities. An agricultural economy must be based on the development and adoption of science-based practices derived from reliable data and research. If free and fair trade is ever to be accomplished, the widespread issue of human rights and labor laws must be addressed across international borders. Workers in every nation should have the basic rights to safe and healthy work environments, established laws to protect these rights and fair labor compensation and pay in return for work. If free and fair trade is to become a reality, then workers rights must be established across the board in all countries that participate in international trade. All countries must be required to establish and abide by health, labor, and environmental standards in order to truly "level the playing field".
3. States Have a Major Role in Delivery of Programs and Flexibility in Regulation: One size does not fit all. Government policies and programs should be flexible, and to the maximum extent possible, based on voluntary participation through incentive-based approaches. While regulations should be appropriately based on national goals, they should be responsive to regional differences and varying needs. These programs should also be controlled and implemented at the state level. Particular emphasis should be placed on partnerships and pilot projects. In each of the core areas of policy, state departments of agriculture have current responsibilities to carry out. Federal policies and programs must further recognize how essential states are in making certain that programs are meeting the needs of producers and rural communities. State departments of agriculture are at the front lines with producers and communities and must be full partners in program delivery.

## **A Broader Policy Horizon for Agriculture**

The focus of farm policy has varied throughout history. The Agricultural Adjustment Act of 1933 established the first major price support and acreage reduction program and set parity as a goal for farm prices. Much of the policy infrastructure of today remains a legacy of that seminal 1933 act.

As U.S. agriculture enters the 21st century, however, the traditional approach will not be enough to ensure adequate opportunities for success. The extent of global competition for U.S. producers has expanded into capital, tax burdens, labor supplies, environmental and regulatory constraints, food safety concerns, land costs, and the relative degree of access to foreign markets. In one sense, all of these factors can be viewed merely as different forms of risk to be managed.

## **Managing Risk**

NASDA's ideas are built on the principle that the most effective agricultural policy is one that allows today's producers to manage all the risks they face in order to maximize their opportunities for profitability. U.S. farm policy should not guarantee that every farmer makes a profit; it should, however, provide all farmers and ranchers an adequate safety net and a range of tools to manage risk, in all its forms, to ensure that good producers are not put out of business due to arbitrary forces beyond their control.

Indeed, risk goes beyond commodity price fluctuations. Broader economic changes, such as energy and fertilizer costs, are perhaps some of the biggest economic challenges facing producers today. The range of environmental and food safety challenges faced by farmers and ranchers are complex, involve a higher level of scientific scrutiny and uncertainty, and are influenced by a diverse mix of stakeholders and interests. Moreover, in today's global market producers face food security risks from animal health issues and plant diseases, both here and abroad. The goal of government policy at both the federal and state level must be to ensure that opportunity accompanies each new risk that faces U.S. agriculture. Among those risks are economic, environmental, and political. They come from the marketplace, nature, and governmental policies. This broader, more encompassing concept of risk should be what we mean when we use the terms "risk" and "risk management". This broader meaning of risk management must, in turn, be the foundation of comprehensive agricultural policy that is designed to both protect producers' assets and provide new market opportunities.

## **Core Areas for Policy**

NASDA has identified nine core areas of a broad, risk management/opportunity-based agricultural policy.

1. Farm and Ranch Financial Viability
2. Enhancing Domestic and International Markets
3. Sustaining Agricultural Resources: Land, Water, and Air
4. Rural Development
5. Safe, Healthy, and Nutritious Food
6. Bio-Industry Development and Energy from Agriculture
7. Biotechnology
8. Bio-Security: Safeguarding Plants and Animals
9. Infrastructure

## **REGIONAL AGRICULTURAL PERSPECTIVES**

### **Northeastern Agriculture**

In the northeastern United States—the nation's most densely populated region—the viability of agriculture depends on preserving farmland, adopting innovative value-added approaches and reaching out to ensure another generation will carry on the tradition.

From Colonial times, the soils and climate seemed to limit the region's potential as a large-scale food producer. But what the agricultural landscape lacked in scale, it made up in variety and ingenuity. Today, ingenuity remains a prominent trait of Northeastern farmers. New markets are being developed in renewable energy, horticulture, and aquaculture. Farmers are focused on getting more production per acre to make the most of the smaller farms, and they seek opportunities for value-added products to keep a greater share of the consumer dollar.

In the face of property values that rank among the highest in the nation, Northeastern states have convinced residents to dedicate money to preserve roughly 750,000 acres of farmland. Despite these successes, every state in the region except Maine lost farmland between 1997 and 2002. The dense population also creates unique challenges when applying Rural Development programs to the region. Rural communities are often lumped into nearby urban areas, reducing their chances to benefit from such programs.

However, dense populations also can be a blessing. Being close to such large markets helps farmers reach customers without transporting their products long distances. In an age of high fuel prices, this is an important advantage. The proximity of large markets also allows produce to be picked at peak freshness and food products to be delivered to customers within two or three days. That is part of the reason why regional produce and seafood are held in high regard, and why 50-cow dairy farms can thrive here.

Large urban centers also offer opportunity in the form of emerging ethnic markets. Five Northeastern states rank in the top 25 for minority population. Demand for goat meat among Muslims and Hispanics has sparked projects to meet that demand, while increased Asian populations have farmers adding okra, opo squash, and daikon radishes.

People in urban centers also are increasingly hungry to learn where their food comes from, and this makes community farmers' markets a profitable market opportunity.

With so many other industries in the Northeast offering exciting career possibilities, the region's farm community has a need for aggressive efforts to cultivate the next generation of farmers. This is done in part by educating students about agricultural careers and by reaching out to people working in other professions.

As Northeastern agriculture continues to evolve, the Northeastern Association of State Departments of Agriculture (NEASDA)—Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont—will play a central role in preserving farmland, developing new markets, encouraging innovation, and helping new farmers to meet the challenges of farming in a highly urbanized region.

### **Southern Agriculture**

The states of the Southern region comprise the Southern Association of State Departments of Agriculture (SASDA)—Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The region's geographic diversity and its generally favorable climate make it ideal for agriculture.

About 43 percent of the nation's farms are in the 15 Southern states. Together these farms' crops and livestock have a value of more than \$60 billion, second highest of the four agricultural regions. Poultry and eggs, equine, cattle, and hogs are the main livestock commodities in the South. Major row crops include cotton, tobacco, rice, sugarcane, peanuts, fruits and vegetables, and hay.

The mild climate and frequent rainfall in many Southern states gives producers a competitive edge, but these same conditions also lead to population growth and urban sprawl—an issue the South has faced for many years. The warm and wet climate also gives rise to an array of pests and diseases that constitute a greater burden for southern farmers than farmers in any other area except Hawaii. Citrus Canker, Soybean Rust and Southern Pine Beetle are a few examples of pests that can no longer be eradicated. Given the higher risk of agricultural pests and diseases, Southern farmers have greater need for cost-effective and reliable crop protection products such as pesticides and insecticides.

Southern farmers realize that with the decrease of historic crops such as tobacco, alternative and specialty crops, and value-added products are essential to maintain the viability of agriculture in the region. From traditional row crops to livestock to specialty crops, farmers in the South are experimenting with a variety of tools to remain competitive. Conventional methods are still widespread, but many producers are starting to use organic and free-range methods. Local farmers' markets provide a key marketing outlet, and agri-tourism activities such as corn mazes, nurseries and greenhouses, fishing and hunting venues, and pick-your-own operations help boost farm income.

Southern agriculture has been battered by storms, droughts, and other natural disasters in recent years. The last two years have been particularly difficult. Restoring agriculture takes an enormous effort in the wake of these catastrophes. For this reason, a top priority for the South is the establishment of a permanent agricultural disaster assistance program that is not subject to annual appropriations. Expansion of crop insurance is also a priority, as some specialty crops are not eligible for insurance and many insurance premiums are beyond the reach of producers operating on small margins.

Southern farmers remain heavily dependent on agricultural export markets, which have accounted for nearly 20 percent of the region's farm income in recent years. As foreign products come into the country, so do people. The Southern states continue to see an influx of immigrants. Unfortunately, some of the immigrants arriving in the country do so illegally. While illegal immigrants create additional burdens in some areas, these workers are critical to many industries including agriculture. A viable temporary worker program would address needs for an adequate and reliable legal workforce.

### **Midwestern Agriculture**

Agriculture and the Midwest are almost synonymous. Six of the top 10 agriculture states are in the Midwest, and farming remains the economic backbone for much of the region.

The 12 states of the Midwest Association of State Departments of Agriculture (MASDA)—Illinois, Iowa, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin—lead the nation in the production of many major farm commodities including corn, soybeans, wheat, cheese, and red meat. While long-standing staples like corn and wheat still dominate in areas, diversity is increasingly a key trait of much of the region's agriculture. Farms range from small, organic vegetable patches to large cattle ranches covering many miles. Midwest farmers have also been leaders in the adoption of biotechnology, to the point where today in some states the majority of soybean and corn acreage is planted to biotech varieties.

At the same time, Midwestern agriculture is evolving from commodity production to include value-added processing, renewable energy production, and innovative market development. With agriculture increasingly called upon to meet America's energy needs through ethanol, biodiesel, and wind power, renewable energy is perhaps the fastest growing sector of Midwestern agriculture. Ethanol and biodiesel plants are springing up across the region, and wind-powered generators are an increasingly frequent sight.

Livestock production is also a major part of the region's farm economy. In the Great Plains states, beef cattle graze where buffalo once roamed. Farther east, America's traditional dairy heartland is in the rolling landscape of Wisconsin and Minnesota. Pork, poultry, and dairy production exist in tandem with the major corn and soybean production areas of Illinois, Iowa, Indiana, Michigan, Minnesota, and Ohio.

Despite its strength and diversity, Midwestern agriculture faces a number of challenges. Some states' livestock sectors suffer from aging infrastructure and public policies hostile to growth and modernization. Urban sprawl is found even in prairie states. Increased movement of goods and people means new threats from invasive pests. Adverse weather, from long-term drought in some areas to excessive moisture and severe storms in others, puts a strain on producers and communities. As the average age of farmers in some states exceeds 55 years and younger generations look to other careers, there is also growing concern about cultivating the next generation of farmers.

In the face of these challenges, Midwestern producers continue to develop new production opportunities and marketing approaches. Midwest farm leaders aggressively pursue international markets for corn, soybeans, wheat, livestock genetics, and pork. Seven of the 10 leading states for agricultural exports are in the Midwest. Closer to home, farmers' markets and roadside stands, community-supported agriculture organizations, organic and sustainable farms, bed-and-breakfasts, and other sideline businesses are increasingly common. Thanks to these innovative approaches, the face of Midwestern agriculture is changing even as its economic importance remains constant.

### **Western Agriculture**

The region comprising the Western Association of State Departments of Agriculture (WASDA)—Alaska, American Samoa, Arizona, California, Colorado, Guam, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming—is characterized by its tremendous diversity of people, cultures, lifestyles, landscapes, and agriculture. In many states, varied intrastate geography supports multiple growing zones, large and small farms, major commodities and specialty crops.

While agriculture was once dominant in the region, many farms and ranches are now circled by housing or business parks. This urban interface creates conflicts for agriculture and competition for land and resources. In towns where agriculture was once celebrated, meetings are held to complain about smells, noise, or the combine that rambles down a commuter highway. Rising land values pressure farmers to abandon farming. In Colorado, kayak parks are now putting critical irrigation infrastructure at risk. In response to development pressure, policy makers are beginning to realize the value of preserving important agricultural lands. Meanwhile, farmers and ranchers have redoubled efforts to show that the U.S. farmer is a superior steward of the land. However, access to and reasonable use of these lands remains a critical issue.

Amid this urban pressure, farms are adapting to a changed marketplace. The global farm economy has transformed Western producers into international businesses, with customers and competitors around the world. At the same time, they face new invasive pests and other risks to food safety and security. Despite transportation improvements, Montana's grain industry still grapples with high prices and limited competition in the rail system, and Hawaii and Alaska struggle with air and sea port fees.

However, this global farm economy has also afforded new opportunities. Several Western states are aggressively marketing products at home and abroad, and supporting the development of new industries. Researchers are turning crops and byproducts into clean, sustainable fuel. Western states are also on the forefront of biotechnology, although the coexistence of biotech crops with other systems remains a difficult issue.

Western farms are finding other ways to innovate. Some farms are turning a profit by converting farm houses into bed and breakfasts. World-class Western wineries are attracting connoisseurs from around the world to sample their wines while enjoying the scenic backdrops. Some farms are letting customers to pick their own produce, and others are selling directly to the consumer at farmers' markets. Value-added opportunities are also becoming more important. In Idaho, the growth of the dairy industry led to the establishment of cheese plants. Meanwhile, Montana's growing value-added processing sector is focused on products such as bread and cereal, organic grains, and soup mixes.

Traditional program crops supported by past federal legislation have limited application in much of the West, where specialty or non-program crops are abundant. Future federal farm legislation will have to be flexible to recognize the very different needs that exist from state to state and even within states.

## **FARM AND RANCH FINANCIAL VIABILITY**

U.S. agriculture continues to experience structural changes at a breathtaking pace. Agri-business consolidation, globalization, and the growth of foreign trade opportunities and competition have fundamentally changed the nature of farming and farm economics. At the same time, agricultural commodity prices have been relatively stagnant while producers' operating costs have steadily risen, exacerbated by the rise in energy prices.

Many producers are finding creative approaches to adapt and thrive in this period of change. However, others struggle to find a profitable niche in the 21st century farm economy. Farmers are not the only ones feeling pressure to adapt. Existing economic policies that may have benefitted some or all of the country's farmers and ranchers in the past may no longer be the most effective approach in the new marketplace. There is a need for policy makers to take a close look at existing policies to see what works and what no longer works. There is also a need for effective policies that help America's farmers and ranchers diversify and stabilize their family income to accommodate the dramatic fluctuations of commodity prices. At the same time, policies must be flexible to allow U.S. agriculture to adjust to changes in trade relations and economic forces down the road.

Taking the long-range view, one particularly important challenge for policy makers is to find a way to make agriculture a more inviting and accessible career for cash-strapped young people who have the desire and work ethic—but often not the cash—to enter farming.

### **Economic Safety Nets and Assistance Programs**

A price/income safety net is a necessity for the agriculture industry in today's global competitive markets. Maintaining the market loan and counter cyclical programs that are currently in place as part of the 2002 farm bill is necessary not only for the economic stability of domestic producers, but to demonstrate to our trading partners that the U.S. is serious about using all the tools available under World Trade Organization (WTO) to maintain U.S. market share. The next farm bill must also retain planting flexibility, which will allow producers to plant crops they believe will provide the greatest return.

### **Recommended Actions:**

1. Market Loan and Counter Cyclical programs should be maintained in federal farm policy until further analysis of the agriculture budget and the results of WTO rules and negotiations on farm policy.
2. Payment limitations must be clearly established and enforceable. Money saved from payment limits must remain in the agriculture budget.
3. The "three entity rule" needs to be reviewed. The General Accounting Office (GAO) should study the impact of direct payments on land values.

## **Dairy Policy**

The dairy sector of the agriculture industry is critical to the economical and nutritional health of this nation. NASDA actively supports policies which continue to provide a market safety net for U.S. dairy producers. Dairy policy must continue to be flexible and available to producers as markets continue to vary greatly year to year. Milk prices should reflect local value not national price. The market price of farm milk should be determined by its local availability and marketing demand per classification of use. A dairy producer should be responsible only for the marketing / transportation costs associated with his or her milk as other farm commodity producers.

### **Recommended Actions:**

1. The self-help program administered by the National Milk Producers Federation, Cooperatives Working Together (CWT) should be continued.
2. The states' right to create multi-state marketing agreements in order to enhance milk prices within their regions must be maintained.
3. Continuation of the Milk Income Loss Contracts (MILC) program is supported, with adjustments to double the per farm production cap and establish flexibility to encourage multi-family or multi-generational dairy farm operations.
4. Creation of a revenue insurance pilot program to provide comprehensive and adequate revenue insurance for dairy producers that is cost effective, and payments are triggered by price fluctuations at a level to enhance the viability of small-scale dairy farms.

## **Risk Management Programs**

Risk management tools must be flexible, comprehensive, versatile, simplified, and readily available to U.S. producers. Crop / Livestock insurance and disaster programs must complement one another to ensure adequate coverage for producers, with risk management programs serving as the first line of defense.

### **Recommended Actions:**

1. USDA should limit actual production data for determining a producer's Actual Production History (APH) to data no older than 10 calendar years.
2. Beginning farmers without a production history should be allowed to use historical county level production data or the actual production data applying to that land. USDA should offer beginning farmers a higher subsidy on the crop insurance premium as an incentive to enter the agriculture industry (50 percent additional premium subsidy in the first year of farming, decreasing by 10 percent each year for five years).
3. USDA should develop and implement whole farm revenue insurance programs designed to provide higher levels of coverage and to cover all crops, including specialty crops, hay, and pastureland for livestock production. These programs (e.g. AGR-Lite) should provide protection against natural disasters such as hurricanes and drought, livestock disasters, flooding, fire, and unavoidable losses of production and low prices.
4. It is essential that a crop insurance / risk management plan cover, at a minimum, the input cost of production to a producer. A cost of production-based insurance program would provide protection for up to a certain percentage of a producer's documented costs of production.
5. The Federal Crop Insurance Board must include more representation of farmers and ranchers from the various regions of the country and various types of production and commodities.

6. Crop insurance products must be made available for alternative and non-traditional crops. Any roadblocks for crop insurance / risk management tools for oilseeds and other biofuel feedstocks need to be removed.
7. USDA should base crop insurance price elections for organic crops on organic rather than conventional crop prices.
8. To avoid fraudulent activity, producers must choose between a revenue insurance program or a cost of production program as both programs cannot be applied to the same producer.
9. USDA should accelerate the development of appropriate risk management tools for fruit and vegetables, nursery, vineyard, seed, citrus, tree crops, livestock, aquaculture, and milk. Additional premiums subsidies (above the 50% level) would be provided since no counter cyclical assistance program currently exists for these crops.

### **Disaster Assistance**

Disaster assistance should always be an option in the face of national crisis, but it must be provided in an on-going, consistent, and predictable manner to be fully effective.

### **Recommended Actions:**

1. Permanent disaster assistance should be provided for in the farm bill rather than on an ad hoc basis. Disaster assistance should be relative to the cost of production with payment eligibility determined by participation in a federally sanctioned program, where available.
2. Any disaster relief program must provide assistance to producers of food, fiber, and fuel that is commensurate with production losses resulting from drought, hurricanes, floods, fire, and other natural disasters. Disaster assistance must not be a disincentive to purchasing crop insurance; rather the two programs should complement one another.
3. The USDA should be required to deploy disaster liaisons to coordinate appropriate resources within USDA and other federal agencies.
4. Farm Service Agency's (FSA) emergency loan programs must be revised including appropriate loan amount caps; eligibility expansion for producers who may not currently be eligible for emergency loans; simplified process for producer qualifications and screening / loan determinations; and ensuring that the amount of actual loss is covered up to the limit of repayment capability.
5. Better coordination between the USDA and other federal, state, and local agencies is needed in developing a more inter-related program of risk management and disaster assistance for U.S. producers to deal with localized disasters.
6. Federal agencies should work cooperatively with state departments of agriculture in providing disaster assistance programs and should create a mechanism to allocate funds to agricultural needs within weeks instead of months of a disaster.

### **Small and Disadvantaged Farmers / Beginning Farmers and Ranchers**

NASDA supports tax incentives and capital gains exclusion for selling to first time farm/ranch buyers. The economic future of our nation's agriculture depends on the ability of new generations to enter farming and ranching. The barriers faced by the next generation are significant, and merit immediate attention by policy makers.

**Recommended Actions:**

1. Create additional risk management programs such as cost of production program or adjusted gross revenue insurance that will better provide higher levels of coverage at affordable rates.
2. Beginning farmers without a production history should be allowed to use historical county level production data or the actual production data applying to that land. USDA should offer beginning farmers a higher subsidy on the crop insurance premium as an incentive to enter the agriculture industry (50 percent additional premium subsidy in the first year of farming, decreasing by 10 percent each year for five years).
3. A larger maximum is needed on the Aggie Bond base to provide an additional tool in agriculture financing.

**Farm Savings Accounts**

As a means to enable producers to survive periods of low profitability, farm savings accounts should be created to level out income flows.

**Recommended Action:**

1. Congress should establish Farm Savings and Retirement Accounts as a necessary management tool for U.S. farmers and ranchers.

**Intergenerational Farm Transfers**

Retirement and succession planning are of considerable importance to farm households and tools should be available to farmers and ranchers to make decisions that enhance their own futures as well as the future of agriculture.

**Recommended Actions:**

1. NASDA supports tax incentives and capital gains exclusion for selling to first time farm/ranch buyers.
2. New business succession and farmland tenure models must be developed. These models must be regionally appropriate and respond to the unique needs of both beginning and retiring farmers and ranchers. Models should also recognize farms that produce energy, such as dairy farms with manure digesters.
3. NASDA supports USDA grants to state departments of agriculture to provide assistance / guidance to transition farms and farming operations from current ownership to the next generation of family farms.

## **ENHANCING DOMESTIC AND INTERNATIONAL MARKETS**

The rapid pace of change in the agricultural economy is a serious challenge for policy makers at all levels of government. To ensure a strong, open, and competitive marketplace, policy makers must make ongoing adjustments at the international and domestic levels. Key objectives at the international level include finding ways to enhance U.S. producers' access to foreign markets while at the same time ensuring a level playing field in which producers and agribusinesses can compete freely under well-defined rules with a clear scientific basis.

Closer to home, domestic policy challenges include finding ways to encourage diversity of production and processing activities, helping producers capture a larger share of the consumer dollar through value-added enterprises, helping farmers adapt to changes in consumer demands and position themselves to successfully meet those demands, and ensuring that markets remain fair and open to competition.

## **INTERNATIONAL**

### **Trade Policy**

NASDA supports a comprehensive and ambitious World Trade Organization (WTO) Doha Development Agenda agreement. That agreement, when concluded, must address all three pillars of the agriculture negotiations: market access; domestic support; and export subsidies. The ability to gain and maintain meaningful access to foreign markets and compete fairly without facing highly subsidized competition or tariffs is critical to the export success of our agriculture and food sectors.

Equally important to new market access is strong enforcement of existing trade agreements and future free trade agreements. Increased international trade in agricultural products requires increased commitment to, and resources for, the regulatory systems that protect U.S. public, animal and plant life and health. At the same time, the U.S. agriculture industry must continue to uphold a high standard of humanitarian and basic human rights for all workers in all nations. All nations entering into trade agreements must implement uniform standards regarding worker rights, labor laws, housing, and environmental laws. Increased international trade, while presenting additional economic opportunity, also poses potentially increased risks from exotic diseases and pests. U.S. trade policy must reflect a balance between the commitment to science-based international rules, and the continuing obligation to protect the U.S. public and the U.S. agricultural producing sector. NASDA supports trade agreements that not only facilitate trade but also require that trade be fair to all sectors.

### **Recommended Actions:**

1. Refine the tariff-rate quota system to ensure market access and fair implementation of quotas in countries around the world. Further liberalization for trade in agricultural products should be achieved through the World Trade Organization (WTO) and through regional free trade initiatives.
2. The federal government should work to end export subsidies across all countries. Until that is achieved, the federal government should utilize export subsidies to the fullest level allowed under our current WTO commitments.
3. As the U.S. seeks to expand market access and liberalize world trade in agriculture, the federal government must carefully conduct formal risk assessments and focus intensified inspections on the countries and traded items that present the most severe risk to importation of pests and diseases. The federal government should ensure adequate staffing and resources as well as direct the focus of port personnel to protect and prevent damage to domestic U.S agriculture and the natural environment as trade is liberalized.
4. Expand forward-based, "in-country" inspection efforts by U.S. inspectors prior to export to the United States.
5. Direct the federal government to continue to liberalize world trade through the multilateral process as well as through regional free trade agreements.

### **Trade with Cuba**

U.S. trade policy toward Cuba is inconsistent with trade policy toward other countries. Therefore a major change in policy is appropriate.

### **Recommended Actions:**

1. The Administration and the U.S. Congress should reexamine U.S. policy towards Cuba and lift the current embargo against Cuba.

2. The U.S. should eliminate the “Cash Only” sales provision of the current law as well as extend trade to other areas besides food and medicine. Laws and regulations related to visa and license requirements should be streamlined to better promote trade activities. Long term contracts should be allowed, which will provide more efficiencies for both parties.
3. Importation of Cuban products into the U.S. should be allowed on the condition that there are appropriate safe guards for domestic markets, particularly for import-sensitive commodities. In addition, it is critical that Cuba be held to the same sanitary/phytosanitary standards as the rest of the world trading community.
4. Tourism restrictions for both countries should be lifted.

### **Trade with China**

China is a growing market for U.S. agriculture. In 2004, the U.S. exports of bulk, intermediate and consumer-oriented products set a record of more than \$5.5 billion dollars, making China the fourth largest market overall. Agricultural imports from China were \$1.6 billion and products included fish, forest products, vegetables, and various processed foods.

Many analysts predicted that China would become a larger importer of agricultural products following its accession to the WTO. A series of WTO commitments required China to cut tariffs, reduce the monopoly power of state trading monopolies, eliminate export subsidies, give equal treatment to imported and domestic products, publish and seek comments on all trade regulations and base phytosanitary rules on science. However, during 2002, its first year as a WTO member, China actually became a larger net exporter of agricultural products.

The export market could be even larger if more Chinese buyers could visit U.S. suppliers. On many occasions U.S. visas have been delayed and often denied to prospective China buyers. The result has been lost sales and decreased U.S. competitiveness in the China market.

### **Recommended Actions:**

1. The Secretary of State and the Department of Homeland Security should issue visas for temporary entry into the United States of Chinese nationals who demonstrate a full itinerary of purchasing activities.
2. The Administration should continue to seek changes in the way China values their currency to ensure domestic producers are not competitively disadvantaged due to currency manipulations.

### **Unilateral Sanctions**

Unilateral sanctions that limit the commercial, government-assisted, or humanitarian movement of agricultural products have proven to be ineffective mechanisms to further foreign policy and are disruptive to international food trade.

### **Recommended Action:**

1. Oppose any unilateral sanctions pertaining to agricultural exports.

### **Trade Promotion Authority**

Trade Promotion Authority is scheduled to expire July 1, 2007. With this authority, the President is able to negotiate trade agreements and submit them to the U.S. Congress for a simple up or down vote. The Congress then has a limited time period in which to approve or reject the agreement without any amendments. The act includes principal negotiating objectives for agriculture. These include: tariff reductions and elimination; adjustment periods for import sensitive products; reduction of trade distorting subsidies of other countries; restrictions on new technology, including biotechnology; and sanitary and phytosanitary regulations. Trade liberalization must continue

so that the agriculture industry can compete fairly in the global market place. Serious trade negotiations will be hindered by other countries knowing that the Congress may alter whatever agreements are reached. The United States should have the tools necessary to continue to play a role in the trade liberalization process. Simply stated, trade is paramount to the success of agriculture. NASDA supports Trade Promotion Authority for the Administration.

**Recommended Actions:**

1. When the current authority expires in 2007, Congress should reauthorize Trade Promotion Authority to allow flexibility for U.S. negotiators.
2. Continue to support the position of the Agricultural Negotiator at the Office of the U.S. Trade Representative (USTR) and strongly urge the Agricultural Negotiator to include NASDA in stakeholder consultations during trade negotiations. NASDA further encourages the Agricultural Negotiator to work closely with USDA's Foreign Agricultural Service (FAS) given their long history of promoting the sale and consumption of domestic agricultural products abroad.

**Sanitary and Phytosanitary Measures**

Despite the adoption of the Uruguay Round Agreement on Sanitary and Phytosanitary Measures (SPS), a number of WTO member countries continue to impose sanitary and phytosanitary measures which lack a sound scientific basis. These questionable SPS measures create tremendous barriers to market access abroad for U.S. agricultural products.

An increased emphasis on facilitating international trade has resulted in increases in detections of plant and animal pests and diseases at our borders despite the shift of agriculture inspectors to the Department of Homeland Security. Budget and staffing constraints coupled with technological challenges have hampered the Department of Homeland Security from being able to provide adequate border inspections and surveillance efforts leaving the enforcement of federal inspections, in large part, to state governments. Lack of enforcement of basic SPS measures in other countries coupled with inadequate border and port inspections will have devastating economic consequences for U.S. agricultural producers.

**Recommended Actions:**

1. Trade negotiators must work to ensure all trading partners are enforcing legitimate science-based sanitary and phytosanitary measures on both imports as well as exports and not allow them to use non-tariff trade barriers to impact our agricultural exports. Negotiators should avoid at all costs opening the SPS Agreement at current and future WTO rounds and to actively seek trade remedies when the Agreement is not being adhered to.
2. As we seek to expand market access and liberalize world trade in agriculture, the U.S. government must carefully conduct formal risk assessments and focus intensified inspections on the countries and traded items that present the most severe risk to importation of pests and diseases. Ensuring adequate staffing and resources as well as directed focus of port personnel can protect and prevent damage to domestic U.S agriculture as trade is liberalized.
3. USDA should improve cooperation between USDA's Animal and Plant Health Inspection Service (APHIS) and FAS when negotiating import and export protocols for plant and animal products. Increased coordination will help optimize the technical and policy expertise within both respective agencies to strengthen agreements for U.S. agriculture.

### **Harmonization of International SPS Standards**

The SPS Agreement anticipates increased harmonization of sanitary and phytosanitary measures on the basis of standards, guidelines, and recommendations of the Codex Alimentarius Commission, the Office International des Epizootics and the International Plant Pest Convention. The United States actively participates in the standard-setting activities of all three organizations and commits considerable manpower and resources to these activities. At the same time, U.S. regulatory agencies rarely accept these standards as domestic standards for the United States. NASDA notes the SPS Agreement obligation to “harmonize [SPS] measures on as wide a basis as possible” and to “base [SPS] measures on international standards, guidelines and recommendations, where they exist...”

#### **Recommended Actions:**

1. U.S. regulatory bodies should adjust their policies and practices in a manner that would permit increased harmonization with international standards, consistent with their duty to protect public, animal and plant health of the United States.
2. U.S. regulatory bodies should work on a bilateral or multilateral basis with other trading partners interested in the increased harmonization of SPS measures to reach agreements that would permit trade, as appropriate, on the basis of mutual recognition, equivalence or reciprocal agreement on the adoption of international standards.

### **Agreement on Technical Barriers**

Technical standards and requirements that are not sanitary or phytosanitary measures (e.g., certain labeling requirements) can also affect international trade in food and agricultural products. The international trade rules applicable to these types of standards are contained in the WTO Agreement on Technical Barriers to Trade (TBT). NASDA is concerned that the TBT Agreement does not currently provide for greater international harmonization of standards, and does not contain the types of enforceable disciplines that would permit U.S. exporters to effectively challenge protectionist trade measures.

#### **Recommended Action:**

1. The U.S. government should pursue a stronger and clearer TBT Agreement in multilateral negotiations.

### **Foreign Agricultural Service**

USDA's Foreign Agricultural Service (FAS) has provided tremendous assistance to state departments of agriculture and producers in promoting the sale and consumption of United States grown agricultural products. Through a variety of programs, including foreign market development, market promotion, outreach, direct credits, and loan guarantees, the FAS assists U.S. producers of both bulk commodities and high valued food products in establishing and maintaining markets around the world.

With the passage of the North American Free Trade Agreement (NAFTA), the creation of the WTO and the Administration's active pursuit of regional and bilateral trade agreements, the activities of the FAS are more important now than ever. Maintaining an effective government focus and commitment to agricultural export development, consistent with treaty obligations, is critical.

#### **Recommended Action:**

1. Congress should adequately fund FAS programs aimed at meeting the objective of expanding trade for agricultural products. Any budget reductions for FAS operations, specifically Agricultural Trade Offices, will impede market access by U.S. agriculture.

### **Market Access Program and the Foreign Market Development Program**

U.S. producers compete in an aggressive foreign market. A Economic Research Service (ERS) report shows the European Union and other foreign competitors outspend the U.S. by twenty to one on agriculture export subsidies and market promotion. To counter this imbalance, U.S. exporters have relied on several market promotion programs: the Foreign Market Development (FMD or “Cooperator Program”) and the Market Access Program (MAP) under which the government assists in conducting food fairs, advertising of U.S. products, and other general promotional activities. The MAP helps U.S. agricultural producers, exporters, private companies, and other organizations finance promotional activities overseas.

The FMD and MAP are not considered to be export subsidies. Although they are considered to be “domestic support measures,” they fall into the so-called “Green Box” category and therefore do not have to be reduced or changed as a matter of WTO rules.

#### **Recommended Action:**

1. The federal government and the Congress should support and fully fund these critical programs that promote an equitable international market place for agricultural products. This will ensure proper administration of the program and secure sufficient staff and resources to monitor and oversee the programs. In the farm bill, MAP should be authorized for \$325 million and FMD should be authorized for \$50 million.

### **Export Financing and Credit Guarantees**

Programs have been designed to increase or maintain U.S. agricultural exports by assisting customers in foreign markets with the purchase of such commodities. These programs operate in countries where credit is necessary to increase or maintain U.S. exports and where private financial institutions may be unwilling to provide financing without a guarantee. These programs also serve as a safety net for exporters reluctant to ship products to new overseas markets. Under these programs, a federal agency simply acts as the guarantor of financing for sales of U.S. agricultural commodities in foreign markets.

#### **Recommended Action:**

1. Export financing and credit guarantee programs (GSM-102/103) should be expanded to cover transportation costs from the U.S. border to export destinations. This expanded coverage would fulfill the programs’ stated purpose of assisting foreign buyers with the purchase of U.S. agricultural commodities, thereby furthering the goal of maintaining or increasing the export of such products.

### **Export Enhancement Program**

Current U.S. trade policy favors the elimination of export subsidies and the United States has put forth an ambitious proposal in the current round of multilateral trade negotiations to eliminate export subsidies completely with reductions phased in over a five-year period in equal annual increments. The formulation of the Export Enhancement Program (EEP) and similar policies became necessary because U.S. exporters faced unfair and highly subsidized competition from the European Union—which currently provides 85% of the world’s export subsidies.

#### **Recommended Action:**

1. Eliminate EEP and similar programs if it is part of a world-wide commitment to end export subsidy practices. If export subsidy elimination is included in a multilateral agreement, the implementing legislation for that agreement should also allow for up to 50 percent of unused EEP funds to be used for related market development and promotion activities.

## **International Trade and Market Access of Biotech Products**

The United States must work toward the goal of internationally accepted, science-based standards for trade in biotechnology-enhanced products. These science-based standards must include testing methodologies, sampling protocols, and tolerance levels. Given the novelty of agricultural biotech products, harmonized regulatory oversight by major trading countries will be a work in progress for quite a while. Indeed many countries have no approval process for these products at all. In a customer-driven market, the terms of product acceptability may change rapidly. There is additional risk in this kind of marketplace that can be managed only if there is good communication at every level of the food chain. If the United States does not have a system that can reliably and consistently deliver products that the customer wants, U.S. agriculture may lose part of its customer base.

### **Recommended Actions:**

1. The U.S. government must participate in all appropriate international, multilateral, and bilateral forums to ensure that all international standards, guidelines or recommendations for commodities and food developed through the use of biotechnology are based on sound science and prudent risk analysis and result in fair trade practices that allow for the unrestricted shipment of such commodities and products in international markets.
2. The international bodies established to administer the sanitary and phytosanitary agreement of the World Trade Organization should continue to have the authority to regulate the international trade of genetically enhanced agricultural products. The United States should use all available means to improve international understanding of the science-based processes used by U.S. agencies when approving products that have been developed through biotechnology.
3. The Codex Alimentarius Commission of the United Nations is currently developing international guidelines for analyzing the risks of foods derived from biotechnology that countries may use in establishing their own product approval regulations. Many countries simply adopt the Codex standards as their own. For this reason, the Codex Alimentarius Commission of the United Nations should fast-track this process.

## **DOMESTIC**

### **Specialty Crops**

The specialty crop industry annually accounts for more than \$53 billion in cash receipts—close to 54% of the total cash receipts for crops—yet specialty crop producers experienced lower than average income in 2003 due to higher energy and labor costs. Specialty crops are defined as all non-program crops. In addition to lower than average income, imports of specialty crops have outstripped the small gain in exports. When comparing U.S. specialty crop import and export values over the period 1997-2002:

- Imports - increased 39% to a total of \$14.7 billion in 2002; while,
- Exports - increased 6.5% to a total of \$11.7 billion in 2002.

The specialty crop industry is more likely to be impacted by pests, disease, low prices, labor shortages, and lack of funding for research, promotion, and inspection than other commodities. In addition, increased consumption of specialty crops is an important component in the national efforts to reduce obesity, increase the nutritional value of the school lunch program, promote 5-A-Day, and strengthen the Farmers' Market Nutrition Programs.

NASDA supports funding of a specialty crops block grant program. While we recognize that federal funding is limited, we believe funding for a specialty crops block grant program should not negatively impact current funding for other commodity programs.

**Recommended Actions:**

1. Congress should amend the current authorization and provide mandatory funding for a specialty crops block grant program in the 2007 farm bill that provides each state a base grant of \$2 million. Of that amount, a state could expend \$500,000 for the general promotion of agriculture and the education of consumers. Beyond the base amount, each state will receive an amount that represents the proportion of the value of specialty crop production in the state in relation to the national value of specialty crop production using the latest available specialty crop production data set in all states, and eliminate caps on state allocations.
2. USDA should accelerate the development of appropriate risk management tools for fruit and vegetables, nursery, vineyard, seed, citrus, tree crops, livestock, aquaculture, and milk. Additional premiums subsidies (above the 50% level) would be provided since no counter cyclical assistance program currently exists for these crops.
3. Due to higher input costs however, the current \$80,000 payment limit on disaster programs is not equitable for many specialty crop producers as their possible loss per acre is significantly higher than for program crops yet they do not receive any direct federal assistance absent implementation of a federal crop disaster program. Therefore cost of production data, currently maintained by the Farm Service Agency (FSA), should be used to index disaster program benefits accordingly.
4. Due to the nature of high value specialty crop production, many current farm bill programs and disaster programs are of limited benefit to specialty crop producers due to payment caps, limits on Adjusted Gross Income, limits on off-farm income even integral to farming operations. USDA should be directed to conduct a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers rather than be excluded or limited simply due to a higher cost of production.
5. Producers of specialty crops should be eligible to participate in NASDA's proposed Agricultural Stewardship Partnership Agreements (conservation block grant) based on state-determined priorities.

**Organic Agriculture**

Organic farming continues to grow in popularity and is one of the fastest growing segments of U.S. agriculture. Based on an USDA study, between 1997 and 2001, U.S. certified acreage grew by 74.1 percent, from 1,346,558 acres to 2,344,857 acres.

NASDA supports recommendations that enhance the National Organic Standards and the National Organic Program (NOP) as well as efforts to increase economic growth of the organic industry. This includes increases in organic research and in the collection of organic statistics. Below is a set of comprehensive recommendations to achieve improvements in organic agriculture.

**Recommended Actions:**

1. USDA should consistently implement and enforce the National Organic Program Final Rule and its organic production and handling standards. In addition, USDA should consistently seek cooperation between the NOP and experienced public and private certifying agencies when addressing the practical aspects of organic production and certification issues as well as cooperative relationships between the NOP and state departments of agriculture.

2. Congress should increase funding to support adequate NOP staffing levels and activities that will accomplish legislative intent of the Final Rule and increase funding to states that will allow them to assist with implementation of the NOP, including consumer protection, local enforcement of standards and certification cost-share programs.
3. USDA should target marketing assistance to small and medium sized organic growers to capitalize on the value of their production.
4. USDA should include “organic” as a defined commodity in USDA market promotion programs, permitting U.S. organic farmers and food companies to be more aggressive in production, expansion, and marketing activities, and to increase their competitiveness in the global organic market.
5. USDA should increase funding for collection and distribution of domestic organic market price data by the Agricultural Marketing Service (AMS), or through non-governmental organizations funded by cooperative agreements with AMS.
6. Congress should encourage cooperation among agencies and entities such as the Department of Commerce, Department of Homeland Security, and the U.S. International Trade Commission to code and track organic import and export sales.
7. USDA should bring the NOP into compliance with the International Standards Organization (ISO) regulations and then to imbed ISO accreditation into each certifier’s NOP accreditation. This action would significantly reduce the costs of accreditation for certifiers, the costs of certification for organic producers and handlers and improve the competitiveness of U.S. organic products in the world market.

### **Country of Origin Labeling**

Federal law requires most imports, including many food items to bear labels informing the ultimate purchaser of their country of origin. By expanding country of origin labeling requirements, U.S. consumers will be made aware of the source of the retail food supply and include that knowledge in selecting their purchases. Further, as we continue to shift toward a global economy and marketplace, imports will continue to increase. Consumers have the right to be made aware of the origin of the food products they purchase. NASDA supports country of origin labeling that is market-driven.

### **Recommended Actions:**

1. Rules of origin should be clarified with respect to the transshipment and processing of animals. The origin of a product should specifically be where the animal is born and raised. Further processing of the animal should not change the status of origin.
2. The current country of origin labeling law should be implemented immediately by USDA for all commodities covered in the law. Implementation should not be delayed any further.

### **Regulation of Grain Merchandising**

The U.S. Warehouse Act is to be amended to clarify that USDA does not preempt state authority to provide protection to producers doing business with federally licensed warehouses. The U.S. Warehouse Act should not preempt state laws governing grain merchandising and grain producer purchase obligations. A cooperative agreement between the state(s) and USDA would benefit the producer, the industry, and the taxpayers.

**Recommended Action:**

Enact the following language:

1. SECTION 1. NONPREEMPTION OF STATE LAW. Section 3 of the United States Warehouse Act (7 U.S.C. 242) is amended by adding at the end the following:

“(n) NONPREEMPTION OF STATE LAW.—Nothing in this Act precludes a State from regulating warehouse operators licensed under this Act with respect to grain dealer or grain merchandising activities (including all aspects of, and all activities related to, the purchase of agricultural products).

(o) USDA TO COOPERATE WITH STATES—USDA is authorized to reimburse states for state conducted examinations at grain warehouses recognized as executing a Uniform Grain Rice Storage Agreement and/or licensed pursuant to the United States Warehouse Act.”

**Federal-State Marketing Improvement Program (FSMIP)**

NASDA supports the FSMIP program and seeks to increase funds for the program. FSMIP provides matching funds to state departments of agriculture to assist in exploring new market opportunities for food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the marketing system. FSMIP funds a wide range of applied research projects that address barriers, challenges, and opportunities in marketing, transportation, and distribution of U.S. food and agricultural products domestically and internationally.

**Recommended Action:**

1. Direct Congress to increase funding for the FSMIP program from the annual average of \$1.25 million to \$5 million annually.

**Aquaculture**

Aquaculture—the business of farming aquatic plants and animals—is one of the fastest growing segments of U.S. agriculture. Aquaculture is based on sustained production of renewable resources, promotes a healthy environment, and provides an economically viable form of agriculture. As phenomenal as the growth of aquaculture has been over the past three decades, there remains significant constraints to realizing its full potential as a major force in U.S. agriculture.

**Recommended Actions:**

1. The aquaculture industry should be considered an eligible agricultural commodity for USDA programs including those related to financing, crop insurance, soil and water conservation, commodity grading, and all marketing services. In addition, aquaculture products should be subject to USDA's inspection and regulatory requirements comparable to those currently applicable to meat and poultry.
2. Aquaculture should be fully eligible for funding within appropriate programs in other federal agencies including the established Sea Grant and National Marine Fisheries Service (NMFS) programs in the Department of Commerce and U.S. Fish and Wildlife Service (FWS) programs within the Department of the Interior.
3. Federal regulatory agencies should be directed to cooperatively review regulations related to the aquaculture industry to ensure that they are not duplicative, in conflict with one another and based on sound science and reasonable risk assessment procedures, including water quality standards. In particular, the U.S. Environmental Protection Agency (EPA) should rely strongly on the expertise within USDA and the state regulatory agencies in evaluating new technologies and best management practices for aquaculture, which can be utilized to improve water quality.

4. Aquaculture should be authorized as a permanent eligible interest area for all USDA research, marketing and extension programs to improve processing technologies, increase new and value-added product development, better identify consumption trends, market structure, market access, market elasticity, regional preferences, product form, and demand equations from a regional, national, and international perspective. The development of rapid, non-lethal sampling and testing techniques for the diagnosis of aquatic diseases and the utilization of new identification methods and testing protocols with national validation is critical to early disease identification for both state and national surveillance systems.
5. USDA should consider the aquaculture industry when evaluating trade and marketing opportunities just as they do for other agricultural commodities. The opportunity for new international markets and the rise in competition from abroad increases the need for continued and expanded evaluation of foreign markets, better definition of market relationships between aquaculture products (domestic and foreign), and traditional fisheries products, trade constraints and market potentials.
6. Direct USDA to strengthen marketing education of producers and processors as well as consumers on topics such as home processing, preparation, and the nutritional quality of aquaculture products.
7. Direct USDA's National Agricultural Statistics Service to conduct an annual aquaculture census for each state which would provide statistics on the number of aquaculture farms, number of units sold, total sales, and average price per unit for most species for places which have or normally have \$1,000 or more in agricultural sales and include data for the major species under the following categories: food fish, baitfish, ornamental fish, sport or game fish, crustaceans, mollusks, and aquatic plants.
8. USDA and the Food and Drug Administration (FDA) should develop and provide on-going training for the industry on aquaculture processing and Hazard Analysis and Critical Control Point (HACCP) principles such as they do for other industries. Adoption of uniform quality standards throughout the aquaculture industry and assurance of product safety and high quality will provide a competitive edge for aquaculture products over the traditional capture fisheries or imported aquaculture products.
9. Direct USDA to complete the National Aquatic Health Plan which has been in development for several years.
10. Direct FDA to fully implement The Minor Use and Minor Species Animal Health Act (MUMS). This will contribute to increased production efficiency and offset annual losses of millions of dollars to disease and parasites.

#### **Information; Data Collection; and National Measurement System**

Effective agricultural policy should be based on accurate and objective data that describe the structure and operation of agricultural enterprises and measure their economic health. Proper data are needed both to administer programs and measure their performance. Data requirements need to be developed in parallel with policy. There should be better cooperation among USDA agencies on survey information and collection.

A nationally uniform and effective weights and measures system is essential to the agriculture industry and is critical to commerce in the national and international marketplace. Measurement standards are indispensable for fair competition, promoting good business practices, and protecting consumers. Individual states, territories and local jurisdictions conduct weights and measures enforcement in the United States and need further support to keep buyer and seller confidence in the marketplace.

### **Recommended Actions:**

1. Fair, accurate data and information collection is imperative.
2. Adequate resources must be provided for conducting censuses of agriculture and for additional research to improve response, ease data reporting, and enhance data quality.
3. NASDA supports National Agriculture Statistics Service (NASS) initiatives to develop electronic data reporting systems and the NASS goal to electronically collect the information for the 2007 Census of Agriculture.
4. NASDA supports the strong federal-state partnerships afforded by the system of cooperative agreements between individual state departments of agriculture and the NASS.
5. State agriculture programs need access to U.S. Customs data on plant, animal, and food entries to enhance each state's ability to prevent introduction of such harmful pests and diseases, to enable directed and preventive programs against pests and diseases and to provide better focus on food safety issues.
6. USDA should develop or support the development and maintenance of state-based export/import trade data for better assessment of markets.
7. A federal grant program to strengthen the weights and measures system should be approved by Congress. The grant program would provide a method by which the states, federal government, and National Conference of Weights and Measures (NCWM) could work in partnership to establish programs to improve uniformity and strengthen weights and measures programs thereby restoring confidence in our national measurement system.

## **SUSTAINING AGRICULTURAL RESOURCES: LAND, WATER, AND AIR**

One of the most significant trends in the last few decades is the growing awareness of nearly all elements of U.S. society in the importance of preserving our land, water, and air resources. As a whole, U.S. crop and livestock producers are among the most dedicated and effective conservationists, and many of them have voluntarily adopted environmentally friendly practices that have local, regional, and even global benefits. However, agriculture like any business sector still has environmental policy challenges to address. These include finding ways to keep high-quality working farmland in production, encouraging producers to implement additional conservation measures on working farmland, and developing more effective government programs that achieve conservation aims while making economic sense for landowners.

These include protecting high-quality farmland and open spaces from urban development, and developing more effective government programs that achieve conservation aims while making economic sense for landowners. There is also a need for the agricultural community to address the lingering perception in some corners of U.S. society that farmers are merely part of the environmental problem instead of key allies in conservation efforts.

Significant gains have been made in addressing traditional agricultural environmental concerns over the past decade. Soil erosion is down, wetlands protection has increased, and wildlife habitat has been enhanced. Existing USDA-managed conservation programs account for a good deal of this progress, and NASDA strongly supports their continuation. However, the scope and range of environmental challenges faced by farmers and ranchers has expanded, while environmental regulations have increased and changed along with the public perceptions, priorities, and science that underlie them. A new focus on partnership is needed to harness a new generation of environmental stewardship.

## **Agriculture Stewardship Partnership Agreements**

A new partnership is needed between agriculture and the environment because agriculture depends upon clean air, water, and fertile land for its viability. Meeting new environmental demands is a “make or break” challenge for producers. The public is increasingly looking to the agriculture sector to address a growing agenda of environmental issues—including nonpoint source pollution and water quality, water shortages, air quality, urban sprawl, animal predation, and invasive species. Other emerging challenges include climate change, carbon emissions, pesticide use, and biodiversity. States often tackle environmental, food safety, and pesticide management issues before they reach national attention. In part, this has occurred because states have established close working partnerships with farmers, ranchers, and a diverse mix of local stakeholders.

NASDA calls for a bold, new initiative to address agricultural conservation and natural resource and environmental priorities through state partnership agreements. A new Agricultural Stewardship Partnership Agreement would be a “block grant” type initiative that would give state and local governments greater flexibility, innovative tools, and resources to implement agricultural conservation priorities. The intent of the initiative is to fill in the gaps, which will only increase in the future due to changing public expectations and regulatory requirements. This new approach will provide a better “tool box” with new and appropriate tools to meet these needs. Current conservation programs have limited capacity and funding to address these situations and needs. Under Agricultural Stewardship Partnership Agreements, USDA would provide grants to states as a means to provide assistance and support, cost-share payments, incentive payments, technical assistance, and education to agricultural producers and landowners for environmental enhancements, best management practices, and air and water quality improvements addressing resource concerns. The state departments of agriculture (or a collaboration of state agencies) would administer the agreements. Under the Agriculture Stewardship Partnership Agreement, states would have maximum flexibility to:

- Address threats to soil, air, water, and related natural resources, including grazing land, wetlands, and wildlife habitat;
- Comply with state and federal environmental laws;
- Make beneficial, cost-effective changes to cropping systems, grazing management, manure, nutrient, pest, or irrigation management, land uses, or other measures needed to conserve and improve soil, water, and related natural resources.
- Target state-wide conservation efforts to address environmental threats.

### **Recommended Action:**

1. Establish Agriculture Stewardship Partnership Agreements that would give state and local government greater flexibility, innovative tools, and resources to implement agricultural conservation priorities and reward environmental stewardship.

## **Farmland Preservation**

A growing number of states across the nation are recognizing the importance of actively protecting farmland and supporting their agricultural industries and infrastructure. Many states are positioning themselves to lead the future bioeconomy by protecting working lands used for agriculture and forestry to provide biomass needed for fuel, electricity, chemicals, and other products. Protecting farmland assists states to develop a diverse agricultural economy through value-added products. Working lands also provide ecological services that promote environmental quality, sustain economic growth, and improve the quality of life by providing flood control, protection of streambanks, groundwater recharge, scenic vistas, wildlife habitat, and carbon sequestration. Absent

a viable agricultural industry, irreplaceable farmlands cannot and will not be preserved for future generations of farmers. The federal Farm and Ranch Lands Protection Program (FRPP) must not exclusively focus on soils preservation, but must incorporate farm viability into its overall mission.

**Recommended Actions:**

Enhance the Farm and Ranch Lands Preservation Program (FRPP) by establishing additional flexibility, resources, and local control to:

1. Recognize farm viability as a priority in addition to soils preservation.
2. Be cooperative with and subordinate to state farmland protection programs.
3. Increase FRPP funding to \$300 million annually;
4. Enhance the effectiveness of FRPP through the following:
  - a. Amend the statutory purpose of FRPP to—
    - i. establish a program under which USDA would facilitate the purchase of conservation easements or other interests in eligible land for the purpose of protecting the agricultural production capacity of the land by limiting non-compatible uses of the land;
    - ii. give highest priority to protecting farm and ranch land with prime, unique or other productive soils that are at risk of non-farm development;
  - b. Change definition of eligible land to—
    - i. Cropland, rangeland, grassland, pasture land, and forest land that is an incidental part of the agricultural operation;
  - c. Create a category of qualified entities:
    - i. Qualified entities would be otherwise eligible entities, public or private, that operate a farm or ranch land protection program under authority of state law and have—
      1. For a minimum of three years and/or for a total of at least ten properties, used or provided public or private funds to purchase conservation easements for the primary purpose of protecting the agricultural production capacity of the farm or ranch land protected;
      2. The necessary authority under state law, as well as the technical and financial capacity to monitor and enforce or require others to monitor and enforce the terms of such conservation easements or other interests in land so that their purpose is carried out; and
      3. Financial control policies in place to assure that on average the purchase price of conservation easements and other interests in land do not exceed their appraised fair market value;
  - d. For qualified entities, FRPP would operate as a partnership agreement and USDA would not hold an interest in the property; for non-qualified eligible entities, the program would operate as per current law;
  - e. Qualified entities would—
    - i. Be authorized to determine their own criteria and priorities for purchasing conservation easements and other interest in land;
    - ii. Be authorized to use their own terms and conditions for conservation easements and

other purchases of interests in land, if the state's attorney general certifies that such terms and conditions are adequate under state law to achieve and permit effective enforcement of the conservation purposes of such easements;

- iii. Be required to retain current conservation plan requirement;
- f. A minimum of 80 percent of the annual funding appropriated would be distributed as partnership agreements to qualified entities; the remainder of the funds would be available to other eligible entities as per current law;
- g. Relax the match requirement to allow landowners to donate up to 50 percent of the match.

### **Tax Treatment of Agricultural Conservation Easements**

NASDA supports the elimination of capital gains taxes on income received from the sale of agricultural conservation easements. Taxing agricultural conservation easement income discourages farmer participation, and increases the cost to states, counties, and private organizations which are trying to preserve farmland by purchasing development rights. Current tax policy also causes inequities between farm owners depending on their income level and the length of time they have owned their farms. In particular, farmers who have modest income, and who have owned their land for many years, are disadvantaged by existing tax policy as it relates to the sale of an agricultural conservation easement.

There are 27 state and 55 local programs actively involved in purchasing agricultural conservation easements. Collectively, these programs have spent nearly \$2 billion to date to preserve farmland. This proliferation of state and local farmland preservation programs is a reaction to the alarming rate at which prime farmland is being converted to non agricultural uses. This problem has long been recognized in heavily populated regions such as the northeastern U.S., but now extends throughout all regions of the country.

Farmers' decisions to sell their development rights, and the asking price for the easement, are heavily influenced by tax consequences. For farmers who have owned their land for an extended period of time, the capital gains tax on an agricultural conservation easement, even when sold well below market value, can be substantial. In such cases the tax consequences may discourage farmers from considering the sale of an easement or, at a minimum, require the preservation organization to pay more than it would otherwise. In either case, the important goal of preserving farmland has been poorly served by tax policy which discourages landowner participation.

The recent sharp increases in farmland values will exacerbate the problem posed by capital gains taxes to state and local farmland preservation programs. According to the National Agricultural Statistics Service, farm real estate values in the continental U.S. increased an average of 15.2 percent between 2005 and 2006. Farm real estate values in the continental U.S. have risen 57 percent since 2002 and 113 percent since 1996. State and local agricultural preservation programs will face much higher costs of easements in addition to more significant capital tax implications which will serve as a disincentive to landowner participation.

Eliminating capital gains taxes on agricultural conservation easements will allow state and local dollars to preserve more acres of farmland; encourage wider farmer participation in farmland preservation programs, and eliminate the need for complicated and costly programs which are designed to overcome the capital gains tax disincentive to farmland preservation.

### **Recommended Action:**

1. Eliminate capital gains taxes on income received from the sale of agricultural conservation easements.

## **Improving Conservation Programs**

Conservation programs are critical to the future of agriculture as well as to the future supply of natural resources on this planet. Current conservation programs have been extremely successful for the agriculture communities and must continue to be supported by producers and the general public for continued success.

### **Recommended Actions:**

1. Improve and enhance current farm bill conservation programs to allow more flexibility, innovation, and local control.
2. Expand the scope of conservation provisions. Current farm bill conservation programs do not adequately address all portions of the landscape (i.e., invasive species, forest management, renewable fuels, and energy).
3. Expand the scope and eligibility of the Conservation Security Program (CSP) so that all producers nationwide can participate in the program. The 2002 farm bill established this new program to provide payments to producers for adopting or maintaining a wide range of management, vegetative, and land-based structural practices that address one or more resources of concern, such as soil, water, or wildlife habitat. NASDA supports the basic concept of the Conservation Security Program (CSP) and recommends that current eligibility should be expanded from a limited watershed basis to a national basis. The CSP is not designed for “high-value” agriculture, such as intense row cropping, and NASDA believes this should be encouraged.
4. Provide more flexibility and improve the Conservation Reserve Program (CRP). Need more flexibility to determine what lands are eligible (for example, South Dakota is looking at land for wildlife habitat). The current formula is restrictive. Provisions on maintenance of haying and grazing needs improvement. Allow CRP land to be used for energy.
5. Improve and increase funding for the Environmental Quality Incentives Program (EQIP). EQIP is working well and has been especially helpful in addressing new mandates for Concentrated Animal Feeding Operations (CAFOs). NASDA supports increased funding for EQIP.
6. The Conservation Reserve Enhancement Program (CREP) has been successful and effective. NASDA supports full funding. Consistent with the recommendation on CRP, there is a need for more flexibility to determine eligible lands, especially for high priority conservation purposes such as buffers and endangered species. For example, states need to be able to enroll lands with longer hay crop rotations. Enrollment that is too restrictive becomes a major barrier to enrolling additional land that is essential to improving water quality.
7. Maintain adequate funding levels for USDA’s Resource Conservation and Development Councils and state Rural Development Councils. These programs should offer grants to collaborating rural communities for initiatives to spur entrepreneurial development, including small business education, technical assistance, leadership programs, youth retention, and intergenerational business transfers.
8. Ensure that conservation programs can be implemented effectively by providing sufficient resources for technical assistance. NASDA supports fully implementing Technical Service Providers (TSP) authorities in the current farm bill and initiating partnership agreements to states to assist in providing technical assistance for all farm bill conservation programs.
9. Expand and further develop green payment options for producers and use program eligibility standards as targeting mechanisms to increase rather than maintain conservation efforts.

10. Rebalance national conservation and environmental payments nationally to reflect key agricultural production areas of the nation where threats to the environment are the most intense.
11. Advance statewide priorities in conservation programs through flexibility in program applications and specific targeting of environmental threats.
12. Continue appropriations for the Watershed Protection and Flood Prevention Act (PL 83-566), which authorizes NRCS to work with states and local agencies towards improvement of soil and water conservation through the following programs: Watershed Surveys and Planning; Watershed Protection and Flood Prevention Program; and Watershed Rehabilitation.

## **RURAL DEVELOPMENT**

Farm and ranch viability is about more than just ensuring the survival of individual operations. It is also a major issue for rural economic development. Although the majority of the nation's population now lives in urban or suburban areas, there are still millions of people living in small towns and cities whose local economies depend in some measure on nearby agricultural production. Strengthening the long-term viability of America's farm operations will benefit not only the farm families themselves, but also their neighbors "in town" whose livelihood depends on the economic activity generated by agriculture.

### **Farm and Ranch Viability**

Keeping farms and ranches profitable and viable is the most effective means of maintaining working farms and ranchlands in productive agriculture, and is a core focus area of NASDA policy.

### **Recommended Actions:**

1. Additional funding for Partnership Agreements should be allocated to states based on agricultural acreage, size of farm economy, percentage of farms per capita, poverty levels, and agricultural productivity per acre.
2. Congress, through USDA, should allocate \$150 million annually for state departments of agriculture to administer Partnership Agreements along with other funding projects crucial to helping maintain and enhance farm and ranch viability. Partnership Agreements should be administered by the state's department of agriculture or its designee, with an annual base appropriation of \$2 million per state. Flexibility in the definition and application of these Partnership Agreements will be crucial to meet the diverse needs of agriculture.
3. USDA should strengthen and continue direct and guaranteed lending to farmers, ranchers, woodlot owners, and limited-resources farmers. In addition, USDA should request, and Congress should fund, the maximum authorized level for farm ownership direct loans and farm operating direct loans with 20 percent designated for small and limited-resource programs.

### **Farm and Ranch Profitability Grants Program**

The American Farmland Trust (AFT) in its report, *Agenda 2007: A New Framework and Direction for U.S. Farm Policy*, recommended the creation of a new \$1 billion Farm Profitability Grants Program. This program would provide funding for state, local, and farm level programs and projects that encourage innovative marketing strategies, new business ventures, market development, product development or differentiation, and consumer education related to any agricultural products produced in the state. The concept is based in part upon the Specialty Crop Competitiveness Act of 2004, and it would fund a mix of programs and projects aimed at enhancing farm profitability through innovative marketing and business strategies, product promotion and consumer

education, and on-farm improvements or diversification. AFT recommends that the program would be administered through each state's department of agriculture, in consultation with a state advisory board, since these agencies are better able to identify and address local and regional producer needs and market conditions, challenges and opportunities. All producers, including specialty, livestock, and crop, could be served through this program. Each state would receive an allocation to support a wide range of local and regional needs. AFT recognizes the need for flexibility and recognizes that the incubators of change are programs and projects happening around the country at the state, local, and farm level. It also recognizes that state departments of agriculture are in the best position to determine and prioritize what mix of policies and initiatives will best improve the profitability of producers in their state.

When legislation is developed and approved, the following provisions need direct input from the state departments of agriculture. Those include:

*Matching Requirements:* NASDA believes that some type of mechanism should be included in legislation that allows a state the ability to leverage state investments with the grants program but it should not be a requirement for receiving an allocation. Some type of "state matching incentive" could be included and would allow some states to receive a bonus and be rewarded for leveraging federal dollars. Each state should be given the opportunity to determine matching fund requirements for grant recipients.

*Administrative and Planning Expenses:* Future legislation should provide that state departments of agriculture could use from 5 to 10 percent of grant funds for administrative and planning costs.

*Allocation Formula:* NASDA recommends that proposed legislation use a composite, weighted equally, of the market value of agricultural sales and the number of farms in the state. In addition, if states undertook multi-state projects, consideration should be given in allocating grant funds.

*Minimum grant / Maximum grant:* The minimum grant for each state would be the equal distribution of 15 percent of the annual funding. If the annual funding amount is \$1 billion then each state would receive a minimum grant of \$3 million. An alternative formula to consider would set forth that 15 percent of the annual funding would be distributed among the states equally, with another 15 percent used for bonus incentive payments and the remaining 70 percent distributed amongst the states based on the composite allocation formula.

*Eligible grant recipients:* State departments of agriculture will determine eligible grant recipients in their respective states with permitted uses of grant funds being guided by a state's needs. Possibly legislation would describe prohibited uses, such as projects cannot violate international trade rules and could not directly subsidize the price of an agricultural commodity in the market.

*State eligibility and accountability requirements:* States will need to develop strategic plans that would include items such as goals, objectives, measurable outcomes, and yearly milestones. Also, states would identify methods of collecting input from stakeholders. Annual reports would also be a part of the accountability. NASDA recommends that such plans should be approved by members of the federal Food and Agriculture Councils at the state level. Members of that council include the state director for Rural Development; the state executive director for the Farm Service Agency (FSA), and the state chief for the Natural Resource Conservation Service (NRCS).

Allocations for this program should not be considered part of the regional equity equation and distribution for conservation programs.

Audit reporting requirements should fall under current Office of Management and Budget (OMB) Circulars and legislation should avoid creating new requirements for states. Audit costs should not be more than 2 percent of the state grant and be a cost in addition to the 5 to 10 percent administrative allowance.

*Definitions:* Under this program, the term “producer” should follow the current federal definition which defines a producer as making an annual gross income of \$1,000. This would include all types of producers that are part of the current Census of Agriculture. Once again, flexibility should be taken into consideration when definitions are developed. Agricultural crops should be defined by the states for instance.

**Recommended Action:**

1. Congress should establish a Farm and Ranch Profitability Grants program that would be funded up to \$1 billion annually and be administered by the state departments of agriculture. Future legislation must address the provisions as outlined above.

**Rural Development Programs and Enhancements**

NASDA recognizes the strong and growing linkages between agricultural and rural communities. Agricultural and rural policy must be designed to reflect and reinforce the dynamic interface occurring among farming, agriculture, and Rural America. NASDA also recognizes the need for policy to be flexible enough to support regional economic development strategies.

NASDA supports substantially increased investments in rural community economic development in ways that drives economic growth, entrepreneurship and innovation, and improves rural life. Retaining agricultural and rural youth in next generation businesses, attracting new capital and new business, and maintaining a profitable agriculture must be a focus and priority of rural development and agricultural policy. NASDA recognizes a significant amount of agriculture occurs, and a large number of rural communities exist, within commuting distances of metropolitan areas. In addition, NASDA acknowledges that a growing agriculture and rural economy requires both debt and equity capital.

**Recommended Actions:**

1. Current federal programs and federally funded economic development and financing programs at the state level need new definitions and eligibility standards so that full use of the funding programs are not restricted in rural areas in proximity of metropolitan and micropolitan areas. Congress should extend eligibility of federal economic development programs to agricultural and rural community projects in metropolitan and micropolitan counties across the United States.
2. Provide broader lending authorities in USDA Rural Development to start and grow businesses in rural communities.
3. Provide broader authority to the Farm Credit System, with shareholder approval, to provide debt and equity capital to serve a wider range of agricultural and rural businesses, and agricultural and rural community needs.
4. Create mechanisms from equity capital markets to form and function effectively in agricultural and rural communities.
5. Establish incentives for the formation of angel investment networks in rural and agricultural communities.
6. Create a program that helps market mechanisms form for trading environmental, energy, and other credits for which farmers and ranchers can enhance profitability and critical natural resources.

7. Provide authority to Farmer Mac to create secondary market for qualifying rural development projects.
8. Ensure adequate levels of funding for USDA's Resource Conservation and Development Councils and state Rural Development Councils in every state. These programs should offer grants to collaborating rural communities for initiatives to spur entrepreneurial development, including small business education, technical assistance, leadership programs, youth retention, and intergenerational business transfers.
9. Increase funding for value-added producer grants for value-added processing and marketing ventures.
10. Increase grant funding for bioenergy and biobased industry development with preferences for producer owned ventures.
11. Establish and fund Partnership Agreements to states for innovative market development initiatives such as farmers' markets, ag tourism, specialty foods, and "buy local" initiatives.
12. Support regulatory and legislative changes that provide agricultural producers and other related rural business and homeowners with broader access to financing by the cooperative Farm Credit System.
13. Support the importance of the Rural Development agencies, particularly the Rural Utilities Service (RUS) in providing funding to water and waste disposal sectors. Further, provide for the Rural Development title to encourage innovative and alternative industry development in the areas of water management, new product technology (including desalination) and utilization.

### **Cooperative Enterprises**

NASDA recognizes the powerful economic contributions of agricultural and other cooperatives in the United States. NASDA also recognizes the significant role and growth opportunities for new cooperative enterprises across a wide variety of sectors, and for new producer ownership models in businesses beyond the farm gate, which can positively affect agricultural and rural communities. While opportunities exist, there has been significant disinvestment in cooperative research capacity in the U.S. on which to capitalize on these opportunities.

### **Recommended Actions:**

Congress should:

1. Increase significantly funding devoted to research in cooperative organization, cooperative practices, producer or employee ownership models, contracts, and cooperative innovation with potential application in agricultural or rural development.
2. Increase support for cooperative development centers and technical assistance to new cooperative enterprise.
3. Preserve Capper Volstead to ensure the continued ability of farmers and ranchers to form cooperatives and to negotiate for fair business practices, contracts and price.
4. Provide for multiple-year funding in the Rural Cooperative Development Grant program.

### **Value-Added Processing**

Producers traditionally look to expand their market share through exports, but they also realize there is an opportunity to increase their markets through value-added processing. Strategies to increase market share through value-added processing include cooperative and other business ventures focused on agricultural processing, farmer-owned cooperatives, and marketing the value of 'high-end' crops and livestock. The benefit of cooperatives and other business ventures is the potential for farmers to capture a greater share of the value of

their product, while keeping more dollars in their local and regional economies, instead of exporting raw commodities from rural communities.

**Recommended Actions:**

1. USDA's Rural Business-Cooperative Service should give attention and focus to farmer-owned cooperatives to increase value of the farmer's product in the marketplace. In addition, USDA should include small farm operations and provide education (technical and business planning) and financial resources to enable small producers an opportunity to add value to their products and market them to retailers and consumers. Oversight of the program should ensure that the actual business operation is based in a local community and that financial assistance benefits small farms.
2. The National Commission on Small Farms and the Secretary's Advisory Committee on Small Farms both issued recommendations for USDA consideration. NASDA recognizes both of these reports and supports recommendations that will strengthen the viability of small farmers and ranchers. This includes the establishment of small farm business councils at the state level, which comprises the involvement of state departments of agriculture.

## **SAFE, HEALTHY, AND NUTRITIOUS FOOD**

The United States enjoys one of the world's safest and most abundant food supplies. To the credit of our farmers and agribusinesses, there has never been a time in history when consumers had greater access to a wider variety of safe, healthy, high-quality foods.

However, there are still several areas of concern that need to be addressed with regard to our food supply. For example, due to economic and/or regulatory barriers, certain consumer groups still have limited access to healthy, high-quality foods that would help improve or round out their diet. Also, with concerns about the rising rate of obesity among America's population, there is an increasing focus on providing consumers with healthier choices—and more information about those choices—in retail and restaurant venues. Yet another pressing concern is that despite many improvements in food handling and preparation, food-borne illnesses still strike many Americans each year. There also is an increased concern about the potential for intentional contamination of food products through acts of "agro-terrorism." Such attacks have the potential to cause widespread illness and dramatically weaken public confidence in the food supply.

Given this context, it is critically important that private and public sector organizations involved in food production, processing, sales, and regulation work together to improve access for consumers, and to continue our progress on food safety and security.

Consumers in the United States enjoy the safest and healthiest food supply in the world. The foundation of this success is our system of food safety and inspection laws. Important federal regulatory programs have been effectively applied in recent years to improve all segments of our extensive food safety system, including food production and distribution chain, animal and plant husbandry, processing, transportation, and preparation. Recently, there has been increased interest in nutrition policy. It is recognized that healthy and nutritious products are critical to preventing cancer and other diseases, reducing obesity and diabetes, and maintaining overall good health.

NASDA strongly supports fruit and vegetable nutrition initiatives. Many states have developed new programs and policy tools to link producers with consumers, including farmers' markets, commodity food projects, and increased procurement of locally grown food by institutions. NASDA proposes a buy-locally-first approach to provide healthier and fresher commodities and to halt rising costs of warehousing, shipping and reprocessing charges that

are limiting services. NASDA believes there is a need to emphasize fruit and vegetable consumption in all nutrition programs such as WIC, Food Stamps, School Lunch, and School Breakfast (i.e., farmers' market coupons) to align with the health eating index.

### **Fruit and Vegetable Nutrition Program (Farm to School Initiative)**

The Dietary Guidelines for Americans call for the consumption of 5 to 13 servings a day of fresh fruit and vegetables as a cornerstone of good health. Yet, studies show that 45 percent of children eat no fruit at all, and 20 percent eat less than one serving of vegetables.

The 2002 farm bill provided \$6 million for a pilot program to provide fresh fruit and vegetables to children in schools. The program was limited to 100 schools in four states (Indiana, Iowa, Michigan, and Ohio). NASDA recommends expanding the program nationwide. NASDA further recommends that some funding for the program be provided by the Department of Health and Human Services (HHS).

#### **Recommended Action:**

1. Promote fresh fruit and vegetable consumption among the nation's school children by funding and expanding USDA's Fruit and Vegetable Pilot Program (FVPP). Specifically, increase the number of pilot schools to all schools within each state and expand the program nationally.

### **Department of Defense (DOD) Fresh Fruit and Vegetable Program (DOD Fresh)**

The Department of Defense Fresh Fruit and Vegetable Program offers schools a wider variety of fresh produce than would normally be available through USDA purchases. The program has been successful and 43 states now participate in the program. The 2002 farm bill doubled spending to \$50 million in FY 2003, where it is today.

#### **Recommended Action:**

1. Increase funding for the DOD Fresh Fruit and Vegetable Program and give states more flexibility to determine what types of products that schools may order to include all fruits and vegetables.

### **Interstate Meat Sales**

State and federal meat inspection programs should function together as a seamless system in both intrastate and interstate commerce. The 1967 and 1968 Meat and Poultry Acts prohibit state-inspected products (beef, poultry, pork, lamb, and goat) from being sold in interstate commerce. However, the prohibition does not apply to "non-amenable" products such as venison, pheasant, quail, rabbit, alligator, and a host of others. State-inspected meat and poultry are the only commodities that are restricted from sale across state lines. Removing the outdated 1967 ban on interstate sales would create a more uniform system and enhance consumer confidence in the food supply.

Today there are no real distinctions between federal and state inspection requirements. State meat and poultry inspection programs must equal or exceed the level of food safety for the federal inspection program. This has been verified through USDA's annual reviews and oversight of state inspection programs over the past 35 years.

The question of allowing interstate sales of state-inspected products is a simple fairness issue. Most of the state-inspected meat plants are owned and operated by small business owners. The prohibition on interstate meat sales—the only such prohibition of any food product—disrupts the free flow of trade and restricts the ability of small business entrepreneurs to economically compete in the marketplace. Interstate sales will spur more competition and innovation in the industry by giving farmers and ranchers more opportunities to sell their livestock at a better price. Without change, growing concentration in the processing sector will continue to leave smaller farmers and ranchers with fewer buyers for their livestock and poultry.

Passage of interstate sales legislation will resolve a basic issue of inequity which has existed since 1967. The reasons to support legislation are clear and compelling. Interstate markets for state-inspected products will spur

more competition and innovation in the industry that will provide consumers with more choices in the supermarket. Increased markets will stimulate small business sales, expand rural development and increase local tax bases—all of which will benefit farmers and ranchers, processors, related industries, and consumers.

**Recommended Action:**

1. Allow the interstate shipment and sale of state-inspected meat and poultry products and increase competition in the marketplace.

**Domestic Food Assistance Programs**

USDA's Food and Nutrition Service (FNS) administers a variety of food and nutrition assistance programs to provide children and needy families with better access to food and a more healthful diet, including nutrition education efforts. Programs include: Women, Infants and Children (WIC) Program, Food Stamp Program, School Meals, Food Distribution, Disaster Assistance, Child and Adult Care Food Program, and Summer Food Service Program.

**Recommended Action:**

1. Enhance federal domestic food assistance programs.

**Women, Infants and Children (WIC) Program**

WIC provides supplemental foods to low-income women and their children.

**Recommended Action:**

1. Provide full funding for the WIC program and more flexibility to states in administering the program. Administration should include an incentive or bonus if recipients purchase more "nutritious" foods. The program should allow flexibility to states during disaster or emergency situations and allow WIC participants in federally declared disaster areas to use their benefits in any state.

**Farmers' Market Nutrition Programs (FMNP)**

In this area of globalization and concerns about imported food products, the Farmers' Market Nutrition Programs (FMNP) stand out as a success story in increasing income for America's small farmers, stimulating regional agricultural production, helping at-risk families and seniors meet USDA dietary guidelines for increased consumption of fresh produce, and enhancing markets in urban and rural communities. The FMNP and the Seniors Farmer Market Nutrition Program (SFMNP) provide a direct link between production agriculture and nutrition. In 2006, the FMNP and the SFMNP provided nearly 3.2 million seniors and at-risk women and children across the country with the opportunity to fresh, local produce from farmers.

**Recommended Actions:**

1. Increase funding to carry out and expand the Senior Farmers Market Nutrition Program (SFMNP) from \$15 million to \$30 million, and provide more flexibility for state implementation.
2. NASDA recommends more flexibility for state implementation:
  - a. Increase the percentage of SFMNP funds that states can use to cover administrative costs from 8 to 17 percent.
  - b. Remove the 50 percent limitation on the use of SFMNP funds for Community Supported Agriculture (CSA) programs; and allow participants the ability to redeem coupons at food stands and other farm retail operations.
3. Increase the value of the annual SFMNP benefit that an individual can receive and set a \$20 minimum and \$50 maximum benefit level per recipient.
4. NASDA recommends doubling the funding level from the current appropriated level.

### **Emergency Food Assistance Program (TEFAP)**

TEFAP provides purchased and bonus commodities to states for distribution to households and organizations that prepare meals for needy people. TEFAP serves the public good in two importance ways. First, high quality, nutritious food gets to hungry people in an efficient manner utilizing private sector volunteers. Second, the agricultural economy is strengthened through commodity surplus removal. TEFAP provides increased farm income and serves as direct connection between farmers and hungry Americans. The program provided \$140 million for commodity purchases and more than \$50 million for administrative expenses in 2005.

#### **Recommended Action:**

1. Provide additional funding for TEFAP food purchases and for TEFAP storage and distribution costs. Expand the variety of food products available for the program.

### **Commodity Supplemental Food Program (CSFP)**

CSFP provides commodity food packages for low-income women and their children and the elderly. The program was funded at \$150 million in 2005. When CSFP was originally introduced, it primarily served low-income women and their children, but over the years this population has become increasingly served by the WIC program. Since then, the elderly population has grown significantly and low-income seniors now make up about 85% of CSFP enrollment.

#### **Recommended Action:**

1. Provide adequate funding and expand the program to all states. Increase elderly access to the program by aligning elderly eligibility criteria with CSFP for women and children. Allow states more flexibility to determine program priorities based on their knowledge of local needs, services and food supply.

### **Food Stamp Program**

The Food Stamp Program is the cornerstone of the federal food assistance programs, and provides crucial support to needy households and to those making the transition from welfare to work. It serves as the first line of defense against hunger and enables low-income families to buy nutritious food with Electronic Benefits Transfer (EBT) cards. Food stamp recipients spend their benefits to buy eligible food in authorized retail food stores. The 2002 farm bill included a number of positive reforms to the Food Stamp Program, making it easier for states to administer and enhancing access for applicants.

#### **Recommended Actions:**

1. Simplify and enhance the Food Stamp Program. NASDA supports the following proposals:
  - a. maintain funding and the entitlement nature of the program;
  - b. make the program more accessible to certain vulnerable populations, such as seniors, working families, immigrants, and other low-income individuals;
  - c. make eligibility for low-income elderly and disabled automatic with their food stamp eligibility being determined at the Social Security office without an additional application;
  - d. increase the minimum benefit to at least \$25 per month;
  - e. allow states to test a variety of innovative methods that can remove barriers and further streamline the eligibility and benefit determination process, and improve the quality of food purchases. Provide grants to cover reasonable additional costs for such innovations;
  - f. additional funding for food stamp outreach activities.

### **Food Safety Quality Assurance**

Pre-harvest food safety relies on activities conducted by livestock and crop producers which prevent or reduce the occurrence of organisms, agents or conditions that pose an animal health or food safety risk. Most current regulatory programs, however, are focused on post-harvest food safety practices (transportation, processing, retail sale). NASDA believes measures can be taken at the farm level to minimize or reduce the potential for foodborne illness further down the processing chain.

NASDA supports development of uniform, but voluntary standards for pre-harvest food safety, with input from all parties and a clear articulation of the risks and benefits associated with adoption of those standards. Moreover, pre-harvest food safety efforts should also be integrated with overlapping issues such as nutrient and waste management, environmental protection, rural economic development, and animal health and welfare.

NASDA encourages continued work on the Federal/State National Auditing Alliance to verify good agricultural practices and good handling practices. NASDA also supports the concept providing federal support and incentives to producers who voluntarily establish verifiable pre-harvest food safety programs. NASDA proposes a Food Safety Quality Assurance Partnership Agreement, administered by the states, to facilitate the adoption of innovative food safety assurance programs on farm.

#### **Recommended Action:**

1. Enhance food safety and security at the farm level through a new partnership agreement administered by states to assist producers who voluntarily establish verifiable pre-harvest food safety / defense programs.

### **Food Defense Planning and Preparedness**

All states either have developed or are developing livestock and crop emergency response plans; however, very few states have food emergency response plans in place. It is essential that states begin the process of planning and developing food emergency response plans immediately. An important aspect of plan development includes the actual planning process and the training of department managers and employees regarding issues associated with food defense and preparedness.

State agriculture department management and staff need training in the fundamental aspects of food defense in order to conduct prevention, response and recovery activities. NASDA's proposed initiative will assist the states in the development of a food emergency response plan and will provide state personnel with general food defense knowledge. This will ensure consistent planning and seamless coordination between states/localities and with the federal response protocols outlined in the National Response Plan (NRP) and associated annexes.

In 2003, NASDA and the Association of Food and Drug Officials (AFDO) released a survey on the amount and distribution of federal funds for food safety and security activities. NASDA also made recommendations for specific federal funding for state and local partners to: (1) apply standards for uniform food safety and security programs; (2) enhance inspection and testing activities; (3) improve information sharing; (4) expand food-borne illness surveillance systems; and (5) establish standard training and certification of all food safety officers nationwide.

#### **Recommended Action:**

1. Provide funding to conduct food defense planning and preparedness training for state departments of agriculture and other state government agencies.
2. NASDA recommends \$25 million in initial funding for these activities.

## BIO-INDUSTRY DEVELOPMENT AND ENERGY FROM AGRICULTURE

Agriculture historically has provided food and fiber to America. Now, with the development of new biofuels such as ethanol and biodiesel, and with greater commercial interest in wind and solar energy, America's farms and ranch are increasingly seen as a promising source of clean, renewable, home-grown energy. This role is expected to take on increasing prominence in years to come, given mounting concerns over oil prices and availability, and the environmental and geo-political implications of America's continued reliance on foreign sources of fossil fuels.

Beyond food, fiber and even energy, many people see agriculture as having potential as a new method of manufacturing pharmaceuticals and other products previously made through chemical or industrial processes. For example, corn-based polymers are already being touted as an alternative to industrial chemicals for the manufacture of some products such as food packaging. The economic value of these potential markets for agricultural "feedstocks" might someday surpass the value of the food and fiber market.

U.S. agriculture has a vast potential for the development and production of renewable energy resources—biomass, biodiesel, and ethanol. Much more can and should be done to develop and enhance those resources to promote the domestic supply of ethanol, biodiesel, and other biofuels.

### **Recommended Actions:**

1. The Renewable Fuels Standard (RFS) included in the 2005 energy bill must be increased and implemented. The standard should be 7.5 billion gallons by 2008 and increased to 30 billion gallons per year by 2025. Just as the current RFS provides for a portion of this amount to be met by cellulosic ethanol, any increases to the RFS should include a corresponding increase in the amount that must be derived from cellulosic feedstocks.
2. NASDA supports the implementation of the 25 X '25 initiative as proposed by the Ag Energy Working Group which states that "Agriculture will provide 25 percent of the total energy consumed in the United States by 2025 while continuing to produce abundant, safe and affordable food and fiber."
3. Funding should be maintained for the USDA Commodity Credit Corporation Bioenergy Program and should be expanded to include any feedstock used in the production of ethanol or biodiesel.
4. Emphasis should be placed on the development of alternative fuels from agriculture commodities, livestock manures, forest products, agricultural crop residues, food processing byproducts, and other biomass products.
5. The federal tax credit for ethanol production and the biodiesel tax credit should be made permanent.
6. Ethanol should be used to replace MTBE (Methyl Tertiary Butyl Ether) to meet 1990 Clean Air Act requirements.
7. A trading system for carbon credits or carbon sequestration should be implemented.
8. The development of hydrogen technology from renewable sources should be enhanced.
9. Establish on-farm incentives to produce and utilize solar energy, wind energy, biodiesel fuel, methane, and any other biopowers, biofuels and bioproducts.
10. Allow CRP land to be used for energy and biobased crops, with commensurate payment reductions.

11. Develop a cellulosic/energy feedstock base. Participants could enroll their land by entering into a long term contracts, at least 10 years, to grow certain perennials, such as, but not limited to, switchgrass or trees. Such land use should also benefit the environment, wildlife, and recreation.
12. Establish a credit trading program administered by the Environmental Protection Agency (EPA) that would provide flexibility as to when and where ethanol is used.
13. Provide more financial resources for the Department of Energy (DOE) Biomass Research and development program, with additional resources specifically designated for commercialization.
14. Establish grants, federal loan guarantees and technical assistance for capitalization of cellulosic and starch ethanol plants.
15. Support research and development for energy and biobased crops at USDA and other key federal agencies.
16. Set forth a Biobased Economy Initiative with identified tools, incentives, planning, commercialization, and tax credits.
17. Change the biodiesel 'certificate of origin' to allow the document to be transferable for the purposes of eligibility for the blenders' credit.
18. Extend the wind production tax credit for a minimum of five years.
19. Provide funding for carbon sequestration research, including basic research to develop standardized protocols for aggregation rates for various practices including soils, forestry and wetlands.
20. Expand Sections 9005 and 9006 of the 2002 farm bill to include grant funding for carbon research.
21. Develop a counter-cyclical green payment to match aggregator payments to producers for sequestering carbon.
22. Support programs that help demonstrate biodiesel's compatibility with off-road and on-road technology.
23. Expand the USDA – Biodiesel Education Program to ensure continued outreach to consumers and the fuel and petroleum industry about the benefits and usage of biodiesel.
24. Increase investment in agriculture as an energy source. Increase funding for incentives and research in renewable energy production from farm and forest biomass. Fund the construction of distribution and transmission infrastructures to commercially deliver biomass energy to consumers.
25. Establish an agricultural residuals pilot program that will fund construction of pilot plants to process energy from agricultural residuals.

## **BIOTECHNOLOGY**

### **Production and Marketing of Biotechnology-Enhanced Crops**

The presence of biotechnology products in the marketplace, coupled with the disparate status of regulatory approvals in major world markets, and the changing patterns of consumer acceptance, has introduced great

complexity to the U.S. bulk commodity handling system, presenting the trade with a major management challenge. No longer can farmers plant seed and assume the harvested product will be accepted universally by all buyers, or under traditional terms and conditions.

The impact on the industry clearly illustrates the urgent need to develop an internationally accepted certified marketing system based on sound-science and effective in meeting consumer preferences which can assure that all biotechnology-enhanced products will reach appropriate markets. As new varieties become available it will become more important to have instituted, prior to commercialization, a proven channeling / segregation / certification program guaranteeing that domestic and international marketing standards for agricultural products are met. Such a system will be necessary to provide customers with the products they desire while supporting the development, production, and promotion of all crops that are acceptable to domestic and foreign customers; however, the system should not be misused to create unfair trade barriers. Guidelines may be needed to assure safety and quality; however, they may also result in missed opportunities for social benefits from future agricultural products. Market standards must be set at levels that are attainable and feasible for seed production, commercial production, storage, transportation, and processing. Farmers must have information and tools available, e.g., planting and handling protocols, that allow them to develop on-farm practices to meet specific marketing standards.

The tools necessary to implement such a system are:

- Standardized tests and methodology for detecting biotechnology-enhanced products within the food chain.
- Assured availability of “pure seed” to meet internationally accepted or market-driven standards.
- A “stewardship program” consisting of biotechnology and seed companies working together with producers to ensure that crops are grown in accordance with recommended practices and marketed through appropriate channels and certification systems.
- Effective regulatory oversight to assure integrity of marketing system. This includes sampling protocols and equipment testing standards.

**Recommended Actions:**

1. NASDA recommends establishing an office of intergovernmental coordination within the White House’s Office of Science and Technology Policy (OSTP) or similar oversight / coordinating agency responsible for transferring appropriate information and improving communications between federal agencies, responsible for regulation of products of agricultural biotechnology, and state agencies that share concurrent responsibilities for the regulation of conventional or organic products at the state level, e. g., products regulated under state seed, plant pest, pesticide or food authorities. Confidential information that is protected under federal law and is transferred through this office to a state agency shall be held confidential by the states.
2. In addition, this office will function as an ombudsman for state agriculture regulatory agencies seeking information, clarification or assistance regarding federal action(s) or lack of action(s) on issues of concern to state agriculture regulatory agencies and be responsible for communications and coordination.
3. Funding for positions to assure adequate communications and coordination are needed, along with additional funding and positions at the three primary lead federal agencies (USDA, the Environmental Protection Agency (EPA), and the Food and Drug Administration (FDA)) to assure proper inspection and enforcement. States should be provided the opportunity to augment the federal inspection and investigation activities through memoranda of agreement.

# BIO-SECURITY: SAFEGUARDING PLANTS AND ANIMALS

## Safeguarding Plants and Animals

Safeguarding principles were added to the responsibilities of Animal and Plant Health and Inspection Service's (APHIS) Veterinary Services (VS) and Plant Protection and Quarantine (PPQ) prior to 9/11. These safeguarding goals were established as a result of thorough program assessments by key stakeholders. These responsibilities have become the organizing principles for VS, PPQ, and concurrent state programs. State and federal cooperation is imperative in obtaining the desired results. Many program responsibilities have changed or have needed to be modified since 9/11. Periodic assessments have proven to be effective in assuring cooperative programs stay current and responsive to program needs.

## Recommended Actions:

1. NASDA recommends that Congress fund a peer review which authorizes the Secretary of Agriculture to enter into an agreement with the NASDA to obtain a peer review of the procedures and standards that govern programs used to safeguard plants and animals, including, but not limited to, programs aimed at intentional and unintentional biosecurity incursions.
2. The scope of this review should include, but not be limited to, programs administered by USDA, Customs and Border Protection (CBP) within the Department of Homeland Security (DHS) and state plant, animal and wildlife health protection programs. While not limited to the following, the review should:
  - a. determine whether current use of the Commodity Credit Corporation (CCC) funds meet the intended goals,
  - b. investigate whether the current level of funds are adequate and whether current or suggested administrative procedures, including state cost-share requirements, affect the ability to eradicate pests,
  - c. determine whether methods exist to streamline the program and ensure more predictability and consistency with this approach,
  - d. consider the need to clearly define program dimensions, e.g., eradication, exclusion, control, management, early detection, rapid response, inspection and surveillance and responsibilities.
3. In addition, the study should look at overhead costs that are administratively removed from the amounts authorized for pest removal issues and determine the effect, if any, that these cost and additional oversight methods and procedures have on obtaining program goals.
4. Fund the Veterinary Workforce Enhancement Act to meet the nation's critical need for veterinarians. This is a vital component of our nation's public health system that must be implemented.
5. Legislation creating DHS included a provision that required Agricultural Quarantine Inspection (AQI) user fees be transferred from USDA to DHS on a reimbursable basis, ensuring that the functions for which the fees are collected are performed. Since the legislation, some of these fees have been appropriated to DHS in advance, thereby eliminating DHS' incentive to ensure the integrity of agricultural inspections. Therefore, NASDA recommends that AQI user fees be held by USDA until DHS provides adequate documentation that they are being used to accomplish the goals of reducing the number of pest/disease incursions into the country. NASDA also recommends the accountability measures in the original authorizing legislation be stringently enforced to ensure the integrity of agricultural inspections.

### **Exotic Pests—Early Detection /Rapid Response**

Global trade is an U.S. policy and under current policy has continued to increase. Changes in this expansion of global trade are not envisioned. However, mirroring the increase in trade and travel are increases in detecting foreign pests infesting or infecting U.S. crops, animals, parks, range and grass lands, forests and other ecosystems. While these introductions are an unintended consequence of global trade and travel, they are also, in essence, an undeclared import—one that creates an imbalance in trade that is currently being borne unfairly within the U.S. economy. The cost of the currently minimal effort is not being borne by those who directly profit from the increased global trade. In addition, the current levels of funding are inadequate. Lacking a program that adequately deals with the removal, eradication or long-term mitigation of these pests, U.S. taxpayers will continue to suffer, either through environmental degradation and the loss of agricultural productivity (and competitiveness) from under funding activities to detect, eradicate or control or through an inability to prioritize the need to deal with these unintended, but costly, consequences.

#### **Recommended Actions:**

1. Fully fund existing programs and examine new funding mechanisms and programs to help reduce new exotic pest/disease incursions of national significance, including:
  - a. Create a streamlined program for emergency program funding for rapid response and the eradication of pests / diseases. The program should provide for full access to Commodity Credit Corporation (CCC) funds or similar funds to supplement appropriated funds for eradication, management, or control programs for pests / diseases. There should be no state cost-share requirement to access CCC emergency funds. APHIS should work with the states to establish guidelines as to what constitutes an acceptable emergency response program for each pest and/or outbreak.
  - b. Fully fund cooperative plant pest / disease early detection / rapid response programs within USDA and the states at the level of \$500 million.
  - c. Create an additional \$100 million grants program under APHIS to fund state efforts to identify foreign plant pests of economic consequence.
  - d. Implement domestic pest and disease detection and surveillance activities by providing block grants to states to develop and/or maintain domestic surveillance and pest detection activities. Funding for block grants would be based upon any of the following factors:
    - i. The number of international airports and maritime facilities in the state;
    - ii. The volume of international passengers and cargo entry into the state;
    - iii. The geographical location of the state in that its location would be conducive to agricultural pest and disease establishment due to both the state's climatic as well as its crop diversity;
    - iv. The state has received an emergency declaration, as authorized by 7 U.S.C.7772 (Plant Protection Act) due to an agricultural pest or disease of federal concern; or
    - v. Such other factors as the Secretary determines to be appropriate.
  - e. Increase support to APHIS for offshore safeguarding efforts.
2. Create similar programs and funding to mirror recommended plant pest / disease efforts to properly deal with foreign animal and poultry pests and diseases of economic consequence.
3. The Department of Homeland Security, Customs and Border Protection (CBP) should give higher priority to the inspection of baggage, cargo and passengers at ports and borders to stop entry of invasive species,

diseases and other harmful organisms. Cargo inspection (pest exclusion) should be re-assigned from CBP back to APHIS, the agency responsible for managing exotic pests that has the expertise and communication system to carry out a focused and effective agricultural safeguarding effort at our borders. Additionally, the cargo inspection rate must exceed the current 2% rate by at least five times and funds should be provided to states to share in this cargo inspection effort as most containers are not opened at ports of entry.

4. Create a concurrent cooperative research program (through USDA's Cooperative State Research, Education and Extension Service (CSREES) and the Agricultural Research Service (ARS) with the Animal and Plant Health Inspection Service (APHIS) and state program oversight) to assure that control methods are being developed in the event that eradication programs fail and / or emergency program funds are not made available to or are insufficient to reach the goal of eradication. USDA should ensure that contingency programs are adequate to seamlessly move from eradication to pest/diseases management, when necessary. The overall program should have adequate funds to ensure the support of preventative programs as well.
5. Support Fruit Fly Preventative Release Programs by funding new facility construction and maintaining existing rearing facilities for sterile fruit flies in stable economic and political locations to ensure a domestic supply of sterile fruit flies to support current preventative sterile release program. This program protects the nation from invasive pests and would contribute to the agricultural security of the nation by providing a long term, stable, consistent and adequate supply of sterile flies to meet program needs. (e.g., Medfly Prevention Release Program).

### **Animal Identification**

Support for a premises registration and animal identification program began in earnest after the United Kingdom and some European Union member countries experienced bovine spongiform encephalopathy (BSE) and Foot-and-Mouth Disease (FMD). After BSE was identified in December 2003 in a Washington State cow, which was imported from Canada, the USDA announced its intent to implement a premises registration and animal identification program. An implementation plan had been previously begun as the United States Animal Identification Plan (USAIP)—a joint public-private partnership under the National Institute for Animal Agriculture (NIAA).

Significant progress has been made under pilot projects and an ad hoc national program implementation; however, some actions have resulted in producer confusion. States serve as an extension of USDA, as a partner and often the front-line responder during animal disease events. One goal of a U.S. program—envisioned during the development of the USAIP—was a program implemented by states, thoroughly compatible yet potentially unique to the animal agriculture of the state. Current federal goals do not require that potential third-party compliance programs are coordinated through state run programs, even though federal goals still seem to require and desire that states will remain as a front-line responder.

### **Recommended Actions:**

1. NASDA recommends the establishment of a premises registration and an animal identification program. NASDA seeks congressional action to establish a federally administered, but state-led program to provide producers the assurance (implied during the initial implementation of the USDA program) that information will be held confidential. Producers also need to know that information collected by the states will also be held confidential under concurrent state programs.
2. While states prefer the program be implemented with seamless coordination with the USDA program at the national level, all programs must be able to be compliant and compatible, not only with the federal program, but also with all federally approved state programs.

### **Disposal of Animal Carcasses and Specified Risk Materials**

Disposal issues resulting from the removal of beef Specified Risk Materials (SRM) from animal feed, the number of animals dying from drastic weather conditions and the potential loss of additional animals in future emergency situations has prompted NASDA to seek to assure that a strategic national plan for disposal of animal carcasses and SRM is available to guide future actions.

#### **Recommended Action:**

1. NASDA recommends the development of a national coordinated carcass and SRM disposal plan that will enable states to better address emergency and routine livestock disposal while protecting public health and the environment. NASDA recommends the Secretary of Agriculture coordinate development of the plan among the federal agencies that have jurisdiction over animal feed (the Food and Drug Administration), disposal of solid wastes (the Environmental Protection Agency), animal health and food (meat) safety (APHIS and the Food Safety Inspection Service) and conservation programs (NRCS) together with the state departments of agriculture, livestock commodity organizations, the rendering industry and other appropriate stakeholders who are concerned that the nation lacks a coordinated national strategy. The scope of the coordinated effort shall be to address both carcass disposal and disposal of SRMs that may no longer be used in animal feed.

## **INFRASTRUCTURE**

In the global competition for developing export markets, U.S. agriculture is often at a disadvantage relative to competitors in places such as South America due to higher operating costs, currency exchange rates and other factors. However, America has compensated somewhat for these disadvantages with a superb agricultural infrastructure—including well-established and accomplished research institutions, an extensive and well-developed transportation infrastructure, relatively widespread access to advanced technology, and a highly educated and motivated work force. Given the disadvantages our producers face in other areas of the global competition, it is important that the nation invest in its agricultural infrastructure—especially in the fields of higher education, transportation and technology—to retain and build on the advantages we enjoy.

### **Agriculture Research, Extension, and Education**

U.S. agriculture today faces greater global competition than ever before, thus increasing the need for sound, progressive agricultural research. The land grant system provides the basic needs of extension, teaching, and research. The land grant universities must remain a strategic resource for agriculture and the general public.

#### **Recommended Actions:**

1. Land Grant Universities should prepare our nation's students in agriculture and related fields to function in today's society and meet the needs of our food, fiber, and fuel systems.
2. Land grant institution faculty must be prepared and equipped to teach and recruit students in agriculture-related fields.
3. Congress should increase federal funding in research, extension, and education programs for agriculture, bioenergy, fiber, nutrition, food safety, market development, and natural resources during the next five years.
4. Land Grant Universities should evaluate the increasing administrative overhead costs and their impact on agricultural research and education.

5. Congress should fund competitive grants programs like the Initiative for Future Agriculture and Food Systems (IFAFS) and USDA's Organic Research Initiative, as proposed in the 2002 farm bill.
6. Congress should increase funding for the Organic Transitions Program at the Cooperative State Research, Education and Extension Service (CSREES) which should include a stand-alone Request for Proposals to encourage broader agro-ecological research in organic systems.
7. Congress should continue funding the national Sustainable Agriculture Research and Education (SARE) program and the organic production and market data collection and tracking authorized in Section 7407 of the 2002 farm bill.
8. USDA should create a permanent National Program Leader for Organic Agriculture within CSREES; continue the National Agricultural Statistics Service (NASS) and state agricultural surveys, with expansion of questions related to organic and transitional production, acreage, and producer characteristics; and collect and disseminate organic price data for sale of commodity crops, specialty crops, and retail organic sales.
9. Fund Cooperative Extension programs to specifically assist farmers and ranchers in implementing environmental and agricultural practices and meet future targets in regards to water and air quality, ahead of legislation, based on research by Land Grant Universities.

#### **Transportation: River, Rail, and Roadways**

The U.S. agriculture industry relies heavily on a consistent and dependable transportation system including rivers, rail, and roadways. A collapse of any part of the current transportation system will be a detriment to the survival of the agriculture industry.

#### **Recommended Actions:**

1. Adequate funding and continued investment must be maintained in our transportation infrastructure, including continued efforts to fund lock, dam, and levee, dam maintenance, and improvement programs necessary for the continued operation for safe and efficient commercial navigation on U.S. waterways.
2. Congress and the federal government must substantially increase oversight of railroads, including rates and services to address the lack of competition, requiring that monthly rail shipper survey information be published.
3. Congress should require rail carriers, upon request, to quote a rate between any two points on the system where traffic originates, terminates, or may reasonably be interchanged without regard to whether the rate is for only part of the total movement. Also, upon request, small, captive agricultural shippers should be provided with a simple benchmark test for rate and service cases.
4. Over-the-road trucking companies and independent drivers should also be supported. Biodiesel should be made widely available to the trucking and railroad industries.
5. All railroads must charge reasonable rates, offer fair and consistent rate spreads and service to all shippers, and treat all shippers equitably. Railroads need to offer co-loading of trains and have reasonable loading policies that hold both shippers and railroads responsible for moving equipment promptly.
6. USDA should consider moving grain under loan into the market at various intervals and over a longer period of time

7. The Surface Transportation Board's National Grain Car Council should implement a mechanism that permits shippers to seek nonperformance arbitration.
8. The Secretary of Agriculture should be provided the discretionary authority to extend Commodity Credit Corporation (CCC) loans for up to six months for reasons including economic or other emergency situations.
9. Interstate truck weight limits on interstate highways should be consistent at a level of at least 99,000 pounds.
10. Fund targeted investment in freight infrastructure; specifically domestic perishable goods delivery networks, including farm to market highways and cooperatively-owned short line railroads which support the rural economy and benefit the farm industry. Nationally, 95 percent of perishable product movement is by truck. Because perishable transport is mostly truck-based delivery, support of highway infrastructure is critical.

### **Labor Supply**

Due to the diversity, scale, and nature of agriculture in this country, there is not currently an adequate number of U.S. workers to fill the labor pool needed by this industry. The very nature of agriculture dictates that it does not have the luxury of downsizing or cutting back when workers are scarce. In order to continue providing the supply of food and fiber that this country has come to expect from our farmers and ranchers, immigration reform legislation must include a usable and affordable guest worker program. This type of program should be implemented in conjunction with any revisions to current immigration law and should include an adequate transition period. Without this critical transition period, we run the risk of having prolonged and costly disruptions to agriculture and agri-business production and jeopardize the nation's safe and abundant food supply.

The U.S. agriculture industry upholds a high standard of humanitarian and basic human rights for all workers in all nations. All nations should implement uniform standards regarding workers rights, labor laws, housing, and environmental laws.

NASDA supports the Agricultural Job Opportunity, Benefits, and Security Act (AgJOBS) and believes the legislation is critical in securing a legal work force for agriculture as well as regularizing the status of current agricultural workers through an adjustment program.

### **Recommended Actions:**

1. A solution to this problem must be based upon the following:
  - a. concern for the basic rights of all agricultural workers, including provisions for housing;
  - b. recognition that the current H2A program does not serve as a viable means for addressing gaps in the local workforce;
  - c. the need for a trustworthy identification system for workers; and the need to regularize the status of the existing workforce during a transition to a more transparent and enforceable means of meeting basic workforce needs;

- d. immigration reform legislation must include a useable and affordable guest worker program for agriculture and agri-business, implemented simultaneously with changes in immigration laws, with an adequate transition period, in order to avoid disruption of agricultural and agri-business production; and
- e. establishing and maintaining integrity and security of our border systems.

### **E-Commerce and Broadband and Wireless Internet Access**

Agriculture will benefit from inexpensive and easily accessible Internet connections by facilitating and strengthening use of extension research and technology programs, resident education, domestic and international marketing, and access to federal information and documents online.

#### **Recommended Actions:**

1. Laws must protect the privacy of consumers who use the Internet and wireless communication. Congress must act to make it unlawful for a commercial website operator to collect personal information online from a website user unless the operator provides certain assurances, including notification of the information's use and opportunity to limit the use of the information for marketing purposes or disclosure to third parties.
2. The National Institute of Standards and Technology (NIST) needs to focus on assisting agriculture to successfully integrate and utilize electronic commerce technologies and business practices. Further, NIST should be authorized to identify and assess critical enterprise integration standards and implementation activities for these businesses.
3. The computing investment credit in the Internal Revenue Code of 1986 should be expanded to include a broadband credit.