

SPECIAL EDITION

**WEEKLY UPDATE
SUSTAINABLE AGRICULTURE COALITION
July 23, 2007**

**** FULL HOUSE AG COMMITTEE MARKS-UP FARM BILL ****

On Tuesday, Wednesday and Thursday, the full House Committee on Agriculture marked up a farm bill (H.R. 2419), approving the final measure at 10 pm Thursday night, after going until 1 am the night before. The Committee is still awaiting final budget estimates from the Congressional Budget Office to determine if the bill meets the “no new net cost” provision in current congressional budget rules.

The bill will head to the House Rules Committee by Wednesday of this week, where it will be married up with two tax bills – one which will pay for a \$2-plus billion farm bill energy title and one of which will pay for a \$4 billion nutrition title. The bill is expected to be debated and voted on this Thursday, July 26.

The House Democratic leadership indicated its general support for the bill, but is also hinting at the need for additional changes before the bill hits the floor. This gives us some hope that the unfunded conservation programs, most especially the Conservation Security Program, and the sham payment limitation provisions might still possibly see some change. Also seeking funding is the Community Food Grants program and the Beginning Farmer Individual Development Account pilot program.

Here are some highlights from the Full Committee Markup. The underlying bill and approved amendments are posted at <http://agriculture.house.gov/inside/2007FarmBill.html>.

● **Payment Limitations:** After originally offering a weak commodity program payment limitation provision in subcommittee only to have the subcommittee vote to get rid of it, and then indicating he would not entertain another reform proposal unless the cotton and rice trade associations begged him for it, House Agriculture Chairman Collin Peterson (D-MN) ultimately relented to pressure from Democratic congressional leadership and included a payment limitation provision in the bill, which was subsequently unanimously endorsed by the committee. The only trouble is the amendment is actually “counter reform” as SAC called it in its press release early last week, though “fraud” might have been a better term.

The payment limitation provision in the Committee bill raises the limit on direct payments by 50% from \$80,000 to \$120,000 for married farmers. Single, unmarried farmers (and widows who share rent) who currently use multiple corporate entities to collect payments take a small cut in their direct payment limit from \$80,000 to \$60,000. The bill does two of the three things required to prevent doubling of payment caps: it directly attributes payments to real, living breathing people, and it eliminates the so-called 3-entity rule. But it continues to allow cap doubling via the so-called spouse rule. It makes no difference – except to bachelor farmers who currently divide their farm into separate corporate entities to take advantage of the 3-entity rule – whether large farms use the corporate rule or the spouse rule to double. The net effect is still the same – a 50 percent increase in payments, all in the name of “reform.”

The Committee bill allows unlimited payments to continue for loan deficiency payments and marketing loan gains. Current law caps these payments at \$150,000, but current law also contains a loophole. By using “generic certificates” the \$150,000 limit can be avoided. The Committee bill, instead of promoting reform by eliminating the loophole, instead eliminates the cap altogether. Hence, the proposal would result in unlimited marketing loan payments, and thus there is no hard cap on total payments under the Committee bill.

The Committee proposal also allows mega farms that take on investor partners to receive unlimited payments. The only way to stop this abuse is to include provisions that put real teeth into the “actively engaged in farming” rules. Both the US Government Accountability Office and the USDA Payment Limitation Commission recommended a measurable standard to determine “active management” but the Committee proposal has ignored those recommendations. The result will be a continuation of the infamous “Christmas tree” arrangements that allow the real beneficial owner to collect many multiples times the limitation in the law.

The Committee proposal also maintains the current law providing farmers and landowners who grow peanuts as well as another commodity a doubling of payments. So for these producers, instead of \$120,000 cap on direct payments, it would be \$240,000, and instead of \$130,000 cap on counter-cyclical payments it would be \$250,000.

The Committee provision that has received all the media attention would deny payments to individuals with more than \$1 million in adjusted gross income and to couples with more than \$2 million of income. This has been widely touted as significant reform, but it is not. It affects at best a small fraction of one percent of beneficiaries. Those super wealthy landlords it does affect will very likely switch from share rents to cash rents. That way the farmer will get the full payment and pass it on to the landlord through higher cash rent. Moreover, any mega-farm with decent tax advice will keep taxable income below \$2 million either by assigning income in a way that keeps one spouse below \$1 million (even if the income reported by the other spouse is in the mega-millions) or by investing in expansion, and then deducting the costs of the expansion for gross income.

In sum, the net effect of the bill is to provide a big increase in subsidies for mega-farms to drive smaller operations out of business. Any way you cut it, it is not reform. It is counter reform.

Amazingly, the Congressional Budget Office scored the proposal as saving \$522 million over the next 10 years. While these savings are a third of the \$1.6 billion projected to be saved over 10 years for the Dorgan-Grassley real reform bill in the Senate, it is still far higher than can be justified by the facts. It won't be the first time CBO has badly missed on this issue however. It has been a recurring problem for decades.

We hope an amendment will be offered on the floor during the farm bill debate this coming week to amend the bill so that it includes real payment limit reform while increasing the bill's investment in rural development, conservation, and nutrition programs. We will be sending out appeals for action as soon as we know the details.

More on other commodity titles issues in the commodity title section below.

- **Conservation Security Program:** The bill reported by the Committee delays the next new sign-up for the Conservation Security Program (CSP) until 2012, meaning there would be 4 years with no new program. The bill also rewrites the program to eliminate the three tiers or levels of participation and all CSP payments except for enhancement payments. It would provide for a nationwide enrollment process by creating a ranking system to determine which farmers get into the program.

The Committee bill maintains CSP funding right at the baseline amount for the next 5 years (\$2.6 billion), but then would cut \$3.2 billion from the program in the 5 years after that. Over the next 10 years under the House Committee bill, the program would spend out \$7.7 billion rather than the \$10.9 billion it is estimated to spend if the new farm bill made no changes.

An amendment to add funding to the CSP was put forward by Rep. Kirsten Gillibrand (D-NY) with the support from SAC. The Gillibrand amendment was included in the “en bloc” amendment approved by the Committee on Thursday night. The items in the en bloc amendment all cost money and must have “offsets” designated by the time the bill comes to the floor late this coming week or they will not be included in the final bill. For instance, the energy and food stamp provisions in the en bloc will be offset by tax offsets provided by the Ways and Means Committee. To date, it is uncertain if an offset will be found for the CSP. The Gillibrand amendment, if it ultimately becomes part of the House bill, would restart the program in 2010 instead of 2012 and would reduce the size of the total 10-year program cut to \$2.3 billion. The Congresswoman wanted to restore funding at least back to the baseline level, but the final amount included was the amount that was accepted by the Chair.

The Committee approved an amendment, supported by SAC and offered by Rep. Tim Walz (D-MN), which would require USDA to consider the multiple benefits of conservation-based farming systems, such as organic production, resource-conserving crop rotations, and managed rotational grazing, when ranking applications. The Walz amendment would also require USDA to allow producers to coordinate and simultaneously certify eligibility under CSP and the National Organic Program.

More on SAC’s other conservation priorities in the conservation title section below.

- **Beginning Farmer and Rancher Initiatives:** A majority of SAC’s beginning farmer and rancher proposals are in the House farm bill, including \$15 million in annual mandatory funding for the *Beginning Farmer and Rancher Development Program*. Also receiving \$15 million in annual mandatory funding is the *Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers* (Section 2501) program. Since they were first authorized, the BFRDP has never received any discretionary appropriations, and the 2501 program has never received more than \$6 million in discretionary appropriations.

Also included in the bill are SAC’s proposals (or close variants on those proposals) for *Down Payment Loan* program improvements, making the *Land Contract Guarantee* program improvements and expansion, *increases in direct real estate and operating loan limits* to \$300,000, *higher beginning farmer loan fund set-asides*, beginning and minority farmer *EQIP funding set-asides and bonus cost share rates*, new *Conservation Reserve Program beginning farmer transition payments*, and a new special emphasis on beginning, immigrant, and socially disadvantaged farmers under the *Risk Management Education Program*.

There are areas from our proposal and the Beginning Farmer and Rancher Opportunity Act that are not in the House bill. These include first and foremost the *Beginning Farmer and Rancher Individual Development Account pilot program*, which we want piloted in at least 15 states, with \$5 million in funding for five years. Also left out was an increase in the authorization levels for direct loans and special conservation incentives in addition to the cost share bonus.

- **Organic Initiatives:** Organic initiatives backed by SAC also fared relatively well. The *National Organic Certification Cost Share Program*, initiated by SAC in the 2002 Farm Bill, was reauthorized and provided with mandatory funding of \$22 million over the life of the farm bill. The program had just \$5 million during the last farm bill cycle, and we are asking for \$25 million. The House bill also increases the annual payment limit from \$500 to \$750 per operation. The House bill also continues the Agricultural Management Assistance program at its current \$10 million a year in mandatory funding. Each year, \$1 million of the AMA funding is set-aside to pay for organic certification cost share in 15 states (the northeast plus WY, UT, and NV). The House bill expands the AMA states to include Virginia and Hawaii. Additional \$20 million a year in “contingency funding” is provided for AMA in the en bloc amendment, in the event that offset funding is found elsewhere to pay for these expenditures.

The bill also includes \$5 million a year in mandatory funding for the *Organic Agriculture Research and Extension Initiative* (OREI), which is a very modest increase from the \$3 million a year provided in the last farm bill and considerably less than the \$15 million a year we are asking for. An authorization for \$25 million a year above and beyond the mandatory funding is also included in the bill, but we are not optimistic that this will prove fruitful in the appropriations process. Nonetheless, the slight increase in mandatory funding was a major victory, not coming together until the final days, when Rep. Cardoza (D-CA) agreed to use \$25 million (over 5 years) of the funding he commandeered for specialty crop research for the organic program. The new specialty crop research program received \$215 million in mandatory funding over 5 years.

Rep. Steve Kagen (D-WI) amended the bill to include SAC-supported language stating the intent of Congress that the *Agricultural Research Service* should increase its support for organic research to at least a fair share based on organics market share, including support for the Alternative Farming Systems Information Center to disseminate research results.

On shakier grounds, but full of promise, is the inclusion of a new *Organic Conversion Assistance Program*. Rep. Gillibrand (D-NY) offered the amendment creating the new program, but it did not pass until several deals were cut. Most importantly, the \$50 million in mandatory funding she had proposed was stripped out. The maximum payment per farmer per year was also reduced from \$20,000 to \$10,000, and a provision was added to clarify that if the farmer did not complete organic certification, USDA could ask for the money back. What is left is still quite significant, however. The first time program is authorized for \$50 million in discretionary funding over the life of the farm bill and includes cost share and incentive payments for conservation measures as well as technical and education assistance in business and marketing transition planning. Half the funds are set aside for technical and education assistance and part of those funds are authorized to flow to non-profits and consultants through cooperative agreements with NRCS. Congresswoman Gillibrand deserves significant credit for fighting for this program and keeping it in play as action switches soon to the Senate side.

The *Organic Data Initiative* is slated in the bill to receive \$3 million over the life of the bill to provide some base funding for USDA to accelerate its work on collecting segregated data for organic production, sales, and exports and imports.

Finally, as we have reported previously, the bill includes a fairly weak approach to fixing the dual discrimination faced by organic farmers seeking *crop insurance*. The bill creates a multi-year process that might result in the problems being fixed in the future. We hope the Senate will opt to fix the problems now, while allowing USDA to continue to study the issue.

- **New Markets:** There are some wins to report in the marketing arena as well. First off, as we have reported previously, the bill includes \$20 million a year in mandatory funding for the *Value-Added Producer Grants* program. While this is just half the current level, it is also the only program within the House rural development title that received any direct funding at all. The language supported by SAC to give preference to projects that support small and mid-sized farms and to provide designated funding for mid-tier value chain networks held up during committee markup without amendment. We hope to get a funding increase rather than a funding cut in the Senate bill, but at least the House bill includes some of the important substantive provisions we support.

The last farm bill created the *Farmers Market Promotion Program*, an initiative of SAC and the Wallace Center. In that farm bill, the Senate provided mandatory funding, but the House refused to accept that and in the end the program was authorized but not funded. This time the House not only reauthorized the program, but provides it with \$25 million over the next 5 years -- \$5 million for each of the first 3 years,

and then \$10 million the last 2 years. During Committee consideration a SAC-supported amendment was offered by Rep. Steve Kagen (D-WI) to rename the program the Farmers Marketing Assistance Program, to clarify the full range of direct marketing options the program will support, and to specify that groups of farmers and farmer networks are eligible funding even if they are not formal farm coops. The revised “FMAP” program also makes grants to support Electronic Benefits Transfer (EBT) systems at farmers markets and CSAs, so that food stamp program participants can use their EBT cards at markets.

The *Seniors Farmers Market Nutrition Program* was continued by the Committee at its current \$15 million a year funding level.

A new revision to the *Business and Industry Loan Program* was included in the bill supports loans for local and regional food enterprises. The amendment by Rep. Gillibrand (D-NY) gives these local food infrastructure projects (defined in the amendment as enterprises within 400 miles of the consumer) a priority for loans under the program. The B&I program is funded each year through the agricultural appropriations process, and in recent years has had more money appropriated to it than it has used. So the hope is the newly eligible local and regional food enterprises will have ready access to this government lending source.

Another successful amendment by Reps. Kagen (D-WI) and Jeff Fortenberry (R-NE) will allow schools to use *geographic preference* in food procurement bids under the school lunch and other nutrition programs in order to purchase locally produced food.

Under the current farm bill, *Community Food Project* grants receive \$5 million a year in mandatory farm bill funding. The Committee bill expands the scope of the program, but provides no mandatory funds. Instead, it provides an authorization for appropriations of up to \$30 million a year. With money in the annual appropriations process very tight, this does not bode well for the program. A move is underway to try to get an amendment accepted on the floor to provide mandatory funds.

● Title I Commodities

> *Conservation Compliance and Sodsaver*: The bill coming out of Committee does not include any of SAC’s proposals for strengthening conservation compliance but does have a partial sodsaver provision prohibiting certain program benefits on all native prairie and permanent grassland that is converted to cropping. Unfortunately, rather than prohibiting commodity, conservation, and crop insurance subsidies for grassland conversion, the bill only prohibits crop insurance subsidies, and then only for the first four years following conversion. After that, even crop insurance benefits would kick in. We hope to secure a full sodsaver provision in the Senate, along with important provisions to strengthen compliance.

The sodsaver provision before the Committee was even weaker than portrayed above due to a nefarious provision giving FSA county committees the authority to waive the restraint on crop insurance. Thankfully, the Committee approved an amendment offered by Rep. Stephanie Herseth Sandlin (D-SD) to strike out the inappropriate county committee discretion.

● Title II Conservation

> *Cooperative Conservation Partnerships*: The House bill reauthorized the Partnership and Cooperation Initiative as the Cooperative Conservation Partnership Initiative, with a directive that USDA allocate 90% of the program funds each fiscal year to the NRCS State Conservationists to select projects and initiatives with advice from the State Technical Committees. SAC strongly supported this directive which can provide for better access to the partnerships by grassroots organizations and better coordination with state and local conservation initiatives. Funding for the program can be drawn from the CSP, EQIP and

WHIP. We attempted multiple times to expand the list to include WRP, FRPP, and GRP, but were unsuccessful. We hope to expand the eligible programs and make further improvements in the language in the Senate bill. Rep. Walz (D-MN) did successfully amend the House bill during subcommittee action to include a preference for projects which serve community development and environmental needs simultaneously.

> ***Environmental Quality Incentives Program***: The House bill substantially increases funding for EQIP, from its current \$1.27 billion a year to \$1.5 billion in FY08 ramping up to \$2.0 billion in 2012, with a total increase of approximately \$2.2 billion over 5 years and nearly \$6 billion over 10 years. The second 5 years of the dramatic increase is in large part paid for, in essence, by the \$3.1 billion cut to CSP.

There are no restrictions on funding for new and expanded large-scale CAFOs. Indeed, even more EQIP funding would be focused on CAFOs, with a new \$150 million carve-out over five years sponsored by Rep. Cardoza (D-CA) for agricultural operations (mostly in California) to meet air quality regulations. Much of this carve out would go to CAFOs with the approval of an amendment by Rep. Etheridge (D-NC) that would provide up to 90 percent cost share for gasifiers for animal carcasses and by-products.

All this is magnified by a new provision in the Chairman's mark to give a priority to EQIP contract proposals for financial assistance to producers subject to regulatory requirements that reduce the economic scope of their operations. There is also a provision to provide expedited assistance for single practices (i.e., lagoons) for operations that have adopted "environmental management systems" or EMS (i.e., the National Pork Producer Association's project).

In another step backwards, the Committee approved an amendment to eliminate instream flow from the list of EQIP forest management practice outcomes. The rationale offered was that many Western stream water rights are already over-appropriated. In short, forget about any practices that could cumulatively enhance the overall amount of water flowing in any segment of the stream.

On the plus side, the Committee approved an amendment by Ranking Member Goodlatte (R-VA) to adopt the definition of "integrated pest management" found in the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). That definition is ". . . a sustainable approach to managing pests by combining biological, cultural, physical, and chemical tools in a way that minimizes economic, health and environmental risks." Unfortunately, this amendment was introduced en bloc with another Goodlatte amendment prohibiting discrimination among pesticides in USDA conservation programs (see below). No one on the Committee noted the obvious contradiction between these two amendments.

The ***Ground and Surface Water Conservation Program*** component of EQIP is renamed ***the Regional Water Enhancement Program*** which authorizes USDA to enter into partnerships to address targeted water quality and quantity problems. The program gives a priority to the Chesapeake Bay, the Upper Mississippi River Basin, the Everglades, and the Klamath River basin. The Committee approved an amendment offered by Rep. Costa (D-CA) which would limit funding to these priority areas to 50 percent of the funds made available. In addition to the a priority in this program, the bill also provides for a new stand-alone Chesapeake Bay program for nutrient reduction and sediment control with mandatory funding of \$150 million over five years.

> ***Wetlands Reserve Program***: The House bill would restore funding to the WRP, which did not have funding in the farm bill baseline budget, with total authorization of 3.605 million acres and a directive to USDA to enroll 250,000 acres per year. The total acreage was decreased by the Chairman's amendment from 3.775 million acres in order to free up funding for a 1 million acre increase in the ***Grassland Reserve Program***, along with a requirement that 60% of the program acres be enrolled as long-term

agreements. SAC did not support the action to rob the WRP of sufficient acres to actually enroll the specified 250,000 acres each year.

The bill provides a preference for permanent easements. It would also allow up to 10,000 acres of flood-plain easements to be enrolled each year, if the land has been damaged by flooding within the previous year or subject to damage from flooding twice in the previous 10 years or if enrollment of the land would contribute to restoration of flood-plain storage or flow or erosion control.

The bill would also give congressional authorization for the *Wetlands Reserve Enhancement Program*, a pilot program initiated by NRCS in 2004 and modeled on the Conservation Reserve Enhancement Program as a partnership between USDA and states or state agencies.

> **Conservation Reserve Program:** The House bill continues the CRP, the largest conservation program, without significant change. Other than a provision for the transition of land coming out of CRP to beginning farmers and ranchers and socially disadvantaged farmers and ranchers, the House bill contains none of our SAC priorities. Among others, these included reserving at least 7 million acres or 20% of the total CRP acreage, whichever is greater, for the continuous CRP and Conservation Reserve Enhancement Program. This would be a new option for permanent easements for the most environmentally sensitive land, improved haying and grazing rules, and options for facilitated transition of land coming out of CRP into the CSP, continuous CRP, and organic production.

An amendment offered by Rep. Moran (R-KS) was approved by the Committee which would allow dryland cropping and grazing on land entered into a CREP by a landowner who has agreed to suspend use of water rights. SAC has supported limited haying and grazing on CRP land, including CREPS, if the activity enhances or does not interfere with the conservation plan. We do not, however, support dryland cropping on CRP land. The water conservation purpose seems better served by a working lands program rather than a land retirement program.

> **Program Consolidation:** The Committee delayed action on a proposal by Ranking Member Bob Goodlatte (R-VA) to consolidate conservation programs by wrapping the Wildlife Habitat Incentives Program into EQIP and the Grasslands Reserve Program into the Farm and Ranchland Protection Program. If agreement is reached with conservation groups, a revised amendment will be placed in the Manager's Amendment to be introduced on the floor by Chairman Peterson. If no agreement is reached over the next day or two, Rep. Goodlatte intends to offer his consolidation amendments on the floor.

> **Conservation Program Payment Limits:** Chairman Peterson amended the bill to provide for revised caps on conservation payments. Payments for the three easement program -- the Farm and Ranch Land Protection Program, the Grassland Reserve Program, and Wetlands Reserve Program -- are excluded from the cap. The cap limits the total payments for all other conservation programs to \$60,000 per year if the person receives payments from only one program and to \$125,000 per year if the person receives payments from two or more programs.

Note that these "caps" can be used to raise payment limits over the current limits for the affected programs. The current CRP cap is \$50,000 a year and the CSP cap in the House bill is \$30,000 a year. Both of these are increased by the inclusion of the Peterson amendment. Under EQIP, for those in no other program, the new provision means a modest decrease in the payment limit. However, a CAFO owner or large-scale irrigator could attempt to get a modest payment from WHIP or some other program and wind up with a very substantial increase in the current \$450,000 payment limit (which translates into \$75,000 a year), with EQIP grants of \$600,000 over the life of the new farm bill. SAC is supporting a \$30,000 a year cap for CSP and EQIP and hopes the Senate bill adopts this more reasonable reform.

> ***Restriction on Limiting the Use of Toxic Pesticides in Conservation Programs:*** The Committee approved an amendment offered by Ranking Member Goodlatte (R-VA) that would prohibit USDA from discriminating against the use of specific registered pesticide products or classes of pesticide products in establishing priorities and evaluation criteria for the approval of plans, contracts and agreements under any program in the Conservation Title. This sweeping measure could call into question priorities for organic production practices which restrict the use of pesticides and some integrated pest management techniques that are intended to reduce the use of highly toxic pesticides even if the pesticide label approves the use. It could also tie USDA's hands in giving priority in enrollment in the CRP, WRP, and GRP to landowners who agree to use less toxic pesticides in their land management plans.

● **Title III Trade:**

An amendment offered by Rep. Cardoza (D- CA) would authorize appropriations for the U.S. Agency for International Development to contribute \$60 million over 5 years, or up to 25% of the total contributions, to the Global Crop Diversity Trust. Currently, the U.S. contributes about \$1 million per year.

● **Title IV Nutrition:**

As we note above, on July 17 Chairman Peterson informed the House Ag Committee that the House Ways and Means Committee would provide \$4 billion in offsets to finance Nutrition Title programs included in the en bloc amendment to the House farm bill. The next day, the House Agriculture Committee voted to provide funding for changes to ***food stamp*** allotment levels and eligibility, by increasing the standard and child care deductions, raising the minimum monthly benefit, and disregarding military combat pay and food stamp resource rules, by exempting retirement and education savings accounts from affecting food stamp eligibility, and indexing for inflation the \$2000 and \$3000 asset limits. The Committee also approved increased mandatory spending for ***The Emergency Food Assistance Program (TEFAP)*** commodity purchases.

● **Title VI Rural Development:**

In addition to the ***Value-Added Producer Grant Program*** (see above), the following issues from the SAC farm bill platform were addressed by the Committee.

> ***ATTRA*** was provided with permanent authorization, which would ensure that it is not zeroed out in the appropriations process as an earmark.

> The ***Rural Entrepreneurs and Micro-Enterprise Program*** was authorized as a new program with the language that SAC supports. The funding, however, is only an authorization for appropriation of \$20 million per year. We were seeking \$50 million a year in mandatory funding for this program that would assist rural entrepreneurs in establishing new small businesses in rural areas, a level we hope to achieve in the Senate bill.

> The ***Community-based Entrepreneurial Development Program*** and the ***Rural Entrepreneurship, Education and Enterprise Facilitation Program*** that are part of the SAC farm bill platform were not included in the House Committee bill.

● **Title VII Research:**

The House Committee bill splits the \$600 million in mandatory farm bill spending in the current baseline for the Initiative for Future Agriculture and Food Systems (IFAFS) between IFAFS and the National Research Initiative (NRI). We had a big win on this issue with a directive that 40% of the combined

mandatory and appropriated funding of the *National Research Initiative* be provided to the *Initiative for Future Agriculture and Food Systems (IFAFS)*. While we are still aiming for no worse than a 50-50 split in the final farm bill, the 40-60 split is considerably better than where the House bill seemed to be headed earlier. All of the current purposes of IFAFS remain intact, though we were unsuccessful in adding new ones with one very important exception -- a program priority for public plant and animal breeding was added to IFAFS, a major step forward for SAC and other advocates on the public breeding issue. The National Genetic Resource Program was also reauthorized but no additional funding was added.

The House bill also includes a new layer of bureaucracy with a new National Agricultural Research Program Office comprised of six Research Program Offices which will be housed in the office of the USDA Under Secretary for Research. These research czars are intended to oversee the work of what are now called the national program leaders for specific research areas housed at both CSREES and ARS. This agenda was pushed very hard by the land grant universities, but we at SAC are uncertain of its merits.

The new mandatory farm bill money for research in the bill is all directed to specialty crops and to energy research initiatives. The brand new specialty crop research program would receive \$215 million over the next 5 years and \$25 million bioenergy and biobased product research.

- **Title X Energy:**

Much of the funding for the Energy Title is included in the en bloc amendment to Chairman Peterson's mark for the farm bill, including \$500 million in funding over the life of the farm bill for the *Section 9006 Renewable Energy and Energy Efficiency Program*. The reauthorization for the program includes a carve-out for grants of \$50,000 or less. The en bloc amendment also includes a *Biomass Energy Transition Reserve Program* with numerous payments and incentives to farmers who grow cellulosic biomass for use as an energy feedstock for bioenergy production facilities. There is, as yet, no upper funding limit for this program, with funding designated mandatory "as necessary" for each fiscal year from 2008 to 2012. Chairman Peterson has indicated that about \$2 billion of the money that will be provided for the reserve fund will be directed to the Energy Title. This funding offset comes from a bill previously passed by the House (but not by the Senate) recoupment of tax breaks to the oil and gas industry.

- **Title XI Miscellaneous**

> **Competition Issues:** The only issue addressed by the Committee was mandatory arbitration (see below). No amendments to add other provisions in a Competition Title were offered.

> **Mandatory Arbitration Clauses:** A prohibition on mandatory arbitration clauses in livestock and poultry production contracts, included in the bill as an amendment offered by Subcommittee Leonard Boswell (D-IA) in the Livestock Subcommittee markup, was rendered toothless. The Full Committee approved an amendment offered by Rep. Rogers (R-AL) by a vote of 26-17. The Rogers amendment would reinstate mandatory arbitration with the sop that the Grain Inspection Packers & Stockyards Administration (GIPSA) fashion a regulation with arbitration standards – GIPSA, the same agency that has spent more than a decade avoiding any effective protection of the interests of farmers and ranchers in livestock and poultry markets. Adding insult to injury, the bill would also let livestock and poultry producers go to small claims courts in lieu of arbitration, when the stake is their farms, livelihoods and the need for some justice in a situation where the companies hold all the cards.

Chairman Peterson supported the Rogers amendment and Rep. Holden (D-PA) and Costa (D-CA), who voted for the Boswell amendment, changed positions and voted for the Rogers amendment, joined by many of the senior Democratic leadership including Cardoza and Scott in addition to Holden and Costa. The ban on mandatory arbitration clauses was the one and only real competition measures in the House bill. The vote was one of those crystal clear decisions of whether to vote for the farmer or for the corporate integrators, and the top Democratic leadership, with the exception of Boswell, McIntyre, Etheridge, and Baca, cast a blatantly anti-farmer vote.

> **Mandatory Country of Origin Labeling:** The last issue addressed by the Committee was mandatory Country of Origin Labeling (COOL) for meat. Chairman Peterson announced in an executive session of the Committee that a compromise had been reached between the National Farmers Union and the American Meat Institute under which many of USDA's regulations for COOL and penalties for violations would be dropped or softened. In return, packers and processors dropped a proposal that would allow meat from an imported animal to be labeled "Product of the U.S." if the animal spent any time in the U.S. before slaughter.

The Committee voted unanimously to the terms of the agreement which would require that beef, pork, lamb and goat from animals born, raised and slaughtered in the United States be labeled "Product of the U.S." Meat from animals born in another country and raised and/or slaughtered in the United States would be labeled as a product of that country and the United States. Ground meat sourced from many countries would be labeled "may contain meat from" and list the countries. This measure would allow COOL to be implemented by Sept. 30, 2008.

Chairman Peterson's mark for the bill struck out a current prohibition on the use of mandatory animal identification to verify origin. However, the final deal on COOL retains the current prohibition on the use of mandatory animal identification. It is not yet clear exactly how the language for the compromise agreement will address source verification for COOL other than that mandatory animal identification is prohibited.

Also, the fight for mandatory COOL for fresh fruits and vegetables continues. Peterson told reporters that he is calling on leaders in the fruit and vegetable industry to reach a compromise or be required to meet burdensome rules that the Bush administration has fashioned in order to ratchet up the costs of COOL to build opposition.

> **Socially Disadvantaged Farmers & Ranchers:** In addition to the new mandatory funding for the Outreach and Assistance to Socially Disadvantaged Farmers and Ranchers program (see above), the House bill contains three new provisions concerning Socially Disadvantaged Farmers and Ranchers.

Section 11205 would require USDA to provide a receipt of service or of denial of service whenever a producer or landowner requests a benefit or service. This is in reaction to the discrimination claims brought against the Department and the difficulty of proving or disproving claims without a paper trail.

Section 11206 would require USDA to accurately track Socially Disadvantaged Farmers and Ranchers and Limited Resource Farmers and Ranchers in the *Census of Agriculture* and other studies.

Section 1120 would establish the position of **Farmworker Coordinator in USDA's Office of Outreach** of the Dept. of Agriculture. The USDA Secretary may delegate the following duties to the Farmworker Coordinator: assist in administration of disaster relief to low-income migrant and seasonal workers; serve as a liaison to community-based non-profits that represent and serve low income migrant and seasonal workers; coordinate with USDA and state and local governments to assess and meet farmworker needs during disasters and other emergencies; consult with Office of Small Farm Coordination, Office of

Outreach, Outreach Coordinators, and others to better integrate farmworker interests into department programs; consult with Hispanic-serving institutions that assist with low-income and migrant seasonal farmworkers on research, program improvements, and agricultural education; and assure that farmworkers have access to service and support to become agricultural producers.

> ***State-Inspected Meat and Poultry***: Under current law, meat and poultry products (beef, poultry, pork, lamb and goat) inspected under state inspection programs may only be sold within the borders of the state in which it is inspected. There are two approaches to dealing with this issue. One approach would allow interstate sales of state-inspected meat and poultry products without spelling out any new or additional conditions or requirements for the state inspection programs. The other approach eliminates the prohibition on interstate shipment of state-inspected meat and poultry products but also requires that state-inspection programs be identical to the federal program. The House bill contains a provision that would require state program requirements to be identical to federal requirements in order to get federal approval to move meat and poultry in commerce. The bill would also require USDA to review and report to Congress on effectiveness of state meat and poultry inspection programs and the changes that would be needed to transition to a state program of enforcing federal inspection requirements.

> ***Exclusion of Manure from CERCLA and EPCRA***: Rep. King (R-IA) offered an amendment providing that it is the “sense of the Congress” that farm animal manure should not be a hazardous substance pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or “Superfund”) or the Emergency Planning and Community Right-to-Know Act. The congressional Parliamentarian ruled that if the measure is included in the farm bill, the House Energy and Commerce Committee would have jurisdiction over the farm bill. The amendment was then modified to provide that it is the provision is the “sense of the Committee”, not the entire Congress. But that will probably not cure the jurisdiction problem, it is likely that this measure will be omitted from the bill before it goes to the floor.