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Looking Ahead: Kansas and the 2012 Farm Bill
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Chair Debbie Stabenow: ...a while back to have the opportunity to host Senator Roberts in Michigan, at Michigan State University, and I returned the favor today by wearing purple for Kansas State, so I... [*Applause.*] Don't tell my friends at Michigan State, though. But it really is wonderful to be here, and I think before going farther in an opening statement, I will turn it over to Senator Roberts. I do want to say a special hello to the governor, though. We worked together on many things, and Sam, it's wonderful to see you, Governor Brownback, and of course Dr. Schulz, it's wonderful to have you here as well. But I'm going to turn it over first to Senator Roberts.

Senator Pat Roberts: Well, thank you, Madame, Chairwoman, for calling this field hearing today. Welcome to Kansas and welcome to Wichita. We are delighted to have you. I would just simply say that when I was in Lansing, Michigan, home of the Fighting Spartans, their colors are green and white, and I got this lovely green and white tie that I wear a lot. [*Laughter.*] But I promised her I would wear that green and white Spartan tie when Michigan State plays Nebraska, that's for sure. [*Applause.*]

Before I begin my statement, I want to thank the 46th governor of Kansas, my dear friend and colleague Sam Brownback. We served together in the Senate for 12 years and had a very unique and close relationship. Thank you for joining us, Sam. I know your schedule is very, very busy. We have served alongside the governor, as I say, in the Senate. As a former state Secretary of Agriculture, why, we're fortunate to have Sam's perspective on federal farm policy.

Seated next to the governor is the 13th president of Kansas State University, home of the ever optimistic and fighting Wildcats, Kirk Schulz. Madame Chairwoman, you'll be happy to know that President Schulz spent some time teaching in Michigan earlier

in his career. Kansas State, like many of our nation's land grant institutions, is vital to the development and wellbeing of America's agriculture sector. The research and extension services that are provided by these institutions, more particularly Kansas State, lay the foundation for our farmers and our ranchers and our agribusinesses. Thank you, President Schulz, for being here this morning.

We're here to talk about the next farm bill, and how Kansas farmers and ranchers, agribusiness and rural communities are impacted by policies that are created in Washington, for better or for worse. Agriculture is the backbone of our state's economy. It provides roughly \$15 billion worth of sales, according to the most recent census by the Department of Agriculture. Each year Kansans plant nearly 23 million acres to a variety of crops like wheat, grain, sorghum, corn, sunflowers, cotton and potatoes. I don't know if we have anybody growing cherries here in Kansas, but if you do, raise your hand and you'll get a big welcome from the chairwoman.

Kansas is home to 2.8 million people. It is also home to over six million cattle, 1.8 million hogs and pigs, 120,000 dairy cows, and usually they're in a better mood today than some of our producers. As we prepare for the reauthorization of the farm bill, it is important for us to begin by listening to these producers, those with the dirt under their fingernails, to provide the best perspective on the effectiveness of government regulations and programs.

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

Farm bills are not designed with one state in mind. They are national in scope, because they must protect producers from all states at a base level. This year in Kansas is a case in point of a need for a strong safety net. Boy, did we find that out yesterday, and what we have found out this year. I don't know what it is about mother nature. We're going from an earthquake yesterday to a drought today, and some people are going back to Washington to a hurricane. This is a very unusual year. But anyway, our Kansas producers have experienced floods where they're still putting up sandbags on the Missouri as we are dealing with a drought in 70 counties. The governor has asked the Secretary of Agriculture now for 70 counties being designated in regards to emergency status.

Yesterday I led a drought tour to see firsthand the effects of mother nature. Tim Huelskamp has already done that, the governor's done that, others have done that, and we wanted to do it as well. I have been working with the state and the USDA to find ways to provide necessary and responsible relief for our farmers and ranchers. We know that our programs face budget pressure, and they should. The federal debt and deficit are out of control. All of Department programs should be under consideration and of budget review. The chairwoman agrees with me on that point. And the

agriculture committees with the best experience and knowledge of these programs should lead in that effort.

Agriculture faces a tough challenge ahead. Global population continues to grow at a rapid pace. We're going to exceed nine billion people on this planet in the next several decades. That is a lot of mouths to feed. At the same time, emerging economies are demanding higher value protein and grains. In order to meet this demand, agriculture must double our production.

Some folks question the need for a farm bill with commodity prices where they are today. I don't have to tell this crowd that prices can fall much more quickly than they rise. And one thing about it, when you have good farm prices and you don't have a crop, that is sheer frustration. Without an adequate safety net, many producers will struggle to secure operating loans, lines of credit to cover input and equipment costs. We need those producers to stay in business if we're going to meet this global challenge, and do so in a way that protects our most valuable resource, our future generations.

Thank you to all of our witnesses today. I know you're very busy. Thank you for taking time out of your busy schedule. I look forward to your testimony, along with the chairwoman, and hearing not only about the farm bill, but also the impact of federal regulations on your operations, the number one issue that I continue to hear about. It used to be did you read the bill. Now it's did you read the regulation. Now it is are you even aware of the tidal wave of regulations that are coming down the pike. So often I hear from producers that the heavy hand of government intervention impacts them more than any other program.

With this in mind, last week I send the President a list of proposed regulations put forth by his administration that impact our agriculture industry. I'm hopeful that he will take a close look at them. By the way, the chairwoman held our very first hearing with the head of EPA and with the Secretary of Agriculture on the impact of regulations. So I'm hopeful that he will take a close look at the letter that I sent listing the regulations that you all have told me are simply counterproductive, and other regulations, and try to insert some good old Kansas common sense into these actions.

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

Chair Stabenow: Well, thank you very much, Senator Roberts, and let me emphasize again we do want to hear from each and every one of you. And please submit in writing if we're not hearing from you as one of the panels today. Let me also follow up and just emphasize again, I know all of you know this, but we need to say over and over again that the farm bill is a jobs bill. Sixteen million people in this country work

because of agriculture, because thousands and thousands and thousands of people in Kansas and all around our country, one out of four in Michigan jobs are in agriculture, and so it's critically important, not just for producers, but for all of us to care about agricultural policy and having it be effective in this country.

And certainly farmers and ranchers here in Kansas know the importance of a strong safety net. You've been dealing, of course, with devastating droughts, and too much water on one end, huge droughts on the other end, and I think if there ever was a time that it was clear, or if anybody ever needed to be reminded about the risks that farmers face, they should be very aware of it this year, and a need for a strong safety net, for effective tools to manage risk are critically important, now more than ever, and we are committed to working with you to do the very best job we can. It's a top principle that we are focused on in the farm bill.

But as we go into the process, let me just remind you that we are in a very serious budget situation, as you know, that is forcing us to look at the farm bill differently than in the past. We need to be evaluating everything the government does, measuring every program, streamlining and consolidating programs. We have done that. We are doing hearings on that. We want to make it easier for you, not harder. If we can streamline and take away some of the paperwork, we certainly want to do that, like we did with the 1099 forms earlier this year, and we need your input on that as well.

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

Let me just review the facts, sort of what we're dealing with this year. The House of Representatives passed a bill earlier in the year that would have cut 48 billion from production agriculture's baseline. That did not have the votes in the Senate. Instead, Senator Roberts and I worked very hard and successfully to create a process where our agriculture committees can recommend to the deficit reduction committee what we believe should be the cuts and the policies related to that. As a result, the deficit reduction agreement did not make any immediate cuts to agriculture, which frankly was a short-term victory for us, to be able to create a process where our agriculture committees are the ones that are proposing the policies that make most sense for agriculture.

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

The process is that on the committee we have until October 14th, which is not very long, to give this new committee our recommendations. So it's even more important that we're here today and that we can hear from you, because our staffs are working closely and effectively together to put together what it is that we will be recommending. Bottom line, I think it's clear that we in agriculture must make some tough decisions or somebody else is going to make them. And so we are anxious to work with you to make sure we get this right.

We know the farm bill is going to look a little differently than it has in the past, but we're asking everybody to look at, again, what is most effective, what do we need to do to make sure that we are strengthening our support for your efforts. We don't want to get bogged down in old arguments or bureaucracy, but we need to focus on what you need, what's most cost effective, what are the tools you need, what's the safety net look like. So we welcome your input. We need it. We need to hear from you so that we can get this right, what should an effective farm safety net look like, what are your priorities, what programs can be streamlined, consolidated, what doesn't work, what don't we need to be doing.

This isn't going to be easy, but I have a great partner in Senator Roberts, and we have a great, seasoned committee, as he and I both emphasize to folks, with more former chairs of agriculture committees and agriculture secretaries and governors, and the chair of the Budget Committee and the chair of the Finance Committee. And I think if there ever was a time when we had an experienced group of folks in the Senate to be able to focus on the right kind of agricultural policy, I think it's now. So I'm confident that we can come up with common sense solutions that will support and strengthen American agriculture and rural communities, while helping to put our country on a better financial footing for years to come. So let me turn it back to Senator Roberts to introduce our first guests, and welcome again.

Senator Roberts: Our first witness is the Honorable Governor of Kansas, Governor Sam Brownback.

Governor Sam Brownback: Thank you, Pat. Debbie, welcome to Kansas. Delighted to have you here and looking with your purple on. And this panel, we have a saying here, every man a wildcat – every man, woman a wildcat. That would be true, I think, across this panel here, probably true in the room, by and large, so we're delighted to have you here, delighted to have you in the state. You'd be welcome to any K State football games, too, that you'd like to come to. Kirk?

Dr. Kirk Schulz: Yeah, I can work that out.

Governor Brownback: We can work that one out. We ought to be able to handle that one. One quick observation. Glad to be on this panel and delighted to be with my former colleague Pat, who I loved serving with, and he's just a fun, knowledgeable guy. There are two people in this room, I would submit to the entire audience and to you, Madame Chairwoman, that know ag policy in this country, I'd stack them against anybody in the country, in Pat Roberts and Barry Flinchbaugh that's sitting up

here on the front row. These are two gentlemen that have been through I don't know how many farm bills, written them, and...six, seven farm bills literally that they have been through, from staff member on up to chairing the committee in the House.

And you are right. We are going into this huge deficit time period. You're going to have to rewrite the restructuring of the farm bill, and I can't think of a better time to depend upon that expertise and get from the rest of the Congress, all right, here's the number, then how do we fit within this number. And that number is going to be lower than what it has been in the past.

And we are planning at state government now for a substantially lower level of federal money. We get – over half of our budget is federal pass-through money. And I'm telling everybody in our departments that number is going down and it's going down substantially, and we should prepare for it, because the federal deficit is completely unsustainable. Everybody knows that. And if we don't decide on this and do something about it, other forces will, whether it's market forces or somebody else on Appropriations or super committees or something like that. So I just think it's critical that we do that, and you've got expertise in my former colleague that I'm delighted to be here on the panel to share with.

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

Now, the significance of this is the region that it overlays, the First Congressional District of Kansas, which Tim Huelskamp, who is here, Pat used to represent that district, is the number one agricultural district in America. Now, I'm sure some people in Michigan are going to want to check that number out and see if they are not in that, but I will bank that number with you. That's the number one agriculture producing district in America for value of agricultural products. It is where much of the cattle herd of the United States is fed out, that the people that eat beef in this country and around the world, they get it from there.

We have an issue with the decline of this aquifer and we need to maintain the water and we need to conserve and extend it into its future. So at the state level, we're looking at things we can do to do that. I'm pushing that we move away from the use it or lose it doctrine of Western water law in the state of Kansas, and that we get away from this development policy, because we need a conservation policy. We're looking at local management districts – we call them intensive groundwater management districts – and having these originated on a local basis.

Because as you'll see as well from this chart, the saturated thickness of the aquifer varies from region to region, it's different. The water does move, but not fast. It moves about a foot a day. But if you've got a well that you're pulling water from, it

pulls from that region and the water does move, but not fast. We need to conserve and extend the Ogallala if we are to conserve and extend, and I want to see us grow the agricultural production in the First Congressional District.

So I put forward written testimony in front of you today of what we could use and would be very helpful in federal farm policy to help us do that. One is a high plains groundwater resource conservation program. No new federal monies. But using the current funds to encourage the movement to dry land in some of region because the water is over appropriated in the Ogallala Aquifer, and I describe this in this particular piece.

A second one that I think would be critically important to us, and Senator Roberts knows this issue better than anybody in America, is crop insurance for limited irrigation. Right now your two options on crop insurance are full irrigation or no irrigation, dry land. You've got one of two options. Well, we really need a middle option here about, okay, we can't put on 18 inches of water this year of this aquifer. We can do six or 12.

But you can't get crop insurance on that. And you know that for so many people, if they can't get crop insurance, I can't get financing for this, so this isn't going to happen. But that would help us tremendously. And that's being discussed already with the USDA Risk Management Agency for a three state pilot on this of our state, Colorado and I think Nebraska involved in that over the Ogallala region. Would be very helpful for us to be able to move that forward.

The next is a currently existing program, the [AWIP] program, that has been used to pull some irrigated land out of production. That needs some more flexibility for us to be able to work. That was put in the 2008 Farm Bill. It has been of some use. We think it needs to be used not only to implement or foregone income, but to provide incentive payments for this transition period of time. And we put forward specifics here that we've worked that through as a state.

And then finally, as far as specific recommendations – and I think Dr. Schulz will go into this more – we need agricultural research into low water areas, or what we can do with lower water amount. And the one that quickly comes to mind is in the grain sorghum field. We need more crop variety development. And I might suggest to you a different route of doing crop research. One of the things we've had difficulty with is we'll do the research, but getting a seed variety out to farmers is a tough, high cost thing.

Maybe we put some of our agricultural research in this with private companies to develop these grain sorghum varieties, or having scientists at Kansas State University work with the private company to develop the varieties so that we don't have this huge gap between research and what I can plant in my field. Because what our guys need, ladies and gentlemen need, we need the varieties. We need these that are drought tolerant, that can produce on less water, and we need it now, we need it yesterday. And to get that partnership and do it with a private company, with K State

or the land grant involved in it as well, those partnerships are starting to develop in other areas and would be very useful in crop production and crop variety development.

Delighted to join with you. This is a narrow piece of a big farm bill that you have to consider. But on our issues of water over the most productive agricultural district in America, this is probably the biggest thing you could help us out with. Thanks so much.

Senator Roberts: Thank you, Sam, for your testimony. Let me indicate that the Topeka Regional Office for RMA, the Risk Management Association, and Rebecca [Davis] is the person we've been working with there. And that has now gone to the Washington level for a limited irrigation crop insurance program, just as you have recommended. The plan would allow farmers with limited water resources to insure their crop yields between the irrigated and the dry land levels with the use of limited irrigation. We've sent a letter to the RMA and we've been in touch with the RMA. I'll be calling the RMA urging them to consider this new program as quickly as possible. And I want to thank Rebecca for all of her help. It is my pleasure now to introduce our second witness, the president of Kansas State University, Dr. Schulz.

Dr. Schulz: Thank you. It's a real pleasure to be here this morning and I appreciate the opportunity to speak on behalf of Kansas State University. Chairwoman Stabenow, it's indeed my pleasure to welcome you on behalf of Kansas State University to Kansas, the heartland of our great country. We're pleased to have you in our state and we thank you and value your leadership and the work of this important committee. To Senator Roberts, welcome back home. I'm pleased to tell you that Coach Snyder has told me we will throw to the tight end more this season, so I... [Laughter.] ...wanted to be sure that my testimony was particularly relevant to things you were interested in besides agriculture.

As you know, Senator Roberts, Kansas State University has long been an active player in agricultural science, animal health and plant sciences. This research, indeed, is one of the university's premier areas of expertise and was one of the key factors in the locating, by the Department of Homeland Security, the National Bio and Agro-Defense Facility in Manhattan, Kansas on the campus of Kansas State University.

NBAF will be next door to the university's state-of-the-art bio safety level three research facility, as we affectionately know it, as Pat Roberts Hall. This is home to the university Bio Security Research Institute, which will provide an important transition of research from Plum Island to NBAF when it's complete and built in Manhattan, Kansas.

Also this morning I'd like to welcome our valued friends and stakeholders to this hearing. Without question, this group represents a broad range of interests that are all, in one way or another, affected by the health and vitality of Kansas and U.S. agriculture. These folks have been and will continue to be key leaders ensuring a safe

and secure food supply, not only for Kansas and the central plains, but indeed, our nation and the world as well.

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

I'd like to direct my comments now a little bit towards the 2012 Farm Bill. It's indeed fitting and appropriate that these hearings begin in states where agriculture remains a major force in the economy. Agriculture and related food system enterprises are indeed drivers of the Kansas economy. In Kansas the value of commodity cash receipts from agricultural products is about \$12 billion annually. Roughly 53% of that value is from livestock, in particular, beef cattle. The livestock inventory on January 1, 2001 reported 6.3 million cattle and calves, ranking Kansas second in the nation in that category. Indeed, cattle outnumbered the citizens of Kansas by over two to one, with 2.8 million residents. And you can win a whole lot of Trivial Pursuit things by knowing that particular fact.

In support of the beef cattle inventory in the state, Kansas is one of the leading states in numbers of cattle and feed, and it leads the nation in meat processing capacity. Kansas continues to be a national leader in both wheat and sorghum makers and in grain milling capacity. Because agriculture and related food industries are essential to the Kansas economy, this testimony and the content of the 2012 Farm Bill are of keen interest to Kansans, the land grant institution and the many industries that the farm bill affects in our state.

Kansas State and Michigan State maintain a friendly banter around which school was the first and which school the second land grant university. I can answer that question for you. We don't have to go anywhere else. That particular debate, however, has historic significance in that 2012 will mark 150 years since the signing of the Morrill Act and the establishment of the land grant system, which by any measure has had a great effect on this country, both educationally, through ag, through research and extension, and I think is one of the reasons, really, the U.S. has been so competitive in this area.

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

Public investment in agricultural biosciences is leveraged to maintain an abundant and safe food supply, sustainably use natural resources and promote healthy communities. Therefore, we encourage the committee to craft language that increases

the authorization for capacity funding of Hatch, Smith-Lever, extension services of the 1994 institutions, the Evans-Allen program, which is 1890s research, 1890 institutions extension and McIntire-Stennis Cooperative Forestry.

So let's look back very quickly at the 2008 Farm Bill, which really had some important language in the form of an innovative program referred to as Creating Research, Extension, and Teaching Excellence for the 21st Century, or simply Create 21. Some important elements of Create 21 are as follows. Following enactment of the 2008 bill, funding for AFRI, which is the Ag and Food Research Initiative, grew from 190 million in FY08 to 262 million in FY11. However, that funding remains far short of the 700 million that was authorized in the 2008 Farm Bill and could be a target of budgetary cuts as Congress continues to pressure reductions in discretionary federal spending.

Like many land grant universities, Kansas State University relies heavily on extramural funding from USDA to drive research and outreach programs in support of the food system. In 2009, nearly one-third of all external awards coming to Kansas State University were from the U.S. Department of Agriculture. Therefore, for our scientists to continue to multiply twenty-fold, the federal investment in agricultural research and discovery for certainly the good of Kansas and the U.S. economy, AFRI must grow to meet that \$700 million expectation to make sure that we're continuing to move forward in research and extension.

One of the things, too, that has been of a very popular political discussion has been earmarks and the bridges to nowhere controversy. However, federally directed funding in the agricultural sector has generally resulted in tremendous public good. There's lots of examples that every land grant institution could lay out there of where these congressionally directed dollars have had a substantive and important impact on the states and make sure that they're directing dollars towards issue of importance in that particular region and state.

A few things out of Kansas State University that have resulted from these congressionally directed dollars include the Wheat, Genetics and Genomics Research Center, which has been funded through earmark appropriations since 1984. The genetic tools derived from this collection have been deployed around the world and contributed significantly to the development of high value wheat germplasm. The governor already talked a lot about the aquifer and those particular issues in the western part of the state, and water use efficiencies and things like that are also the type of research done through the land grant institutions that will form the basis for continued agricultural success in these areas.

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

All these programs formerly funded by earmark appropriations have yielded tremendous results that provided excellent benefits to the citizens of Kansas and beyond. We encourage language in the 2012 Farm Bill that authorizes appropriations to restore these important programs. We understand the need for federal spending priorities, but these programs are investments that are good for Kansas and good for the nation.

We also are very, very proud and a part of the land grant institutions across the country our extension. Our research and extension professionals throughout the state deliver solutions to folks in the field, bring that research to bear and make sure that we're continuing to make great advances in agricultural research and extension, not only in Kansas, but elsewhere.

Just a few ways that our extension service continues and has delivered solutions in Kansas include work on watershed protection and improvement, solutions for rural communities which our governor has led some really exciting initiatives to try and make sure that we're doing everything we can to support our rural communities, 4H.

This is a tremendous program. Kansas is very proud of our 4H program, and this involves a lot of young people, getting them interested in agriculture, but preparing those leaders for tomorrow that will be so important as our nation looks forward. Air quality solutions for beef feed yard, improved health and wellbeing for individuals of all ages. And I could go on and on about the terrific things that research and extension professionals do in Kansas and across the country.

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

Members of the United States Senate Committee on Agriculture, Nutrition and Forestry can be confident that every dollar of federal investment authorized by the 2012 Farm Bill and expended at Kansas State University will be a wise and lasting investment. That investment is guaranteed to be leveraged further and to spawn innovation, discovery and creativity that will be translated into solutions to improve the lives of Kansans, the lives of people in the Midwest, our country and the world. I thank you for this opportunity to provide testimony and wish you the best of luck.

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

Chair Stabenow: Thank you very much. We do want to ask our panelists to come forward now as quickly as we can. We want to make sure we have ample time to hear from everyone and to be able to ask questions, so if you'd please come forward.

Senator Roberts: Our second panel is being greeted by the chairwoman. Mr. Steve Baccus of the Kansas Farm Bureau, Mr. Karl Esping of the Kansas Sunflower Commission, Mr. Kent Goyen of the Kansas Cotton Association. I like to think I had something to do with that. Mr. Ken Grecian, the Kansas Livestock Association, Mr. Bob Henry of the Kansas Soybean Association, Mr. Kenneth McCauley of the Kansas Corn Growers, Mr. David Schemm of the Kansas Association of Wheat Growers way out there in Sharon Springs, Mr. Greg Shelor of the Kansas Grain Sorghum Producers from Minneola. Gentlemen, you may start and we can start with Steve Baccus.

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

Senator Roberts: Madame Chairwoman, if I could, I'd like to have the representative from the big First District, who is here sitting on the front row, Mr. Tim Huelskamp, our congressman from the First District, Tim, would you please stand? Thank you for coming. [*Applause.*]

Chair Stabenow: Welcome. Glad to have you. Please.

Mr. Steve Baccus: Madame Chair, Ranking Member, thank you for coming to Kansas and for the opportunity to provide comments to this committee. My name is Steve Baccus. I'm a producer from Minneapolis, Kansas. My operation consists primarily of corn and soybeans, and we do occasionally grow a little bit of what. I have the privilege of serving as president of Kansas Farm Bureau, the state's largest general farm organization.

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

Our member adopted policy generally supports development of the next farm bill that preserves the principles of the 2008 bill. However, these are challenging times, so concerted efforts to determine which programs have broad support as well as deliver the best return in terms of providing a strong safety net as well as ensuring fiscal return need to be our focus. Madame Chair, let me cut to the chase. There are essentially two items that I would like to leave you with today that are critical to American agriculture.

American agriculture relies on a strong safety net. In today's market, that consists primarily of crop insurance as well as the direct payment. As you know, crop

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

As you've heard, we in the Midwest have been experiencing a record drought this summer. In fact, you don't have to drive too far from this hotel to observe firsthand those conditions, as many of your staff did yesterday. That weather reality illustrates the need for the continuation of direct payments used by producers to continue operations when markets or mother nature are not so kind. They also provide stability for younger producers to enter our very capital intensive business. So supporting a strong safety net, Madame Chair, is job one.

American agriculture can remain viable and sustainable only when given the opportunity to operate in an environment free from burdensome and costly regulations. Currently federal agencies have proposed rules or are drafting guidance on a significant list of topics which will quite literally make continuing the family farm a daunting task. I know this is a farm bill hearing, but efforts to inject common sense into regulatory schemes will go far in ensuring that we as producers can continue our efforts to provide safe, affordable and abundant food, both at home as well as abroad.

In short, we are grateful for your service and commitment to Kansas and to American agriculture. We look forward to the opportunity to work with you and the committee to craft a farm bill that keeps producers profitable as well as competitive. Thank you, and I'd be happy to take questions at your convenience.

Senator Roberts: Our next witness is Mr. Karl Esping of the Kansas Sunflower Commission. And thank you, Steve, for summarizing so quickly.

Mr. Karl Esping: Thank you, Chairwoman Stabenow, Senator Roberts, distinguished members of the committee. Welcome to Kansas. My name is Karl Esping. I am a fifth generation farm from McPherson County, which is about an hour north of here. And I'm sure pleased that you have chosen Kansas as a venue to listen to the impact of the farm bill hearings. Although I am chairman of the Kansas Sunflower Commission and a member of the National Sunflower Association, I am here today representing myself and fellow oil seed producers in Kansas.

Some quick facts about sunflowers. Kansas plants about 125,000 to 150,000 acres per year. In 2011 the USDA has estimated 1.8 million flowers are planted nationwide, of which about 80% of these are planted to oil seed varieties. Most of these flowers are grown in the eight Midwestern states, as we affectionately call the High Plains. Farm bill programs, and particularly the risk management programs, are a vital food security mechanism that keeps American food safe and affordable. Kansas producers are a part of that industry that has a positive trade balance. More

importantly, these programs keep American agriculture successful and give producers a much needed safety net.

As we look at the future of the farm bill, cuts in funding are imminent. However, I hope the appropriators in Washington will allow your committee the opportunity to determine how these funds are distributed. The expertise and ag backgrounds of the committee members will be extremely important as the limited resources are being distributed. Another look into the priorities of the farm bill, please consider that producers need a safety net for crop failure. Crop insurance has been and still is the best tool for these situations. I feel that full funding for the crop insurance program is of the highest priority for oil seed growers. Both production and revenue protection insurance products are important options. I encourage the committee to continue the flexibility currently found in federal crop insurance.

Conservation programs are also very important. Flowers are generally part of a robust no till rotation, a practice which has gained wider acceptance through EQIP funding. Direct payments and market loan programs are also an important piece of the farm bill. Direct payments provide the financial security needed for producers to remain in business. Market loan programs serve an equally important role in sustaining producers. These loans allow debt repayment while still being sensitive to market trends. Just as with all other programs, we see and understand the need for fair reductions.

In the world of sunflower production, research is vital. We've talked about that already this morning. Although not directly tied to the farm bill funding, it's important for members of Congress and appropriators to understand how research helps agricultural producers keep up with the increasing demand for food in the world. The USDA ARS system is a key component of conducting genetic research in pest management. The partnerships with the national sunflower group, the Kansas growers and the Kansas Sunflower Commission have provided vital funding through the ARS. These partnerships link the ARS with Kansas State University and other universities in the Midwest. Over the last three years, 2.6 million has been invested by this partnership, while USDA has invested approximately 6 million.

I understand there will be many more public interests lobbying your committee for debt reduction actions. We still produce the safest and most abundant food worldwide. We need your support and we need your leadership in Congress to continue our tradition and our way of life. With the utmost respect to you and the difficult decisions that you have ahead, I would ask that you remember those of us that are out in the country that put food on the world tables as you make these decisions. Thank you.

Chair Stabenow: Thank you very much.

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

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

While cotton production is certainly not the cornerstone of Kansas agriculture, for Kansas growers who have invested over \$60 million since 2000 in gins, warehouses and cotton specific farm equipment, policy relating to cotton in farm legislation is vital to us and to the commitment we have made to cotton production in Kansas. Nationally cotton has a footprint of approximately 19,000 growers, who plant between ten and 13 million acres in 17 cotton producing states. Direct and indirect employment within the cotton industry surpasses 420,000 and generates economic activity in excess of \$100 billion. The debate over this legislation will take place in an environment of limited budget outlays and a perception that high prices negate the need for a safety net as well as trade policy negotiations.

The agricultural committee is willing to contribute its fair share to deficit reduction, but reductions should consider savings already achieved, and reductions should not dictate policy changes to the authorizing committees. Committees should be allowed to develop policy that complies with the mandatory reductions. Policies should allow farm programs to continue as a viable safety net. The WTO Brazil case puts cotton marketing loan program and countercyclical programs under special scrutiny. It is imperative that the framework agreement negotiated by the respective governments remain in effect until the 2012 Farm Bill is enacted and the dispute resolved.

We believe effective farm policy should be market oriented, allow for full production to meet market demand, provide for an effective safety net, ensure availability of competitively priced cotton domestically and internationally, encourage maximum participation without regard to farm size or structure. We support the 2008 Farm Bill's approach to the cotton program in all its components, from the marketing loan do the direct and countercyclical payments.

The centerpiece of the cotton program has been the effective marketing loan program. It provides a safety net for producers, but does not harm the competitiveness of cotton. It gives real lenders the confidence they need to make critical operating loans available. It has been a lever to move other important reforms such as standardized bales and bale packaging, electronic warehouse receipts and heightened standards for cotton warehousing and shipping.

Direct payments are an integral part of the current farm safety net. Opponents look at high commodity prices and seek to cut or eliminate these payments. However, farm bills are written for the longer-term and elimination of these payments could prove disastrous when prices fall. Direct payments provide a level of stability for our food and fiber supply and financial stability required by lenders and suppliers without

distorting production decisions. It is critical to preserve as much baseline spending authority as possible for this primary piece of the safety net.

Crop insurance is an essential risk management tool for cotton producers. Our industry continues to examine concepts that improve the various cotton crop insurance products. Revenue coverage, enterprise policy rates and group risk products are examples of improved products that can provide a menu of risk options for growers. The cotton provisions of the 2008 Farm Bill work well. If policy changes are inevitable in the 2012 bill, the cotton industry remains ready to work with the agricultural committees to explore alternative programs that provide the needed safety net to our industry in a manner that is consistent with our international trade obligations and within budget constraints. Thank you for this opportunity.

Senator Roberts: Thank you, Kent. And if I might make an observation, Madame Chairwoman, after '96 and a different kind of farm bill, we got into the cotton production, and I'm always fond of telling the National Cotton Council and my southern colleagues that when Stephen Foster wrote that old song "Those Old Cotton Fields Back Home," he was talking about Kansas. [*Laughter.*] Our next witness, from Palco, Kansas, representing the KLA, Mr. Ken Grecian.

Mr. Ken Grecian: Madame Chairman, Senator Roberts, my name is ken Grecian. My wife and I have a grain and cow calf operation in Graham County in northwest Kansas. I am president of the Kansas Livestock Association and also serve on the board of directors of the National Cattlemen's Beef Association, of which KLA is an affiliate. I'm very pleased to be with you today.

KLA is a trade organization representing 5,600 members in legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock; cow, calf and stocker production; cattle feeding; dairy production; grazing land management and diversified farming. KLA members believe the livestock industry is best served by free enterprise and free trade. KLA members oppose attempts to narrow the business options or limit the individual freedom of livestock producers to innovate in management and marketing of their production.

KLA strongly opposes the regulation commonly referred to as the GIPSA Rule issued by the Grain Inspection Packer and Stockyards Administration last year. In short, the U.S. producers are concerned the GIPSA Rule would greatly expand the role of government in marketing livestock and eliminate producers' ability to benefit from their efforts to improve the quality of their livestock. The proposed regulations ultimately would remove from the marketplace products that consumers prefer. Producers have responded to consumer demand by finding innovative ways to develop and market premium quality branded products.

Programs like Certified Angus Beef, U.S. Premium Beef, Naturally Raised and others would be jeopardized. These alternative marketing arrangements have allowed producers to get paid for the value that they add. These arrangements ensure

consistent supply of livestock that meet requirements of such programs. Without these arrangements, neither these programs or producer alliances that support them are sustainable. KLA members believe the proposed rule would set the beef industry back to a time when all cattle received the same average price and beef demand was in a downward spiral.

How can a system that sells the entire show list for the same price each week be more fair than the current system that pays for the actual value of cattle? When prices for all classes of cattle have reached record highs this year, how can claims of market manipulation by packers or the lack of competition in the beef industry be taken seriously? We strongly urge you take action to prevent the implementation of this rule.

Senator Roberts, in June you asked my friend Frank Harper if he thought we needed a livestock title in the next farm bill, and I would say no thank you. The livestock title reminds me of the old adage, "We're from the government, and we're here to help." KLA members believe free markets or markets free from government interference best serve the beef industry. The livestock title only provides a home for misguided initiatives like the GIPSA Rules that. We prefer that the farm bill does not restrict our marketing options or distort market signals.

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

Senator Roberts: Well, thank you, Ken. And now we turn, from Robinson, Kansas, representing the Kansas Soybean Association, Mr. Bob Henry.

Mr. Bob Henry: Good morning, Madame Chairwoman and Ranking Member Roberts. I'm Bob Henry, a soybean farmer from Robinson, Kansas. I'm a member and serve on the board of the Kansas Soybean Association and I represent Kansas on the American Soybean Association board of directors. In that capacity I am serving on the American Soybean Association's farm bill task force. The Kansas Soybean Association is pleased to provide our initial thoughts on priorities for the 2012 Farm Bill.

I want to highlight the significance and value of soybean production to the economy in Kansas. In 2010 Kansas produced approximately 138 million bushels of soybeans, making it the ninth largest soybean producing state in the country. At an average price of \$12 per bushel, the farm gate value of soybeans produced in Kansas in 2010 exceeded \$1.6 billion. Soybean products provide additional value to Kansas as well. Soy meal is used for livestock production and soy oil is used for biodiesel as well as bio based products. Some bio based products have been developed using checkoff dollars to fund university research in Kansas.

Kansas agriculture has longed enjoyed the stability that farm programs have provided. Over the years, these programs have taken many different forms, such as Freedom to

Farm. Direct payments historically have provided basic support for farm income. The programs included in the current farm bill have helped to stabilize the farm economy, while providing the cheapest food of any country in the world. Other programs, such as crop insurance and the ACRE program have become very important to agriculture, as producers attempt to manage risk.

Kansas soybean producers feel the crop insurance has matured into a valuable risk management tool. This year is a great example of the variability that Kansas producers can experience. The record production for soybeans in the previous two years is being offset this year by flooding, heat and dry conditions that can be typical of Kansas summers. Kansas soybean producers believe that one of the most important areas of the current farm bill that needs to be continued is the federal support for crop insurance.

The ACRE program has the potential to be an important risk management tool, with some modifications. The variability of production in Kansas has led to a slow adoption of the program for revenue assurance. Use of the state production average does not work in many areas of Kansas. The additional requirements for participation throughout the length of the current 2008 Farm Bill and the required reduction in the direct payments contribute to Kansas' low signup.

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

We support the provisions in the energy title, including the bio based market program and bio energy program for advanced biofuels. Biodiesel is the only currently recognized advanced biofuel. Madame Chairman and Mr. Roberts, this concludes my statement regarding the Kansas Soybeans Association's position on development of the 2012 Farm Bill. We will be pleased to respond to any questions you and other members of the committee might have. Thank you for holding this hearing in Kansas. We look forward to working with you and crafting the 2012 Farm Bill.

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

Mr. Kenneth McCauley: Madame Chairwoman, Ranking Member Roberts, it's a pleasure to be here representing the Kansas Corn Farmers and farmers really all over the state. My name is Ken McCauley and I'm past president of the National Corn Growers, currently belong to the Kansas Corn Commission, and very active in the Kansas Corn Growers Association.

I last stood before your committee in 2007 testifying on the 2008 Farm Bill. And much has changed since then, but much has stayed the same. For example, in 2008

loan deficiency in countercyclical portions of the current farm bill were relative. Today you'd be broke before you learn the loan rate where the NLDP was taken. But as I said, we still have a severe need for risk management, and this is vital for the communities of Kansas.

I farm near White Cloud, Kansas in the northeast corner. My wife and I produce corn and soybeans. My son and his wife also have a family farm in conjunction with our farm. We share labor, management and machinery to help him get started. My need for risk management is different than my son's and I think it's a vital tool for all farmers, but especially our young farmers. We need to continue crop insurance for that main reason.

Kansas corn is a strong and growing commodity that provides a great economic benefit to our state. In fact, with a value of over \$3 billion, the 2010 Kansas corn crop was the highest valued grain crop in the history of our state. Advancements in technology and farming practices have been vital to corn's success in Kansas. This year our Kansas corn growers planted 5.1 million acres, with about 80% covered by crop insurance. This summer's extreme weather conditions will lower our yield, but I believe with the resilience of our crop and the efforts of our farmers, we will ensure that we continue to meet the needs of our customers.

To say that Kansas is a diverse state is an understatement, especially this year. This summer some of the farm land very close to my home is underwater from the Missouri River. However, we've enjoyed a relatively good crop with ample rains. This is contrasted with a large part of Kansas that's suffering through extreme drought. Even in a normal year, difference in climate, elevation and weather patterns from east to west are extreme.

But what works for the McCauley farm probably won't work for a farmer in western Kansas. When you look at things like multi year losses, especially in a state like Kansas, where the western half can experience extreme drought while the eastern half can experience ample rainfall, statewide triggers just don't work. While the western half needs different things, we think that we need to look at opportunities to strengthen the crop insurance program.

Risk management is not the only important thing to farmers. It's important for rural communities. When you talk to a banker about an operating loan, he'll want to know what crop insurance coverage you have. It's an integral part of the way we do business in agriculture. That's why farmers need effective risk management, a combination of crop insurance and revenue based programs. We strongly support crop insurance tools as the most important foundation of a farmer's safety net. Let's also strengthen the revenue based program that we have today and fix the holes in the safety net, while maintaining a strong and viable federal crop insurance program.

Triggering a countercyclical revenue program closer to the farm level, for example, a crop reporting district, would provide more realistic risk management for growers. I have a friend who farms in west [Kansas] at an elevation of 3,800 and my elevation is

883. It's impossible to assume that we have the same issues. As NCGA president, I was involved in some of these revenue products, and I'm very proud to have done that, but we continually are told to brace for cuts to the farm programs as our government works to be more efficient.

I believe farmers will understand the fiscal responsibility, and we simply ask that the cuts to farm programs be proportionate to other programs. Even though direct payments are under fire, they do provide a valuable safety net for a farmer who is under extreme conditions and doesn't always qualify for enough risk management tools that we have today. For example, when you're in an extreme severe drought, or even a shallow loss, there's never enough risk management or money to go around. If direct payments are cut, please understand Kansas farmers will incur more risk.

Beyond that, we are supportive of any free trade agreements that we have, the Korea, Colombia and Panama trade agreements. And I would like to say agriculture is one of the few bright spots in the American economy today. Our farmers are continuing to work hard to meet the needs of their customers [despite] floods, drought, etc., but with a strong safety net and strong open markets, agriculture in American will continue to thrive and continue to bolster our economies. Thank you very much.

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

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

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

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

of the Great Depression. While some of our producers are struggling with record dryness, others have seen record rainfall and flooding.

I can think of no other year in my 18 years as a producer that so highlights the importance of the federal government as a partner in my operation. We count on the federal government for research and development to address production challenges we face, for an aggressive free trade agenda to allow access to world markets for our products, and in years like this, for a functioning safety net to be able to address the risks that are out of our control.

The farm safety net has protected not only our country's family farms, but it has also helped our rural communities. As president of my local school board, having served on that board for the last nine years, I've watched our enrollment drop almost 20% and our local businesses suffer during the seven years of drought.

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

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

It is my hope that we don't lose track of that thought as we begin work on the 2012 Farm Bill. Can changes be made to make programs more efficient and more functional? Yes. Should we take a hard look at all the programs in the bill to ensure the public that their tax dollars are well spent? Absolutely. But I also hope we can remember that our agricultural success of today was built on the safety net of yesterday.

I would like to thank you for coming to our state to hold this farm bill field hearing. Field hearings show your commitment to hearing firsthand from farmers and ranchers about the effect of farm legislation on individuals across this country. It has been an honor to submit my testimony and speak on behalf of wheat producers, and I look forward to any questions you may have.

Senator Roberts: I want to thank you very much, David, for that very fine statement. Our next witness, representing the Kansas Grain Sorghum Producers, from Minneola, Kansas, not too far from Dodge City, Kansas, America, is Mr. Greg Shelor. Greg, I

think your dad was Dean, right? I miss those occasions in public service when he served in public service with what I call meaningful dialogue.

Mr. Gregory Shelor: Meaningful. [*Laughs.*] Well put. Thank you, Madame Chairman, Senator Roberts, for giving us this opportunity to testify. As you said, it's Greg Shelor. I represent the Kansas Grain Sorghum Producers Association. I serve as president for that organization, a past president of the national organization some five years ago. Also serve on the United Sorghum Checkoff Program. It's a newly started checkoff program. We're looking at doing some of the research Senator Brownback and Dr. Shulz were commenting on earlier. I farm some 140 miles west of her, as Pat said, south of Dodge City. The grain sorghum, I rotate that in with wheat on a dry land no till. Raise corn and soybeans in partnership with my oldest son on some [cow calf pairs], so kind of try to keep it diversified out there.

If you'd have went on a little further west yesterday, you've have seen things just keep getting progressively worse the farther west you go. There's areas on past [Tim's] area that there was sorghum that was planted that didn't even come out of the ground. It was still laying there, just the seed, as the day they put it in. So we've got a large area from western Kansas, through Oklahoma, through Texas that's pretty devastated in crops. And it doesn't look like anything in the horizon for moisture to help us out.

This is going to go on into the winter, long-range forecasts, and even it's going to affect next spring, a lot of crops, so as we go on looking at this farm bill, crop insurance, as most of them has alluded to, is going to be really important for a lot of producers out there. It's going to need to be kept strong and viable so that a lot of the producers will have some income to be able to stay on their farm. It's been kind of hard to justify the direct payments in the past when you have good crops and good prices, but as you look out there now with the disaster coming on and stuff, that is another safety tool that helps producers make up the void that the crop insurance doesn't cover, because crop insurance doesn't cover all of your expenses.

It does a large portion of it, but as the direct payments cover more of that, that helps them go to the bankers and get their financing for the next coming year, and it's really important to them that they can put that down on their financial statements and cash flows that they actually have some money that's coming in that them bankers can look at that and say, yeah, you've got crop insurance to cover it and you also have these direct payments coming in. So as we go on forward with that, that is two main issues that's really important to producers out there, especially in these dry areas.

And alluded to the research. We've had some really good appropriations in the past for sorghum research. And it's been cut, but as an industry that doesn't get a lot of support from the private company in research for sorghum, we're looking for any areas that we can get some money to put into that, and appropriations through the ARS and etc. helps do a lot of good research for us, along with what we're doing with our national checkoff. So if you have any other questions or anything I can answer, glad to help.

Senator Roberts: Well, we want to thank you, Greg, and we turn now to the chairwoman to ask the questions that she has for the panel. Madame Chairwoman.

Chair Stabenow: Well, thank you very much, and Senator Roberts, I first want to say that I think this panel deserves the award for having the most people that stayed right on time. I am very impressed in Kansas, you are right – we only had one person a little bit over. We will not mention his name. [*Laughter.*] But I will tell you this is impressive. I don't think we could quite say that when we did our panels in Michigan.

Let me ask all of you – almost all of you have spoken about the critical nature of crop insurance. I think all of you mentioned that, and we understand the important role that direct payments play for many of you as well. But is it fair to say – and I guess I would open this up to any of you, because several of you said that the most important tool at the moment, or the thing you would be most concerned about losing would be crop insurance. Is that a fair statement? I mean, anybody disagree with that? Okay.

So if we are looking at that and how we could strengthen that for you, because of the concern about shallow loss and so on, and what happens between that gap of the crop insurance and so on, what can we do, if we're looking at crop insurance, to make that better for you? Or maybe it's, in your particular instance, it works fine. Or to cover more. I know that we have a number of crops that aren't covered or aren't covered well, and that's one of the issues we have to look at also. I know in my state we've had a lot of areas where we have crop insurance that's very effective, other areas where we need to work on it. But if you're focused on crop insurance, what would you suggest, any of you, as to the way to strengthen that as a risk management tool for you? Yes.

Male Voice: Madame Chairwoman, thank you for not mentioning his name. [*Laughter.*] I'd have two suggestions, and most of my points were about maintaining the affordability of it as it is today. If we talk about less subsidy to the companies, I think it's important the companies are there for us. But the affordability today is reasonable. The shallow loss and the declining APH's of these drought stricken areas is very important. Dr. Barnaby told me earlier that he has a paper, and I think those things are being studied, but I think that's very important to the concerns I have.

Chair Stabenow: So you're talking about the difference between the coverage under crop insurance and what your actual loss is?

Male Voice: Well, no. As your crop declines from these severe droughts, extended droughts in Texas and western Kansas and all over, those decline your insured acreage, and that's the APH.

Chair Stabenow: Yeah, absolutely. Anyone else? Yes, Mr. Baccus?

Mr. Baccus: I think it's important that we simply stop cutting from the program. We've cut \$6 [billion] out of the crop insurance program each of the last two years, and that's a huge hit. Any more is going to hamper product development as well as

increase premiums to the producers, and I don't think we can afford that. I'd like to see us take a look at RMA and the requirements they have on claims.

We're dealing with aflatoxin right now in the corn harvest in Kansas, and the rules that they have for their claims agent are totally unrealistic. They're wanting them to go out into the fields, walk every field and collect samples from every field. There physically are not enough crop adjusters on this planet to do that, and yet that's what RMA is requiring. So there are some ridiculous regulations like that that need to be looked at.

Chair Stabenow: Yes?

Male Voice: As Ken alluded to, the concern that I hear from our producers is multi year droughts and a declining APH. I would [relate] it to a situation with a man in the ocean with lead weights being tied to his feet. He can stay afloat for a year or maybe two, but eventually he ends up drowning. While the program was complex and it was slow to implement, the SURE program was actually like throwing a float to that person to allow them to survive better to the next year, and that is one thing I have definitely heard from our members.

Chair Stabenow: We've heard a lot of concern that not that many people signed up, it was complicated in the beginning and so on, but do you think that kind of approach makes sense if we were bringing it closer to the farm and making it a little less complicated?

Male Voice: Yes. Very much what we have heard from our producers is that the SURE program did help to give them true relief from a multi year drought. Like I say, they were just slowly, with the declining APH's, we saw even on our operation a shrinking operation until a SURE program, if we could make it quicker and less complex.

Chair Stabenow: Thank you very much. Yes?

Male Voice: I would echo the thoughts and ideas. It has to remain fundable. It has to remain to where the farmer can afford it. It has to remain affordable to the local farmer. In the cotton industry, it's a little bit different. It'll throw another kink in things, but we're paid a lot on the quality of what we raise, too, and there's no provisions in that for...and this year especially we're probably going to see a decline in quality as well as yield. And if there were some provisions somewhat to where that we could insure against the quality and the yield, it would surely be beneficial to us also.

Chair Stabenow: Okay, good. Okay, yes?

Male Voice: I just want to make one comment especially addressing soybeans. There is some real disparity in how soybeans are covered in different parts of the country. And speaking of the growers in the south, many of them do not participate in crop insurance on soybeans because of the complexity of the program and the coverage is just not there. So especially on soybeans there's a lot of disparity throughout the

country in different regions about how soybeans are covered, so we need to address those problems to make that a viable option for them.

Chair Stabenow: Thank you. One other quick question and then I'll turn it to Senator Roberts. Mr. Grecian, I wanted to first congratulate you. I understand you received the Grassland Award for conservation practices back in 2008, congratulations. I wonder if you might just speak for a moment about the role of conservation, from your perspective, in agriculture. How do you use the conservation programs and practices on your operation to put yourself in a better position?

Mr. Grecian: As alluded to, western Kansas suffered through five years of drought, starting in about 2002. And it could have been devastating to our native rangeland. The EQIP program allowed us to cross fence. We drilled some wells, put in pipelines, spread our water supply and did a more efficient job of grazing. It was an educational process to me as well as benefiting my bottom line and also sustaining our cow herd. To go hand in hand with that, the release of CRP acres to be grazed basically saved our operation's cow herd about five times in the last 25 years.

But as far as conservation programs, other things that we have done, we've put in a lagoon in our feeding operation to help enhance water quality. At the size we are, probably wouldn't have been necessary, but I saw it as a way of making sure that we weren't going to contaminate any groundwater in the area. So the programs that we can't justify an entire cost of have been very beneficial. The cost shares from the EQIP program have been very, very beneficial to the livestock industry.

Chair Stabenow: Thank you very much. Senator Roberts.

Senator Roberts: Let me just say that both the chairwoman and I are very strong supporters of EQIP. I have some questions for each of the witnesses. I'll try to rip through these because I know Panel 3 is waiting. Steve, as you know, young farmers and ranchers face an uphill road just to get into agriculture. I remember cutting a 30 second spot in an even numbered year some time back saying the most important question that we face in agriculture is not all the details of the farm bill, it's where is the next generation of farmers going to come from.

And by the way, I filmed that spot up on Highway 36 between Norton and P'burg at that old stone house up there with the windmill. It was the fastest take that we ever took because right in the middle of the spot we discovered there was a rattlesnake – [laughter] – in that stone building, so we got out of there pretty fast. First Take Roberts, that's what that was about.

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

Mr. Baccus: The longer you're in agriculture, the more equity you build up, assuming you have a successful operation. I guess if you don't, you're not in agriculture any longer. The beginning farmer or rancher doesn't have that choice. He doesn't have the equity to fall back on. But I can tell you, through the Kansas Farm Bureau Young Farmer Rancher Program, we don't need to ask the question who's going to farm this land. We have a multitude of young farmers and ranchers out there that are extremely optimistic, that are extremely upbeat, that are looking forward to doing their role to take over the farm operations of the future.

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

Mr. McCauley: I totally agree with Steve. It's very important. And I'll add one important thing. When I started farming in 1972, it was a very good time. We had prices – it was before all the inflation hit. We grew equity as a young person. And I think today these prices are actually growing equity for the small and younger farmer, and I think it's just really important that we do everything we can so they can preserve that equity and move into the positions that we're in and actually become the next generation's leaders. I think it's just vitally important. And one of the reasons that I'm doing the things that I'm doing today and have done is to help that generation succeed.

Senator Roberts: Karl, we've already gone over this. If you can pop up with any new ideas, why, it would be good, given the tight budget environment that we're looking for to streamline programs and increase the efficiencies. Are there areas within the farm programs that you utilize where you think there might be opportunities for some streamlining or even changes in the programs? Sunflowers.

Mr. Esping: Yes, that's what I'm...sitting here to...the RMA thing, the crop insurance. There is a considerable amount of work going on in western Kansas now. We've been in contact with Rebecca some.

Male Voice: I think your mike ____.

Mr. Esping: Sorry. Okay, very good. Some of the...within crop insurance in the RMA, there is a potential or study going on not allowing producers with a crop following sunflowers to be insured. And we've been in contact with Rebecca several times of the Topeka office, and of course the national office has been involved also. But that's a concern. If you're a western Kansas grower, or west of 183 and you're growing flowers this year, you will be exempt from having any crop insurance coverage for next year, a restriction that I strongly question.

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

Senator Roberts: I just might add that the SURE disaster program is part of the package that is available to producers in a drought. The only problem is that not many farmers I know, even in dry land operations, are going in the business of insuring their pastures starting out. Maybe after five years of this that's the case. And then you only get paid 18 months after you apply, and there's a 10% cut in regards to the program, and there's about 23 pages you have to wade through to sign up for the damn thing. So we might want to consider a different kind of disaster program. I know that's very popular up in the north. Why they have to wait 18 months for it is a little bit beyond me, but they have a disaster every year. So pardon that editorial.

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

Ken, the Kansas Livestock Association, since the debate about the GIPSA Rule first began, and you've talked about it, I've been concerned that the department did not have a proper grasp of the rule's economic impact on both producers and consumers. We pushed on that and the USDA finally acknowledged this is an economically significant rule. So did the chairwoman. And they've ordered a cost benefit analysis, what a surprise. Unfortunately, some have suggested that the department split its proposed GIPSA regulation on how livestock are marketed in this country into two parts as an attempt to bifurcate the enormous cost of this rule. What's your view of that?

Mr. Grecian: Well, I think I answered that when I said we don't need a livestock title, but from KLA's perspective – and we realize that there's a difference between species and perceived marketing problems, but I guess our concern is we would want to see the whole thing before we would support it. And myself as an individual producer, when we look at the fact that Congress basically stripped most of the provisions out of the livestock title in the writing of the last farm bill, if it were split by species, would it soon be melted into one policy or regulation that would affect us just like the one that we have today.

Senator Roberts: Unfortunately, we do not have an endangered species that work on a constant basis with all these regulatory agencies, and in this particular case the agency did go outside of the specific intent of Congress. And that's one thing that I know the chairwoman and I are very concerned about, is when an agency just takes it upon themselves to say, well, we're going to accomplish whatever agenda that they have and work toward that agenda regardless of Congress.

That's why the chairwoman hauled in – well, asked the people to come in – [laughter] – to testify and say, now can't we work this out? Look at the intent of

Congress. You're outside the intent of Congress. And she plays the good cop. I obviously play the bad cop. But at any rate. And that's how it works out. But thank you for your comments.

Bob Henry, you've outlined several ways that current farm programs could be improved, all the work the Soybean Association is doing to look into these ideas. We want to certainly provide the best safety net possible, but we recognize that we have the budget deficit. So personally, on your own farm, can you tell me which or what program is the most important one to you?

Mr. Henry: Well, I think, and this probably would speak for most farmers here, the risk management, how to protect yourselves in times of short crops or low prices. Being a highly capital intensive industry and business that we're all involved in, the amount of capital it takes to operate that business has been commented on previously. As you go in to the bank to borrow money, to take loans, to get operating loans, to buy machinery, whatever your need is, and it doesn't really matter what age group you're in, whether it's young or older farmers, the capital investment is tremendous, the capital requirements.

Some way to create that safety net. In good times and good crops we don't need it. It's the extremes of low prices or low yields that put us all in a real crunch as far as finances and the future to go on for the next year. So I think that's probably, risk management, from an individual standpoint, is probably the number one priority. And we kind of took, in talking with other members on the board from all over the country, that seems to come to the forefront in every conversation you have.

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

Mr. Goyen: Personally no, I'm not involved in the ACRE program. Very few in our area are signed up for the ACRE program.

Senator Roberts: Yeah, 2% of the farmers in Kansas signed up.

Mr. Goyen: It encompasses too wide an area before your triggers are pulled, and it's just, it's a complicated thing. It was a hit to direct payments that nobody really wanted to give up a known for an unknown. They didn't want to do that when it first started, and there was just... The area statewide wouldn't work for cotton especially, but then you had to sign up for all of the crops and then there was no recourse. If you signed up once, you couldn't get out of the thing. So basically that's why most people didn't sign up for it and weren't too excited about it.

It's a complicated thing even at the FSA office. They have a hard time explaining how it's going to affect you and what's going to happen. I think basically it could be a good program, but it's got to be fine-tuned a little bit. The areas either have to come down to a countywide or a small district of some sort to where maybe that

would...the yield monitors would kick off then. But it's going to take a lot of fine-tuning. But I think basically it could be a good safety net and a good program if the revenue and the yield and everything else were implemented into it.

Senator Roberts: Ken, is your bank pretty interested in which farm programs you utilize? Are there some specific programs that are more important to banks than other programs? Do banks ask what level of crop insurance you've purchased, how much you'll receive in direct payments?

[Mr. McCauley]: I haven't had that talk with my banker. I know he knows that I carry crop insurance. One of the things that's going on in this year is farming is very profitable. No matter whether you're borrowing money or not, bankers are interested in what level your coverage is, and they want to know everything about a young person. And when you talk about crop insurance, most of them ask for the receipt and the reporting of it. So your crop insurance goes across now to cross check with the FSA office. The banker is asking both those people those things, so yes, they are asking those questions.

Senator Roberts: I appreciate that. David, 18 years of farming? You don't look that old. You've never seen a year that highlights the importance of the farm safety net more than this year. In a year where devastation seems to be more than norm than the exception, what farm programs do you really rely on? What program do you know will absolutely be there for you at the end of the day and will help keep you afloat?

Mr. Schemm: As has already been alluded to, the crop insurance program has been vital for our operation. And again, when I go in to the banker, he wants to know what my coverage level is, what crops I'm going to be growing and what my insurance level is going to be on them. So the crop insurance program has been very vital to it. When we were going through those drought years, and unfortunately it looks like we may be facing another one in our area again this year, the SURE program, once it finally did manage to come through, it actually did throw that float out to us to help us to try to more effectively survive, because we were watching our coverage level just shrink.

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

Senator Roberts: How long did it take you to sign up for the SURE program, and then how long did it take for you to get a payment?

Mr. Schemm: Months.

Senator Roberts: Months.

Mr. Schemm: We had a situation on my own farm where, because of an issue between the RMA and the local FSA we were actually 2.1% off on acres on one field that we

actually overpaid. We paid more to RMA, to the insurance, than what we should have, and as a result of that, that delayed our SURE payment by approximately three months.

Senator Roberts: What did you do, pay it back or what?

Mr. Schemm: It got lost somewhere in there, but... [*Laughter.*]

Senator Roberts: All right. Thank you for that. That's very helpful. Greg, you're extremely diversified, right in the heart of the drought. Can you talk about how the drought has impacted your operation? I can't remember all the things you're into now, but you're very diversified, for obvious reasons. But what decisions have you had to make in order to cope?

Mr. Shelor: Well, it's kind of onto...we actually had a fair wheat crop this spring, but with the drought coming on now, it's going to affect our fall crops, and we're 30 to 40 days from putting fall wheat in again, and it doesn't look promising for that. And that's going to affect next year's production and even next year's summer crops because we rely on a lot of water retention in our soil, our subsoil. That's what makes us through the summer growing.

And we've depleted all that, so that's going to take a lot of moisture to replenish that. So the crop insurance is going to be extremely important to be able to keep some payments coming and keep some cash flow going through the farm. And as we alluded to earlier, the direct payments help make up that difference that the crop insurance doesn't cover, because you can only insure 65 or 70% of it, so you still have a void in there that you've got to make up the difference.

And just one little comment I'd like to make on the young farmers. They've got this TIP program with the CRP. That has worked real well getting some young producers in our area to be able to pick up some farm ground. It allows two years' extension of the present landowner CRP payments if they give it over to a young person. And I know of three just in our area that's utilized that, so that is one arena that's really helping maybe get some young farmers back involved into production agriculture.

Senator Roberts: Well, thank you – pardon the pun – thank you for that tip. I am way over time here, 13 minute 46 seconds. I stand chastised, Madame Chairwoman, but I would yield to you for any further questions you might have.

Chair Stabenow: Well, at this point I just want to thank all of you for being here. It's very important information and testimony. We look forward to working with you as we put the pieces together for the farm bill and recommendations. And how we focus on risk management we know is extremely important in farm safety net, so we look forward to working with all of you, and we would excuse you and ask that our third panel come forward.

[*Break.*]

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

Senator Roberts: From Jetmore, Kansas, representing the High Plains Far Credit folks, he's the director out there, Mr. Ron Bach. From Axtell, Kansas, the general manager of the Nemaha-Marshall Electric Cooperative Association, Ms. Kathleen Brinker. From Fort Scott, Kansas, the president of the Kansa Association of Conservation Districts, Mr. Ron Brown. And from Salina, Kansas – yeah, it's SaLINEa, not SaLEANa – the policy director, or the conservation policy director of the Playa Lakes Joint Venture.

Then from Garden City we have the general manager of the WindRiver Grain LLC, Mr. Robert Tempel. And Garden City again, the CEO and chairman of Western State Bank – good, we have a banker – Mr. Jeff Whitham. Jeff, good to see you. And then we have the director of science and regulatory affairs and chief nutritionist for the Schwan Food Company in Salina, Kansas. That is a big outfit that is producing a lot of pizza and making a lot of young school children very happy. I know they're supposed to eat great big plates full of broccoli, but they do...you can put the broccoli on the pizza. Maybe that's...

Chair Stabenow: That's right, that's right. [*Laughter.*]

Senator Roberts: We can do that. But at any rate, we will start off with Mr. Ron Bach. Ron?

Chair Stabenow: Welcome.

Mr. Ron Bach: Thank you, Madame Chair, Senator Roberts. Thank you for the opportunity to testify here today. My name is Ron Bach and I'm a first generation farmer from Jetmore, Kansas. I'm also an elected member of the High Plains Board of Directors Farm Credit. High Plains Farm Credit is located in Larned, Kansas and is part of a nationwide farm credit system.

High Plains is owned by over a thousand farmers that borrow from us here in Kansas. I serve with seven other elected directors and one appointed. I'm pleased to say that farm credit is one of those entities under the jurisdiction of your committee that costs taxpayers nothing in federal resources.

In fact, in addition to paying taxes, we pay for the cost of our regulatory oversight and we pay insurance premiums that are counted as federal revenues as well. Further, by returning earnings in the form of patronage payments to the farmers and cooperatives that own the system, we make sure the capital is flowing to rural areas. Last year those patronage distributions came to almost \$800 million across the country, of which High Plains Farm Credit returned approximately \$725,000 to our farmers. That's not a bad rural development program in itself.

We're not coming to you today with a specific request for any federal spending. However, included in my written statement, underscored are several actions the committee might take that will have a positive impact on those we finance. At this time, when many commodities are experiencing price levels that allow farmers to realize profits in their operations, it is important to remember the simple adage that what does go up tends to go down.

My point is that just because some commodity prices may be high now, do not abandon the safety net that will ultimately protect farmers when prices fall. The drought in southwest Kansas has put many farmers without a crop this year. My experience has left me with half a wheat crop and well below my expected milo crop. The lack of rainfall has left my cow-calf operation in jeopardy. I've sold off some of the cows and the remaining pairs, some of which are on CRP grass, will be split and sold earlier than usual, leaving me with a downsized herd. As I stated, I grow wheat and milo.

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

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

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

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

Senator Roberts: Ms. Brinker.

Ms. Kathleen Brinker: I missed the purple memo, I think, today. Thank you, Chairwoman Stabenow and Ranking Member Roberts for this opportunity to testify before this committee. Electric cooperatives utilize several programs authorized in the farm bill, and we appreciate this opportunity to share with you how those

programs strengthen rural America. I'm Kathy Brinker and I'm the general manager of Nemaha-Marshall Electric Cooperative in Axtell, Kansas.

Our cooperative provides affordable, reliable electricity to over 3,000 homes, farms and businesses in northeast Kansas. We're governed by a democratically elected board of trustees who, like our 21 employees, live and work with our members. Our employees volunteer their time on local boards and organizations in the small communities where they live. In the case of Nemaha-Marshall and other cooperatives, this commitment to community is not a coincidence, it's the way we are.

Nemaha-Marshall is one of 30 electric cooperatives in Kansas and is among 900 not-for-profit member-owned systems that serve 42 million people in 47 states. Providing electric service in sparsely populated states like Kansas is a challenge. Today cooperatives in Kansas average just three customers per mile of distribution line, compared to 19 customers statewide. In Michigan the co-op averages eight customers per mile compared to a statewide average of 38. Still, even under those challenging conditions, Kansas co-ops brought electric service to families in every corner of the state, and today we continue to do so, keeping the lights and air conditioning on every single day.

Co-op service areas are often large and their population small, so the not-for-profit electric co-op model is very important. With fewer people to share a high fixed cost, affordable credit through the RUS loan program is key to our operation. In the last five years alone, RUS has approved more than 400 million in loans to Kansas electric cooperatives. Nemaha-Marshall recently applied for an RUS loan to upgrade our facilities to meet the changing needs of our consumers.

The loan levels are authorized by Congress every year in the ag appropriations bill. The loan level of the largest program, federal financing bank loans, has been set at 6.5 billion in recent years, and we urge you to keep that financing in the 2012 budget. We ask for your help in removing restrictions and ensuring RUS loans can be used to address all our needs, whether the loans are for renewable generation, new base load generation or making environmental upgrades to existing generation.

Another program we use regularly is the REDLG program, or the Rural Economic Development Loan and Grant program. USDA provides zero interest loans to electric co-ops, which then pass the funds through to create jobs and services in rural areas. One example of how the REDLG program works can be found in my hometown of Seneca, Kansas.

A local employer, Cook & Co., received a \$450,000 REDLG loan in 2004 for a cabinet plant expansion. Nemaha-Marshall was proud to sponsor this project, which created 55 new jobs and retained 185 jobs at that time. Since then, Cook & Co. has expanded twice more, and last year had annual revenue of 40 million. They employ a total of 300 employees, with an annual payroll that exceeds 8 million.

Electric cooperatives have been leaders in energy efficiency because of our mission to provide reliable electric service at the lowest possible cost, not to make a profit for shareholders. An example of a successful energy efficiency program is the HowSmart program created and implemented by Midwest Energy in Hays, Kansas. The cooperative funds approve efficiency projects and the consumer repays the co-op on their electric bill. Midwest Energy has completed over 400 projects.

As a locally based electric utility, Nemaha-Marshall's goal is and always has been providing the best possible electric service at the lowest possible price to our members. Just as importantly, we are also here to support our communities and the people who live in them. Thank you for your continued support of the electric programs and the REDLG program. They have been vital for protecting affordable financing and in helping co-ops grow in our communities. We look forward to working with you to develop a rural energy savings program. Thank you for the opportunity to share my experiences. I'll be happy to address any questions.

Senator Roberts: Thank you, Kathleen. Ron Brown.

Mr. Ron Brown: Madame Chairman, Senator Roberts, I'm Ronald Brown, president of the Kansas Association of Conservation Districts, and I'm pleased to have the opportunity to provide testimony on the 2012 Farm Bill on behalf of our organization, and I do have soil under my fingernails. Kansas is currently facing a significant drought in 66 of our 105 counties, and that was moved up to 70 last week, and one of those counties is mine, with the southwest part of the state being ranked as an exceptional drought area of the U.S. drought monitor, with the highest ranking on the scale.

Kansas farmers and ranchers now face the worst conditions in decades, and understand all too well the frustration and sense of futility that predecessors felt when the lack of rainfall in the '30s turned the Great Plains into a giant dust bowl. But the key difference between the "Dirty '30s" and today is the improved farming and soil conservation practices that prevent wind erosion and keep the Great Plains from experiencing the dust storms that plagued the area back then.

It is critically important not only to the state's economy, but also to our quality of life, that effective farming and soil conservation practices remain a high priority. Partnerships on a local, state and federal level are essential for coordinating and streamlining these efforts. The 2012 Farm Bill should be developed to ensure that these partnerships can coordinate efforts.

To that end, KACD urges consideration of the following: encourage landowners and operators to apply conservation practices appropriate for their operations that will permit them to maintain economic viability while maintaining and improving their natural resources. Farm bill conservation programs should be resource driven, locally led, with sufficient flexibility to allow funding to be directed to local priorities and concerns. Provide technical assistance funding to generate a broad range of soil, water, air and habitat benefits.

The Conservation Technical Assistance program and each of the farm bill conservation programs are necessary to implement conservation practices that achieve proper land and water management. CTA funding allows NRCS to provide the local assistance and planning efforts conservation districts need to promote conservation to their local producers. Fully funding NRCS to meet the growing need for technical assistance to deliver farm bill conservation programs coordinating with conservation districts, technical service providers and other partners.

Fund the 2012 Farm Bill conservation programs at or above 2008 Farm Bill levels and identify opportunities to streamline and improve efficiency within the program options. Ensure that the delivery system for conservation programs is easily accessible for conservation program customers. The signup process must be simple, easy to understand, completed with reasonable effort and reach a broad customer audience. We support the continued signup for USDA conservation programs as well as consolidating NRCS farm bill conservation programs to improve efficiency, simplify the application process, and better utilize available program funding.

Conservation programs must provide a balance of support for those that set land aside for conservation priorities and those that provide incentives and cost share for working lands. Given the projected increase in world population, programs must provide assistance to implement or maintain conservation practices on working lands that produce much needed food, feed, fuel and fiber. Farm bill conservation title funds should supplement conservation district efforts to provide education and outreach to landowners, producers and the general public.

Again, CDA funding is critical to allowing NRCS to provide locally targeted and needed assistance. Reducing on the farm energy consumption and developing renewable energy production is critically important for American agriculture and forestry. Technology such as wind, solar anaerobic, digestion, biomass, cellulosic, biofuels, ethanol, biodiesel and yet to be developed technologies are key features of sustainable agriculture and forestry.

Incentives should be provided to encourage implementation and new sustainable energy production. Much work remains to be done to complete PL 566, small watershed district projects, fund all phases of the program to plan, install and rehabilitate structures that protect our fragile farmlands. This is not the time to ignore the devastating impacts of floods and the associated costs to our nation's agricultural economy.

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

Chair Stabenow: Thank you.

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

Mr. Barth Crouch: Madame Chairwoman, Senator Roberts, I'm glad that we got this opportunity to be here. I'm a transplanted South Dakotan that moved to Kansas permanently in 1994, and one of the first duties I had was to work with then chairman of the House Ag Committee, Mr. Roberts, on the '96 Farm Bill. It's been an interesting relationship over the years. It's always fun to be around Senator Roberts.

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

Mr. Crouch: Hopefully it won't take that long this time.

Senator Roberts: No, we can't do that again.

Mr. Crouch: Playa Lakes Joint Venture is one of those things that, when you work for them, you have to explain constantly to other people who are you and where are you and what do you do. We're a conservation organization that I like to think of as we're either the glue or the grease that's needed to get conservation done across six states with a partnership with 17 state, federal and local conservation organizations and agencies. As such, our primary mission is working on, as our name states, is trying to find ways to conserve and restore the Playa Lakes.

And I want to publicly thank Senator Roberts at this time because of his unwavering support for the Rodney Dangerfield of wetlands, the Playa Lakes. And I think without his support, we wouldn't have the one practice that specifically is for Playa Lakes, CP 23A, for all of you jargon folks from the USDA world. And the fact that he has consistently supported conservation throughout his time has led to, inadvertently, Playa's being conserved by CRP and through now recent efforts with the Wetland Reserve Program.

If only 40% of the Playas across the southern High Plains were conserved, we'd see something that we need to have happen very dramatically, and that is the major source of recharge for the Ogallala Aquifer are Playa Lakes. Now, it's a slow recharge. It's three inches per year at the maximum. But if 40% of them were conserved, that would lead to around 50 to 100 ~~million~~ [billion, corrected 8.29] gallons of water each year going back into the aquifer, and so it's very important to us to have that conservation go on for the Playa Lakes and for our whole region out here in the southern High Plains.

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

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

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

Chair Stabenow: He’s a very good friend of mine. You ought to take him up on it.

Mr. Crouch: I will.

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

Mr. Robert Tempel: Thank you. Madame Chairwoman and Senator Roberts, we would like to thank you for inviting us to come to talk to you a little about the farm bill and a little about our business. It’s our honor to serve the producers of southwest Kansas and an honor to speak with you today. WindRiver Grain LLC is a commercial grain facility which loads and unloads 110 car units in Garden City, Kansas. Our company was established in 1997 as a joint venture with the Cooperative System Independent Grain Companies and a multinational grain company.

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

In 2007, Bonanza Energy chose to build a 55 million gallon ethanol plant next to our facility in Garden City. Again, the relationship we developed with the BNSF Railroad was one of the biggest reasons Bonanza decided to build next to our facility. Overnight this growth doubled the size of our company, as well as adding 39 good paying jobs to Kansans. This has also created economic growth in our surrounding communities as well as creating opportunities to encourage young people to come back to rural America.

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

such as the 90 plus independent trucking firms who buy fuel, tires, repairs and food in our local community.

Production agriculture has been energized by ethanol demand. Two decades ago the U.S. produced roughly eight billion bushels of corn. One decade ago we were seeing overproduction in the corn market. Today U.S. farmers produce around 13 billion bushels of corn due to ethanol demand increasing in the middle of this decade. Today ethanol demand uses this additional five million bushels of corn. The corn production pie has increased due to this marketplace providing incentives for increased seed research, fertilizer efficiencies, and increased water and land conservation efforts.

Looking towards the next farm bill, we believe crop insurance programs is vital to production agriculture and needs to be a priority in funding. If there are choices to be made, crop insurance is one that needs to continue to be reviewed and strengthened.

With the current conditions, we would also encourages the USDA to fully support efforts to achieve approval defining grain sorghum as an advanced biofuel. This promotes sorghum production as a means of reducing the demand on our precious water supply in southwest Kansas. American farmers can meet this demand if given the proper market signals and common sense government policies.

In order to meet the future global food and feed demand, we cannot afford overregulation that stifles production agriculture. We are going to need research coming from land grant universities, working with industry and production agriculture to meet the food and fiber needs of this growing world.

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

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

Senator Roberts: Thank you so much, Robert. Those were certainly pertinent words indeed. Jeff Whitham. We had to have a banker. Western State Bank, Garden City. Couldn't have a finer one.

Mr. Jeff Whitham: Chairwoman Stabenow, thank you and welcome to Kansas. Senator Roberts, good morning. I am a banker from Garden City, Kansas. To locate that for you, Madame Chair, our high school football team's success depends upon our hatchet game with Dodge City. *[Laughter.]* And we've been in a rebuilding mode lately. *[Laughter.]*

You know, as I think about talking about farm support programs at the USDA and where we are in terms of needing to balance this federal budget that we all recognize – and I'm glad to see a large enough percent of American voters have focused on it that it's important and probably going to get done – as we talk about these programs, we have to focus on which ones are more effective, and that's what I'd like to try to address this morning. From our perspective, the most effective program is the multi peril crop insurance program, and for a couple of reasons, Madame Chair.

First, our producers pay about 41% of that premium, so the federal government, the taxpayer, gets some leverage. Secondly, our producers are compensated, usually, largely when they have a problem, either a yield problem or a price problem, so that's pretty effective. As you talk about these programs in 2011, you have to think about the SURE program. Effective program. It is going to fill out a lot of lost revenue for our producers out in southwest Kansas because of this drought.

And I should have mentioned we run about eight banking centers from southwest to northwest Kansas, and we see a fair bit of that difference in yields every year. The direct payment program, I would tell you, is a little less effective, simply because our producers receive those payments whether they had a good year or a poor year. It may not be all that effective for the taxpayer.

Maybe switching over to the EQIP program or to the conservation titles in the farm bill, the EQIP program, in our country, is a good program. We generally see it being used for terracing ground. And as you know, in our country it's a soil conservation and a water conservation tool, largely. We see it used for terracing, which again, our producers help lever by paying part of the cost. And we also see it being used by something that our governor talked about this morning.

We're going to be slowly abandoning irrigation wells in western Kansas as we don't have enough volume to be effective with those crops. And that has already started, and the EQIP program has a portion of the program that helps those irrigators discontinue irrigating, and it is useful, actually, on the family farm that I'm a part of. We've used that part of the program.

Another thing you might be interested in, as you spend a lot of time reading the paper and thinking about the capacity of banks to cover the credit needs of farmers, I notice that some folks kind of lump us in with money center banks and banks that have had significant problems, and still are, with residential real estate and commercial real estate loans, and are having problems actually getting their loan volume up. I would tell you other than maybe a few banks in the Kansas City, Lawrence area, that would not be a problem in Kansas.

These rural banks have plenty of capacity, largely because for the last four years our farm customers have had good years, and that means being the good money managers they are, they have paid down debt. To give you a little bit of a feel for that, we could probably make...we have \$234 million in loans, and we could make a \$50 million

increase in that pretty easily, and with this drought, we probably will start doing that. Again, thanks for coming to Kansas.

Chair Stabenow: Thank you.

Senator Roberts: Thank you very much, Jeff. And last but not least, Ms. Karen Wilder, who is the director of science and regulatory affairs – note regulatory affairs – and chief nutritionist for the Schwan Food Company up in Salina.

Ms. Karen Wilder: Thank you, Chairwoman Stabenow and Ranking Member Roberts. I appreciate the opportunity to testify here today. My name is Karen Wilder. I'm the director of science and regulatory affairs for the Schwan Food Company and chief nutritionist. Schwan Food Company is a leading branded frozen food company. It's one of the largest frozen food companies in the world, employing more than 17,000 people in the processing, manufacturing, transportation, distribution and sales of frozen foods.

I oversee all aspects of the nutrition initiatives at Schwan and its wholly-owned subsidiaries, including Schwan's Food Service, Inc. Schwan's Food Service develops, markets, and distributes frozen food products to schools and many other institutional channels throughout the United States.

Feeding America's children began with the company more than 36 years ago. Schwan's Food Service is one of the leading and most innovative school food service companies, providing products to approximately 72,000 of the more than 96,000 private and public schools throughout the United States. About 70% of the products distributed to schools are produced and manufactured at the facility in Salina, Kansas. And thank you, Senator Roberts, for making note of that.

Over the years, Schwan's Food Service has played a significant role in helping to convert USDA commodities into food products that met school needs in terms of nutrition, student acceptance, as well as cost, and we respectfully urge you to keep the USDA commodity food program, including commodity processing, strong and well oriented to meet the nutrition and budget objectives of schools. To meet the demands of the school food service market, Schwan's Food Service has spent millions of dollars in research and development to make our products healthier and more nutritious, while at the same time making foods that kids will actually eat.

Some of the items worth noting is that Schwan's has introduced a line of products that carry the LiveSmart Schools. They meet the dietary guidelines of 2010. They provide 51% whole grains, less than 35% calories from fat, less than 10% calories from saturated fat, and less than 600 milligrams of sodium per serving. By the fall of 2012, at least 60% of our school products will meet the LiveSmart School criteria. We also participate in the HealthierUS School Challenge, a component of the First Lady's Let's Move campaign. We're proud that the Schwan's product innovation has enabled many schools to affordably meet the ambitious nutrition criteria of this campaign.

Our goal is to support school food service directors across the nation as they strive to provide even more nutritious foods that are affordable and acceptable to students. We believe strongly in the wisdom of school food service directors to strike a balance between nutritional improvement, student acceptance and budgetary limits. We commend the USDA and Food Nutrition Service for its thoughtful consideration of policy and guidance aimed at enhancing the national school lunch and school breakfast program. We believe that many of the recommendations made by the Institute of Medicine in its report, "School Meals: Building Blocks for Healthy Children" can serve to ground the proposed rule in science.

That said, the Schwan's Food Company recommends certain revisions to help ensure student acceptance and expand accessibility, while meeting the nutritional needs of today's students. Our recommendations echo the recommendations of school food service directors across the nation, as presented by comments submitted by the School Nutrition Association, including the Kansas State School Nutrition Association, the voice of school nutrition. We recommend refinements in the proposed rules to support the legitimate concerns of America's school food service directors to balance nutrition objectives with considerations of cost and student taste preferences.

In addition to our substantive recommendations regarding meal patterns, sodium reduction, whole grains, tomato paste crediting, saturated fat, we also echo the very important recommendation of SNA regarding implementation of these rules. Even if all the recommendations that have been made regarding the proposed rule were accepted, it will force dramatic changes in the school meal program. The risk of unintended consequences is substantial. The responsible way to implement these changes would be to publish an interim final rule with implementation optional for school year 2012-2013.

The enhancement reimbursement rates recently enacted by the Healthy Hunger-Free Act provide a powerful incentive to schools to implement the new standards. Those who cannot would have an opportunity adjust. Importantly, any problematic provisions of the meal standards could be revised before the rules are made final. We respectfully submit that the implementation schedule is best because it protects our children and schools from unintended consequences. Thank you for considering my testimony.

Chair Stabenow: Well, thank you very much to each of you. And I think this panel is particularly important to be able to expand upon the areas of the farm bill because it's so comprehensive. It certainly is about commodities producers of all types, but we're also talking about farm credit and financing and nutrition and electric co-ops, and certainly conservation, and all of our grain operations and agribusiness, and how we're able to move. And when you're speaking about all the jobs that come from farm equipment and transportation and so on, it just reinforces for me how critical the agricultural economy is to America's overall economy. And so thank you for all of your comments.

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

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

Mr. Brown: Okay, firstly I would like to maybe elaborate a little bit on what Senator Roberts said earlier about doubling our food production in the future. I've heard it a little different way, that we will have to produce as much food in the next 40 years as we have in all of previous history in this country, which, I don't know how those two would correlate, but I'm sure it'll be similar. With that in mind, we do need sustainable agriculture, and by sustainable, conservation is the bottom line of that.

We have endorsed and talked a lot about EQIP already this morning, and the CRP, which is very fine, but one of our big problems, and we're already talked about the aquifer out west, and I'm in the eastern part where we have surface water, sediment being a big problem with our water supply, lakes and all of that, and what we're dealing with now that is a big ticket item that is really hard to deal with is stream bank erosion and stream bed degradation.

I would submit that probably the greater part of the sediment in the Mississippi [poxia] area could be from stream bank erosion rather than field and farm erosion because we have done a great job of retaining soil erosion on our farm lands over the years. We're not done, we're not finished, but we've went a long way. But we're in a big ticket item on stream bank erosion, and how we're going to cope with that I don't know.

But it is a serious problem. We have many corps of engineer lakes in eastern Kansas that are filling with sediment. Some area nearly half full of sediment at this point. And there has been some experimenting with dredging. There's been experimenting with many things, and it's so costly, and it's hard to build new lakes now.

And our population increase is still expanding in parts of eastern Kansas around the metropolitan areas, and the demand for domestic water is growing every day. So I think we need to maybe elaborate a little bit more...EQIP has worked wonders and we don't want to discontinue that. And I would think, and I mentioned in my statement that we would like to see the consolidation of most of these farm conservation programs where they'll be easier to access to the farmers.

Chair Stabenow: Well, Mr. Crouch, you talked about the Wetland Reserve Program. This is something that has been particularly important to us in Michigan as well. But

I wonder if you might talk a little bit more about the importance of that program and any suggestions that you have related to that.

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

Since it doesn't have a baseline, I'm very much afraid that it will get lumped with other easement programs and be much reduced, and we would hope that that doesn't happen. If there's a way to find the money – and I know you haven't asked me yet to point out a program that we could cut, and I won't do that until—

Chair Stabenow: No, I will ask you. Please do.

Mr. Crouch: Thank you. There's one that we feel doesn't seem to – and I've talked to a lot of my farmer and rancher friends about it as well. It's a program that was a former chairman of the Senate Ag Committee's private program and much loved by him, and it's not loved by us, and that's the CSP program. I think there's money there that could be moved to other places and used in a more useful manner.

Chair Stabenow: Thank you very much. Did anyone else want to respond on conservation?

Senator Roberts: Do you want [make a remark] on that?

Chair Stabenow: I know, yes, and we'll...yeah. We've talked about this, so... Let's...I guess I would just ask if anyone else, I don't know. Mr. Bach, first of all, I was very interested that you're a first generation farmer. So many times we're hearing from folks that are second, third and fourth generation and getting into farming as a first generation farmer. I'm wondering, from your perspective, how did you do that?

Mr. Bach: Well, that's a little unique. My father actually worked for the railroad. But it was an exciting adventure to me. I mean, it really came about that, through my high school years and such, working for a producer that was of retirement age, and then coming back, he was ready to retire, so I bought him out, and through a series of buying him out for a share of the crops, and it put me in a position to then rent his ground and then later bought it and expand it up beyond that. It worked well.

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

over. And I don't know if you would have any suggestions on any incentives that we might focus on to be able to make that easier.

Mr. Bach: Well, Farm Credit currently has young and beginning farmer programs. Each association has their own a little bit differently among associations, I mean, whether they relax the credit standards a little bit or with a non-family member being eligible to co-sign for a loan or what might be the standards now. That's usually the biggest hurdle to get around, is the capital needs that a young farmer would need.

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

Chair Stabenow: Yeah, absolutely. Thank you. Ms. Brinker, we've done a hearing in the Agriculture Committee, as you know, on the great work that rural electric co-ops are doing now and how to expand. There's a lot of efforts around energy efficiency, the REAP program, as well as the new Rural Energy Savings Program that we have been talking about and so on. I was very interested in your testimony about Midwest Energy.

You said they have 400 projects right now that are going. But could you talk about the Rural Energy Savings Program a little bit more, how it would encourage more co-ops to be able to implement these types of programs, because I think there's a lot of interest around the question of energy efficiency, to be able to do more incentivizing of those kinds of programs.

Ms. Brinker: Well, the upfront costs have always been kind of a barrier from encouraging people to spend on energy efficiency. In the example we have here in the state, Midwest Energy up fronts those costs, and in creating a loan then to the member who then repays it over a period of time with their utility bill. With the Rural Energy Savings Program, we think that the government could be more involved in encouraging that nationwide for people to be energy efficient in their homes and remove the barrier of those homeowners' upfront cost.

Chair Stabenow: Thank you. Let me talk about research for a second. And Ms. Wilder, you didn't specifically talk about that, but I'm wondering to what extent, working with the USDA, that you're involved, or with the universities and so on. I'm sure you're very involved in that as a company, certainly. But if you have any comments on the research programs or suggestions as it relates to the USDA.

Ms. Wilder: Absolutely. We are involved with a number of universities, including Kansas State. We're happy about our relationship with Kansas State. We've looked at new cultivars of wheat. Whole grains has become a mainstay in the proposed rule for the school meals. And the one thing that we know is that whole grains have evolved so that they aren't bitter, grainy or rejected by children, because if products

aren't eaten by the children in the school meal program, whether it's school breakfast or school lunch, then we've failed at delivering nutrition to children to help them be and do the best they can in a school day.

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

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

Chair Stabenow: Great. Well, thank you. I have one other question and I'll turn it over to Senator Roberts. I'm wondering, Mr. Tempel, as well as Mr. Whitham, crop insurance. You mentioned the importance of crop insurance. Any suggestions for us as we look to the future as to the areas we should focus on for improvement?

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

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

Chair Stabenow: Thank you very much. I'm going to turn it over to Senator Roberts.

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

Mr. Bach: Well, now, I will reiterate that I am a director, not a lender. I mean, I set policy and such, but... And you did take the steam away. As you stated, the crop insurance are the underlying standards, I mean, to know what your fall back position is and such. You ask...what was your question, on the programs?

Senator Roberts: Well, which programs you really depend on and what is it about those programs or the program or whatever that makes it unique to you so you'll have

confidence to make that loan to that young farmer, or, for that matter, any farmer over a period of years? What is it about the program?

Mr. Bach: Well, the reliability of it. I mean, it's about the fact that you can take the dollars right to it. If you're talking the farm bill program, I mean, and what—

Senator Roberts: I guess what I'm driving at is for you to tell us what has been both of our concerns, is the degree of stability, the degree of predictability of these kinds of programs so that you can look down the road, not only the next crop year, but hopefully five, hopefully ten on down the road, and that that message should be delivered to the Congress in regards to the budget deliberations we have. I'm not talking about any particular program, increasing whatever, but at least look at the stability and the predictability of our lending institutions in this country, which is why I think there's a lot of money sitting on the sidelines as opposed to wandering into the economy or being invested into the economy.

Mr. Bach: Well, I think it would be great if we could have a longer farm bill than five or seven years, I mean, or have to do it continually. But there is the stability of having what I will use as knowing that the program is going to be there year after year. I mean...I don't know if that answers your question or not. I'm afraid it doesn't.

Chair Stabenow: No, we're going to use...we're going to keep it simple, and that's exactly the answer I was looking for. Kathleen, can you describe to us the investments you'll make using the RUS loan? And further, how does RUS secure the loan to ensure that Nemaha-Marshall makes the payments?

Ms. Brinker: Well, yes, Senator. Just as our first loan did back in the late '30s and early '40s, our current loan, which was 7.6 million, will be used to build infrastructure – poles and wires, substations, such as that, to provide reliable energy to our consumers. I want to reiterate, too, that this is kind of a zero cost thing, too, because it's a loan, it gets repaid back. Just as our first loan did in the late '30s and early '40s, that loan's been paid back 100%. The cooperatives have an exemplary record of repaying those loans.

So our investment we use for that will also be going from a self-read, self-calculate method of members figuring their own bill, reading their own meter, to a system where the meter is read remotely and the bill calculated for them. And how do they secure the loan? RUS provides a lien, takes a lien on all of our plant and our investment, so they have a lien on our assets so they have some sort of guarantee.

Senator Roberts: Well, then conversely, if that loan was not available, how would it change your financing costs and your co-op's ability to even make those improvements?

Ms. Brinker: Well, we would be forced to go to private financing, which would then be higher cost. Many times our local banks and stuff don't have the funding available to fund such large loans of 7.6 million. With those higher costs, too, it's a shorter term. These facilities, many of ours have been out there for 70 years already, so with a

shorter-term loan and a higher cost, it doesn't fit well with the electric cooperatives. These facilities are designed to last 30, 40 years and that's how the RUS loan program is.

Senator Roberts: Axtell is over by Seneca, right?

Ms. Brinker: I live in Seneca.

Senator Roberts: You live in Seneca. In sixth grade, Alton Junior High, that's what they called it then – actually it was sixth grade – we went up to Seneca to play basketball and there were holes in the gym in the wall and the snow came through the holes on the basketball court. We just had fifth and sixth graders. I feel sure that Seneca had seventh and eighth graders on that team. *[Laughter.]*

Ms. Brinker: Crops aren't the only thing we grow there. *[Laughter.]*

Senator Roberts: Did your dad have anything to do with that?

Ms. Brinker: He probably did.

Senator Roberts: He probably played against us. Well, at any rate. Ron, you've got to come back with me to Washington one time. When you come back there, drop in. We'll try to find out who's in charge of the Rural Fugitive Dust program. We had Chad Basinger and his wife Cassandra and we had that big bus. We didn't cause hardly any dust. There's tillable acres out there. I'm sure out west there's some blowing, but not nearly as much in Kingman and Reno County. We're not blowing away. We don't need to post an EPA inspector at every county road to fine a grain truck if it's tearing up dust.

Back in the '70s, when this came about at first, I finally located, as a congressman, for three days of trying, the young lady in charge of Rural Fugitive Dust. Her suggestion was to send water trucks out at 10:00 in the morning and 3:00 in the afternoon and tamp down all those dusts on the country roads, didn't I realize how much dust we have in Kansas? And I said, yes ma'am, I do. But with the CRP program and everything else that's involved that you have already mentioned, conservation. So can you help me come back and find who the heck ever it was that opened up that file and decided to start that up again?

Mr. Brown: I don't have no idea.

Senator Roberts: Yeah, well, you can...

Mr. Brown: Don't even want to know, I don't think.

Senator Roberts: Right. All right, let me go on here. Barth, thank you for your comments about the CRP and all your work in making it successful. Can you tell us a little bit about what you envision down the road between the relationship between the wildlife habitat and livestock operations? We've been successful in opening up

hay and grazing on some land that had been reserved for very critical habitat, but when you get into a situation like we're into, why it still remains a good partnership. Can you talk about that a little bit?

Mr. Crouch: Absolutely, Senator. One of the things that the Kansas Conservation Partnership has advocated for some time is that the rules on the Conservation Reserve Program should allow, at no cost to the landowner, a way to turn lands that want to be grazing lands again into grazing lands while they are in the CRP program. The easiest way to make sure that that land turns into grazing land is to graze it while it's in the CRP. That makes it more possible for the land to become what it needs to be.

I had that lesson brought home to me. Two years ago we had a greater prairie chicken tour go into Lincoln County and a gentleman there named Bill [Donnelly], we were out looking at his pasture, and he showed me, he said, what do you see there? And, you know, ever since I've been in school and all my life, people have been saying what do you see on the land. And it was a low ridge, and he said, can you tell the difference between that ground and this ground? This was native prairie, never been broken.

He said, what's that? I said I don't know. And he said, well, that's where my dad did his first on his own CRP, planted it back to native grasses, because he said it wasn't worth farming it and he was tired of watching it not produce a crop, and so he put it back and immediately grazed it the first year. And it doesn't look like, unless for that little ridge where the dirt had blown in and settled in the fence line, except for that you wouldn't know that it was any different.

What we're hoping for with the Lesser Prairie Chicken initiative is to get folks that want to come out of CRP and go into grazing to allow them to do that with using EQIP, using even the Grassland Reserve Program to get there. And that's where I see the changes that we need in some of these... The one that drives us crazy, and I've got a friend that would shoot me if I didn't say it now, CP 25, the Rare and Endangered Habitat, in Kansas and a lot of those areas, it needs grazing to become the kind of habitat we really need for the wildlife. In the long run, those wildlife species and that grassland all worked with grazing before.

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

So Robert, you're a business manager. I was going to ask what your biggest challenges are. Let me just rephrase it. Are you facing increased regulatory burdens? Answer: yes. [*Laughter.*] Or do you have concerns about paperwork for compliance? Answer: yes. I want to know who majors in this stuff. How can you attract young people who could do the software to keep up with all the regs coming out?

Can you talk a little bit about that? I mean, where do you find people to keep up with this stuff? I have a staff. I have 16 people. I shouldn't have said that. I have 12 people. You didn't know about the other four. *[Laughter.]* We have the darndest time, and I know that your staff does, too, just keeping up with the dang fool regulations, and the cost is just killing us. So have at it.

Mr. Tempel: Well, from our standpoint, the regulations, just like the sweep augers, we can't get bins now. And a lot of these flat bottom bins and things like that they won't allow us, which we've all had flat bottom bins for a long time and so the sweep augers, we are not allowed to get into those at this point, so we're having to come up with different ways to do that.

Senator Roberts: Why?

Mr. Tempel: Because they're saying that the risk of somebody getting hurt in a bin with an auger in there that only has one side—

Senator Roberts: Ah, okay.

Mr. Tempel: --and that's the biggest thing. And then the other thing, you talk about dust emissions. I mean, just another thing for us and the ethanol plant. We're next to each other, within basically 50 yard of each other, and we cannot have a conveyor going to that ethanol plant because dust emissions. So we run a truck around to that ethanol plant, create more dust than we would going into the ethanol plant directly. But if we tie them together... *[Laughter.]* And so those are some of the things.

Senator Roberts: You better water it down at 10:00 in the morning and 3:00 in the afternoon. *[Laughter.]*

Mr. Tempel: You better have a big water truck.

Senator Roberts: First we have to find the water.

Mr. Tempel: One other thing we talked about in crop insurance I didn't – I guess I wanted to mention is we think we should keep that in private hands, not to go into some other program, but to keep that in private hands as well.

Senator Roberts: Jeff, what should the committee consider to address the credit needs of producers?

Mr. Whitham: You know, you asked the last panel some questions about young farmers, or young men and women trying to get into farming. And first of all, USDA has some good programs for young and beginning farmers. They have some real estate programs that are fixed rate and go out to 40 years. They have some programs for equipment and operating that will handle young farmers up to a certain size and then they have to graduate. So we have worked with a number of young farmers as they've come out of that graduation program, I call it, and I'm sure the Farm Credit system folks have done the same thing.

We look for ways to work with these young sons and son-in-laws of producers and their wives. They are our next crop of customers. They have more risk initially, just because it just is so capital intensive. These farm programs, that crop insurance and that disaster payment program help a lot. That disaster payment program that I criticized a bit because, well, it does provide benefits to smaller farms and younger farmers. They just don't have as much equity and liquidity to withstand a couple of years of poor prices or poor yields. So we work at it pretty hard. It's still a bit of a chore. If there's not a family member helping out a lot, it's a pretty tough chore to get done.

Senator Roberts: What's the average size farm in Finney County? I know that it varies from all over the...

Mr. Whitham: You know, it's probably six to eight quarters of ground. Most of these producers own some ground and rent some ground. Most of these producers irrigate some ground, probably a third irrigation and two-thirds dry land. Probably a couple sections.

Senator Roberts: My staff is going to criticize me and beat me about the head and shoulders for me even bringing this up. We do have a tremendous...I don't know what to call it. It's a misunderstanding on the part of an awful lot of people who want to shape the farm program to help small family farmers. And that's somebody five foot two in Vermont – [laughter] – as opposed to somebody six foot four in Finney County. Now, I'm not going to get into all that I get into on that 'cause it just gets me riled up and the chairwoman doesn't want me to do that and take the time to do it.

But you said capital intensive. And to be a farmer in Finney County, Kansas, America and produce what you do produce in the good years to help our country feed this country and a very troubled and hungry world, you can't do that...you know, small farmers, God bless them. And all the niche markets, and I love specialty crops. I eat a bing cherry every morning with a glass of ethanol. [Laughter.]

Chair Stabenow: Add some blueberries and applies

Senator Roberts: And some blueberries, right. Well, I do all this with Chuck Grassley. I don't know if he wants to do that or not. But at any rate. But it's so capital intensive. And bless your heart for really focusing on these young farmer issues. I've said enough on that. Karen – [laughs] – I really share your concern with the USDA Food and Nutrition Service. You talked about science based, science based. We need more one arm scientists so they can't say "on the other hand." [Laughter.]

Science based nutrition standards for foods, one, improve the nutritional profile of school foods. Everybody wants to do that. Two, do it in a way that schools and communities can afford. Certainly you want to do that. And three, stop and think about it, provide foods that school children actually want to eat. Now you've got school meals rules that are proposed without making the changes that you've recommended, and the child nutrition bill says give specific instructions to school

meal rules. They are contrary to the new rule on national nutritional guidelines. And you're stuck in the middle. You're in purgatory. You're in regulatory purgatory.

Ms. Wilder: Yes.

Senator Roberts: Now, the other thing that I want to get upset about is, is that I, from time to time, go to elementary schools and eat the school lunch program that the kids eat, share with them. And we talk a lot. And basically it's under the Reading is Fundamental program, and I'm trying to get them excited about reading. Big ticket item. But then we have school lunch. The president, in Garden City, by the way, I can't remember what elementary school it was, the young man greeted me. He was the student body president.

And we all filed in and he had his tray first and then whatever, and then he left several little openings there on the tray, pockets, whatever you want to call them. At any rate, they were empty. And the food minder at the end of the checkout told him to go back and fill what he hadn't filled, which he did. And so then we went to the table, and I, of course, behaved and I took everything.

And so at any rate, why, we were sitting there eating and all of a sudden I noticed him glancing around, but by that time there were quite a few people emptying their trays and whatever, and I looked and he hadn't eaten any of the three that he hadn't chosen, and – *psh* – in it went into the ash can, it came back. And I said, I thought they told you to eat that, or that you were supposed to eat that. He said, oh, they do all the time. And I said, you don't eat it? He said, no, I don't like it. I said, well, don't you get a little hungry at the end of the day? He said, I do. I go straight to Taco Bell.

Now, there's a lesson there. I understand that people are trying – the federal government, now, not 4H, not what you see on television, not any number of entities that tell you to do what grandmother told you to do in the first place, moderation of all things. But the federal government now is in the business of less salt and maybe taxing jelly rolls. I'm not making this up. That was an idea popped up in the Finance Committee – no pun intended. Holy cow. We're getting into a big nanny government that tells us what to eat, how to eat, when to eat it, everything else. And I'm all for a nutritious diet. Goodness knows we have the real problem with obesity. As a matter of fact, if we could put a program next to obesity, it would be funded.

But what do you do? How do you operate with this indecision? And are you the one that they drafted to get up to speed to all this and keep up with the regulations and now what you're doing and everything else?

Ms. Wilder: Absolutely.

Senator Roberts: Bless your heart. You need a purple heart or something.

Ms. Wilder: And like you, I have more than actually 12 behind me in my staff that help to interpret. I also visit with hundreds of school food service directors, and I'll tell you that there's a lot of fear and concern in the hearts of food service directors who

do the best they can to pull together a nutritious meal for the children that they serve. They listen to children. They have them come in and taste foods. They actually get students to do a thumbs up, thumbs down on foods.

This particular regulation that was issued as a proposal by the Food Nutrition Service is unprecedented, not only in terms of the number of changes and regulations built into it and the fact that it's unfunded to the level that food service directors need, but the fact that food service directors were never asked for their opinion. They were never asked how is this going to work in your school. They were never asked to even pilot or test, which, frankly, has happened in the past with the Food Nutrition Service.

So lo and behold we're faced with a whole host of changes in the menu plans. Now we're feeding children at different ages, different grades different foods, different calorie levels. The sodium restrictions are exceedingly difficult. And while we all need to cut back on sodium, the reality is salt is in a number of foods not only for functional purposes – think about dough development, for those of you that make bread. Take salt out and what happens to it? But also preservation. Think about meats.

Food standards. Many of the food standards are going to run counter to the proposed rules. So again, this hasn't really been thought through. From a science standpoint, the school breakfast and school lunch program are there for the purpose of helping to arm children with the food and the nutrition that they need to think, to act. If it's in athletic program, if it's playing a musical instrument, it's to help a student do the best they can. We know from research, and research that we funded, that hungry children don't learn. They act up in school, they don't feel well, they're going to the school nurse. So if we've got a program that's funded, but the children don't eat the foods, then we've failed them.

And all I can say is, again, we need to kind of pull back on some of the regulations. The way they've been proposed, the timelines are exceedingly aggressive. It's going to cost food companies, including us, a lot to try and manufacture a process and a product that delivers products that schools want. And then the question is, will children eat the food? So we're very concerned, and we know a lot of other members of industry are also concerned.

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

Chair Stabenow: Thank you very much. And thank you, each and every one of you, and to everyone who has been with us today. This has been very helpful and very important. And I want to thank you not only for sending an extremely thoughtful and knowledgeable senator, but one that keeps us entertained at every meeting, so I thank you for that as well.

But in all seriousness, we know we have a lot of challenges in front of us. Probably the toughest farm bill to write since the first one was written. But we also know it's an opportunity for us to take a tough look and to do our best to make sure that everything we're doing, every dollar we're spending is spent and stretched as effectively and as far as possible. And that's what we're doing. And agriculture has and will continue to be a part of solving problems in our country, including our deficit, and we will all work together to do our very best job on that.

But let me just close by saying that really supporting American agriculture and rural communities is a lot more than about funding levels or even policies. In my judgment, it's about our way of life in America. It's about communities, it's about values, it's about a sense of responsibility. We have a large number of men and women in the armed services coming from rural America. Why? Because there's a sense of giving back. And I think that is worth fighting for. Our way of life is worth fighting for.

And to me, in addition to everything else we talk about, that's an important reason to have a strong rural America with a strong agricultural background, and that's what we're focused on doing. And I very much appreciate your being here, and would just indicate again that we need to have any comments you would like to make given to us in the next five business days, which would end at 5:00 p.m. on September 1st. And with that, thank you so much for having me. It's great to be in Wichita, Kansas, and the meeting is adjourned. [*Applause.*]

[*End of recording.*]