

WEEKLY UPDATE
SUSTAINABLE AGRICULTURE COALITION
June 18-22, 2007

SUMMER MEETING – PLAN NOW!

Annual Summer Meeting, August 6-7: Now is the time to make your reservations for SAC's annual summer meeting! Make your room reservations at the Pere Marquette Lodge (built by the CCC in the 30s) and Conference Center at Pere Marquette State Park and Mark Twain National Wildlife Refuge at the confluence of the Illinois and Mississippi in Grafton, Illinois. This will be an important time for us to gather together and strategize on farm bill action, hold issue committee meetings, and deal with governance matters, as well as kick back, watch the eagles soar, and have some fun.

Please see the attached announcement which includes airport information and details on how to make a reservation at the lodge. Our block of rooms is reserved only through July 13, so please act soon. The meeting starts first thing Monday morning, so please plan to arrive Sunday evening. The meeting will end after lunch on Tuesday. An agenda and registration will be sent out next week, but in the meantime, be sure to reserve your room!

ACTION NEEDED

Updated Timeline for Action: As mentioned in Tuesday's Special Edition, House Agriculture Committee Chair Collin Peterson (D-MN) announced changes this week to the House schedule for action on the Farm Bill. The full Agriculture Committee is now planning to consider the farm bill the week of July 9 with House floor consideration expected the last week in July. Chairman of the Senate Agriculture Committee Tom Harkin (D-IA) is currently expected to release his farm bill proposal the week of July 9 as well, with Senate Committee markup likely taking place soon thereafter. Stay tuned for action alerts on amendments for the full House Ag Committee markup. Amendments that SAC is working on are rapidly taking shape, and we will issue alerts on them as soon as we can.

We are working on a chart summarizing the status of SAC farm bill priorities in the Chairmen's marks and subcommittee and full committee action that we will continue to update as the farm bill debate moves forward. The first version of the chart will be up on the Farm Bill Action Center webpage next week at www.sustainableagriculturecoalition.org.

New Co-Sponsors: On Tuesday, Senator Debbie Stabenow (D-MI) signed onto the Beginning Farmer and Rancher Opportunity Act of 2007 introduced in May by Senator Harkin (D-IA). The bill now has eight co-sponsors. Also on Tuesday, Senator Hillary Clinton (D-NY) signed onto the Competition and Fair Agricultural Markets Act of 2007, bringing co-sponsors up to eight on a bill also sponsored by Senator Tom Harkin (D-IA). Senator Clinton also signed onto S. 305, a bill to limit packer ownership of cattle. Finally, on Monday, Rep. John Conyers (D-MI) signed onto the Local Food and Farm Support Act sponsored by Rep. Earl Blumenauer (D-OR). The bill now has fourteen co-sponsors.

It is important that you and those in your networks continue urging Representatives and Senators to co-sponsor these and other bills supported by SAC that are being considered in the 2007 Farm Bill. Updates and background information on farm bill legislation that supports SAC's platform is available in the Legislative Tracking section of SAC's Farm Bill Action Center: www.sustainableagriculturecoalition.org

THIS WEEK

Farm Program Payment Limitations: It has been a strained and strange week for farm program payment limitation reform. First, as we reported in the Special Edition on Tuesday, the House commodity subcommittee voted to extend the current commodity title, replacing the 2002 title for the

chairman's mark and thereby eliminating, for the time being, the modest payment limit reform that had been included by Chairman Peterson. Second, the Congressional Budget Office, the agency that determines how much particular pieces of legislation or legislative amendments cost or save, decided that the very modest Peterson proposal would have saved over \$1 billion over the next ten years, this despite the fact the provision left multiple payment limitation loopholes wide open and actually repealed any limits on loan benefits. Third, the analysts at CBO turned right around and tentatively scored the comprehensive reform proposal introduced by Senators Dorgan (D-ND) and Grassley (R-IA) at nearly the identical budget savings, a complete and utter logical contradiction. SAC is following up with a memo detailing the ways in which the budget estimate is out of line.

Finally, Chairman Peterson on Wednesday struck back at his unruly Committee and particularly at its southern members who revolted on even modest reform by saying he added modest payment reform to help them fend off tougher amendments on the House floor, but that now he would keep all reform out of the bill unless and until cotton, rice and peanut lobbyists come to him and beg him to put it back in. While still maintaining that payment limits are a bad idea, Peterson nonetheless laid down the gauntlet, warning that a new farm bill cannot pass without some payment reform. We agree with the warning, and hope to help make it a reality.

A Closer Look at "Farm 21": In a [recent](#) Weekly Update, we provided a brief summary of the Farm 21 Act of 2007 sponsored in the House by Rep. Ron Kind (D-WI) and in the Senate by Sen. Richard Lugar (D-IN). At that point the bill was not actually introduced, but the House version did go into the hopper last week. In the wake of criticism leveled at Kind and Farm 21 this week by House Agriculture Committee Chairman Collin Peterson (D-MN) and many others on the Committee as well as a front page article on Rep. Kind and his farm policy reform plans in the Business Day section of Friday's [New York Times](#) and an exclusive interview on the Center for Rural Affairs blog (www.cfra.org/blog), we thought we'd take the opportunity to explore the Farm 21 proposal a little deeper through a few key points.

The proposed alternative to commodity programs, a risk management tax-preferred savings account, would provide tax benefits in proportion to funds invested in the accounts, benefiting the well-off far more than the average farm taxpayer. Like most tax subsidies, the more disposable income one has available to invest in the tax preference, the larger the benefit. If a farm family does not have disposable income to invest in any given year, then there is no tax sheltering to be gained. Unlike commodity payments that at least have the framework for targeting to moderate-sized farms through payment limits, the proposed tax accounts are untargeted. Most of the tax subsidies will flow to mega-farms. Moreover, the accounts are tax free in the good years when money is available to the farmer, but taxable in the bad years when the farmer may be making withdrawals, the opposite of what one would think of as a traditional safety net feature.

The Farm 21 proposal proposes to spend the large savings generated by ending commodity programs and shifting to tax-subsidized savings accounts on conservation, nutrition, energy and other programs. Noticeably absent is any proposed spending increases for the Conservation Security Program. Instead of doing anything to restore the \$4.3 billion that has been taken from the CSP in recent years, the Farm 21 proposal would invest over \$2.8 billion more into the Environmental Quality Incentives Program without any reform to its huge payment limit and substantial subsidies to CAFO expansion and overproduction. The bill also proposes essentially no increase for the Farm and Ranch Land Protection Program, though it does restore funding for the Wetlands Reserve Program. It proposes to spend \$325 million new dollars for biorefinery subsidies and \$400 million in new funding for renewable energy grants and loans to farmers through the 9006 program.

The bill proposes to invest mandatory funding in the Value-Added Producer Grants program, at the current farm bill rate of \$40 million a year as opposed to the SAC proposal for \$60 million, and without SAC's proposed value chain and local food language, but with a preference for small and medium sized family farms. The bill would fund the proposed new Micro-Enterprise Program at the \$50 million/year

level endorsed by SAC. It would also fund the Farmers Market Promotion Program at \$25 million/year level, though with different authorizing language than proposed by SAC. The bill does not provide any new funding for organic agriculture. It would provide \$25 million and then \$30 million a year for Community Food Grants, or half the level recommended by the Community Food Security Coalition.

Senate Completes Work on Energy Legislative Package: On Thursday just before midnight, the Senate approved, by a vote of 65 - 27, an energy legislative package that includes a significant increase in Renewable Fuel Standard (RFS) mandates above that provided in the Energy Act of 2005. The measure, entitled the Renewable Fuels, Consumer Protection, and Energy Efficiency Act of 2007, moved forward as an amendment to an underlying House oil and gas tax bill (H.R. 6). The bill is important both in its own right as an energy measure and also for its direct and indirect farm bill implications. Part of the bill as passed would be paid for by farm bill spending reductions, and part of the tax section of the bill which was blocked from adoption could come back as part of the farm bill. We include a comprehensive review of the energy bill and key amendments at a special section at the end of this Weekly Update.

President Bush Nominates Former Representative Jim Nussle as OMB Head: On Wednesday, President Bush announced that he has nominated former Iowa Representative Jim Nussle to be the director of the Office of Management and Budget. Nussle served as the Chair of the House Budget Committee before leaving Congress for an unsuccessful run as Iowa's governor. He is expected to take a hard line against FY2008 domestic social spending appropriation bills with funding levels above those provided in the President's budget request to Congress.

USDA NEWS

2007 CSP Sign-up: With the supplemental appropriations bill making additional 2007 funding available for the Conservation Security Program, we now expect, in addition to current CSP participants receiving payments for contract modifications they have previously agreed to, that there will be an announcement from USDA soon that a new 2007 sign-up will be held this year. We expect the sign-up to occur in the 51 watersheds – one for each state plus Puerto Rico – that have been previously announced by USDA. As a reminder, we have attached a list of those watersheds to this Weekly Update, and suggest that member and partner organizations be prepared to publicize the sign-up in the state(s) as soon as it is announced.

New Plant Breeding Report: USDA's Economic Research Service this week released an update of the 1994 report on national plant breeding by Dr. Ken Frey of Iowa State University. The data product provides information on staff years and expenditures in the U.S. by academia and the public and private sector. The follow-up study was done to describe U.S. plant breeding investment in 2001.

There is a key difference between the update and the original study. The original specifically excluded basic plant molecular biology and biotechnology, whereas the updated data includes them, making it more difficult to compare the information and trends. Another key difference between the 1994 and 2001 study is the response to the survey from the private sector – it was high in 1994 and low in 2001, a difference no doubt accounted for by the increased concern for privacy within the biotech industry.

Since the 1994 study, public plant breeders at state experiment stations declined by 21 percent, though breeders at ARS increased by 23 percent. Overall, public sector breeders declined by 10 percent. The only sector to show a significant net increase in this period was ornamentals (and you can't eat trees and shrubs!).

The new study was conducted in 2002-2004 by Auburn University and funded by USDA. It was released June 20 and can be found at www.csrees.usda.gov/nea/plants/part/pbgg_part_study.html and www.ers.usda.gov/Data/PlantBreeding/. Additional information and Excel files of the 2001 data are available from Greg Traxler, Department of Agricultural Economics & Rural Sociology, Auburn University, gtraxler@auburn.edu, phone (334) 844-5619.

WTO NEWS

Doha Round Negotiations Heading Off the Rails?: In Potsdam on Thursday, the G-4 group of the U.S., European Union, India and Brazil cut off negotiations on revising the WTO provisions for agricultural trade. The G-4 sidebar negotiation was considered the most likely process for re-starting WTO agricultural trade negotiations that have been stalled out for months. The US and EU pointed their fingers at Brazil and India, claiming that intransigence on increasing access to their non-agricultural markets brought negotiations to a halt. Brazil and India blamed the US and EU for failing to lower their domestic agricultural subsidies (US) and tariffs (EU) on agricultural products. During the talks, the US offered to "reduce" its annual farm subsidy limit from \$23 billion to \$17 billion, essentially the same offer it made last summer. The developing countries have been demanding a cut to \$12 billion a year. All of those figures are far higher than expected US farm spending for the coming five years, though at the first sign of an ethanol bust the spending picture could be quite different.

All four countries' negotiators issued gloomy assessments for the future of the Doha Round. The Indian Commerce Minister called the collapse "Cancun Act II" in reference to the 2003 ministerial meeting in Cancun that nearly ended the talks in their infancy. India and Brazil had previously agreed to consider somewhat larger industrial tariff cuts, but pulled back after objections from other developing countries. That did not stop US negotiators, Members of Congress, and industry spokespeople from blaming Brazil and India for standing in the way of the interests of smaller developing countries. Putting the best face on it, WTO Director-General Pascal Lamy said G-4 progress would have been helpful but "helpful does not mean indispensable" as he called negotiators back to Geneva for yet more talks.

DULY NOTED

FAO Report on Loss of Farm Animal Diversity: Last week, the UN Food and Agriculture Organization's Commission on Genetic Resources for Food and Agriculture released a report that focuses on the global loss of farm animal diversity, entitled *The State of Zoogenetic Global Resources for Food and Agriculture*. The report concludes that the rapid spread of large-scale industrial livestock production focused on a narrow range of breeds is the biggest threat to the world's farm animal diversity. Under this pressure from the industrialization and homogenization of food products, one breed of chicken, beef cattle, pig, and rabbit is erased from the surface of the globe every month. FAO is deeply worried because the loss of farm animal diversity reduces the ability to confront natural catastrophes such as global warming and the emergence of new diseases. Today, 11 percent of domesticated mammal breeds and two percent of domestic bird food breeding stock varieties have been definitively extinguished through the need to respond to the new requirements of intensive agriculture, and of markets. And 1,400 other breeds of domesticated animals of the 7,500 kinds of breeding stock could undergo the same fate in the near future

The 476-page report is posted at <ftp://ftp.fao.org/docrep/fao/meeting/012/ah834e/ah834e.pdf>. Additional information is on the FAO website at <http://www.fao.org/newsroom/en/news/2007/1000598/index.html>.

Cotton Report from Oxfam America: A new report from Oxfam entitled *Paying the Price*, based on a modeling exercise run by UC-Davis economist Daniel Sumner, attempts to show that major reform of American cotton subsidies in the 2007 Farm Bill could lead to increased income and poverty reduction in West Africa's cotton growing regions. The study projects a 20 percent decrease in US cotton production and a 6-14 percent increase in world cotton prices if the cotton program were eliminated. The report then details what a change in world prices would mean for West African household income, assuming the price change is permanent and that there is not a major expansion of cotton production in Brazil or elsewhere to substitute for the contraction of cotton acres in the US. The full report and a summary version are available at www.oxfamamerica.org.

So much for commenting...you may as well just grab a beer! On Friday the USDA published an interim final rule that amends USDA's National List of Allowed and Prohibited Substances (National List) to include 38 minor ingredients (non-organic, agricultural ingredients that may be considered for use in an "organic" processed product that bears the USDA Organic seal). The proposed list of minor ingredients had come under fire from organic and consumer advocates who voiced concerns about catering to large food businesses, such as Anheuser Busch, who successfully lobbied to get hops grown with chemical fertilizers and sprayed with insecticides included on the list. More than 1,000 comments were submitted during a short 7-day comment period, but all fell on deaf ears as USDA moved ahead with the list as it was proposed. Under the interim final rule USDA is seeking additional comments on the rule for 60 days. Before you comment, make sure to crack open a beer – Anheuser Busch says its Wild Hop Lager is “the perfect organic experience.” Here's to commenting on USDA interim final rules!

Moving Up and Moving In at SAC: We are happy to announce that Zach Baker, former SAC intern, was hired by the Organic Farming Research Foundation, a SAC member, to do work here in D.C. on organics in the farm bill. Zach will continue to work out of the SAC offices. His new e-mail is zach@ofrf.org. You may also hear a new voice answer our phones. Michelle Penn, a student from Cornell College in Iowa, joined us on Monday as a summer intern. We will be showing her the ropes in D.C. as she accompanies us to farm bill mark-ups, D.C. coalition meetings, Hill visits, D.C. receptions and other events. If you are coming to DC on a fly-in this summer or to the summer meeting at Pere Marquette State Park, you will get a chance to meet her.

SAC Staff Takes Local Field Trip: On Wednesday the SAC staff did something highly unusual. They ventured out of the fluorescent-lit office in the middle of the day to visit a farmers market! But not just any farmers market - the staff attended the grand opening of the Crossroads Farmers Market in Takoma Park, Maryland - the first farmers market in the region created to encourage minority and immigrant farmers and to serve the predominantly Salvadoran, West African, Indian, and Caribbean immigrants in the area. It is also the first farmers market in Maryland to accept food stamps. It was a great reason to leave the office and an exciting thing to see and experience. For more information, you can read about it at www.washingtonpost.com/wp-dyn/content/article/2007/06/12/AR2007061200452.html.

SPECIAL REVIEW OF SENATE ENERGY BILL

Here are some highlights of the Senate energy bill and Senate floor action on the energy bill that was passed as the week came to a close:

Increased Mandates for Renewable Fuels: The bill includes a requirement that 8.5 billion gallons of renewable fuel be blended into the domestic gasoline supply by 2008, up from the 7.5 billion gallons by 2012 mandated in the Energy Act of 2005. Almost all of this fuel will be corn ethanol. The bill also ramps up the RFS mandate to 36 billion gallons of renewable fuel by 2022, a requirement that would require a large cellulosic industry to come on line in coming years. Due to the RFS measure, the bill was able to claim savings from the commodity title of the farm bill of nearly a half billion dollars due to presumed higher commodity prices and thus lower government farm payments.

Environmental Safeguards: This amendment, offered by Senators Boxer (D-CA) and Bingaman (D-NM), was approved by a vote of 58 – 34. SAC worked with environmental and public health organizations on this amendment which would require EPA to arrange with an independent research institute to prepare two studies to evaluate the environmental effects of the bill's RFS mandates on the environment, including air and water quality, other natural resources, land use patterns, the rate of deforestation, greenhouse gas emissions, biodiversity, and the long-term capacity of the U.S. to produce biomass feedstocks. After each study, EPA would submit reports to Congress, by 2010 and 2015, with assessments, findings, and recommendations to mitigate adverse effects. The amendment would also require EPA to promulgate regulations to address adverse air quality impacts. In addition, the amendment

would provide \$500 million over seven years for grants for advanced biofuel projects that result in the greatest reductions in lifecycle greenhouse gas emissions (GHG) in comparison to comparable motor vehicle GHG emissions in 2007. Grant awards would be limited to projects that achieve at least a 50-percent reduction in lifecycle GHG emissions.

The amendment does not include recommendations from SAC and environmental organizations for sustainability standards and requirements for the production of renewable fuel feedstocks. These recommendations included basic conservation compliance standards for the production of crops that are used to produce biofuels which are counted towards the RFS mandate and exclusions from the mandates of biofuels from feedstocks produced on wetlands, old growth forests and other environmentally sensitive lands. The lack of attention to negative conservation effects in the Senate bill is alarming. We will continue to work for these criteria and standards on the House version of energy legislation.

Amendment to Adjust the RFS Downward Based on a Corn Stocks-to-Use Ratio: This amendment, rejected by a vote of 31 – 63, was offered by Senators Imhofe (R-OK), Burr (R-NC) and Dole (R-NC). It would have permitted a 15 percent reduction in the RFS mandate if EPA determined, based on a yearly corn stocks-to-use ratio, that the annual corn crop is inadequate to meet livestock and poultry feed needs. The amendment split agricultural groups, pitting large-scale livestock and poultry producers allied with food processors against organizations representing significant numbers of grain growers allied with the bio-ethanol sector.

Supporting the amendment were groups representing sectors dependent on processed corn for feed, including the American Feed Industry Association, American Meat Institute, National Cattlemen’s Beef Association, National Chicken Council, National Pork Producers Council, National Turkey Federation, United Egg Producers, United Egg Association, Seaboard Corporation and others, joined by food processors such as General Mills, the Grocery Manufacturers/Food Processors Associations, Coca-Cola and others. Those opposed included the American Farm Bureau Federation, National Farmers Union, National Corn Growers Association, National Association of Wheat Growers, National Sorghum Producers, Renewable Fuels Association, and the American Coalition for Ethanol. The measure was opposed on the Senate floor by Senators Grassley (R-IA) and Baucus (D-MT).

Tax Incentives Package Rejected: A \$32 billion tax incentives package for renewable energy from wind, solar, and biomass, approved by the Senate Finance Committee, was offered as an amendment to the bill but rejected when an effort to end a filibuster on the package failed, by a vote of 57-36, to reach the required 60 votes. Opponents criticized the tax package for the amount of revenue that would be raised by increasing taxes on the oil and gas sector, claiming that the taxes would lead to higher gasoline prices. The scrapped tax package raises \$10.7 billion in excise taxes on oil and gas leases in the Gulf of Mexico and repeals nearly \$14 billion in existing oil and gas tax subsidies. The House-passed version of these measures provide part of the funding offset expected to be used in the 2007 Farm Bill to pay for its energy and perhaps other titles.

But Might Be Back as Part of the Farm Bill: Senate Democratic leadership has indicated that the tax incentives package will be re-offered as a stand-alone bill. In fact, today Senate Majority Leader Harry Reid suggested the package could be back as part of the farm bill when the Finance Committee turns its attention to crafting tax legislation to accompany the farm bill. It is this legislation which is widely assumed to carry with it the offsets that will be needed to supply new funding for the conservation, nutrition, rural development and energy sections of the farm bill, so joining the energy tax package to it could be a hopeful sign that the needed farm bill offsets could be found.

Retains Ethanol Import Tariff: The Senate rejected an amendment offered by Senator Judd Gregg (R-NH) to repeal the 54 cents per gallon US tariff on most imported ethanol.

Renewable Electricity Standards Blocked: Senate Energy Committee Chair Jeff Bingaman (D-NM) was prevented from offering an amendment that would require U.S. utility companies to generate 15 percent of their power from renewable energy sources, including wind power, solar power, and biomass. This “renewable portfolio standard” was opposed by the Bush administration and many Senators from southeast states.

Tax Credit for Co-Processed Renewable Biodiesel Retained: By vote of 45 – 49, the Senate rejected an amendment offered by Senator Jon Kyl (R-AZ) that would have blocked petroleum refiners that co-process renewable biodiesel fuel from receiving a \$1 per gallon federal alternative fuel tax credit. The amendment was intended to reverse a decision by the Internal Revenue Service that allows the Conoco-Phillips Company to take the \$1 per gallon tax credit for biodiesel processed from animal fat provided under an agreement with Tyson Foods. Unlike vegetable oils, the animal fat can be co-processed in petroleum refineries with fossil fuels. The National Biodiesel Board, which has major investments in the development of vegetable oil-based biodiesel, has protested the use of the tax credit for co-processed animal fats.

Senator Kyl argued that big oil does not need new tax breaks, especially since they do not need to build new refineries to process the animal fat. He added that the tax credit was aimed at boosting development of the biofuels industry and new biofuels infrastructure. Senator Max Baucus (D-MT), opposing the amendment, argued that the tax incentive is new and should be given more time to work and that all renewable fuels will help to reduce the nation's dependence on foreign oil.

Amendment to Exempt Animal Manure/CAFO Waste from CERCLA-EPCRA: This amendment submitted by Senator Blanche Lincoln (D-AR) was blocked from coming to the floor. The amendment would have exempted from the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA or “Superfund”) and the Emergency Planning and Community Right-to-Know Act (EPCRA) animal manure - broadly defined to include manure, bedding, compost, process water, and just about any other substance originating from or emitted by a concentrated animal feeding operation. SAC thanks all of you who responded to the Action Alert on this issue. Unfortunately, Senator Lincoln stated on the Senate floor that she intends to bring this amendment up again on other legislation. So, we expect to see it offered on EPA’s FY2008 appropriations bill, the Farm Bill or any other remotely related legislation in this session of Congress.

Increase in Corporate Average Fuel Economy Standards: A compromise amendment increasing corporate average fuel economy (CAFE) standards was approved, the first increase in the standards since 1975. The measure increases the fleetwide average fuel economy standards for all cars, trucks and SUVs from 25 miles per gallon to 35 miles per gallon by 2020. The compromise would allow each class of vehicle to meet a different mileage standard based on the vehicle’s size. In addition, a requirement to increase the mileage mandate by 4 percent per year after 2022 was removed from the amendment. Even with the compromises, the U.S. Big Three automakers opposed the amendment.

Coals-to-Liquid Amendments Rejected: In his State of the Union address, President Bush proposed major investments in liquid fuels made from coal as an alternative to imported oil and gasoline. Most environmental organizations oppose coal-to-liquid fuel because of the high levels of greenhouse gas emissions and other environmental hazards from its production and use as transportation fuel. Two amendments to H.R. 6 promoting coal-to-liquid fuel were voted down – one to give \$10 billion to projects to capture CO2 emissions from coal-to-liquid, the other to increase funding for coal-to-liquid facilities.