

**WEEKLY UPDATE**  
**SUSTAINABLE AGRICULTURE COALITION**  
**August 20-24, 2007**

**ACTION NEEDED**

**Competition Sign-on Letter:** If your organization has not already signed onto the new letter to the Senate in calling on members of the Senate Agriculture Committee to support farm bill provisions (including those in the chairman's mark) that contribute to fairer and more open markets for livestock and poultry producers, do so today by sending your endorsement to Sheilah Davidson at the National Campaign for Sustainable Agriculture at [sheilah@sustainableagriculture.net](mailto:sheilah@sustainableagriculture.net). SAC has endorsed the letter. If you need a copy, contact Sheilah or Aimee Witteman here at the SAC office at [awitteman@sustainableagriculturecoalition.org](mailto:awitteman@sustainableagriculturecoalition.org).

**Farm Bill Alert Next Week:** Early next week we will post a farm bill alert to the Weekly list and on our website to help member and partner groups prepare for the upcoming battle over the Senate version of the 2007 Farm Bill. Be on the lookout!

**THIS WEEK**

**Harkin Commodity Title Leaked:** Yesterday, a draft summary of the discussion draft of Senate Agriculture Committee Chairman Harkin's commodity title traveled speedily by email all over DC after being leaked by an outside organization. The proposal would morph counter-cyclical payments into a form of revenue-based payments, providing coverage based on price and yield rather than just price. The target revenue levels are set at the average of 85 percent of cost of production for each commodity and the target revenue numbers included in the USDA farm bill proposal from earlier this year. Revenue-based payments are endorsed by the National Corn Growers Association and have a fair amount of support in the eastern Corn Belt, but do not have the support of other commodity groups nor Senators from other production regions. In the House bill, revenue-based coverage is made optional for producers who choose it over traditional counter-cyclical payments.

The proposed loan program would move it in the direction of being more market-oriented. Loan rates would be set at a five-year average of actual market prices (eliminating the lowest and highest years), but loan rate reductions in any one year would be limited to just 1 percent, to allow for an adjustment period. This proposal, which is similar to the USDA proposal, would begin to reduce overproduction distortions and reduce extreme loan deficiency payment rates for overvalued crops. However, the 1 percent feature would make this change very gradual.

As expected, the proposal includes crop insurance "enhancements" to cover shallow losses not generally covered by crop insurance policies. This extra subsidy represents one version of so-called "permanent disaster authority" and is intended to reduce the need for ad hoc disaster assistance. It is generally assumed that the Finance Committee will provide funding for some form of permanent disaster assistance as part of its contribution to the farm bill proceedings.

The draft outline indicates that payment limitation reform of some kind will be included in the proposal based on further discussions. No changes are proposed to direct payments other than the elimination of advanced direct payments, a revenue raiser also used in the House farm bill.

The proposal, minus its summary page, has been placed online by the Environmental Working Group at [http://www.mulchblog.com/harkin\\_titl%5B2%5D.pdf](http://www.mulchblog.com/harkin_titl%5B2%5D.pdf).

**Harkin Conservation Title Redraft Due Out Next Week:** The third version of Chairman Harkin's conservation title will likely be out for review next week for a final round of comments from farm and conservation organizations prior to preparing the final version to appear in the Chairman's farm bill proposal due out in September. Nearly SAC's entire farm bill platform for the conservation title is incorporated into the title in one form or another. We will be submitting comments again on the new version early next week. SAC has previously submitted extensive comments on the draft conservation, research, credit, energy, and marketing titles and will continue to do so as needed leading up to Senate Committee consideration of the chairman's proposal in mid-September.

**Finance Committee Discussion Continues:** The Finance Committee, and particularly Chairman Baucus (D-MT) and the other 7 members of Finance who also serve on the Agriculture Committee, continues to consider what pieces will go into its farm bill-related tax bill. The Finance Committee will likely supply the only additional resources for the farm bill other than whatever savings can be achieved through cuts and reforms to the existing farm bill budget baseline. However, unlike the House Ways and Means Committee, it is Chairman Baucus' intention to pass farm bill-related provisions in the Finance Committee, rather than supply tax offsets to the Agriculture Committee to decide what to do with. This is an entirely new development in farm bill history, so exactly how it will work remains somewhat of a mystery.

Almost for certain, the tax bill will provide resources (likely via tariff proceeds) for a permanent disaster program. It will likely also include funding for programs otherwise included in the farm bill's energy title. Conservation program and specialty crop spending may also receive consideration, though details at this point in the process are hard to come by.

One thing is clear – members of the Finance Committee, and especially those who also sit on Agriculture, will play a major role in deciding the contours of the farm bill. The dual membership Senators are: Baucus (D-MT), Conrad (D-ND), Lincoln (D-AR), Stabenow (D-MI), Salazar (D-CO), Grassley (R-IA), Crapo (R-ID), Roberts (R-KS).

**Deficit Declining:** On Thursday, the Congressional Budget Office issued its summer forecast and projected the fiscal year 2007 budget deficit declining to \$158 billion, down almost \$100 billion from 2006 and down nearly \$50 billion from earlier estimates this year. The decrease was projected despite CBO forecasts for slower growth and higher inflation in both 2007 and 2008. Tax receipts are growing at higher than the previous 10-year average (up over 7 percent for the year), while government spending is growing at far lower than average (3 percent for the year). Non-defense discretionary spending is actually projected to fall slightly relative to 2006. If the cost of the Bush 2001 and 2003 tax cuts (\$300 billion cost in 2007) and the net cost of the war in Iraq were magically erased, the current year would be in a very large net surplus. Of course, long term problems for the deficit from rapidly rising health care costs reflected through Medicare and Medicaid and from pending baby boomer retirement keep the long term deficit picture precarious.

All of this has a direct impact on the farm bill, children's health insurance, and other domestic spending bills being considered by Congress this year because of the Democratic congressional leadership's decision early this year to return to fiscally conservative "pay as you go" rules. "Pay-go" as it's called for short has placed a straightjacket on farm bill spending and greatly limited room to maneuver in putting together a bill that can obtain majority support.

## **USDA NEWS**

**Poultry Regulation Changes:** Way back on August 1, USDA's Grain Inspection, Packers and Stockyards Administration published new rules changes to try to begin to rebalance rules that greatly

favor companies over growers. The rule and background information can be viewed at <http://archive.gipsa.usda.gov/rulemaking/fr07/8-1-07.pdf>. Public comments on the proposal are being accepted until October 30 and may be emailed to [comments.gipsa@usda.gov](mailto:comments.gipsa@usda.gov) and make reference to the rules in the August 1 Federal Register.

Among the changes proposed are provision for poultry growers to see contract terms before they take out loans to build poultry houses, requirements that contracts include details of performance improvement plans, provisions to allow growers to terminate contracts by written notice 30 days before removal of a flock, a requirement that growers be notified 30 days before removal of a flock if the company plans to terminate the contract, and a requirement that growers be allowed to discuss their contracts with financial and business advisors.

It has been a very long time coming, but it is actually worth reading the Federal Register to hear USDA finally admit that “we believe the failure to disclose certain terms in a poultry growing out arrangement...constitutes an unfair, discriminatory, or deceptive practice in violation...of the P(ackers) & S(tockyards) Act.”

**Fresh Produce Risk Reduction Research Grant:** On Tuesday, USDA awarded \$5.5 million to a California ARS lab and collaborators at the University of California for research to identify risk factors and preventative measures for E. Coli contamination of fresh produce. The research will be done in the Salinas Valley. The project will also include workshops and publications for farmers, natural resource staff, and the public concerning beneficial management practices.

**Renewable Energy Guaranteed Loans:** Also on Tuesday, USDA announced the award of \$97 million in guaranteed loans to four energy businesses. The loan funds are from the Renewable Energy and Energy Efficiency Program (Section 9006) and the Business and Industry loan program. One of the recipients is a proposed new ethanol plants – Clean Burn Fuels -- in Hoke County, NC (\$35 million loan guarantee). Two awards are for biodiesel -- Blackhawk Biofuels in Freeport, IL (\$27.5 million) and National Trail Biodiesel in Newton, IL (\$15 million). The final award is to a wood pellet facility in Savannah, GA (\$19.5 million).

## **DULY NOTED**

**CSP/CSIP Op Ed:** Jeanne Merrill with the Michael Fields Agricultural Institute and Wisconsin dairy farmer and CSP participant Robert Schlimm wrote an op ed that ran into today's Milwaukee Journal Sentinel today entitled “A farm bill that supports conservation.” The piece spoke to the farm and public benefits provided by the Conservation Security Program and concluded:

“As part of the debate, the chairman of the Senate Agriculture Committee, Sen. Tom Harkin (D-Iowa) will introduce a working lands program that integrates the ongoing stewardship features of the conservation program and the financial assistance component of the Environmental Quality Incentives Program into one comprehensive, unified program: the Comprehensive Stewardship Incentives Program.

“The new streamlined, one-stop program for farm conservation is a sound approach. No longer will farmers have to wait years for access to a working land conservation program. The new program would be available on an annual, nationwide, continuous sign-up process....”

“Harkin's proposal means that finally farm bill policy will work to benefit farmers and the environment. That's good news for Wisconsin and for the country.”

Read the whole piece at <http://www.jsonline.com/story/index.aspx?id=651523>.

**FTC vs. Whole Foods Market:** The Federal Trade Commission's effort to temporarily block organic grocer Whole Foods Market's merger with rival Wild Oats Market came to an unsuccessful close on Thursday with a three-judge panel of the U.S. Court of Appeals for the District of Columbia Circuit denying a request by the FTC to block the \$565 million merger. Out of concern that the merger would violate federal antitrust laws and likely result in higher prices and reduced choices for consumers who shop at premium natural and organic supermarkets, the FTC began arguing its case for a temporary injunction in June. U.S. District Court Judge Paul Friedman issued his opinion late last Thursday, ordering the merger to go ahead. The FTC implored the Judge to delay the order he issued and filed a fruitless appeal the next day. CEO of Whole Foods John Mackey is looking to make the merger happen as quickly now that it is settled and believes "a merger between Whole Foods and Wild Oats will create long-term value for customers, vendors, and shareholders, as well as exciting opportunities for team members."

**Keystone Agriculture Sustainability Initiative:** On August 14, the Keystone Center announced it is launching an industry-based project to identify best practices for increasing agricultural sustainability. Entities participating in the initiative include Cargill, Dupont, Monsanto, General Mills, Bunge, Mars, Grocery Manufacturers Association, American Soybean Association, National Cotton Council plus Conservation International, The Nature Conservancy, and World Wildlife Fund. The Keystone Center in their release calls this a "broad based conversation" -- giving an entirely new meaning to the term!

As an initial step, the group has agreed to the following foundational principles: (1) we believe world food demands, grower needs and desirable land use patterns all require intensification of agriculture, (2) we further believe that increased production must be accomplished in a manner that does not negatively impact, and actually improves, overall environmental and societal outcomes, (3) we believe sustainable agriculture can meet the needs of the present while improving the ability of future generations to meet their own needs by focusing on specific, critical outcomes. The group also agreed on the importance of "allowing growers to find the best ways to achieve results through a full range of agricultural technology choices."

The group will convene in Washington, DC in September to continue its work on the pilot program development, which is planned to be launched in 2008. The principles document is posted at [www.keystone.org/spp/documents/5190FoundationalContext-Principles.pdf](http://www.keystone.org/spp/documents/5190FoundationalContext-Principles.pdf) and the project overview at [www.keystone.org/spp/documents/5190CreatingSustainableOutcomes.pdf](http://www.keystone.org/spp/documents/5190CreatingSustainableOutcomes.pdf).

**Global Seed Bank:** The August 27 issue of The New Yorker magazine includes an article by John Seabrook ("Sowing for Apocalypse: The creation of a global seed bank") re-telling the story of Cary Fowler, global food and seed politics over recent decades, and the creation of the seed bank in Norway.

**NY Times Story on Faith and Food:** On Wednesday, the New York Times ran an article about matters of faith related to food and agriculture, examining moral perspectives from Christian, Jewish and Muslim perspectives -- [www.nytimes.com/2007/08/22/dining/22eco.html?\\_r=1&oref=slogin](http://www.nytimes.com/2007/08/22/dining/22eco.html?_r=1&oref=slogin).

**Updated ERS Briefing Rooms on Food Marketing and On Organic Agriculture:** Today USDA's Economic Research Service released updated versions of their electronic "briefing rooms" on the US food marketing system ([www.ers.usda.gov/Briefing/FoodMarketingSystem/](http://www.ers.usda.gov/Briefing/FoodMarketingSystem/)) and on organic agriculture ([www.ers.usda.gov/Briefing/Organic/](http://www.ers.usda.gov/Briefing/Organic/)).