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2007 FARM BILL

DAKOTA RURAL ACTION RECOMMENDATIONS

Congress has an opportunity to increase farm and rural income in South Dakota, diversify our energy production, and cut greenhouse emissions through the reauthorization of the 2007 Farm Bill. This fact sheet examines some of these opportunities, including: restoring competition to livestock markets, spurring a new biofuels industry, promoting renewable energy, encouraging beginning farmers and ranchers, and reforming payment limitations.

COMPETITION TITLE

Four corporations dominate our food supply. They control the markets and stifle free market competition – hurting family farmers, ranchers, and consumers. These companies control all stages of production and inventory through commodity ownership and one-sided contracts.

Poor government policy and lack of enforcement of the Packers and Stockyards Act allow these corporations to maintain anti-competitive market structures. As a result, livestock and poultry producers are often forced to enter into unfair contracts or lose their livelihood.

In response, more than 200 organizations have endorsed a simple, yet comprehensive, solution. The Competition Title is a proposed section of the 2007 Farm Bill that would return free market competition and fairness to markets and improve economic opportunity for farmers, ranchers, and rural communities.

The Competition Title would restore markets and fairness by:

- Limiting packer control of livestock markets by reforming captive supplies and banning packer ownership of livestock.
- Gaining fair agricultural contracts and markets for poultry producers by setting fairness standards for contracts, clarifying “undue preferences,” protecting poultry producers from unscrupulous poultry dealers, and allowing basic bargaining rights for contract farmers.
- Providing better information to producers and consumers by improving Livestock Mandatory Price Reporting and implementing mandatory Country-of-Origin Labeling.

BUILDING A BIOFUELS INDUSTRY

Congress has a rare, historic opportunity to implement policies that could reinvigorate rural America, while producing clean, renewable fuels from farms. As federal and state policymakers jumpstart a renewable fuels industry, it is critical that they uphold sound stewardship of soil, water, air and wildlife and foster the greatest possible economic and community benefits into rural communities that are staggering after years of steady decline.

Four recommendations Congress should include as it sets policy for the biofuels industry are:

- Capping production incentives at 15-30 million gallons per year so that farmers, investors and engineers in every region of the country can generate transportation fuels using sustainably produced, local feedstocks from biomass appropriate to their climates, soils, and water availability. Research has shown that locally-owned ethanol plants return 75 cents for every dollar in local economic activity, compared to 25 cents for absentee-owned energy production.
- Defining biofuels and biomass as renewable fuels from any agricultural crop, forest product or byproduct that can be used to produce a liquid fuel, thermal energy, or electricity. The definition of biofuels must not include nonrenewable sources, such as fossil fuels (coal, oil, natural gas) or liquid fuels, thermal energy or electricity produced from fossil fuels, or nuclear power. Truly renewable biomass feedstocks are far cheaper per dollar invested for barrels of fuel generated, and represent a net decrease in carbon dioxide (CO₂) production. Coal to liquids fuels, for example, even with carbon sequestration, will result in significantly higher CO₂ pollution than regular petroleum-based liquid fuels. On a per barrel basis, a coal to liquid plant costs six times as much as a biodiesel plant. Biodiesel plants are built in much smaller units, however, so the economic benefits can be shared in a couple dozen communities as opposed to one huge boom town.
- Linking federal incentives and support for biomass and biofuels feedstocks to sustainability criteria that protect the nation's soil, air, wildlife, and water resources.
- Closing the loophole in the Energy Policy Act of 2005 which allows corn ethanol to be substituted for the 250 million gallons of cellulosic ethanol production goal, if the corn ethanol is produced using "alternative" fuels. If Congress wishes to promote alternative fuels for corn ethanol, it should not be at the expense of critical investment in commercializing cellulosic ethanol.

Biomass and renewable transportation fuels development is at the beginning stage of industrial structural development. It could unfold in any number of directions, technologically, geographically, and financially. The federal government can best foster successful technologies and economical alternatives by putting its proverbial eggs in many baskets instead of one big basket. For more detailed policy recommendations, read *Developing Biofuels: Congressional Recommendations* at www.worc.org.

FULL FUNDING FOR RENEWABLE ENERGY PROGRAM

For the first time ever, the 2002 Farm Bill contained a renewable energy section. The Renewable Energy Systems and Energy Efficiency Improvements Program, known as Section 9006, authorized \$23 million in grants and loan guarantees annually to farmers, ranchers and rural small businesses. Energy efficiency improvements are eligible for grants up to \$250,000, and renewable energy systems are eligible for up to \$500,000. Loan guarantees could reach up to \$10 million.

Highlights of the program include:

- Giving more than \$66 million in grants and \$10 million in loan guarantees to 434 projects in 38 states.
- Leveraging grants and loans for nearly \$800 million in capital investments in rural communities for projects such as wind turbines, anaerobic digesters, ethanol and biodiesel production facilities, solar electric systems, and energy efficiency improvements at farms and small businesses.
- Providing the opportunity for renewable energy projects to increase economic activity in rural communities, add new jobs, and produce clean energy and efficiency savings.

President Bush has asked Congress to fully fund Section 9006 and provide \$34 million for grants and loans in next year's budget, an increase of \$11 million from current levels, as requested by the Western Organization of Resource Councils and other organizations.

BEGINNING FARMERS AND RANCHERS

Farmers and ranchers over the age of 65 outnumber those below the age of 35 by more than two to one. A majority of farmland and farm business assets are owned by people over 65. In the next two decades an estimated 400 million acres of agricultural land will be transferred to new owners. The Farm Bill should encourage and support beginning farmers and ranchers by:

- Reauthorizing and fully funding the Beginning Farmer and Rancher Development Program and create a new Individual Development Account pilot program of matched savings funds for new farmers.
- Strengthening the Beginning Farmer and Rancher Down Payment Loan Program and continuing all existing farm loan preferences and incentives for beginning farmers.

PAYMENT LIMITATION REFORM

Megafarms use unlimited production subsidies to bid land away from small and moderate scale farms, leading to farm consolidation and the slow demise of family-scale agriculture. Large, aggressive operations use their payments to acquire more land, bidding up land prices and increasing carrying costs – cash rents, land payments and property taxes – for all farmers. As a result, any positive effects of farm program payments are offset by increased production costs and do nothing to improve the income of farmers except on land that is owned and paid for.

The Farm Bill should:

- Close the numerous commodity program payment cap loopholes to stop abuse and return to the idea of moderate, targeted farm support rather than unlimited payments that subsidizes farm consolidation.
- Cap commodity program payments at \$200,000 for each farm, making sure there are no loopholes that allow double or triple dipping.

NEXT STEPS

Dakota Rural Action urges farmers, ranchers, and concerned citizens to contact Senators Tim Johnson and John Thune and Representative Stephanie Herseth to express support for the Competition Title and provisions for the emerging biofuels industry, renewable energy, beginning farmers and ranchers and payment limitation reforms.

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Dakota Rural Action is a grassroots family agriculture and conservation group that organizes South Dakotans to protect our family farmers and ranchers, natural resources, and unique way of life.

GRASSROOTS

- Dakota Rural Action members come from all walks of life, and serve as spokespeople who guide the decisions of the organization.
- Members participate in the organization through local chapters and statewide committees.
- Dakota Rural Action members work directly with local, state and federal decision makers about the issues that affect their communities.

FAMILY AGRICULTURE

- Dakota Rural Action believes in family agriculture.
- Family agriculture, if protected and given the opportunity, has the flexibility to take South Dakota's economy into the new century and define our state as something special.
- Dakota Rural Action members work for open and fair markets and strongly support mandatory Country-of-Origin-Labeling.
- Dakota Rural Action supports fair trade agreements that build family agriculture, workers' rights and protect the environment.

CONSERVATION

- Dakota Rural Action members work to conserve and protect both South Dakota's environment and our unique way of life.
 - Dakota Rural Action works to protect ground water and air quality from pollution.
 - Dakota Rural Action members support stronger protections from factory style animal agriculture facilities which have destroyed local environments and communities.
 - Dakota Rural Action works to remove the barriers and promote the development of clean renewable energy sources like wind power, and biofuels.
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