

FARM BILL ISSUES

HEARING BEFORE THE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS
FIRST SESSION

AUGUST 17, 2001

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry



Available via the World Wide Web: <http://www.agriculture.senate.gov>

U.S. GOVERNMENT PRINTING OFFICE

85-329 PDF

WASHINGTON : 2003

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

TOM HARKIN, Iowa, *Chairman*

PATRICK J. LEAHY, Vermont	RICHARD G. LUGAR, Indiana
KENT CONRAD, North Dakota	JESSE HELMS, North Carolina
THOMAS A. DASCHLE, South Dakota	THAD COCHRAN, Mississippi
MAX BAUCUS, Montana	MITCH McCONNELL, Kentucky
BLANCHE L. LINCOLN, Arkansas	PAT ROBERTS, Kansas
ZELL MILLER, Georgia	PETER G. FITZGERALD, Illinois
DEBBIE A. STABENOW, Michigan	CRAIG THOMAS, Wyoming
BEN NELSON, Nebraska	WAYNE ALLARD, Colorado
MARK DAYTON, Minnesota	TIM HUTCHINSON, Arkansas
PAUL DAVID WELLSTONE, Minnesota	MICHEAL D. CRAPO, Idaho

MARK HALVERSON, *Staff Director/Chief Counsel*
DAVID L. JOHNSON, *Chief Counsel for the Minority*
ROBERT E. STURM, *Chief Clerk*
KEITH LUSE, *Staff Director for the Minority*

CONTENTS

	Page
HEARING(S):	
Farm Bill Issues	01

Friday, August 17, 2001

STATEMENTS PRESENTED BY SENATORS

Miller, Hon. Zell, a U.S. Senator from Georgia	01
--	----

WITNESSES

Adams, James Lee, Camilla, Georgia	10
Campbell, Murray, Camilla, Georgia	07
McGee, Mary Alice, Nashville, Georgia	06
McLendon, Robert, Chairman of the Executive Committee, National Cotton Council	02

FARM BILL ISSUES

FRIDAY, AUGUST 17, 2001

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 1:07 p.m. in the Georgia Center for Continuing Education, University of Georgia, Athens, Georgia, Hon. Zell Miller presiding.

Present: Senator Miller.

OPENING STATEMENT OF HON. ZELL MILLER, U.S. SENATOR FROM GEORGIA

Senator MILLER. I would like to bring the U.S. Senate Agriculture Committee to order and I would like to welcome everyone to this important and this very, I am sure going to be, informative Senate Agriculture Committee hearing.

I look forward, as I know you do, to the testimony that we are going to have presented.

Let me thank our three panelists. We may have a fourth coming in later, but the three panelists that we have here that are going to participate in this hearing are Mr. Bob McLendon of Leary; Mr. Murray Campbell of Camilla; and Mr. James Lee Adams of Camilla. Mary Alice McGee of Nashville, Georgia may come later.

During their careers, these men have been tremendous advocates for southern agriculture. They have been active as local and state leaders, they have been dedicated servants for a better rural America and I commend them for that dedication to the agriculture industry and I thank you for testifying before this Committee.

Over the last two days, we have heard from many agricultural producers. We have heard from researchers and organizational leaders. Many discussed improvements in current agricultural programs and others described innovations that they see as the future of American agriculture. I believe it is important to note that no matter what path agriculture chooses, the current situation in this nation's agriculture economy is critical. That is something that we all know and are aware of and that is why so many of you are here still for this hearing. It is imperative I believe that we act quickly to solve the problems plaguing our family farmers in order to ensure an abundant and safe American food supply throughout this century.

The 1996 Farm bill is set to expire at the end of 2002. My colleagues in the House have moved very quickly this year. They have already developed a new farm bill, which most of you have had the opportunity to review. The Senate Committee has convened hear-

ings all across this country, hearings like this one, gathering testimony to be used in crafting our version of the new farm policy.

I will continue to urge my Senate colleagues to expedite this important legislation and many of the priorities in the new Farm bill I hope will including providing our farmers protection from dramatic fluctuations in commodity prices; a safety net to contend with destructive weather or low prices; conservation programs that provide incentives to farmers and are adaptable to many regions of the country; the necessary funding for food and nutrition programs that are so critical to our children and our elderly; rural development programs that will bridge the technology divide, thereby enabling communities to better educate their citizens and to also attract new industry; and increased resources for educational research institutions such as the one hosting us the past two days; enabling our farmers to maintain the leadership role in world food production.

These are just a few of the challenges that we face here at what I think is a crossroads of American agriculture. The policies of the past have not worked, many have failed our farmers and the time for change is now. The information exchanged and debated during the symposium, I think is a positive step. I know it will help the Committee to develop a legislative blueprint designed to protect family farms for future generations.

Once again, I want to welcome these panelists. I have read their prepared testimony, it is excellent, and I would like to ask them now, starting with Bob McLendon, to give us a brief summary of the testimony that you have submitted to this Committee.

**STATEMENT OF ROBERT MCLENDON, CHAIRMAN OF THE
EXECUTIVE COMMITTEE, NATIONAL COTTON COUNCIL**

Mr. MCLENDON. Thank you, Senator.

My name is Bob McLendon and I operate a diversified farming operation in Leary, Georgia, but my primary crops are cotton and peanuts. I am immediate past president of the National Cotton Council and I presently serve as Chairman of the National Cotton Council's Executive Committee.

Mr. Chairman, on behalf of the entire cotton industry, I would like to commend you for holding these hearings on farm programs and express our appreciation for the opportunity that we have today to testify.

I want to focus this testimony on the next Farm bill, but I cannot discuss long-term policy without first thanking you and the Senate for taking action on the economic assistance package that was just passed and funds were delivered this week.

As you know, the cotton industry is undergoing severe economic stress from producers throughout textile manufacturing. Depressed prices, increased costs and slack demand are threatening to shrink our infrastructure and drastically transform our industry. This highly competitive industry generates over \$120 billion annually in revenue for the U.S. economy, and is worth fighting for.

A successful cotton program starts with a non-recourse marketing loan and retention of cotton's three-step competitive provisions, including the ability to use a marketing loan certificate. Loan redemption provisions should be keyed to world market prices.

These aspects of our program are fundamental. Beyond these fundamental components, we believe the next Farm bill must have improved income support. Our goal is income support from programs and the market that will provide cotton producers with a return equivalent to what they have received in recent years from all sources, including emergency assistance.

With the objective of complying with our WTO commitments, we encourage as much reliance in decoupled AMTA-type payments as feasible. Additionally, we recommend some type of counter-cyclical income support that is as coupled and as commodity-specific as practical, given budget considerations and our commitments within the World Trade Organization.

We provided fairly detailed analysis of different types of counter-cyclical programs in testimony we delivered to the Senate Ag Committee in July of this year. In much of this analysis, the National Cotton Council used a target revenue number based on total returns to the producer that was roughly equivalent to those returns received during the 1999 crop year. Since that time, the House Agriculture Committee has passed legislation that contains a new counter-cyclical payment program that conforms to many of our industry's recommendations. It has received a favorable response from cotton producers throughout the country even though it did not quite reach the revenue goals described in our earlier testimony.

Our members also support maintaining as much cropping flexibility as possible, providing farmers the option of updating their acreage bases and the continuation of cottonseed assistance.

The National Cotton Council has consistently been opposed to payment limits. We believe limits on marketing loan gains are particularly counter-productive as they hurt producers' access to marketing loan benefits when they need it the most, when prices are low certainly as we have had in the last three or four years. If these limits are not eliminated, then we urge the Congress to keep the three entity rule, retaining provisions for the CCC loan redemption with marketing certificates and provide for separate and reasonable limits for each category of benefits.

Mr. Chairman, our internal discussions have not led to the cotton industry having a consensus on loan rates. Our producer members favor a loan rate not less than 55 cents, while our merchant segment oppose anything above 55 cents. Certainly it looks like we could have come to agreement, and we are close, we probably will be able to do that before the discussions are over.

There is another serious issue confronting the U.S. cotton industry. Our sector is especially vulnerable to the effect of an appreciating dollar because of its impact on imports of textile apparel and textile goods into our country. The continuing strength of the U.S. dollar has led to a surge in textile imports that has taken a tremendous toll on our textile manufacturing industry in our country. During the first 6 months of this year—during the first 6 months of this year—45 textile plants have been closed and 15 million jobs have been lost, in the southeast particularly. A lot of these are in Georgia.

Last month, the U.S. mills consumed cotton at an annual rate of just under eight million bales. That compares to a consumption of

11.4 million bales just a year ago. We have lost some of the biggest names in textiles to bankruptcy. Every week we hear of another mill closing.

Cotton producers, ginner, merchants, textile executives are asking what can be done to salvage the domestic textile industry. Our industry is facing the stiff international and domestic competition to the greatest degree I can ever remember. Five countries—China, the United States, India, Pakistan and the former Soviet Republics—produce about 70 percent of the cotton in the world. China, India and Pakistan and many developing countries are committed to the textile production and they are, through one mechanism or another, subsidizing their production or manufacturing. In a lot of cases, they are subsidizing both of those.

Their determination to capture the U.S. textile market, combined with the competitive advantage they received from the strong U.S. dollar, is a one-two combination that is laying waste to a manufacturing sector of considerable importance to Georgia and the entire southeast United States.

I have attached to my testimony, a document prepared by the National Cotton Council entitled "An Industry in Crisis" that details the bleak economic conditions in the U.S. textile industry. Mr. Chairman, our industry has generated a number of options for assistance, but the one that could do the most significant amount of good in the near term is the elimination of the 1.25 cent threshold under the step two program that we have for cotton. Eliminating the 1.25 cent step two threshold will not be enough, but it will be a start in the right direction. Beyond that, we need to find other ways to help offset the devastating impact of the strong dollar.

The Council's economic staff estimates that if the value of the dollar had not risen from its 1995 relationship to other currencies, today's rate of U.S. mill consumption would be approximately 12.3 million bales, about 4.5 million bales higher than the actual rate that we have today. Think how far that would go toward solving cotton's price and offtake dilemma.

In the interest of time, Mr. Chairman, I will refer the Committee to my written testimony. In it, we stress the importance of a strong export program, express our concerns about negotiations concerning the export credit guarantee program and indicate our support for continuing existing conservation programs. However, Mr. Chairman, we cannot help but take a first-things-first approach in this debate. Without an adequate farm program, our producers will not be able to continue in business. We are concerned that the current spending authority Congress has provided for developing a new farm bill may be inadequate to provide the necessary levels of support, along with the significantly and increased conservation spending.

Mr. Chairman, thank you for holding this hearing and I will be pleased to respond to questions at the end. Thank you.

Senator MILLER. Thank you very much. I am going to be meeting with some of the textile manufacturing people, what is left of them, next Thursday, and I appreciate your comments.

Mr. MCLENDON. Thank you.

Senator MILLER. Let me ask you this. I may have a question individually as we go along and then we will have several at the end.

You talked about the AMTA coupled type mechanism as a good method to get proper income assistance to farmers. Besides doing something about updating base, have you heard any complaints about getting this kind of proper income assistance to farmers given?

Mr. McLENDON. No, sir, not really. We have become accustomed to an AMTA type payment that we receive in the spring of the year before we plant our crop. It goes a long way and helps the farmer to plan his income needs for the upcoming crop. You know, there is no excuse to do things because it has been done that way, but it has been a good program and farms have come to look to that. It is a good program.

Another reason that we at the Cotton Council recommended that type program is to comply with the WTO rules that we agreed with. That is how we came up with the AMTA type payment as part of the income delivery. Maybe a little criticism of that program has been that when prices are high, we will still get that payment, but in order to comply with the rules that I did not make, that is the reason we recommend it.

It is a good program, it is a good program for the country, and even without WTO requirements, I would recommend that we have that program.

Senator MILLER. Needs to have updated base though, right?

Mr. McLENDON. Yes, sir, we recommended updated base and we have received some criticism because we have not—did not recommend updated yields that are frozen at 1985 levels and if we had had the money, Senator, to have updated the yields, we would have been 100 percent in favor of doing that. It was going to be a very expensive program. The budget that was passed, funds allocated for the program just were not adequate.

We in the southeast have increased our cotton acreage, I mentioned it yesterday, from 120,000 acres in 1982 to a million six. Well, under the 1995 Farm bill, our AMTA payment was based on about 800,000 acres, whereas this year we are planting a million six. There is a lot of acres that we were not getting payment and we felt like that it was only fair that we update the acres. It helps more us in the southeast than it does a producer in the mid-south or Texas or California.

This is a program that we in the southeast that represent cotton interested worked really hard to get this done and it made good sense. That is the reason we were able to convince the other producers in other parts of the country to go along with it. It is going to benefit Georgia a great deal. It will benefit Bob McLendon and we thought it was only fair that we have the opportunity to do that. It is not going to hurt the guy that does not update his bases. You take a mid-south producer that has gone from cotton to corn, his AMTA type payment will be less because his corn payments are less, but he has the option of maintaining his old payment under the Freedom to Farm, in the House version. I do not know what we will have in the Senate.

Anyway, it is a good program for a Georgia farmer.

Senator MILLER. Thank you very much.

Senator MILLER. Our next panelist is Ms. Mary Alice McGee of Nashville, Georgia. Mary Alice, you were on time. I know you have

come a long ways this morning and you were on time, we just started a little early.

Thank you for being here and thank you for making that effort to be here.

STATEMENT OF MARY ALICE MCGEE, NASHVILLE, GEORGIA

Ms. MCGEE. Thank you.

Senator Miller, thank you for this opportunity today to testify in the Senate bill hearing. I am Mary Alice McGee from Nashville, Georgia. I am a tobacco quota owner, farmer, housewife and president of the Berrien County Chamber of Commerce.

The economy in Berrien County is predominantly comprised of agriculture. Within our economy, tobacco has for years been a mainstay and that is what I am here to talk about today.

I want to tell you a story I heard at a tobacco warehouse just this week. A friend's father passed away about 6 months ago. Later, as they were going through his belongings, a sales bill for tobacco was found from the year 1932. On this bill, there was 600 pounds of tobacco and he received a check that day for \$6.00. In 1933, Congress passed the Agricultural Adjustment Act to protect farmers from being subjected to the monopsony powers of the tobacco companies.

This Act was repealed and reinstated in 1938. The Act of 1938, which became known as the Federal Tobacco Program, gave farmers production controls and support prices for their tobacco. In 1983, the program became self-supporting with what is known as the no net cost program. The upside to this was that the program was made able to support itself, using no taxpayer's money. The downside was that the program was written by tobacco company employees who slanted the language in their favor.

As we move forward to 1998, 1999 and 2000, we have witnessed probably the strongest case of oligopsony abuse in U.S. history. Prices for tobacco have been fixed, auctions rigged and tobacco companies have cut quotas by over 44 percent. Also in 1999 and 2000, the tobacco companies and leaf buyers forced contracts on farmers by telling them "sign now or be left out, the tobacco program is over and you had better get on board and get a contract," and any other tactic that they could use to persuade farmers to abandon the tobacco program.

The effort to kill the program will probably be successful this year. With few auctions being held at a 20 cents per pound higher contract price than auction price, farmers have been lured to abandon the auction systems. During all of this maneuvering on the part of the companies, the United States Department of Agriculture has taken no position on rules regarding contracts and has allowed the companies to destroy the farmers only protection from these large multi-national corporations; namely, the Federal Tobacco Program.

The companies' manipulation and the ultimate destruction of the Federal Tobacco Program will directly negatively impact the livelihoods of over 500,000 people in 13 states and cripple the economies of the communities in which they live.

Senator Miller, I call on you today to hold more Senate hearings, not only on tobacco, but all other commodities, so the farmer may

be afforded a forum in which he may tell his story, a story of abuse of power wielded by large corporations, enabling them to buy farm products cheaper and control and eventually eradicate the independent family farmer.

Again, thank you for giving me this opportunity.

Senator MILLER. Thank you very much for that testimony.

Let me ask you this as we go along; take all these issues, some of which you have mentioned, that are facing tobacco growers today, like the drop in quota and the contracting and the labor and the retrofitting of tobacco barns, all of these things; if Congress could reach an agreement for a buyout of tobacco quotas, would, in your opinion, farmers in your areas continue to grow tobacco or would they move to an alternative crop of some kind?

Ms. MCGEE. The farmers in our area would continue growing, but they would have to cut back to only use the barns that they were able to retrofit, whatever amount of acres that those barns could handle. I have heard none say they would quit. They would have to cut back just to use the ones that they had retrofitted.

Senator MILLER. Thank you.

Now, Murray Campbell.

STATEMENT OF MURRAY CAMPBELL, CAMILLA, GEORGIA

Mr. CAMPBELL. Thank you, Senator Miller, for the opportunity to come and give this testimony today.

Before beginning, I would like to make it clear that these ideas are mine and mine alone and I am not representing any other group or entity today.

Over the last couple of days of your symposium here on the Future of American Agriculture, we have heard some very interesting presentations. Some offer encouragement and hope for a bright future and some were quite frightening. We were left with little doubt that agriculture is undergoing profound change as we move toward globalization of our economy. There is no way that I as a dirt-under-the-fingernails farmer from the struggling rural county that derives about 70 percent of its economic activity from agriculture can have a vantage point to offer you any solutions better than the ones that you have already heard. I would like to highlight four areas that if addressed will help my friends and neighbors that you represent down in southwest Georgia.

I like to think of the first three as a group. We need to look at them this way as they affect our ability to export into the world market and also our ability to compete with cheaper foreign imports. They are the regulatory burden we bear because we are producers from this great, caring nation. The penalty face is the strength of our U.S. dollar because of this great, stable and strong nation; the unintended and misguided imbalance in our trade policy that is tilted toward the technology and service sectors of our economy while placing less value on the hard-working, blue collar workers in the agriculture and manufacturing industries that built this great nation.

We as a nation care about a lot of different things. We care that our workers are not exploited and have therefore instituted a minimum wage law that sets a minimum standard for the price of labor that we have to have to produce a crop. In today's agriculture with

GPS technology in our tractors and agricultural chemical rates labeled in half ounce rates, the last thing on earth that I can afford is a minimum standard worker. I cannot compete with a Chinese farmer on the cost of labor to produce a crop. It is not just agriculture and it is not just China. I read last week that the State of Florida has been selling a Hawaiian shirt in their tollbooths for \$39.95 that is produced by foreign workers receiving \$1.20 per hour—the State of Florida.

We also have OSHA standards to keep our workers safe and workmen's compensation insurance to provide for them if they are injured. Neither I nor any other farmer begrudges our labor force these benefits. They are in the public good, but the public is not paying for them—we are, and our competitors are not.

Do we want to export our agriculture infrastructure, as we have by cutting textile jobs that have put many a child through college down in my area? Georgia alone has lost 5700 textile jobs in the last 12 months.

Labor is not the only higher cost that we have to bear as U.S. producers. Every new regulation, like the new diesel sulphur emission standards that will increase the cost of an engine, add to a U.S. producer's costs. Better sulphur emission standards are in the public's best interest, but the public is not paying for it—we are and our competitors are not.

There are many other examples of regulatory costs that need addressing, whether it is the added cost of registering products because of EPA requirements or whether it is simply a marketing decision by companies to charge whatever the market will bear, agricultural chemical prices are higher in the United States than they are in other countries. It is much the same as in the case of the pharmaceutical companies, and they and the big ag chemical companies are one and the same, charging less in other countries for prescription drugs. It is just not as practical for me in purchasing my crop protection chemicals to get on a bus and cross the border, as so many of our senior citizens have done to get their prescriptions filled. I simply have to pay the higher price—my competitors do not.

Governmental regulations, even good ones in everyone's best interest, run up a U.S. producer's costs. I had the opportunity to have dinner a couple of winters ago with some folks from Australia that invest in agriculture. Farm press in the U.S. at that time was saying that declining cotton prices from around 70 cent a pound to around 50 cent a pound was going to depress southern hemisphere plantings and that things would look better for our prices in the spring. I asked one of them about their cutback in acreage and I was informed that they intended to plant more. Well I exclaimed, "How in the world can that make sense," he explained it to me as he would a backward child; that Australian cotton was priced off the New York Cotton Exchange in dollars and that at that time the dollar had risen by about 20 percent versus the Australian dollar. What it did is it more than compensated him for the decline in price. What he did not tell me and I figured out later was that he bought all of his crop inputs in Australian dollars, so when he made that sale, he discounted his inputs and his profits were increased.

Now Senator, I am just a country boy. Am I going to have to learn to trade currency futures, as I have learned to have to buy puts and calls to be able to compete with the Australians in selling cotton? Once again, it is not just agriculture's problem. Here is a quote from a top General Motors executive that I read in the *WALL STREET JOURNAL* last week. He said, and I quote, "There is an imbalance between the Euro and the yen that has gone beyond a reasonable boundary. The strong dollar is destroying the manufacturing capability of this country." I know exactly what he feels like.

This all goes back to our trade policies. An excellent example of this comes to us from the debate that has been raging over the Canadian softwood lumber tariff. U.S. retailers, just the same as the State of Florida in selling their shirts, want the absolute cheapest price that they can get to sell to their consumers. In this particular case, Home Depot and other lumber retailers want to benefit from the increase volume coming from lower prices. My wife owns some Home Depot stock that has been a pretty good investment, as that company has grown. It may be time to sell it, if they are focused more on their volume than on profitability. The bottom line is they do not care whether the lumber comes from the Canadian government that manages their timber for maximum employment or from a Georgia producer who employs best management practices to keep Georgia's water clean and pays property, state and Federal taxes on his sales.

Senator Miller, I would like to thank you for how hard you work with this administration to have the 19.3 percent tariff levied against Canadian lumber last week. Thank you.

I had a very lively discussion once with Senator Paul Coverdell on free trade and he convinced me how important it was to us as U.S. producers. I remember very distinctly that he very strongly that it needed to be a two-way street—fair trade.

The last area I would like to address is conservation. I would like to applaud Senator Tom Harkins' leadership in this area. We as agriculture producers and rural landowners have always led the charge for good stewardship. We are practicing environmentalists. No one cares more about the wildlife habitat and water quality on my farm than I do. We hunt and fish our property and we are the ones that drink the water there. The wildlife my family enjoys every day is one of the great benefits of a rural lifestyle. There is no doubt in my mind that the best conservation program for rural America is profitability. If I have the money to spend, there is nothing that I would rather spend it on than conservation. Any new Federal programs in this area are welcome. I would just ask you as the Senate Ag Committee not to rob Peter to pay Paul. The funding for new conservation efforts should not come out of price support dollars. Reallocating those dollars to conservation efforts is misguided. It is not going to matter much to me if I have some wonderful conservation practices established on my farm and timberland and it is sold at the courthouse and someone else owns it.

Conservation is in the public's interest. Seek to broaden the funding for these new programs to other areas of the Federal budget and not just out of the price supports that agriculture currently needs through the period of change.

I discussed this with representatives from one of the largest environmental organizations in Georgia and I expect them to take a position on that in our favor.

Globalization is new, change is not, change is always inevitable. What we are currently experiencing, however, is a change in the change itself. The rate of change has accelerated. That accelerated rate of change is what is causing the disruptions that are so painful to us as U.S. producers. We cannot adapt quickly enough, restricted by regulatory, monetary and trade issues well outside of our control.

Since the ink started to dry on GATT and NAFTA, the WTO and the Free Trade Agreement of the Americas have made their way into agricultural jargon. Global markets are different. To borrow a quote from a book of the same title, "Someone has moved our cheese."

We are the greatest nation in the history of the world. There is no reason that we cannot find ways to protect our agricultural infrastructure during this period of rapid change. The principles of marketing loans and target prices outlined by the House Agriculture Committee farm bill are great places for the Senate to start when you reconvene after the August recess. I would add the 2002 bill would be better than a 2003, for time is of the essence.

With your help, we as U.S. producers will adapt and emerge stronger, more agile and with increased productivity, just as this nation has so many times in the past when challenged by change.

We thank you for your help.

Senator MILLER. Thank you very much.

I have a question or two, but let me go on to James Lee Adams right now and hear from you, James Lee.

STATEMENT OF JAMES LEE ADAMS, CAMILLA, GEORGIA

Mr. ADAMS. Thank you, Senator. I appreciate what you are doing, I appreciate your attention.

Farm bills are written in the context of their times and that is one problem we have had. I have been associated with five or six of them now on different degrees of attention and what-have-you— involvement. Like generals that always plan the next war based on what happened in the last war, we have had a fatal error I believe in the Farm bills in the fact that we are doing it in the context of what is going on today. The best example was the 1996 Farm bill.

I know there are quite a few folks that were concerned that something would happen in Asia, for example, which it did, to drop the income. The income of a farmer in the United States is totally dependent, to a large degree, on economic growth overseas since we export so much overseas. When that came apart in Asia, that essentially is one of the items that really unraveled our income in this country. Every other speaker has already alluded to the strength of the dollar and that has just absolutely been devastating.

We have to start addressing regulatory questions, both domestically and overseas. We have to have questions of labor overseas and domestically. Currency fluctuations have to come to the forefront and income growth overseas and other items that we have never even taken into account that are going to impact us long

term such as the AIDS crisis in Africa. We are literally losing multiple customers by the hundreds of thousands that would have been able to take off another 15 or 20 years economically and really helped the agricultural sector in this country; we have so much losses in that area.

You have a situation though, there are several—and those are probably beyond the purview of the Farm bill, all those questions are. There are some items that ought to be included within the Farm bill.

The role of contracting in agriculture has got to be addressed. We know we are moving more and more to a situation where we are contracting in agriculture. I am a poultry producer, I know what that situation is like, and I see it coming in other crops, particularly in the crop of peanuts that I grow today. We will be contracting just like the tobacco folks and we are going to have a situation where we are facing these oligopolistic situations of manipulation of prices, setting of prices.

I am former president of the American Soybean Association and I know what has happened within the soybean industry as far as prices of a product coming out of there. If that is not addressed, we in agriculture who are producers, are literally going to have to go to the point where our return on investment will be one and a half, 1 percent, like it is in some other contracting areas. That needs to be addressed at some point in time.

APAC, when I was on that Committee, we told Jules Katz and we told Carla Hills at the time in 1990 that the currency fluctuations had to be addressed. There are some opportunities to really make some changes in that line. I do not think we have to go to those Draconian measures like adopting a hemispheric currency, but it has to be addressed because what we are doing today, we are—on the backs of the wealth creating sectors of the economy, we are destroying those by the strong dollar. Every sector—manufacturing, mining, commodity producing areas—are literally being destroyed.

Now it is great when you go overseas and start spending money over there as a tourist. We are having a balance of payments that is just absolutely devastating our local industries in this thing. All those need to be talked about.

Trade negotiations, we need to go ahead, and I know some farm organizations—again, I am like Murray, I am speaking entirely for myself—we need to put the sidebars in place and have minimum standards on labor and environmental standards and regulatory standards in these negotiations. They need to be in there, because if they are not, there is no way I or any other farmer can compete unless that field is level in those particular areas. I know that is going to be controversial.

We also need to be looking—beyond the oligopolistic section of what is going on, we need to be taking a look at the Canadian Wheat Board, the Australian Wheat Board and other groups such as the Chinese when they purchase. There is no way I as a producer or a producer in this country can move those prices on the Chicago Board of Trade or the New York Commodity Board, but I can guarantee you one thing, these countries do it. Somehow or another, we have to start having more transparency of what is going

on on those boards, because they can be moved and it can absolutely devastate what happens to a farmer in this country.

Thank you.

Senator MILLER. Thank you very much.

Let me ask you this, you've elaborated on it some, and Murray got into it and it has been mentioned several times during the course of this symposium, and that is the devastating effect of the strength of the U.S. dollar—what options are there out there to correct this situation that would not alter the national economy?

Mr. ADAMS. We are going to have to pay a price on the national economy. You know, economics is a tradeoff at all times. The situation we are facing today is a complete tradeoff as far as our balance of payments, as far as those sectors of the economy that long-term produce well. Now we are assisting with this service sector, we are also assisting those sectors that import into this country as far as goods and services. We are literally destroying the wealth creating sectors of the economy of the United States, and I put agriculture in that sector.

There has to be some changes in this area and if not, I can lose competitiveness by a devaluation of a currency in Brazil quicker than any other way, and it is a way which I have no control over at all. I can be completely competitive today, they can devalue the currency and I am out.

Senator MILLER. Murray, you want to say anything else about that, and I know Bob wants to say something.

Mr. CAMPBELL. Yes, sir. Bob and James have been involved with this a lot longer than I have. I am really quite honored to be on a panel with them, Ms. Mary Alice.

I remember reading at the time, when he was talking about Carla Hills, that there has been some talk in the past about using some snapback provisions in some of the trade negotiations, so that if there were these major devaluations and fluctuations within these currencies, that you could level that playing field back out by using those—having those triggers that would come into place to level that field.

Senator MILLER. Bob.

Mr. MCLENDON. Yes, sir. We at the Cotton Council have been looking into this because it does affect the textile industry and that is the reason over 70 percent of our textile apparel is being imported, because of the strength of the dollar. We can produce yarn, textile yarn, as cheap as anybody, probably cheaper than anybody else in the world. Our textile industry has made a tremendous investment in equipment so they can do that. One thing we have looked at as a mechanism that could be used to assist us to compete with the inflation in the dollar, is to adjust the CCC loan repayment. Anything you do is going to cost money, but I benefit from a strong dollar because I do something other than farm, and our economy seems to do well, except agriculture does not do well during this time.

That is one thing that we have looked at, is some type of program to adjust the CCC loan repayment to some index. The USDA has all kind of indexes on the exchange rates throughout the world. That is just one example that can be used to allow me to be more

competitive in the world, is to allow me to repay my CCC loan at an adjusted rate based on the currency exchanges in the world.

Senator MILLER. Thank you. James Lee, Murray or anyone else have anything on the dollar? If not, let me move on—well, while we are in this area, let me talk to you about or get your opinion on fast track. I am going to have to deal with that pretty soon after I get back to Washington.

Starting over here with Bob and going down the line, what do you think about that?

Mr. MCLENDON. I am in favor of it because it allows our trade negotiators to do a better job during the discussion. You know, as a peanut producer, NAFTA has been blasted as something that is going to cause a tremendous problem for us as peanut producers. It may or may not have, but it has helped the cotton industry tremendously. We are in a global economy, we are going to have to have these trade things, we do not need to have anything to tie the negotiators hands behind their backs. I am in full favor of it.

Ms. MCGEE. Senator, I am in favor of it too, and we have to get our tobacco on the world market where we can get a profit from it. From what I have read and studied, this would help us.

Senator MILLER. Thank you.

Mr. CAMPBELL. Senator, have not always held that belief, I thought that was something that would be very dangerous and we needed to be wary of it. As we are moving into this area of more globalization and as we are changing our programs to make them more competitive in the world markets, I think it is something that is going to be absolutely essential to us to be able to survive as U.S. producers.

Mr. ADAMS. Senator, you know that no one is going to negotiate with us if we do not have that provision in there, we need to start adding some provisions in there to protect us domestically and I am talking about regulatory and labor. Why in the world we in agriculture do not form an alliance with labor unions on this particular issue and some of the environmental groups on this particular issue, I do not know. It is stupid and short-sighted on our part.

Senator MILLER. Thank you. Let me throw this general question out for each one of you also to give me some feedback on.

By now, you all have had an opportunity to review the House version of the new Farm bill. I have been surprised—everybody has reviewed it, from the way that people have come up and talked with me since I have been here the last couple of days. As a general overview, how do you feel about that House bill and the concept of it?

Mr. MCLENDON. Senator, I will respond first.

I like it. It does not give us everything, as I mentioned in my testimony, that we would like to have, but it is a tremendous improvement over what we have had the last three or four years. We have not had a safety net under the Freedom to Farm, prices could go just as low as they could and I would not be compensated in any way to allow me to survive until things got better. This bill provides that safety net and that is the No. 1 thing.

It provides that safety net through three types of payments, and the counter-cyclical payments, which the Freedom to Farm did not have—when prices get low, then the government steps in to help

me survive. It is complicated, it is different. I am old enough, I do not like to change, but I like the commodity part. Nobody has talked today about peanuts and peanuts—I used to be a peanut farmer that grew cotton and once I was elected president of the Cotton Council, I became a cotton farmer that grew peanuts. Peanuts are very important to me and I do like the format that the House came up with. I am a quota holder, I rent quota, I grow quota peanuts, I grow additional. This bill works for me. I have spent some time with it. The Cotton Council has been trying to educate me about two years on this counter-cyclical payment, so I was able, the first day I got that draft, to sit down and see not only how it affected me from a cotton standpoint, but peanuts.

I like the program. The figures could change, it could be improved some maybe on the buyouts and some other things, but I like the concept.

Senator MILLER. Thank you.

Mr. MCLENDON. I hope we end up with something that will work for me like this will now.

Senator MILLER. We may not have heard much talk on peanuts just in the last day or so, but Bob, I want to assure you, I have heard a lot of talk about peanuts—

Mr. MCLENDON. I knew you had.

Senator MILLER [continuing]. Since I have been home.

Mr. MCLENDON. I was not going to let the opportunity pass to talk about it today here either.

Senator MILLER. Talking about the House version of the Farm bill, what do you think?

Ms. MCGEE. It is fine. I have read the majority of it, and going with the peanuts, most of the farmers that I have talked with back at home would like to see the base stay with the producer and I certainly understand why tobacco was not addressed in the bill; but overall, It is fine.

Senator MILLER. Thank you. Murray.

Mr. CAMPBELL. Senator, Professor Womack said it very well yesterday. When you overlay the counter-cyclical payments on the Freedom to Farm, it improves it drastically and It is a very good bill. It is going to be something that will be beneficial to us as producers for the next few years. It will give us some protection.

I really cannot—it almost hurts my feelings not to be able to comment on peanuts, as the Chairman of the National Peanuts Research and Promotion Board, I am restricted in that area. People have a problem understanding when I am talking for myself and when I am not, so I will defer to my peanut producers here. James Lee will do it.

[Laughter.]

Senator MILLER. James Lee has no such constraint.

Mr. ADAMS. Senator, we do not have any choice, we have to change. I mean in light of what has gone on with NAFTA and Section 22 being gone, it has got to go.

A couple of things I would be concerned about, I am concerned about; again, is this oligopolistic situation because we are essentially going to be selling to two people on this thing. The other thing we all need to be aware of is when this passes, and I assume it will, essentially we are going to take \$200 a ton out of the econ-

omy of southwest Georgia and southern Georgia and that is going to be a real problem as far as the economic impact. Because whether that rent was paid to the quota holder or, in my case, grown as a quota holder and stayed on my farm and spent in that local community, essentially that price could well be gone as far as a certain number of dollars. That is what concerns me.

I like a couple of other things in the House bill, but I hope you all can take a look at Senator Harkins' green payments. That is going to be the wave of the future. You are going to be able to get some allowances with some other groups and be able to get some dollars. Always want more money. I was reminded, years ago I was at a fertilizer dealer one Saturday and a friend had his daughter there, young daughter about 4 years old. The fertilizer dealer bought her some Coca-Cola and she was sitting there drinking the Coca-Cola. He kept looking at her and kept looking at her and she never did say anything, and he finally said to her, "What are you going to say to the nice man?" She said, "You got any crackers to go with it?"

[Laughter.]

Mr. ADAMS. We are looking for crackers, we need them.

Senator MILLER. Let me stay down here with James Lee and ask you this, still talking about the new Farm bill: If Congress passed it by the end of the year, do you feel that you could adopt the new policies to your operations in time for next year's crop and then we will come back down the line?

Mr. ADAMS. Absolutely. I can also comment as a former state FSA chair—thank goodness now I am former. I do not have any doubts that FSA can do what needs to be done from their perspective. Now as a farmer itself, I am used to planting crops and I have in the past with no programs in place. I have planted wheat very often and in fact been up to the point of harvesting wheat. You get a pretty good feel. Most of the farmers know what direction things are going and what-have-you and you may not have the final regs. We are not totally flying blind.

I would much rather see us go ahead and make those changes now, as soon as possible, because of the gravity of the situation. The Georgia farmer can accommodate ourselves to it. We have been in a problem in the past because the midwest never does realize that we do plant so much earlier and harvest so much earlier than they do. We are used to it, Senator, we can take it, we can do it.

Senator MILLER. What about the rest of you on the panel, as far as that question is concerned. Murray.

Mr. CAMPBELL. Yes, sir, very definitely. I echo what James Lee said. The only thing I would encourage is that time is of the essence. I am used to flying without having the complete regulations in place and all, but my banker does not have quite the same level of risk acceptance that I do and he would prefer that we knew a little earlier or as early as possible.

Ms. MCGEE. We could adjust to it.

Senator MILLER. Bob.

Mr. MCLENDON. Yes, sir. We, not only in Georgia, but in visiting and meeting with cotton producers throughout the country, they look forward to having a new program. Because for the last 4 years we have been to Washington and worked to get economic assist-

ance during this period of low prices, and we do not want to do that again. I would rather you write the bill and we can implement it without any problems. If our economy shows that the surplus will not be to the level it was when the calculations were made and the funds appropriated for us to have a 10-year bill, I am afraid the next time that calculation is done, there will not be as much funds and that is one main reason we need to go ahead and do it. The next thing is that we will have a better bill than we are operating under now and there will not be any problem with us getting it done.

I will tell you, I want to commend the USDA and FSA for getting out these economic assistance packages. I would have bet my supper it could not have been done as quick, because it never has been done. We have complained about it, but it was just unbelievable, and we needed it in the country.

Thank you.

Senator MILLER. Let me start with Mary Alice on this, and others of you can jump in after she has her answer.

What about increases in fuel and other energy costs as far as producing and curing the tobacco crop, have you seen any change in that and I want the others to comment on the increase in energy costs as well.

Ms. MCGEE. In the tobacco area, it has devastated us. No. 1, with the retrofitting of the barns, that has taken a day or 2 days longer than usual to cook the barn of tobacco out, plus you have the rise of the price of the diesel or propane, whichever they are using. It is really cutting the bottom line.

Senator MILLER. Anyone else want to comment on that subject?

Mr. CAMPBELL. Senator, I am down there in the southwest Georgia corner down there, where there is a whole lot of irrigation and we have been blessed with some rainfall this year, but if we had had to do the irrigation pumping that we did in the last two seasons this summer, it would have cost me a good \$50 more an acre, just with the price.

Senator MILLER. Before James Lee answers, let me just throw this in there; there has been some talk about putting in—adding an energy title to the next Farm bill. What do you think about that?

Mr. CAMPBELL. It would be a great idea. One of the speakers this morning said that we as agriculture did not have the opportunity to add a fuel surcharge on like I paid a little bit lately on airline tickets.

Senator MILLER. James Lee.

Mr. ADAMS. I would hope to go beyond that, and again, we need to revisit this question of energy growth off the farm. Dr. Buchanan and I have talked about it in the past, I think ought to be in that title not only maybe some help or assistance for energy costs, but it maybe could take a long-term addressing of this whole energy question. For example, we can grow 10 times more alcohol per acre with sweet potatoes in Georgia than they can on an acre of corn in the midwest. Now why in the world are we not starting to produce some ethanol and alcohol in the southeast with some of these crops that we use and with our continuously long growing seasons and so on. We need to have an innovative approach on en-

ergy, not just short term help, but we need to have a long term look at where we are headed. U.S. agriculture can do a lot more than we are given credit for today.

Senator MILLER. You can make alcohol out of sweet potatoes?

Mr. ADAMS. We have boys down home make it out of anything.

Senator MILLER. If my friends up there in the mountains had known that a few years ago—[Laughter.]—we would have had sweet potatoes all over those hills.

Mr. ADAMS. We have had some folks down home do it.

Mr. MCLENDON. Might have been worth me attending this conference to learn that, James Lee.

[Laughter.]

The price of energy has definitely affected all of us in southwest Georgia that irrigate. Not only the cost of diesel fuel and gasoline, but the increased cost in our fertilizer. Even though we have seen a little reduction in that, it is not going to go down to the level it once was, but last year when we worked on the disaster program—economic assistance program, we tried to get the Secretary to give some kind of surcharge for fuel cost increases and the Secretary got concerned—Secretary of Agriculture got concerned that the person that was buying heating fuel was not going to get that adjustment and so they were concerned about the publicity if farmers got it and other people in our economy did not get it. It has increased my cost of production in 2000, my diesel fuel, I use about 100,000 gallons of diesel fuel on my farm a year and it was increased a little over 100 percent, went from 40 something cents a gallon to about 90 cents a gallon.

Mr. ADAMS. Senator, we have probably done some things that are maybe not really good for Georgia in the long run too. It is just amazing to see the number of irrigation systems that were switched in the last year from diesel, which is not controlled, over to electric. Long term, we may be bumping up against some economic growth possibilities of the state of Georgia by making this switch.

Senator MILLER. I see some nodding out there in the audience from that statement.

We have about 15 more minutes and at this time, I would like to use that time for any participation from the audience. I will start with—he is not exactly the audience, but I will start with Dean Buchanan. Do you have any questions you would like to ask members of the panel?

Dr. BUCHANAN. Yes, sir, I would like to ask one question. Obviously in my role as dean and director of the College of Agriculture and Environmental Sciences, I have responsibility in our state for research, extension and education programs in agriculture and related areas. Obviously we get support from several sources, beginning with counties, but also state as well as Federal. Obviously you can only spend a dollar one time, and of course our major support for our programs comes from the U.S. Department of Agriculture.

I would like to ask the panelists the point: How do you see support of agriculture and whatever potential competition there is between farm programs that are directly in support of farmers versus support for the programs that I represent in research, extension and teaching?

Mr. McLENDON. I will respond first. We have to have both of them. We cannot take funds out of research and put it in commodities and vice versa.

I mentioned yesterday in my presentation that I have been able to compete and grow cotton again in Georgia because of the research and technology that has been offered to me through the boll weevil eradication program and the BT development of cotton. We need to have both and we at the Cotton Council have worked for research dollars. Certainly a lot of times, I feel like with the varieties of cotton that we have now, we need better varieties and I commend you and your staff for what you have done to try to bring the research for new varieties in Georgia back to the forefront. You have done probably more—we as citizens of Georgia and farmers do not realize what has been done, that you have done. Most of the states have not taken the strides to try to revitalize the breeding program for cotton. I commend you and I have told you that before.

I appreciate what you have done.

Senator MILLER. Anyone in the audience like to ask a question? If so—I see Tommy wanted to ask a question—if so, stand and if you want to address it to one of the panelists or all of them, however you want to do it.

Mr. IRVIN. Probably I would rather just address it to you, Senator.

The panel has done a great job covering many aspects of agriculture. Maybe to beef up some of the things that have already been said, that you are looking at phasing out the peanut program, you ought to give some serious consideration maybe to a buyout program for tobacco. It is essential that we have parity, because those two allotments programs are kind of unique to Georgia. I know that has been on your agenda.

In the panel earlier today there was strong support for minor crops as we move into additional crops. They are non-program crops but as I in my presentation made mention of the \$169 million that was put in for fresh fruits and vegetable promotion, that kind of expenditure will be very helpful.

Then in the broad area of energy, you mentioned some of the major ones, but there is one you did not mention. I was wondering why one of the panelists did not mention this, the fuel oil for chickens, it is a vital part of our total industry. An energy policy ought to be all inclusive, not just leave out—take in part of them.

These are some major issues that Congress needs to consider and I wholeheartedly support a very expanded energy policy. From what I understand, the President has interest in that area but I am not sure he has taken an all inclusive approach to the energy. It is something that Congress can help guide the President as we try to solve some of the major things that are affecting our farm community.

These are just a few of the things that you have talked about here with the panel, but to cover a view that maybe the cracks, we think those to make sure we have an all inclusive farm program.

I do want to commend you for your interest in being on the Ag Committee, I would have been disappointed if you did not ask for it. You have had a good conference here and I am glad I had a little part in it.

Senator MILLER. Thank you, Commissioner.

Yes, Mr. Bouis.

Mr. BOUIS. Picking up on that provocative suggestion that you could make alcohol out of sweet potatoes, I wonder if you would expand a little bit on your ideas of expanded agricultural research into new products, new ways of doing things and new places to go. One of the things that I think about is that we have a humongous quantity of wet citrus pulp in Florida that we do not know exactly what to do with.

Mr. ADAMS. One thing we have missed the boat on, Senator, there should not be any waste product at all on the farm. You are probably familiar with what we have done on our farm. I had a son-in-law that is real bright and he came back and we had 20 chicken houses and we had about 3000 pounds of dead chickens we could not dispose of any way that I want to talk about in public. It was costing us money if we did it legally. He got us in the alligator business. We have 16,000 alligators and now that is a tremendously good profit center on that.

What we have to do is take the blinders off. I have asked Murray and some others to look at this: For example, peanuts, right now as you probably know, they are putting pharmaceutical products into bananas, hepatitis B vaccine, doing the human trials right now. We ought to be—we do not grow that many peanuts in Georgia—I mean bananas in Georgia. We ought to have that in the peanut. If you have 200 million Chinese that need that hepatitis B protection and that is probably the number. I can just see the doctors over there telling them, hey, you have to eat two peanuts a day or one peanut a day. All a sudden we have gone from \$600 a ton peanuts to \$60,000 a ton peanuts and we have to have armed guards out there to keep those peanuts protected.

[Laughter.]

Mr. ADAMS. We are starting to change the economy around when we start doing that, but I think the problem we have right now is we have locked our minds down and have not really broadened it broad enough to see what really agriculture is and can be.

Mr. BOUIS. Thank you.

Senator MILLER. Any other question?

Mr. ECHOLS. Yes. Thank you, Senator, I am Jimmy Echols from Hall County, Georgia. I am a fruit grower and I have followed all these discussions with a great deal of interest.

I had a crop failure in 1990 and in 1991 or 1992 the government came up with about a billion dollars that they paid out to farmers as disaster payments. That was my first experience at getting a handout from the government. That is what we old-timers used to call it. I guess now it has become a way of life for a lot of folks, from what I have heard here.

The government did get back a big percentage of that because I did not have income averaging at the time and the payment was made in a year when I did have a crop, and so they got back 40 percent or so of that money back when I filed my tax return.

I would like to add to what the Dean has said and ask you this, if we had some research that would help us to overcome freezes in the fruit business and some of the other problems we have in the fruit business so we might not have to have a disaster payment,

if we spent more money on research, I would rather—it would help me and my family more and my customers more—if I had a crop, I would not have to have a disaster payment. I would put in a plug for additional funds for research and extension to get that research out to the farmers.

Thank you.

Senator MILLER. Thank you. That we are probably going to have to bring this to an end now.

I want to thank all of you out there in the audience who have stayed here and participated in this hearing. Whenever we first started putting this hearing together, I expected the four of us, me and some of my staff and maybe Dean Buchanan to be here for it. I thank all of you for your interest in staying around. It has been very worthwhile.

I also want to thank three members of my staff who have worked very hard helping me and helping Dean Buchanan with this symposium—Alex Albert, who is my chief of staff has already gone, he had to catch a plane back to DC, he just left a few minutes ago, he waved at me as he went out the door, he stayed on here with me as my chief of staff after having been with Senator Coverdell as one of his agricultural LAs for a number of years. I am deeply grateful to Alex.

I also want to thank Jody Redding, who was part of your planning committee and who represents me and who also stayed on with me after Senator Coverdell's death. Where is Jody? Thank you.

Wes Higginbotham, who is right here behind me. He is the son of an Arkansas farmer, I stole him away from Senator Blanche Lincoln and he is doing me a great job as my agricultural LA.

The reason I specifically mentioned these three men is because not only do I want to thank them here in front of all of you, but I also want you to know that if you need to get in touch with me about anything that relates to agriculture or anything else, for that matter, but as far as agriculture, Jody and Wes and Alex would be certainly somebody you could go to and they will get it to me just right away and I will get right back with you if it is something that I need to get back with you on.

I really appreciate you four panelists. Mary Alice, I am sorry you had to drive so fast and so hard this morning to get here, but thank you very much for being here. Bob and Murray and James Lee.

It is always good to hear from folks who know the problem firsthand, who are on the front lines, who deal with it, as they say this day, what is it, 24/7—is that not what they mean, around the clock, every day of the week? You are there on the ground, you know what is going on and it is good to hear from you. You have given me some good thoughts, some good ideas, some good testimony that I can take back. It has been very frank, been very, to me, very informative. It has been very practical. It is not some pie in the sky idea and I appreciate it. There is some really good stuff that I can take back with me to make a part of the testimony that the Agriculture Committee is putting together right now. I am very grateful to you. I appreciate what you mean to the state of Georgia.

Thank all of you again. Dean Buchanan, thank you for everything you do. Have a safe trip back home.
[Whereupon, at 2:15 p.m., the hearing was concluded.]

