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Corner Post

A TYPICAL FAMILY OF FOUR'S...

Federal income taxes will rise 48.8 percent when the 2001 tax cut sunsets after 2010.



Several weather disaster bills introduced

The American Farm Bureau Federation and other agricultural groups have kept up a steady drumbeat of calls for emergency weather disaster assistance for farmers. Several lawmakers appear to have paid attention.

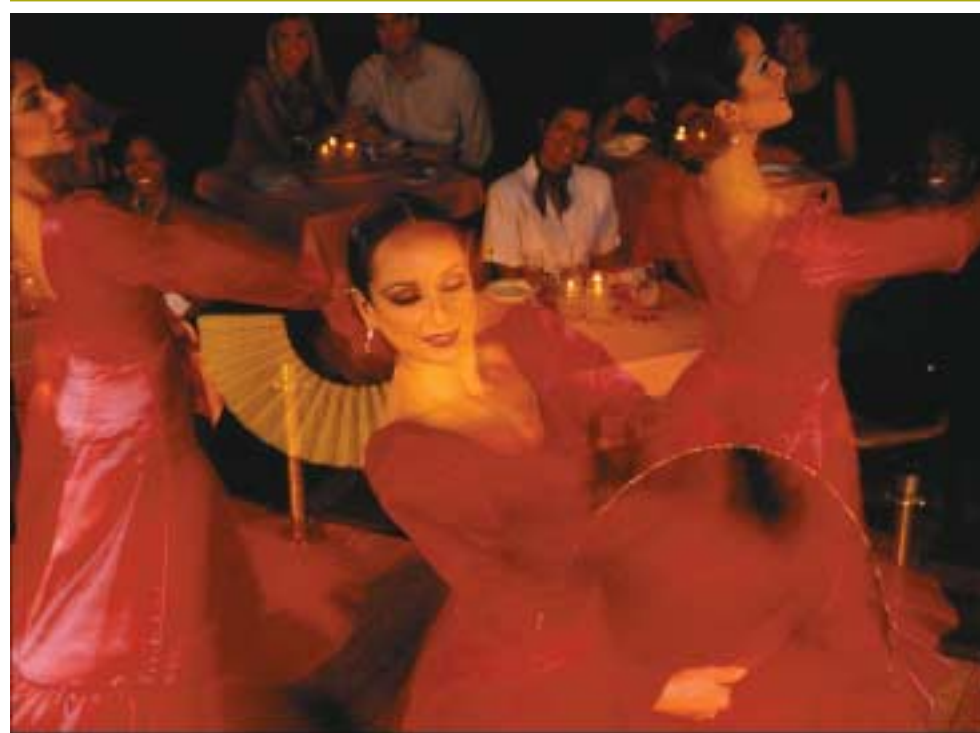
Seven bills have already been introduced in the new Congress, three in the Senate and four in the House.

In addition, the omnibus appropriations bill proposed by Sen. Ted Stevens (R-Alaska), chairman of the Senate Appropriations Committee, includes an amendment by Sen. Thad Cochran (R-Miss.), Agriculture Appropriations Subcommittee chairman, to provide supplemental direct payments to crop producers who have signed up for programs under the 2002 farm bill. Payments would amount to 42.25 percent of the direct payment a producer would ordinarily get under the farm bill. Producers of commodities for which crop insurance is available would be required to enter into crop insurance contracts for the next two crop years in order to get the supplemental payments.

The amendment would also allow payments to continue under the Livestock Compensation Program, which Agriculture Secretary Ann Veneman

announced last September. The livestock payments would be made from

Commodity Credit Corp. funds rather
See Disaster bills, page 3



Tampa time

Thousands of Farm Bureau members will converge in Tampa, Fla., Jan. 19-22, for the 84th American Farm Bureau Federation annual meeting, where they will discuss agricultural policy.

FB: Forest plan offers 'common sense'

The Forest Service's proposed forest management plan "offers some common sense relief to the bureaucratic gridlock" that slows down forest management, the American Farm Bureau Federation said in comments submitted Jan. 7 to the Forest Service.

The Forest Service in December published a proposal that aims to streamline the implementation of management decisions regarding U.S. forests and rangelands. The proposal, which is part of the administration's Healthy Forests Initiative, would exclude certain fuel reduction projects and rehabilitation projects from burdensome requirements under the National Environmental Policy Act.

These categorical exclusions, or actions that do not have a significant effect on the human environment, apply to projects that seek to prevent or rehabilitate damage from wildfires,

insects or invasive species on forests or rangelands.

"The use of categorical exclusions for appropriate forest health projects would allow federal agencies to take a proactive approach to addressing wildfire, disease and invasive species issues on forests and rangelands that would achieve greater long-term environmental benefits than if cumbersome and time-consuming paperwork were required," AFBF said.

A recent Forest Service report estimated that more than 40 percent of its personnel time is spent on complying with procedural requirements. "The original purpose of NEPA, a process to inform decision-makers of the environmental impacts of a proposed decision, has been lost," AFBF said. "NEPA is now a mechanism that deters federal projects that could have even greater environmental benefits than taking no action, thus subverting the very pur-

pose for which NEPA was enacted."

The categorical exclusions are not meant to sidestep NEPA compliance, but to simplify the compliance process, according to Farm Bureau. And categorical exclusions would not apply to fuel reduction or rehabilitation projects that are, for example, in wilderness areas, involve the construction of new roads, implement the use of pesticides or herbicides or have timber sales or other commercial activity as their primary purpose.

Some critics of the proposal have said it would not allow for public input during the decision-making process, but AFBF disagreed. Collaboration requirements included in the proposal ensure participation from affected local communities. "It is only appropriate that the people who will be most affected by a project will be primarily responsible for recommending its scope and content," AFBF said.

VIEWPOINT

Is a weaker dollar helping agricultural trade?

By John Skorburg

The U.S. dollar is back in the news, especially the relative weakness of the dollar late last year. In fact, the U.S. currency has weakened 4 percent over the past year in relation to a broad measure of 26 foreign currencies.

Against the European euro and the Japanese yen, the U.S. dollar has weakened at double-digit rates. Concurrently, the mighty greenback has strengthened against several currencies, primarily the Brazil real and the Argentina peso. The question is, how have these shifts in U.S. legal tender and exchange affected farmers' and ranchers' ability to sell into foreign markets?

Tight global supplies of several commodities, such as wheat, corn, soybeans and steers, have led to higher prices. These same commodities are also affected by the weakening currency. A weaker dollar allows our trading partners to buy just as much of U.S. commodities, even if the prices go up.

The dollar's falling value against the currencies of several key U.S. export markets in Europe and Asia, including Britain, Japan, South Korea and Indonesia, allows importers in those markets to import more, at "sale" prices, or pay a higher price for the same volume of imported commodities. This flexibility in choice can increase dollar-denominated prices for bulk commodities such as soybeans, corn and wheat, as well as consumer-oriented commodities such as meats, while allowing the same volume to be imported.

Holding all other factors equal, economists would expect U.S. exports to rise when the U.S. dollar falls, since either prices or volumes would increase values. This has been the case in 2002. As the dollar weakened last year,

The dollar's falling value against the currencies of several key U.S. export markets allows importers in those markets to import more at "sale" prices.

overall U.S. agricultural exports (in dollars) rose about 2 percent to once again approach \$55 billion.

However, other factors have affected U.S. exports, limiting the positive trade impact of a softer dollar. For example, the ongoing biotech flap with the European Union has limited U.S. agricultural exports to Europe, while the late 2001 scare over bovine spongiform encephalopathy, or mad cow disease, in Japan has limited meat exports to that nation. Still, the continued weakening of the U.S. dollar in 2003 is expected to result in U.S. agricultural exports approaching \$57 billion, a level last seen in 1997.

Soybean prices have increased 33 percent in U.S. dollars, but could have gone even higher if the dollar had not strengthened more than 30 percent against the Brazilian real and more than 70 percent against the Argentine peso. A stronger dollar has made it appear that farmers in Brazil are receiving a dollar price gain of 33 percent, on top of the currency gain of 30 percent. Since the world price of soybeans is denominated in dollars, a Brazilian farmer would receive more reales for his product. But the devaluation of the

Brazilian currency cancels out those "paper gains." The same analysis is true in Argentina, as well.

Some of the dollar-denominated increase is also eroded by a significant increase in local inflation and other input costs. This fact helps explain why Argentine and Brazilian farmers appear only marginally better off now than before their currency devaluations, even in the face of stronger exports. Rapid currency devaluations are never a good idea and lead to heightened domestic inflation and interest rates.

A weakening U.S. dollar puts pressure on world prices for petroleum and other input costs. As the U.S. dollar weakens, the price of crude oil needs to rise for major oil exporters to wind up with a similar value for their oil exports. Consequently, U.S. farmers and ranchers have to pay more, in dollars, for fuel and petroleum-based inputs that are imported. It is true that the recent rise in oil prices (above \$30 per barrel) is based on supply and demand factors coupled with the specter of war in the Middle East. But a portion is also due to production decisions by the Organization of Petro-

leum Exporting Countries concerning the sliding value of the U.S. dollar.

It has been conjectured that, in the longer term, a weakening U.S. dollar may lead to inflation and put pressure on the Federal Reserve Board to hike interest rates. Given that inflation is not a current problem in the United States, don't expect this theory to be tested anytime soon. However, if interest rates do rise due to a growing economy, farm income will be eroded for farmers taking out new loans or those with variable rate loans. It is hoped that rising exports will help negate this increase in costs and keep farm income rising or stable.

A stronger euro will make the United States a more formidable competitor in future agricultural trade. Current World Trade Organization talks will also help level the playing field in head-to-head trade competition between the United States and Europe. Recently, the U.S. dollar has accelerated its weakness relative to the euro. On Nov. 28, one euro would buy 99 cents in U.S. currency. By Dec. 26, that same euro could purchase \$1.04 U.S. This makes dollar-denominated goods appear about 5 percent less expensive and euro-denominated goods more expensive by the same percentage. Given this shift, will U.S. exports become more competitive? Economic theory says yes.

John Skorburg is a senior economist with the American Farm Bureau Federation.

Report forecasts huge task for ag

By Stewart Truelsen

The United States needs to encourage young farmers and ranchers and those seeking other careers in agriculture if the world is going to have enough food. That seems to be the implication of a startling prediction in "50 Trends Shaping the Future," a paper by two renowned futurists, Marvin Cetron and Owen Davies. The World Future Society published the recent report.

The startling prediction is this: "To meet human nutritional needs over the next 40 years, global agriculture will have to supply as much food as has been produced during all of human history."

The report has many other implications for agriculture, but this one stands out, especially at a time when the U.S. population is gradually shrinking and with it the availability of key resources: prime agricultural land and water. Meanwhile, the world population is expected to double in the next 40 years, and most of the growth will occur in those countries least able to support their existing populations. Some of these countries

are in Africa where the European Community is trying to persuade them to reject biotech food.

The developed world now makes up 14 percent of the world's population. That will fall to just 10 percent in 2050. The United States is expected to remain the dominant economy in the world, due in part to immigration, but a shrinking European workforce will cause the European Union to fall to third place behind China.

The elderly population in the United States will grow from 15 percent of the total in 2000 to 27 percent in another 50 years. We're living longer thanks to better nutrition and health care. Even more health benefits can be obtained through biotechnology.

"Despite all the calls to develop alternative sources of energy, oil consumption is still rising rapidly," according to the forecast. Consumption of oil was more than 73 million barrels daily in 1999 and is expected to hit 110 million barrels daily by 2020. Cetron and Davies claim that oil prices would need to rise considerably before ethanol could gain a significantly greater foothold. Ethanol has been

underestimated for a long time, so there is no surprise here. The futurists say there could be a surge in oil prices because of geopolitical turmoil.

Water shortages and urbanization are two trends affecting agriculture that aren't going away and probably will only get worse. A little less than half the world population can be classified as urban today. By 2030, 60 percent of the global population will live in cities. Urbanization hurts farming by using up some of agriculture's productive land. Storm runoff over concrete also means more rainwater eventually ends up in the ocean instead of replenishing groundwater supplies.

Of all the environmental trends, water shortages may be the biggest. The report predicts, "By 2050, fully two-thirds of the population could be living in regions with chronic, widespread shortages of water." Agriculture must have adequate supplies of water if we are to meet future food needs, and those needs are huge.

Stewart Truelsen is the director of broadcast services for the American Farm Bureau Federation.

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U.S. will cut subsidies if other countries cut theirs

Although Congress approved an increase in farm programs with the 2002 farm bill, it would reduce those subsidies to comply with any agreement reached in the World Trade Organization if other countries will do the same, said Rep. Charles Stenholm (D-Texas), ranking Democratic member of the House Agriculture Committee.

Speaking this month at a seminar titled "Agriculture Trade Policy: Market Access vs. Domestic Agendas," Stenholm said he supports the U.S. negotiating proposal for the WTO negotiations and would work to conform U.S. laws to any new agreement that gets rid of the disparities between member countries' market access and subsidy levels. But, the United States "should not unilaterally disarm, just as we should not militarily," he added.

He and another speaker, Jim Murphy, assistant U.S. Trade Representative for agricultural affairs, stressed that farmers and Congress fully support the U.S. negotiating proposal to reduce trade-distorting agricultural subsidies if other countries will make the same commitment.

"Yes, we have the farm bill, but we also have farm and congressional support for our proposal," Murphy said.

Stenholm's and Murphy's comments appeared designed to address international criticism of the farm bill. Despite the United States' proposal in the WTO to cut trade-distorting domestic support to 5 percent of total agricultural production, harmonize agricul-

tural tariffs at 25 percent or less and eliminate export subsidies, other countries have criticized the U.S. farm bill's \$70 billion funding increase over the 1996 farm bill, not counting disaster payments, as a more accurate reflection of U.S. priorities.

Rather than contradicting the desire to reduce subsidies and open markets, Stenholm said the farm bill goes hand-in-hand with the U.S. proposal to do just that. One purpose of the 2002 farm bill was to put the United States in the best possible negotiating position, he said, and increase the stakes if other countries are not willing to reduce their farm supports and protective tariffs.

In contrast to the support that U.S. trade negotiators get from their farm constituency, Gerard Keily, EU counselor for agriculture, said that the EU's trade negotiators go to the negotiating table with the "full opposition" of the agriculture sector.

"The EU does want an agreement in the WTO," Keily said. "Our farmers do not, but we do."

Non-trade concerns, such as animal rights, are politically important in the EU and the extent to which they are taken into consideration in trade agreements will play a role in the EU's ability to live up to those agreements, said Keily.

"If we can't live with our agreement, it isn't going to work for anyone," Keily explained. "It isn't because we don't want an agreement or we

want to protect our markets."

However, Audrae Erickson, president of the Corn Refiners Association, questioned the EU's commitment to trade reform. The EU wants to use animal welfare and other non-trade concerns, on top of continued highly trade-distorting subsidies, to protect its producers from global competition, she said. The EU would reduce its amber box subsidies simply by shifting those programs to the uncapped blue box rather than actually ending them. And, in case that isn't enough, then the EU would also use non-trade concerns, Erickson explained.

Non-trade concerns at issue in the negotiations include the EU's support for the precautionary principle and labeling requirements to restrict imports of biotech foods; geographic indications that restrict production of some foods to the regions that are historically known for producing them; and animal welfare standards that would restrict imports of animal products that are not certified to be produced according to certain animal welfare standards.

Speakers at the seminar, hosted by *The Economist* magazine and the Center for Strategic and International Studies, were asked to address the question of how to reconcile countries' desire to support their farmers with the competing desire to improve market access worldwide. All the speakers agreed that agriculture is a critical part of the current WTO negotiations,

which also include other sectors like services, the environment and market access for non-agricultural goods.

"For many countries, agriculture is the only export, so it's necessary for many countries to do something on agriculture," said Jim Murphy, assistant U.S. Trade Representative for agricultural affairs.

"There are no proposals that would be a credible outcome without reform on agriculture," said John Wood, New Zealand's ambassador to the United States. "Agriculture is often left out of trade agreements because it's a difficult issue," Wood said. "Cairns and New Zealand will never agree to a trade agreement that omits agriculture."

The March 31 deadline for establishing modalities, or numerical targets and strategies to achieve the objectives of the Doha Development Agenda adopted by WTO member countries, is less than three months away. Many of the speakers at the seminar expressed concern about how much work is left to do before then, and whether it is possible to meet the deadline.

Murphy sized up the status of the WTO agriculture negotiations. Several positions are on the table, he said, but clarification is needed. In particular, he said specifics are needed from the EU. He characterized the EU's proposal as "incremental change to existing policy" rather than the "visions for the future" put forward by the United States and the 17-member Cairns Group of countries.

Several emergency weather disaster bills introduced

continued from page 1

than the Section 32 funds Veneman used to create the program administratively, and the bill would return \$250 million to Section 32 for purchases of surplus commodities for use in domestic nutrition programs.

Announcement of the \$3.1 billion package came on the heels of comments by Cochran to the media last week in which he expressed strong support for weather disaster assistance but said that the assistance should cost less than \$6 billion. Cochran also said the lower than expected expenditures for farm bill programs could offset the cost of disaster aid.

"What I'm trying to do is figure out a way to give the administration some guidance on a program it can administer quickly and get the money into the hands of the producers quicker than they would under some of the more generous amendments that are being suggested but are going to take months to develop regulations and to actually administer because it'll be so complicated," Cochran said.

Sen. Tom Daschle (D-S.D.) and 22 other Senate Democrats introduced a

"I think we have to be responsible and we have to be sensitive to the need to hold down spending.... But farmers need help."

• Sen. Thad Cochran (R-Miss.)

bill (S. 21) to provide unlimited, off-budget assistance to crop and livestock producers for 2001 and 2002 losses. It is estimated the bill would cost up to \$6 billion. The bill would also restore the Section 32 funds that Veneman used to create the \$752 million Livestock Compensation Program. Sen. Ben Nelson (D-Neb.) has introduced a similar bill (S. 108).

Sen. Pat Roberts (R-Kan.) and four other senators introduced a bill (S. 125) to provide \$3 billion in assistance for producers who purchased crop insurance. They could choose to receive aid for 2001 or 2002, but not both. The bill also would provide \$970 million for feed assistance for livestock producers with qualifying losses of hay and forage. Incidentally, Roberts has also introduced a bill (S. 124) to suspend the requirement that rental payments under the Conservation Reserve Program be reduced when the land is

harvested or grazed in response to a drought or other emergency.

Rep. Jerry Moran (R-Kan.) introduced H.R. 307, a bill to provide drought assistance to crop and livestock producers to cover quality and quantity losses in either 2001 or 2002, but not both. Moran estimates his bill would cost about \$3.4 billion.

Reps. Barbara Cubin (R-Wyo.) and Earl Pomeroy (D-N.D.) introduced H.R. 160, a bill to provide assistance to crop and livestock producers for quantity and quality losses in both the 2001 and 2002 crop years.

Rep. Sam Graves (R-Mo.) introduced a bill (H.R. 92) to authorize the use of such funding as is necessary to provide emergency assistance to crop producers with losses in either 2001 or 2002, but not both. The bill would cover quality and quantity losses.

Rep. Max Burns (R-Ga.) has introduced a bill (H.R. 257) to provide

emergency disaster assistance to producers who suffered quality and quantity losses in the 2002 crop year and to livestock producers in counties declared disaster areas in calendar year 2001 or 2002, but not both. The Congressional Budget Office estimates the bill would cost \$2.86 billion.

Farmers and ranchers from around the country visited Washington, D.C., the week of Jan. 6 to repeat their calls for disaster aid. AFBF urged Congress to provide assistance without using funds from the farm bill just enacted last year.

John Mittleider, vice president of public policy for the North Dakota Farm Bureau, was one of many Farm Bureau members and officials who traveled to the nation's capital to meet with lawmakers and White House officials to seek support for disaster assistance. While it will not be easy, he said, he believes farmers and ranchers will get some assistance this year.

"While White House officials indicated they are still concerned about the cost of disaster assistance, I found the tone to be far more promising than it was last fall," Mittleider said.



Low dairy prices, conservation top Northeast concerns

When one thinks of the Northeast, one thinks of dairy production. Although California is now the nation's top dairy production state, the Northeast has historically been a dairy production center because of its close proximity to populous cities like New York, Philadelphia and Boston.

While dairy remains a top product in the region, it's been a struggle for today's dairy producers to survive low prices, rising production costs and environmental pressures.

The new dairy program in the 2002 farm bill, the Milk Income Loss Contract (MILC) program, provides payments to dairy producers when milk prices fall below a set level. This year, Farm Bureau will be working to ensure Congress does not reopen the farm bill and take away funding that is currently there for the MILC program.

Because milk prices are low, payments under the program are on track to far exceed what was projected when Congress passed the farm bill. The pressure Congress faces to fund the war on terrorism and thousands of other government programs with less tax revenue coming in means Congress could be tempted to reopen the farm bill. Farm Bu-

reau is already urging Congress not to take away the much-needed support it gave to farmers last year.

One reason milk prices are down, say dairy producers, is because they have to compete against imports of milk protein concentrate that come into the country virtually tariff-free and, thus, are cheaper than U.S. dairy products. The dairy industry claims that certain milk powder blends, used mainly to make processed cheese, are specifically designed to take advantage of current U.S. Customs Service definitions that may exclude the blends. The U.S. dairy industry will push for legislation this year to change the Customs definitions and impose tariffs on the milk protein imports.

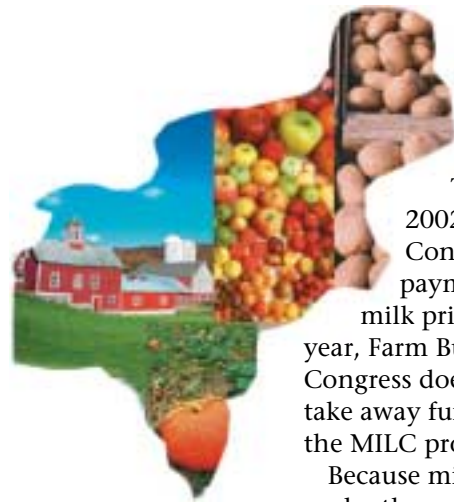
Another farm bill issue of great importance to animal agriculture is conservation programs. The farm bill increased conservation funding and targeted more assistance to livestock farms. New environmental regulations to control manure runoff and protect water quality place a greater burden on dairy and meat producers than ever before. Increased development also has brought new neighbors and the need to manage livestock waste in way that will avoid nuisance complaints and calls for more regulations. Farm Bureau believes these growing pressures underscore the

importance of maintaining farm bill funding to help producers manage these challenges.

Population growth in the Northeast and the resulting demand for more housing also means that farmland is disappearing as farmers retire or call it quits. Most farmers' biggest asset is their land. They want to preserve farmland, but they also need to maintain their right to sell their land and make the most of their investment.

The Farmland Protection Program helps by providing cost-share funds to help states buy farmland and protect it from the developers' bulldozers. With state budgets in worse shape than they've been in years, Farm Bureaus in the Northeast will work to maintain their states' participation in the program.

One bright spot in the Northeast is the growing nursery and greenhouse industry. But the industry does have challenges. For one, it relies heavily on access to pesticides to protect fruit, trees and plants from insects and disease. As the Food and Drug Administration continues its implementation of the Food Quality Protection Act, including reviewing pesticides to determine whether producers can continue using them, Farm Bureau will work to ensure that FDA considers the economic impacts to farmers and uses sound science in its review process.



Midwest states focus on disaster, rural development

Topping the list for most Midwestern states, and many states across the nation, is receiving federal assistance after suffering through two years of weather-related disaster. Farm and ranch leaders from across the nation are renewing their push for disaster assistance.

Northwest Missouri's drought is the worst its residents have seen for 15 years. Iowa experienced both ends of the weather spectrum in 2002, with floods in the eastern part of the state and drought in the western portion.

Economists predict the Kansas agricultural economy lost \$1.4 billion last year because of drought. Hits to the rural economy such as this have prompted farm leaders to explore rural development issues.

Many Midwesterners are trading their rural lifestyles for urban ones, and the Kansas Farm Bureau is focusing on rural development to help enhance the quality of life for rural Kansans. KFB said the state is experiencing rural-to-urban population shifts, which a healthy rural economy could turn around.

In her plan for Kansas agriculture, newly elected Gov. Kathleen Sebelius recognized that a strong rural economy is essential to the state's economy. "All the forces of state government should be brought to bear on promoting a prosperous, diverse and healthy rural Kansas economy," Sebelius said.

One way to pump dollars into the rural economy is to increase the nation's use of renewable fuels, such as ethanol from corn and biodiesel from soybeans.

According to the Renewable Fuels Association, ethanol production adds \$4.5 billion to the U.S. farm economy each year by adding 30 cents to the value of every bushel of corn. Ethanol plants continue to spring up throughout the Midwest and the nation, with plants now located in 19 states.

The Ohio Farm Bureau Federation, for one, has made passage of a national energy bill which includes a strong renewable fuels component—a priority issue to push for during the 108th Congress.

The Minnesota Farm Bureau Federation is also on board with renewable fuels. "With the support of American consumers, state and federal governments, we can grow our energy domestically," MFBF said in a state-

ment on priority issues. MFBF seeks a comprehensive state and national energy policy that focuses on using domestically produced renewable agriculture products.

Another source of renewable energy is blowing across the plains of the Dakotas: wind energy. The North Dakota Farm Bureau has set a goal of achieving 10,000 megawatts of installed wind turbine capacity in the state by 2020. "We can make this goal a reality for North Dakota, and a profitable venture for our members through research, education and technical assistance funded through Harnessing Dakota Wind," said NDFB President Eric Aasmundstad.

Harnessing Dakota Wind, spearheaded by NDFB, is a multiyear initiative to help ensure that farmers, ranchers and rural communities benefit from the development of wind energy in the region. For example, the organization is working on an Internet-accessible database for use by landowners in making decisions regarding wind energy contracts.

The South Dakota Farm Bureau has partnered with NDFB in the Harnessing Dakota Wind project in order to capture the wind potential of the Dakotas.





Forests, water and labor issues spotlighted in West

Catastrophic wildfires roared through the West this summer, charring 7.1 million acres of public and private lands. Western states are on board with the administration's Healthy Forests Initiative and hope for swift implementation of the program. The initiative aims to expedite forest health projects that would reduce the likelihood of wildfires and insect infestation.

Frank Priestley, Idaho Farm Bureau Federation president, hopes the Healthy Forests Initiative is the beginning of a more cooperative era of public land management. "Active management can improve forest health, help protect private property from wildfire and restore wildlife habitat," Priestley said.

In addition to damaging wildfires, pests and disease have been taking their toll on some Western states.

California is fighting off pests such as the Mexican fruit fly and fire ants, and dealing with diseases such as bovine tuberculosis and exotic Newcastle disease. Mexican fruit fly

infestation prompted a quarantine late last year that is expected to last through this September, costing growers an estimated \$74 million in losses. An outbreak of exotic Newcastle disease has caused Mexico, Canada, China and the European Union to cease imports of California poultry.

And predator control is a top issue in Wyoming as wolf attacks on livestock and area wildlife continue to plague ranchers.

State Farm Bureaus are focusing their efforts on containing these various pests while seeking financial compensation for producers who have experienced losses due to various intruders.

Throughout the West, many things depend on water. States will continue to fight the usual fights when it comes to the availability of adequate water for agriculture.

Drought conditions over the past couple of years have intensified the battle, where farmers trying to protect their livelihoods are pitted against environmentalists trying to

protect wildlife. The Endangered Species Act plays a role, as state Farm Bureaus seek to reform the law so that it allows species protection efforts to be compatible with landowner rights.

Also, agricultural labor issues are at the forefront for Western states with farmers who depend on labor from outside workers. States are addressing the problem of not having an adequate and legal workforce. The September 2001 terrorist attacks have tightened American borders and have increased scrutiny by the Immigration and Naturalization Service and the Social Security Administration.

These factors make it difficult for farmers to find and maintain labor. States such as Arizona, California, Oregon and Washington are pushing to reform or create a viable guest worker program.



State budgets and disaster are top issues in South

Farmers in southern states, like farmers everywhere, are looking for ways to keep more of the money they work so hard to earn. That means that state sales tax exemptions for farm inputs like equipment, fertilizer and seed, and designation of agricultural lands that brings a lower property tax bill, are important tax provisions that southern farmers want to keep.

As legislative sessions kick off, state Farm Bureau staff will have their hands full trying to protect these tax provisions from the budget ax.

Most state governments face budget deficits and are looking for ways to increase tax revenue, cut state spending or both. The Arkansas Farm Bureau Federation would like to see a state agriculture department created, but wonder where the money to pay for it would come from. Existing programs in several states could end up on the chopping block.

The Florida Farm Bureau Federation (FFBF) wants to ensure the state does not raid state trust funds to make up its deficit. The state's citrus producers tax themselves to pay into a citrus trust fund to promote their products.

"When trust funds are tapped for general revenue, the trust is broken, and 'trust fund' becomes an ironic misnomer," said Carl Loop, president of FFBF.

While Arkansas farmers would like to create an agriculture department, Florida citrus growers are hoping they will be able to hold

on to the programs they have. Since the latest outbreak of citrus canker in the mid-1990s, the state's Department of Agriculture and Consumer Affairs and citrus producers have waged war on the disease. By quarantining heavily infected areas to control the movement of infected fruit, the state hopes to stamp out the disease and the industry to protect its domestic and foreign markets.

The state's agriculture department plays an important partnership role with the U.S. Agriculture Department by keeping track of where the disease is prevalent and determining which areas of the state must be quarantined. If the program is cut, FFBF fears that USDA would have to quarantine the entire state, a move that would devastate the state's \$8.5 billion citrus industry.

Cattle ranchers in Texas have a similar concern, the risk of statewide quarantine due to bovine tuberculosis (TB). Texas lost its cattle TB-free status last June. USDA has delayed a statewide quarantine until September. In the meantime, Texas cattle producers are trying to eradicate the disease and convince the department that only the zones with a high prevalence of TB should be quarantined.

The Texas Farm Bureau has called for actions ranging from withholding water from Mexico to imposing sanctions to pressure Mexico to comply with a 1944 water treaty, which obligates Mexico to release 350,000 acre-feet of water into the Rio Grande each

year in exchange for 1.5 million acre-feet of water from the Colorado River. The United States has kept its end of the deal; Mexico has not. Meanwhile, Texas farmers and ranchers have been dealing with back-to-back years of drought.

Peanut producers in the Carolinas, Georgia and other parts of the Southeast continue to watch the Agriculture Department's implementation of the peanut provisions of the 2002 farm bill, which replaced the peanut quotas system with marketing loans and one-time quota buyout payments.

Kentucky, Tennessee, North Carolina and Virginia Farm Bureau members will be keeping their eyes on the 108th Congress to see if there is any potential for a tobacco quota buyout program.

A handful of bills were introduced in Congress last year to buy out current quotas and compensate quota holders. A variety of proposals are likely to be offered this year.

In Louisiana, Mississippi and other southeastern states, farmers are glad to say farewell to 2002, which they call the worst farming year in memory because of tropical storms and a hurricane that damaged cotton and soybeans.

"We're looking to Washington and hoping Congress realizes the extent of the problems we're facing down here right now," said Ronnie Anderson, president of the Louisiana Farm Bureau Federation.



CAPITAL UPDATE

Questions remain on country-of-origin labeling scheme

While pleased with the progress the Agriculture Department is making in implementing the country-of-origin labeling program, the American Farm Bureau Federation has concerns over the plan's record-keeping requirements and labeling conditions.

As required under the 2002 farm bill, USDA issued voluntary country-of-origin labeling guidelines for certain commodities. AFBF on Jan. 6 submitted comments to USDA's Agricultural Marketing Service regarding the labeling program.

Under the guidelines, fresh and frozen beef, veal, lamb, pork, fish, fruits and vegetables and peanuts may be labeled at retail to indicate their country of origin. A retailer can label a covered commodity with "United States Country of Origin" if certain criteria are met.

The farm bill requires mandatory labeling at the retail level by September 2004. "Some livestock alive today, and much of the beef that will be born this spring and summer, will fall under the mandatory labeling requirements," AFBF said. "It is important that producers know in advance what requirements they must meet in order to sell their U.S. origin products in the marketplace."

Last November, AMS reported that the cost for producers to comply with

the record-keeping requirements of the country-of-origin labeling program would be nearly \$1 billion.

To reach the \$1 billion figure, AMS assumed all 2 million commercial farms, ranches and fishermen would implement a system for voluntary labeling of products produced. AMS estimated it would take a day to generate the proper records for the labeling

program and one hour per month to maintain those records, with an estimate of \$25 per hour for a producer's value of time.

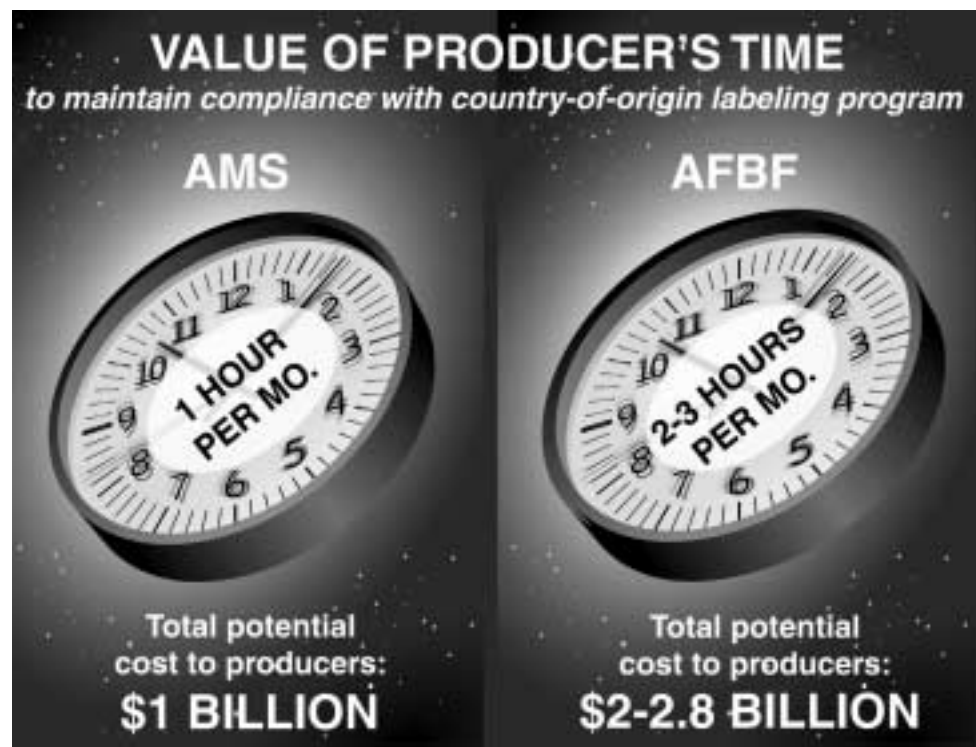
AMS sought comment on the accuracy of its estimate, and whether record keeping is necessary for properly conducting the labeling program.

Farm Bureau in its comments to AMS estimated the producer's record-keep-

ing cost to be higher. AFBF said the cost of meeting the record-keeping requirements would be \$1.2 billion to \$1.6 billion because "the time requirement for most producers will be double or triple the one-hour-per-month time estimate." The total cost to producers to implement and maintain the proposed system would be \$2 billion to \$2.8 billion, Farm Bureau said.

AFBF suggested the labeling program be implemented with less burdensome requirements, citing the Market Access Program as an "efficient and effective" way to carry out the program. MAP is "very similar" to the country-of-origin labeling program and has produced "excellent results" under USDA operation, AFBF said.

Farm Bureau also relayed its concern to AMS over how the service is interpreting what does not need to be labeled at the consumer level under the program. AFBF and AMS agree that items that have been "materially changed" do not need to be labeled, but AMS states that products such as cured ham and raw corned beef brisket would fall under the exemption. Farm Bureau believes that products with added ingredients should still be labeled as to their country-of-origin "as long as they retain generally recognized characteristics of the original item."



EPA scraps old TMDL rule

The Environmental Protection Agency has announced that it will officially withdraw an American Farm Bureau Federation-opposed water pollution regulation. The agency plans to propose a new regulation early this year.

In response to criticism of the old rule to revise the total maximum daily loads (TMDL) program, the rule had never been implemented and EPA had already begun working on a new one. But unless the old rule was officially withdrawn, it could have gone into effect on April 30, 2003.

AFBF believed the original rule, proposed in July 2000, was based on inaccurate data and the resulting permitting requirements would have increased farmers' financial burden.

"Farm Bureau supports the agency's decision to withdraw the old rule," said Dave Salmons, AFBF director of congressional relations and legislative counsel, "and we'll be sending comments to EPA to that effect."

The public has until Jan. 27 to comment on the withdrawal.

Water quality trading plan announced

The Environmental Protection Agency has announced that it plans to allow trading in water quality credits as a way to achieve the water pollution reduction goals of the Clean Water Act (CWA).

The new policy would allow farmers and other landowners to create credits by changing their operating practices of planting trees or shrubs near streams. An industrial plant or municipal wastewater treatment plant could then purchase the credits to meet limits, called total maximum daily loads (TMDL), on how much pollution can be discharged into waters that the state has determined are in need of water quality improvements.

"The water quality trading policy I am announcing today recognizes that within a watershed, the most effective and economical way to reduce pollution is to provide incentives to encourage action by those who can achieve reductions easily and cost-effectively," said EPA Administrator Christie Whitman. "Our new water quality trading policy will result in cleaner water, at less cost, and in less time. It provides the flexibility needed to meet local challenges while demanding accountability to ensure that water quality does improve."

The American Farm Bureau Federa-

tion applauded the new policy, calling it a voluntary, incentive-based approach to improving environmental protection.

"The water quality trading program is a positive step toward the nation's clean water goals," said Don Parrish, AFBF senior director of regulatory relations. "We are optimistic that this plan will encourage water quality protection actions and projects on America's farms, so that our farmers can further their efforts to be good stewards of the land."

Farm Bureau has long contended that the "carrot" approach of providing economic incentives, particularly for farmers, to maintaining and improving water quality is a better approach to achieving the goals of the CWA than the "stick" method of forcing farmers to make costly changes in their operations. In addition, farmers who are already working to improve water quality will now be able to sell credits and recoup some of their costs for the conservation practices they put into place.

In addition, Bruce Knight, chief of the Agriculture Department's Natural Resources Conservation Service, pointed out "the conservation programs in the 2002 farm bill will help farmers and ranchers improve water

quality." Those programs will help farmers and landowners take advantage of the trading policy.

A study by the World Resources Institute, an independent environmental research and policy group, concluded that trading between "point sources" of pollution, which includes industrial and municipal sources that discharge directly into the water, and "non-point sources" such as farms, from which pollution runs off the land into the water, is less costly than traditional regulation of pipe-in-the-water dischargers.

EPA also announced last week that it is providing more than \$800,000 to support 11 pilot projects "to address a range of water quality challenges across the country." Objectives of the projects range from reducing nitrogen loads in the Chesapeake Bay watershed and the Neuse River in North Carolina to providing outreach to agricultural producers on how the trading policy will work.

Environmental groups have criticized the EPA proposal as undermining the CWA and delaying the TMDL program, which requires states to set limits on water pollution discharges into impaired waters. However, EPA said the trading policy would facilitate implementation of the TMDL program.

Indiana youths tout importance of agriculture

For the past 17 years, the Indiana Farm Bureau and Sen. Richard Lugar (R-Ind.) have sponsored an essay contest for eighth-grade students. This year, the Indiana Farm Bureau Insurance Companies also joined in sponsoring the contest. The

purpose of the competition is to get Indiana youths to think about agriculture in their state and put their thoughts on paper in a concise, meaningful way.

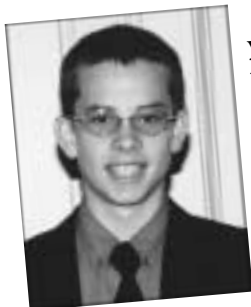
This year, judges from the state's Women's Committee had the tough job of

winnowing 913 entries down to two winners—one young man and one young woman. The two winners, Ryan Nigh and Caitlin Dunn, were announced at the Indiana Farm Bureau convention in December. They'll receive an all-expense paid

trip to Washington, D.C., where they will visit Lugar in his Senate office and tour the capital's sites.

The following are a few excerpts from their award-winning essays on "Growing Nutrition Right Here in Indiana."

Ryan Nigh



"My grandmother has a saying, 'You are what you eat!' It is very important to eat healthy foods to have a healthy body and mind. Eating right gives the body more nutrients. It makes the body function better and gives it more energy and coordination. There is less chance for illness and life-threatening diseases, especially heart disease, diabetes, cancer, and osteoporosis. The brain functions better, too. Better nutrition, especially breakfast, gives a person better brainpower, con-

centration and reasoning.
"There are a variety of nutritional products produced in our state: milk products, bread and pasta, fruits and vegetables, and meat. Indiana is fifth in the U.S. in corn production. Much of it is used to feed livestock, which people then eat. Corn is also used for cornmeal, taco shells, chips and cereal.

"Indiana is second in popcorn, a favorite snack of many Americans. Bread and pasta come from wheat, milk products from dairy farms, and lots of protein from beef cattle, hogs and poultry grown here in Indiana. Poultry includes ducks (first), chickens (sixth), and turkeys (seventh). Indiana even has some fish farms.

"A major product Hoosier farmers grow is soybeans. Besides supplementing animal feeds, soybeans are used in so many foods now that it's hard to find one without soybeans in it. Soybeans are very healthy.

"Indiana is not usually known for fruits and vegetables. However, Indiana ranks in the top 10 in growing tomatoes, green beans and cucumbers for processing. And Indiana sweet corn is great, too. Hoosiers also raise lots of cantaloupes, watermelons, apples, blueberries, peaches and walnuts."

Caitlin Dunn



"Don't leave the table. Stay in your seat. An event of magic is yours to meet. With the wave of my wand, and a magical spell, the nutrition grown in Indiana will help you stay well!"

"Our magical journey begins with an ordinary deck of cards. 'Pick a card—any card—just don't tell me what it is. You have chosen the ace of spades.' This card is remarkable because it holds the most powerful magic of all. It represents the farmer's spade used to tend the bountiful and nutritious crops grown in Indiana.

"Indiana farmers create a powerful potion for keeping our bodies healthy:

M—Maintaining a healthy diet from the basic food groups including Indiana beef, pork, poultry, vegetables, fruits, grains and dairy will increase the body's level of energy and make it easier to live an active lifestyle.

A—Agriculture from Indiana such as corn, tomatoes, cucumbers, snap beans, potatoes, apples, watermelons, cantaloupes, peaches and blueberries, as well as soybeans, wheat, and oats, will help the body resist infection and disease.

G—Good eating habits will improve 'brainpower,' creating a better aptitude for learning.

I—An increase in life expectancy can result from decreasing cholesterol with Indiana whole grains and soy protein.

C—Caring for bones and teeth with dairy products from Indiana farms will help prevent osteoporosis and promote a healthy digestive system.

"Combine all ingredients and simmer for a lifetime.
"Eat properly and unlock the MAGIC."

Battle builds against exotic Newcastle disease

By Kate Campbell

With emergency declarations from state and federal authorities in place, efforts have intensified to control the worst outbreak of exotic Newcastle disease (END) in more than 30 years. Currently more than 600 people in eight Southern California counties are working on controlling the outbreak, but officials are preparing to add hundreds more workers to quash the disease.

The federal government is allocating \$40 million for the first stage of the eradication program, which includes reimbursement for farmers whose birds are destroyed. Producers are reportedly being paid \$2 to \$5 per chicken, depending on the bird's age.

California's poultry industry is valued at more than \$3 billion, with the farm value of egg production totaling more than \$236 million in 2001.

Already more than 1 million birds are scheduled to be euthanized, with that

number expected to climb.

END is a highly contagious viral disease that affects most species of birds, but does not pose a public health threat and does not affect the safety of eggs. An outbreak of the disease in 1971 led to the destruction of nearly 12 million birds and cost \$56 million to eradicate, dramatically increasing national poultry prices.

The U.S. Department of Agriculture and the California Department of Food and Agriculture are working jointly with the poultry industry and residents to prevent the spread of the disease. The expanded quarantine creates a buffer zone around END-infected sites and provides additional security against further disease spread. To do this, quarantines were extended to adjacent, non-infected counties.

Texas animal health officials are providing help to California by sending several state and federal veterinarians to help with disease eradication efforts.

James Lenarduzzi, acting executive director of the Texas Animal Health Commission, said he was sending experts from his state because the END outbreak in California "must be stopped before it breaks loose from its current boundaries in Southern California and threatens the rest of the United States."

The expanded quarantine boundaries in California encompass the counties with END-positive flocks: Los Angeles, Riverside, San Bernardino, San Diego and Ventura. Additional counties include Santa Barbara, Imperial and Orange.

"Right now CDFA is working on enhancing biosecurity measures on ranches and at processing facilities, which means better protection for commercial poultry flocks," said Ria de Grassi, California Farm Bureau Federation director of animal health and welfare. She recently joined officials at the END emergency operations center in

Southern California for a first-hand look at disease response efforts.

So far more than 5,300 premises have been quarantined in Southern California, primarily in Los Angeles and Riverside counties. Nearly 1,200 of these premises contained infected birds and all birds in these flocks were humanely destroyed and the premises sanitized.

Poultry expert Don Bell said that on Dec. 1 California egg producers were earning 61 cents a dozen, but the price two weeks ago was 45 cents, indicating that the END outbreak had not yet affected market prices. However, Mexico, Canada and China have banned imports of poultry and poultry products from California, and the European Union has banned all U.S. poultry and egg products.

Kate Campbell is the assistant editor of *Ag Alert*, a weekly publication of the California Farm Bureau Federation.

GRASSROOTS

Long-serving county FB president recognized

By Ed Albanesi

It speaks volumes about a man when he's able to make people smile just by showing up. The grins were deafening when I visited with Merwyn Barrineau in early December.

A cattle rancher in the northwestern Florida town of Molino, Barrineau has been president of the Escambia County Farm Bureau for 46 years. You have to go back to 1956, and the second term of President Dwight Eisenhower, to mark the beginning of Barrineau's tenure as county Farm Bureau president. He is only the third president in the county organization's history.

"I served on the county Farm Bureau board for two years before I was elected president," Barrineau recalled. "My dad had been on the board but resigned when I came on."

When asked why he has continually been re-elected, Barrineau had a simple answer: "I never had any opposition."

Maybe it's his unaffected honesty that makes people around him smile.

When Sharon Barrineau welcomed this writer into the home she shares with her husband, you could sense the warmth that exists between the two. She left us alone for a while, but it wasn't long before she returned to ensure that I had taken note of the wall of plaques and other honors that had been awarded to Barrineau over the years.

"You can start at one end of the room and work your way in a circle around to the other side," Sharon said with a smile. "And here's one that was given to Merwyn recently that we've got to find a place for."

She showed me an engraved plaque that was dated September 2002. It officially dedicated the 6,000 square foot Escambia County Farm Bureau Agricultural Service Center in Molino to Merwyn Barrineau.

Under Barrineau's leadership the service center building was bought and paid for years ago. "Sometimes I think I might be a little too conservative," a somewhat sheepish Barrineau confided. "But I always thought there was value in staying out of debt."

Not only does the county Farm Bureau hold title to the building, it also rents space to three tenants, including the county tax assessor, the Natural Resources Conservation Service and the Farm Service Agency.

Barrineau is proud of the Escambia County Farm Bureau, the fifth largest in the state.

"We have more than 5,300 members and an excellent board," he boasted. "Sometimes other county boards will get into squabbles, but we're mighty fortunate in that most of the time all of us agree on what needs to be done."

Barrineau raises registered Angus



Merwyn Barrineau sits atop the new tractor that he and his dad bought for \$3,300, with a large disk included, in 1950.

Barrineau, president of the Escambia County, Fla., Farm Bureau, poses with his wife, Sharon, and constant companion Smokey, the family Chihuahua.

Barrineau is joined by the Escambia County Farm Bureau staff outside the building that was dedicated to him last September. To Barrineau's left are Katrina Sanford, Tena Dunson and Ronnie Day.

cattle. Up until a few years ago he also grew about 1,000 acres of corn and soybeans. His grandfather came to the area from Georgia in the early part of the last century.

"My granddad came down here in the turpentine business and when that dried up, began raising cattle and row crops," recalled Barrineau. "My dad continued with the cattle and row cropping and there was never a doubt that farming was going to be my calling."

The younger Barrineau graduated from Pensacola Junior College in 1952 and attended the University of Florida the following year.

An active member of the Navy Reserves, Barrineau formed a partnership with his dad in 1953, the same year that he became active in Farm Bureau.

"I thought then, as I do now, that Farm Bureau was the organization that best represents agriculture," he said. "Not only does Farm Bureau work the issues in Tallahassee and Washington, its local presence can't be overlooked. If we don't speak up, someone else will."

Making sure that agriculture's voice is heard is one of the primary reasons for Farm Bureau's existence. And Barrineau has worked to ensure that this voice has been audible in his county for nearly five decades.

While Farm Bureau has been an advocate for farmers over the years, there are still some things that are beyond the control of the grassroots organization.

"This has been one of the worst years ever for our cotton and peanut farmers," Barrineau lamented. "The weather has ruined them and there probably will be many who will not be able to overcome it."

Barrineau worries that family farmers might be an endangered species in Florida. "You used to be able to buy a tractor for \$3,500," said Barrineau. "Now you might have to spend \$135,000. At the same time, our farmers are getting the same price they did for grain 35 years ago. I just don't think a lot of young people are going to want to get involved in farming."

Like many Florida farmers, Barrineau recognizes the growing world marketplace as a contributor to the problem.

"Mexican and South American farmers can produce their crops cheaper than we can because of cheap labor and the fact that they don't face the same tough environmental standards that we do," he said.

Barrineau recognizes that if American farmers are to succeed, innovation might be the key.

"I read about farmers who grew apples and decided to start growing

peaches. Then they started selling peach pies. Times are changing and it means you might have to start doing things differently," he declared.

In 1998, Florida Farm Bureau bestowed its highest honor on Barrineau by making him the recipient of its Distinguished Service Award. It was the same award that his father had received 20 years earlier, and the Barrineaus remain the only father-and-son recipients of the prestigious award.

One reason that Barrineau received the honor was his well-rounded contributions to Florida agriculture. In addition to his long service to Farm Bureau, he was active in both the Florida and Alabama Cattlemen's Associations and helped found the Florida Soybean Association before serving as its first president.

After concluding a visit at Barrineau's home, we decided to take a ride over to the building that was recently dedicated in his honor. Barrineau's arrival at the Farm Bureau office generated another bouquet of smiles. With Sharon's (and pet Chihuahua, Smokey's) approval, secretaries Katrina Sanford and Tena Dunson greeted Merwyn with a smooch on each cheek. Agency manager Ronnie Day extended his hand and welcomed Merwyn into "his" building. There was genuine affection in the air.

Merwyn Barrineau has provided 46 years, and counting, of leadership to the Escambia County Farm Bureau. His stewardship and service may be a major reason why he never has had any opposition when he was up for re-election. But those smiles betray a much deeper reason.

Ed Albanesi is editor of FloridAgriculture, a publication of the Florida Farm Bureau Federation.

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