American Farm Bureau Federation ®

Farm Bureau news

February 17, 2003 | http://www.fb.org/fbn/ | Vol. 82, No. 4

In This Issue

Corner Post

Agriculture Department statistics indicate that the average American earned enough income to pay for his or her family's annual food supply by Feb. 6. See related story on page 8.

Disaster aid to come from farm bill

Congressional leaders last week wrapped up negotiations on the $397.4 billion omnibus appropriations bill, including $3.1 billion for weather disaster aid to farmers and ranchers.

The negotiators agreed to pay for the agricultural disaster assistance by cutting funding previously authorized for the Conservation Security Program under the 2002 farm bill. The American Farm Bureau Federation and several of the congressional negotiators had opposed using farm bill funds to offset the cost of the disaster program.

AFBF President Bob Stallman thanked the House and Senate conferees for approving disaster assistance, saying the aid was "long overdue." But he expressed concern that the aid falls short of what is needed and about the source of the funds.

"We continue to believe, however, that the $3.1 billion allocated for disaster aid will fall short of meeting the needs in farm country," Stallman said. "We also have grave concerns that the disaster package is being funded from money set aside for future farm bill spending. It is an unfortunate precedent that could undermine important programs, such as conservation. The farm bill was not designed to respond to weather disasters."

"The farm bill was a very carefully negotiated agreement, and once you reopen it, it essentially becomes a piggy bank susceptible to the whims of others," said Rep. Bob Goodlatte (R-Va.), House Agriculture Committee

See Disaster aid, page 6

Meeting and greeting

Mindy Larsen Poldberg (left), director of national legislative affairs for the Iowa Farm Bureau Federation, talks with Rep. Steve King (R-Iowa) at the American Farm Bureau Federation's Feb. 5 reception on Capitol Hill for new members of Congress. King was one of several members first elected to Congress last November.

U.S. outlines hemisphere-wide trade plan

Describing its negotiating objectives as bold and comprehensive, the Office of the U.S. Trade Representative on Feb. 11 announced an offer to eliminate its import duties on the majority of industrial and agricultural imports from the Western Hemisphere immediately upon entry into the Free Trade Area of the Americas.

In addition, the United States is offering broad access to its services, investment and government procurement sectors, and is offering that textiles and apparel imports from the region would be duty-free in the United States five years after the FTAA takes effect, provided other countries reciprocate.

"The U.S. is already a very open market," said U.S. Trade Representative Robert Zoellick. "The FTAA will benefit American farmers, workers, consumers and businesses by reducing high tariffs and trade barriers throughout the rest of the Western Hemisphere, while promoting regional economic growth and integration."

The FTAA covers a $13 trillion market of 34 countries and nearly 800 million people. The region purchases about 36 percent of all U.S. exports.

According to USTR, the offer "sets an important benchmark in the market access negotiations, and demonstrates U.S. leadership as negotiations move into a critical and substantive phase. To encourage other FTAA countries to make equally ambitious market access proposals, [the] U.S. offer only extends to those FTAA countries that put their own offers on the table."

The United States offer covers five key areas of the negotiations: agriculture; consumer and industrial goods; services; investment; and government procurement.

Details of the FTAA remain confidential at this time, but USTR released its major objectives for the negotiations. One objective calls for 56 percent of agricultural imports from countries in the hemisphere (not already covered by the North American Free Trade Agreement) to be duty-free immediately after FTAA takes effect, while other agricultural tariffs would fall into staging categories of five years, 10 years or longer, and would be individualized for each country.

Another objective calls for all tariffs to be subject to negotiation. USTR said the United States is "putting all agricultural goods on the table and is ready to move forward with others willing to do the same." The tariffs

See Trade plan, page 8

VIEWPOINT

Celebrating agriculture, working for the future

THE ag agenda

By Bob Stallman
PRESIDENT American Farm Bureau Federation®

We have ample reason to celebrate agriculture—with agriculture's people topping the list—and it's time to invite others to join us.

That was the lasting message from the American Farm Bureau Federation's 84th annual meeting last month in Tampa, Fla. This annual gathering of our members from across the country always reaffirms my commitment to and pride in our organization and our industry. However, agriculture to us is more than just an industry; it is our lives, our livelihoods and our lifeblood.

This year, Farm Bureau is making a special effort to celebrate people and the numerous missions we have. But, we recognize that it's also time to get down to work.

Call to action

Farm Bureau's grassroots members are the driving force behind our mission of establishing public policies to strengthen America's farm and ranch families and their businesses. As a result, we look forward to working with the 108th Congress. Based on policy positions determined by our farmer and rancher delegates at our recent annual meeting, the AFBF board of directors has set an aggressive agenda for our priority issues in 2003.

Our delegates reiterated their desire to protect the integrity of the 2002 farm bill. Farm policy is a prime example of how our grassroots members, agriculture's people, make an impact. Delegates at the county, state and national levels dedicated countless hours to discussing this issue and establishing a foundation that will help producers. Farm Bureau also is actively encouraging Congress to improve and complete action on emergency weather disaster assistance for farmers and ranchers in the nearly 90 percent of all U.S. counties that received disaster designations in 2001 and 2002.

Another issue on Farm Bureau's radar is continuing to build support for alternative energy. Renewable fuels such as ethanol and biodiesel are good for agriculture and all of America. Especially in today's volatile world, America's farmers and ranchers are proud to bolster our nation's energy security.

International trade issues continue to take shape in 2003. Farm Bureau is committed to improving foreign market access for U.S. producers and making sure America serves as a leader in the continuing World Trade Organization negotiations. America's farm families provide the most abundant and affordable food supply in the world. Our producers need fair and open trade to get their products on the world market and grow their businesses.

Another priority this year will be to seek changes to the tax code that will benefit producers. Permanently eliminating the death tax, authorizing the use of Farm and Ranch Risk Management Accounts and implementing a capital gains tax cut remain atop our list.

Environmental issues, regulatory reform and transportation issues also are important priorities in 2003.

Members respond

Our Farm Bureau members, with their varied challenges, commodities and situations, worked hard to carve out a consensus on these issues. I will never cease to be amazed at that. We are good at closing ranks for the best of the whole.

Now is the time to work together to achieve our common goals for 2003 and beyond. We believe there is great potential to make substantial progress on all our priority issues. This is essential in order to keep agriculture on its path as a true growth industry.

People, our grassroots members in all 50 states and Puerto Rico, are the foundation on which our organization is built. You are agriculture's people.

Our priorities are now before us. Let's get to work. Let's celebrate our progress, our industry and our people along the way.

EU's biotech policies should be challenged soon

By Ron Gaskill

U.S. farmers have lost substantial markets as a result of the European Union's moratorium on approvals of products enhanced through biotechnology. The EU's moratorium is inconsistent with world trade rules that both the United States and the EU voluntarily agreed to obey.

Farm Bureau believes the only way to remedy this is to pursue a decision in the World Trade Organization that directs the EU to drop its moratorium, as well as its equally non-compliant labeling and traceability "solution." If the EU fails to abide by the expected WTO rulings, the United States should seek retaliatory measures, if necessary.

U.S. farmers have been given no reason to believe that the EU can reform its biotech rules without intervention from the WTO. Failure to abide by a previous WTO decision against the EU's non-compliant ban on hormone-treated beef is one reason for this lack of faith in the EU's leadership and ability to keep its trade promises.

There is no question that the United States should challenge the EU's protectionism in the WTO, the only question is when. In Farm Bureau's opinion, the answer is "the sooner, the better." With each growing season, U.S. farmers lose hundreds of millions of dollars more to the EU's biotech moratorium—they have already lost a billion dollars in lost corn sales alone. Every day we wait only hurts U.S. farmers more.

Opponents of a WTO proceeding, including EU leaders, suggest that this is not the time to initiate a WTO case because it would create a consumer backlash and reverse the "progress" the EU has made on lifting the moratorium. While there may be a temporary backlash against some U.S. foods in the EU marketplace, consumers who buy U.S. foods now because they offer benefits those consumers want have already made the choice to continue purchasing those products. Likewise, those who are anti-biotech have most likely already switched to alternative products. Any backlash brought about by a WTO proceeding is not likely to be sustained.

Consumer choice is a marketplace issue, not a political issue. U.S. farmers are adept at producing what consumers want if the marketplace fairly rewards them for their effort. If consumers want to choose between biotech and non-biotech foods and they are willing to pay for the probable price difference between the two, then the solution is rightly found in the fair and open marketplace. The United States is not interested in forcing consumers in the EU or anywhere to consume foods they do not want.

The EU has the immediate ability to craft a win-win solution by ending the moratorium and replacing the current labeling and traceability proposal with truthful, not misleading, internationally accepted labeling standards that would be applicable to those who wish to have their biotech products labeled. The result would be true consumer choice without mandating costly, non-WTO-compliant and essentially useless requirements on U.S. farmers and food producers.

Because the issue of biotechnology has been made a political rather than a marketplace issue, U.S. farmers are inclined to believe that consumer choice is really a smokescreen for the true purpose of the moratorium and proposed labeling and traceability rules, which is trade protectionism.

The only forum to remedy illegal trade protectionism is in the WTO. Waiting to proceed with a case in the WTO on the EU's anti-biotech measures will not make the situation any better.

The bottom line for U.S. farmers is that they will not tolerate lost markets as a result of non-WTO-compliant government intervention into the marketplace, either in the EU or elsewhere.

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Farm Bureau news
(ISSN 0197-5617)

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Published semimonthly, except monthly in August and December, by the American Farm Bureau Federation, 600 Maryland Ave., SW, Suite 800, Washington, DC 20024. Phone: 202-484-3600. E-mail: fbnews@fb.com. Web site: http://www.fb.org.

Periodical postage paid at Washinton, D.C., and additional mailing offices. Subscription rate for officers and board members of county and state Farm Bureaus—$6, which is deducted from dues. For other subscribers—$10.

Postmaster: Send address changes to *Farm Bureau News*, 600 Maryland Ave.,SW, Suite 800, Washington, DC 20024.

Meaty problems in U.S.-Russia trade

The Russian government appears intent on protecting its domestic meat and poultry producers from U.S. competition, according to the American Farm Bureau Federation and several other U.S. agricultural groups. They wrote President Bush and urged him to begin action that could lead to U.S. sanctions on imports from Russia.

Russia continues to impose inspection criteria on poultry that the U.S. industry considers unreasonable. And, on Jan. 31, Russia revoked all meat and poultry import licenses and announced new quotas limiting the amount of poultry imports, and limiting the amount of beef and pork that can enter the country at lower tariffs.

"The import quotas on poultry will cut the exports of chicken leg quarters to our largest market in half and significantly limit pork and beef exports to Russia," the groups said. "These severe restrictions will affect much of our agricultural sector by depressing the domestic market for all meats and decreasing demand for feed grains and soybeans."

Despite the administration's best efforts to resolve the long-running dispute, said AFBF and the other groups, the outlook for poultry, pork and beef trade with Russia continues to deteriorate. They asked the president to initiate an investigation under Section 301 of the Trade Act of 1974. That law gives the United States authority to impose sanctions or import duties if further consultations fail to resolve the problem.

"Unless Russia begins to act as a reliable trade partner, a significant United States response, including trade retaliation must be pursued."

The value of U.S. poultry exports to Russia last year was down 40 percent from the year before because of a ban Russia placed on U.S. poultry from March through August of last year. U.S. poultry exports to Russia are normally valued at about $600 million per year.

Under a new veterinary certification agreement between the United States and Russia designed to resolve the poultry dispute, Russian inspectors visited U.S. poultry plants in November. However, the inspectors did not approve the plants.

"Unless Russia begins to act as a reliable trade partner, a significant United States response, including trade retaliation must be pursued," the groups said.

Russia's actions on meat and poultry are especially troublesome in light of that country's desire to join the World Trade Organization and the administration's desire to grant Russia permanent normal trade relations (PNTR) status, the groups added. Congress held hearings on PNTR for Russia last year, but Russia's ban on U.S. poultry prevented any significant progress on the issue.

A handful of senators in January proposed lifting one hurdle to granting Russia PNTR status, but that was before Russia imposed new quotas on meat and poultry imports. The Jackson-Vanik amendment passed by Congress in 1974 requires annual reviews of Russia's normal trade relations status, based on whether Russia allows its citizens to emigrate freely.

Egypt courts free trade deal with U.S.

An Egyptian official this month presented his case for an Egypt-U.S. free trade agreement (FTA) before Washington-based agriculture and trade groups.

Egyptian Trade Minister Youssef Boutros-Ghali spoke to a large group of agriculture and trade associations Feb. 5 at the American Farm Bureau Federation's office in Washington. He said the reason for Egypt's interest in an FTA with the United States is simple: "You are the largest market in the world," he explained.

He said Egypt's largest trading partner today is the European Union, but that bloc includes 15 countries. "Take it country by country and you are our largest trading partner," he added.

Egypt and the EU signed a trade agreement in 2001, but Boutros-Ghali said that Egypt does not want to put all its eggs in one basket.

"Our imports are going to shift more and more to Europe" as a result of the Egypt-EU agreement, he said. "That, for us, is not good."

Egypt is a net importer of grains, pulses and possibly meats, and a net exporter of some fruits and vegetables.

Boutros-Ghali explained the potential benefits to the United States of an FTA with Egypt. Although it is a small country with a population of about 70 million people, the minister described his country as a gateway to much larger markets.

Youssef Boutros-Ghali, Egypt's foreign trade minister, visited the American Farm Bureau Federation to outline the potential benefits of a U.S.-Egypt free trade agreement.

"We are a blip on your radar," he said. "But we present an entry point to very large markets. Egypt has FTAs that link it with 350 million people in other Mediterranean countries."

The State Department's Middle East Partnership Initiative has focused on improving economic ties with the region and increasing economic opportunities for Middle Easterners. The United States already has an FTA with Egypt's neighbor, Jordan.

Boutros-Ghali acknowledged that Egypt has some outdated technical barriers to imports that need to be addressed. They include difficulties in obtaining import certificates for imports of U.S. turkey, short shelf-life requirements that virtually ban imports of many processed agricultural products, costly labeling requirements and a ban on imports of beef cuts with a fat content greater than 7 percent.

In addition, Egypt's average tariff of 16 percent peaks at 40 percent on some agricultural imports, a level that Boutros-Ghali admitted was high. These issues would presumably be discussed as part of any FTA negotiations.

Despite these problems, Boutros-Ghali made a good case for a U.S.-Egypt FTA, said Teresa Howes, AFBF trade specialist.

"He was very convincing. A trade agreement with Egypt would probably be productive for the United States both economically and politically. It could create more market access for U.S. exports than an agreement with Australia, given the trade barriers that country has."

The administration announced last November its intentions to pursue an FTA with Australia, and the U.S. International Trade Commission is investigating the benefits of doing so.

The Office of the U.S. Trade Representative has not indicated whether it will pursue an FTA with Egypt.

Central America trade talks launched

U.S. Trade Representative Robert Zoellick last month joined trade officials from Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua to initiate negotiations on a U.S.-Central America Free Trade Agreement (CAFTA), with the goal of eliminating tariffs and other barriers to trade.

The first round of CAFTA negotiations officially began on Jan. 27 in San José, Costa Rica, and the second round will be held in Cincinnati, Ohio, at the end of this month. Negotiators hope to complete the agreement by December 2003.

"CAFTA will give Americans better access to affordable goods and promote U.S. exports and jobs, even as it advances Central America's prospects for development," Zoellick said. "This FTA will reinforce free-market reforms in the region."

The agreement will further regional integration in Central America and complement work on the Free Trade Area of the Americas, Zoellick added.

Agriculture is expected to be a key issue in the talks. According to USTR, Zoellick and the other trade ministers agreed on a "special framework" to address sanitary and phytosanitary issues regarding agricultural trade. The framework would focus on resolving such problems as import bans on U.S. pork, poultry and dairy products.

USTR reported that the United States exported $9 billion worth of products to Central American countries in 2001, a 42 percent increase since 1996. U.S. imports totaled $11 billion in 2001, and 74 percent of those products entered duty-free under the Caribbean Basin Initiative and Generalized System of Preferences programs, USTR said.

The ministers agreed on a structure for the negotiations, consisting of nine rounds of talks throughout this year.

Zoellick and the ministers also announced programs to help the Central American countries compete in the global economy, including one to strengthen science-based food safety inspection systems and another to promote cleaner production.

CAFTA is one facet of a hemisphere-wide vision of a Free Trade Area of the Americas, which would eliminate tariffs among 34 countries in the Western Hemisphere.

ENVIRONMENT

FB to remain diligent on environmental issues

On priority environmental issues for 2003, the American Farm Bureau Federation will continue diligent oversight and seek new opportunities for reform.

On the federal government's implementation of the Food Quality Protection Act (FQPA), continued chemical-by-chemical oversight will be needed to ensure that crop protection tools are available.

Under FQPA, the government is reviewing the registrations of several pesticides to establish safe tolerances, or residue limits, on food.

Another issue that requires oversight is EPA's regulation of total maximum daily loads, or limits to pollution discharges into rivers, ponds and streams.

At the end of last year, EPA proposed the withdrawal of a regulation Farm Bureau had fought because it feared the regulation would add to farmers' permitting burdens and operating costs. The comment period on EPA's withdrawal just closed. AFBF submitted comments in favor of the withdrawal.

Now it's time to see what the agency does on crafting a new rule, said Don Parrish, AFBF senior director of regulatory relations. AFBF would like to see a new rule proposed that encourages more voluntary, incentive-based controls of agricultural pollution runoff.

The chances of getting changes to the Endangered Species Act are slim, so AFBF is trying to change federal regulations, according to Rick Krause, AFBF director of regulatory relations.

"We need to get some results, and we can best do that through the regulatory approach," Krause said.

The federal government recently proposed new regulations on pesticide use and endangered species that will increase coordination between federal agencies, so pesticide users can get one direction from the government instead of three. A public comment period on the proposal ends March 10, and Krause encouraged Farm Bureau members to comment in favor of the proposal.

AFBF is also talking with the Fish and Wildlife Service to make economic impact analyses part of the process of designating critical habitat for endangered or threatened species.

FARM POLICY

Farm, energy policy remain top issues

America's farmers and ranchers fought hard for a farm bill that allows producers to continue supplying the United States and the world with high-quality food and fiber. The American Farm Bureau Federation will work to protect the farm bill from attempts to reduce funding or alter it in any way.

House and Senate negotiators on Feb. 13 reached agreement on the $397.4 billion fiscal 2003 omnibus spending bill. The bill includes $3.1 billion in drought aid, but instead of being offset by an across-the-board cut, the money is coming out of a conservation program in the farm bill. Farm Bureau welcomes funding for disaster aid, but is concerned that the move sets a precedent that could undermine other farm bill programs.

From ethanol and biodiesel to wind energy and biomass, U.S. producers have the potential to generate alternative forms of energy that help the environment and economy, as well as their bottom lines.

A group of senators on Feb. 13 introduced Farm Bureau-supported legislation that would triple the use of renewable fuels, such as ethanol and biodiesel, to 5 billion gallons per year by 2012. A similar measure was introduced last year and supported by 69 senators and President Bush. The measure was included in a broad energy package that was never enacted.

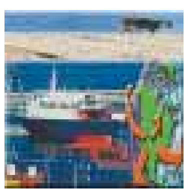
AFBF also supports funding for research into new uses of farm products in energy production, a use requirement for alternative fuels in federal fleets and continued tax incentives to encourage the development of alternative energy sources and uses.

Sen. Pete Domenici (R-N.M), chairman of the Senate Energy and Natural Resources Committee, said earlier this month that he plans to begin work on energy legislation in the spring and hopes to have it wrapped up by the summer. Bush on Feb. 6 also commented that he would like to sign into law omnibus energy legislation this year.

Domenici said he plans to hold a series of hearings over the next two months to focus on oil supply and prices, the fiscal 2004 budgets for the Interior and Energy departments, energy production on federal lands and federal programs for energy efficiency and conservation.

INTERNATIONAL TRADE

Market access, trade talks are FB priorities



American Farm Bureau Federation voting delegates have reaffirmed support for the United States' negotiating position in the World Trade Organization agriculture negotiations and for improving market access for U.S. commodities, including products of biotechnology.

AFBF policy calls for elimination of export subsidies, elimination of the unlimited and often trade-distorting "blue box" domestic support category, and discipline and transparency of state trading enterprises, goals that were included in the United States' package of proposed trade reforms for the current round of WTO agriculture negotiations.

AFBF President Bob Stallman will head to Geneva, where the WTO is based, March 16-20, to present Farm Bureau's positions on trade issues just before the next major WTO deadline. WTO member countries agreed to make commitments by March 31 of this year on numerical targets for cutting tariffs and subsidies and increasing import quotas.

AFBF policies also include support for shortening the WTO dispute settlement process, opposition to reopening the WTO agreement on sanitary and phytosanitary products and opposition to the precautionary principle that some countries have used to prevent imports of products of biotechnology.

Farm Bureau opposes any foreign countries' import restrictions, labeling or segregation requirements of biotech commodities that have been certified by the scientific community as safe and not significantly different from other varieties of that commodity.

AFBF in December urged President Bush to initiate a WTO case against the European Union's moratorium on approvals of biotech crops. The president's Cabinet was to meet earlier this month to review the pros and cons of pursuing a WTO case and decide what to do, but the meeting has been postponed twice.

REGULATORY REFORM

Farm Bureau seeks regulatory reform

Because America's farmers and ranchers pay about $20 billion per year to comply with federal regulations, the American Farm Bureau Federation continues to work for rules and regulations that are based on sound science and display a reasonable balance of risks and benefits.

Farm Bureau has been active in providing comment on the costs and benefits of federal regulations through the administration's Office of Information and Regulatory Affairs (OIRA), which is housed in the Office of Management and Budget.

Producers need labor laws that allow for a sufficient legal and stable labor force, and reform of farm labor laws and regulations remains a Farm Bureau priority.

AFBF supports certain reforms of the H-2a guest worker program to ensure a sufficient workforce. The reforms include allowing employers to pay temporary foreign workers at least the agricultural prevailing wage rather than the inflated "adverse effect wage rate," streamlining the H-2a application process and providing for a one-time opportunity for fraudulently documented workers to earn an adjustment of status to transition into the reformed H-2a program.

A court decision last fall could have a negative impact on the H-2a program. The 11th U.S. Circuit Court of Appeals ruled in Arriaga, et al. v. Florida Pacific Farms, et al., that growers must reimburse migrant laborers, during their first week on the job, for virtually all pre-employment travel expenses.

Farm Bureau is working to get the Labor Department to file a friend-of-the-court brief urging a reversal of the decision.

Farm Bureau is also committed to maintaining competitive agriculture by ensuring markets are open to all producers and that those markets offer fair prices for products.

Last year, AFBF delegates supported a ban on packer ownership of livestock 14 days before slaughter, but removed that language this year. Instead, the Farm Bureau board of directors recently established a task force to study the effect on agriculture that a ban on packer ownership of livestock would have. Results of the study are expected in June. Until the study is complete, Farm Bureau will oppose the movement of any legislation for or against packer ownership.

TAXES

Tax issues remain top Farm Bureau priority

The American Farm Bureau Federation opposes any tax on capital gains. Taxes are imposed on farmers and ranchers when they sell land, buildings and livestock, business transactions that farmers often take to remain competitive. In addition, when retiring farmers and ranchers sell their property, they often have to "build in" the cost of paying capital gains taxes to recoup all of their investment. But, the result is a higher cost for young farmers to buy land and buildings.

Recognizing that capital gains taxes may not be repealed all at once, AFBF voting delegates have outlined how they would like Congress to reform capital gains taxes until they are fully repealed. The most significant reforms include cutting the capital gains tax rate to no more than 15 percent, excluding the sale of agricultural land that remains in production and excluding payments to landowners for conservation easements, among other things.

AFBF policy also calls for "creating a pretax savings account as a risk management tool for farmers and ranchers...." Legislation to allow farmers and ranchers to save for a rainy day and defer paying taxes on the saved earnings by putting money into FARRM accounts was introduced in the last Congress, but has yet to be reintroduced in the 108th Congress. Pat Wolff, an AFBF tax specialist, said AFBF would be working with the sponsors of last year's bills to get legislation creating FARRM accounts reintroduced this year.

AFBF policy on estate taxes, or the death tax, is unequivocal. "We support permanent repeal of federal estate taxes," the policy says. Sen. Jon Kyl (R-Ariz.) has introduced a bill (S. 169) to make death tax repeal permanent as early as 2005, and Reps. Jennifer Dunn (R-Wash.) and Bud Cramer (D-Ala.) have introduced a bill (H.R. 57) to do so in 2011. Under current law, the existing death tax phase-out will expire and the tax will return in full in 2011 unless Congress permanently repeals death taxes before then.

Last year, the House passed legislation to repeal the death tax permanently, but the Senate was four votes shy of the 60 votes needed for passage.

TRANSPORTATION

Getting farm products, inputs to market

Agriculture depends on an expansive, well-maintained transportation network to deliver products across the nation and throughout the world.

Sixty percent of exported U.S. agricultural products travel down the Mississippi River before reaching their final destination. An up-to-date system of locks and dams is crucial in maintaining efficient water transportation. Congestion along the Mississippi ultimately equals lost income for farmers, which is why the American Farm Bureau Federation supports reauthorization of the Water Resources Development Act. The act funds U.S. Army Corps of Engineers projects, including locks and dams for inland waterway navigation, harbor dredging, flood control and irrigation.

The U.S. highway system also requires adequate funding to help get farm products to market. AFBF supports language in the $240 billion transportation bill, to be reauthorized this October, that money generated from the Highway Trust Fund only be spent on highway projects.

Farm Bureau continues to support the ethanol tax credit to encourage growth in the ethanol industry. Existing law taxes fuel that contains 10 percent ethanol at 13.1 cents per gallon, while standard gasoline is taxed at 18.4 cents per gallon. Currently, 2.5 cents of the 13.1 cents per gallon from ethanol is deposited in the general fund, which Farm Bureau believes should instead go into the Highway Trust Fund.

AFBF remains opposed to any increases in the federal gas tax because of the negative effect those increases would have on farm production and marketing costs.

Farm Bureau is also working to maintain full exemptions on hours-of-service regulations for agriculture in the transportation bill. The rule regulates the number of hours that commercial vehicle drivers can spend behind the wheel without resting.

Effort to freeze phase-out of fumigant fails

An American Farm Bureau Federation-led effort to freeze the phase-out of methyl bromide was quashed in conference negotiations on the omnibus appropriations bill.

AFBF had been working with the administration and members of Congress to insert a rider in the fiscal 2003 omnibus appropriations bill to prevent the Environmental Protection Agency from requiring any further reductions in methyl bromide use beyond 50 percent of the 1991 baseline. Under the Montreal Protocol, an international environmental treaty, U.S. use of the pesticide must be reduced to 50 percent in 2002, 30 percent in 2003 and 2004 and zero in 2005.

While several members of Congress, including Reps. Adam Putnam (R-Fla.), Jack Kingston (R-Ga.), Marion Berry (D-Ark.), Allen Boyd (D-Fla.) and Roy Blunt (R-Mo.), were very helpful, Farm Bureau found that the administration did not get behind the effort, according to Mark Maslyn, AFBF deputy executive director of public policy.

"We are very disappointed," Maslyn said. "In light of all the work that's been done to come up with alternatives to methyl bromide, and the fact that freezing the phase-out would have made no material difference to our ability to reach our overall environmental goals, this delay in the phase-out made sense."

The United States has spent about $150 million on research to develop alternatives to methyl bromide. So far, no workable alternatives have been found for certain uses, including production of tomatoes, peppers and strawberries.

In addition, many of U.S. agriculture's global competitors have 13 more years to use the chemical, and production is even being ramped up in some countries, including China.

"These are our competitors, and this gives them a direct advantage over U.S. farmers," said Maslyn.

AFBF will continue to monitor the process of requesting exemptions from the phase-out for critical uses, Maslyn said, as well as look for other legislative vehicles to move a delay of the phase-out.

"Some farmers won't be in business without alternatives," Maslyn added. "It's that serious."

Methyl bromide is a highly effective fumigant used to control insects, nematodes, weeds and pathogens in more than 100 crops, and in forests and ornamental nurseries.

Comments needed on wetlands rule

The American Farm Bureau Federation is encouraging Farm Bureau members to comment in favor of a U.S. government proposal on wetlands protection regulations. The proposal would bring government rules in line with a Supreme Court decision that limits federal jurisdiction over wetlands.

"Farmers and ranchers need this clarification of the government's jurisdiction so they don't have to wonder whether they are running afoul of the law or not," said Don Parrish, AFBF senior director of regulatory relations. "Right now, the situation is very confusing."

The Supreme Court ruled last year, in the Solid Waste Agency of Northern Cook County (SWANCC) v. U.S. Army Corps of Engineers, that non-navigable, intrastate waters and isolated wetlands are not subject to federal oversight under the Clean Water Act. But other federal and state laws still give the government some jurisdiction over these waters and wetlands.

In order for farmers and ranchers to know where they stand on complying with environmental laws, the government must clarify its jurisdiction under the Supreme Court ruling, according to Parrish. But some see the regulation as a weakening of the Clean Water Act, and would rather the Environmental Protection Agency maintain the status quo.

"There is a perception that if the government does not issue new regulations, there will be greater environmental protection of these waters and wetlands," Parrish explained. "Of course, that's not true. But, a result of that perception is a significant campaign by some groups to get people to write EPA and say it shouldn't issue the new regulations. Most of these people probably don't understand the issue and are therefore easily convinced that the regulation is bad for the environment."

"Farmers and ranchers know first-hand the impacts of federal wetlands jurisdiction and they are making their voices heard on this issue," said Mark Maslyn, AFBF deputy executive director of public policy. "EPA's actions on how and when to implement the Supreme Court's decision on wetlands will have a significant impact on day-to-day farming decisions and many in agriculture will be watching. It will send an important message as to whether government agencies must comply with Supreme Court decisions when they favor agriculture."

If anyone doesn't understand the importance of the wetlands regulation, or doesn't know how to go about commenting to the government, they should get in touch with their state Farm Bureau or visit the AFBF Web site and learn more about it, said Parrish.

The deadline for public comments on EPA's proposed regulation is March 3.

AFBF files petition in Pronsolino case

The American Farm Bureau Federation, along with the California Farm Bureau Federation, the Mendocino County Farm Bureau and Mendocino County landowners Guido and Betty Pronsolino, has filed a petition asking the Supreme Court to review a Clean Water Act (CWA) case that could adversely affect farmers and ranchers across the nation.

The Farm Bureau petition asks the nation's highest court to review the U.S. Ninth Circuit Court ruling in the case Pronsolino v. Nastri. The Ninth Circuit upheld a trial court decision, which ruled that non-point sources, such as agriculture, are subject to Environmental Protection Agency regulations.

The current ruling holds that federal limits on water pollution—EPA's total maximum daily load (TMDL) regulations—apply to non-point sources even though the CWA restricts federal regulation only to point source pollutants, such as end-of-pipe discharges.

Non-point sources can include run-off from suburban lawns, forests, farms and rural lands. Pollution from non-point sources is unpredictable and difficult to measure. Farm Bureau argues that is the very reason Congress intended direct federal regulation under the CWA to apply to point source pollutants only. Point source pollutants, which include mostly industrial and municipal waste, can be measured and controlled with more precision. Non-point pollution is regulated by states under a separate section of the CWA.

The Farm Bureau petition, filed Feb. 6, asks the Supreme Court to resolve several questions, including: whether the CWA requires a state to identify all sub-standard waters within its boundaries, including those impaired only by non-point sources, and establish TMDLs for those waters; whether the U.S. Ninth Circuit violated the Supreme Court's precedents by deferring to EPA's regulations before analyzing their meaning; and whether permitting EPA to establish TMDLs for waters impaired only by non-point sources, and thereby imposing corresponding land use controls, constitutes an "impermissible federal intrusion into a core state function" without a clear statement from Congress.

In addition, the petition argues that agricultural and forestry runoff—generally the result of heavy rains—can be controlled by land use activities, but that is a task Congress left expressly to state governments.

The Pronsolino family could face more than $1 million in losses for their properties in the Garcia River watershed as a result of the court ruling. Even though the river is affected by non-point source pollution only, the ruling would allow EPA to require California to restrict the landowners' permits for logging and farming.

The government will have an opportunity to respond to the petition, after which the Farm Bureau petitioners will reply. The Supreme Court is expected to make a decision whether to accept the appeal by June.

Disaster aid to come from farm bill

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chairman, during the omnibus negotiations, before the deal was reached. "It is the strongly held opinion of the Republicans on the House Agriculture Committee that reopening the farm bill is simply not in the interest of the American farming community."

Lawmakers also reportedly agreed on how to target the assistance, although details of the agreement were not available. The original Senate language would have provided assistance to any farmer in a county designated a natural disaster area. In response to criticism that the aid could go to farmers who did not need it, the conferees agreed to target the aid to farmers who were hardest hit by drought and flooding in 2001 and 2002. Stallman said the disaster package "appears better targeted than earlier proposals, meaning it will get help to those who need it most."

About 90 percent of the counties in the country were declared natural disaster areas in 2002, and more than 40 percent were so designated in both 2001 and 2002.

The disagreement over how to pay for the disaster assistance had been the largest sticking point on the omnibus appropriations bill, which rolled together 11 of 13 spending bills that Congress typically approves each year. The funds are to pay for government operations in the current fiscal year, which is nearly five months completed.

Until the appropriations bill was done, government agencies had to operate with the same budgets they had in fiscal 2002.

More work needed to kill death tax in some states

Like the determined villain in a bad horror movie, the estate tax will take more than a single stab to be killed. In a handful of states, legislation to eliminate the tax must be passed in state legislatures or else the tax will live on, even after it is repealed by a federal law that Congress passed in 2001.

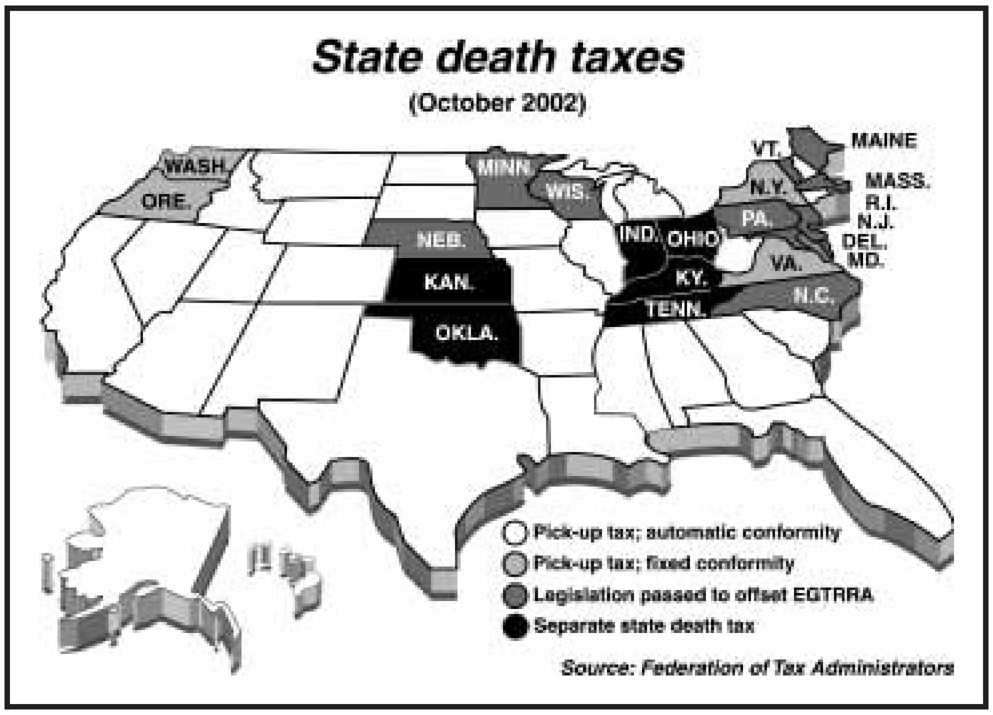
Legislators in other states are passing legislation to decouple from the federal phase-out and preserve their death tax. They bemoan the loss of tax revenue at just the time when state budgets are worsening due to the slow economy. The federal phase-out will cost states more than $4 billion a year in lost revenue, according to the Federation of Tax Administrators.

Nearly two years ago, Congress passed the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), which phases out the federal death tax over 10 years and eliminates it for one year in 2010. The law also reduces the amount of a state death tax credit over four years and eliminates it in 2005.

Ever since federal estate taxes began in 1929, state governments have picked up revenue from the federal estate tax through the state death tax credit, or "pick-up tax." Estates take a dollar-for-dollar credit on their federal tax bill for the amount already paid to the state. The state gets some money, the feds get some money and the estate, at least, isn't out any more money than it would have to pay under the federal death tax, except in the few states that impose a separate, supplemental death tax.

In most states, the pick-up tax is phased out automatically in conformance with the EGTRRA. No state legislation is needed. In five states, however—New York, North Carolina, Oregon, Virginia and Washington—the relevant state tax laws are pegged to federal law as it existed prior to enactment of EGTRRA, and new state laws must be passed to bring the states' estate tax collection in line with current federal law.

As a result, farmers and ranchers and others in those states must lobby their state legislators if they want to benefit from federal elimination of death taxes. Efforts are under way in all five states to fix the problem.



Since the end result of the pick-up tax phase-out and states' different legislative responses will be a patchwork of estate tax rules around the country, some business owners will see fit to relocate to a state where no state estate tax exists to protect their assets from dilution when they die. But the farm can't be moved, and farmers and ranchers will end up holding the bag if their states either remain decoupled or pass legislation to decouple from the federal phase-out.

Virginia Farm Bureau Federation (VFBF) members have succeeded at getting their state Senate and House to pass an identical pair of bills conforming to the federal phase-out. Without the legislation, the state death tax would continue to have a devastating economic impact on Virginia's farmers, according to Martha Moore, VFBF's director of public affairs.

"The majority of a farmer's assets are usually tied up in land, equipment and buildings," Moore said. "Because of this, the death tax causes a significant financial strain when parents die and children are forced to sell their farms piece by piece."

The bills passed Jan. 29, shortly after VFBF held its annual Legislative Day at the state capitol in Richmond. About 130 farmers took part in pressing for the tax relief.

Although Virginia Gov. Mark Warner (D) has indicated that he will veto the bills, according to Moore, the number of yea votes for each bill indicates that a veto would be overridden. If the governor vetoes, the vote to override would take place in April. If the bills become law, the new law would go into effect at the start of 2004, reducing the Virginia estate tax 75 percent that year and fully repealing it in 2005.

Another group of states—Maine, Maryland, Massachusetts, Minnesota, Nebraska, New Jersey, North Carolina, Pennsylvania, Rhode Island, Vermont and Wisconsin—have gone in the opposite direction and passed legislation to offset the federal phase-out of the pick-up tax by imposing a state death tax. Other states that are feeling the budget pinch could follow suit.

"This puts state Farm Bureaus in a tough position," said Pat Wolff, American Farm Bureau Federation tax specialist. "At the same time they are working to eliminate death taxes permanently on the federal level, they have to watch what the other hand is doing on state death taxes."

Permanent elimination of estate taxes is a top policy priority for AFBF.

Whether it's a federal or state tax, Wolff said, death taxes are bad for family farms and efforts to prevent further development of rural lands, because heirs often have to sell the family farm to pay the taxes.

River battles rage on

Even with precipitation from winter storms, one-fifth of the United States remains in a drought and some Plains and Western states are experiencing the worst drought conditions in a century, according to the National Oceanic and Atmospheric Administration.

The U.S. Coast Guard last month continued to close off sections of the Mississippi River due to ongoing drought conditions. Barges ran aground because of the river's low water level, slowing export traffic down the waterway.

The domino effect starts in the West, where continuing drought conditions have led to lower water levels in the Missouri River reservoirs. This results in lower Missouri River flows streaming into the Mississippi River, ultimately hampering navigation down the river all the way to the Gulf of Mexico.

Sen. Kit Bond (R-Mo.) is pushing for legislation that would release water from the upper Missouri River to help barge traffic downstream. Opponents to the language believe releasing water would be detrimental to upstream states that rely on tourism dollars from recreation users.

Bond's plan would allow the U.S. Army Corps of Engineers to make flow-to-target releases on the Missouri River instead of steady releases. The move would use less water since tributary inflows would be used to meet navigation target needs. Additionally, the Corps would have the authority to relocate threatened and endangered bird species that could be harmed by additional releases.

The American Farm Bureau Federation believes the combination of flow-to-target releases and bird relocation would protect threatened species while achieving policy goals.

The battle over how best to manage the Missouri River has raged for many years. The Corps has studied a revision to its Missouri River management plan for 14 years. The Fish and Wildlife Service in 2000 issued an opinion that claimed current activity on the Missouri threatened endangered species by damaging habitat. FWS proposed increasing water flows in the spring and decreasing them in the summer.

AFBF policy states that the Corps should maintain the current water control plan and should not deviate from established standards. That policy reflects concerns about the potential for flooding of agricultural lands and potential harm to navigation on the Missouri and Mississippi rivers if a spring rise is allowed.

FB NEWSWATCH

CSP open for comment

The government's plans for implementing the new Conservation Security Program, authorized in the 2002 farm bill, are available for public comment. Bruce Knight, chief of the Agriculture Department's Natural Resources Conservation Service, announced last week that an advance notice of proposed rulemaking on the new program would be published in the *Federal Register*, and public comments would be accepted for 30 days after that. Because the CSP is a new program, farmers and ranchers have been eager to see details from the department on how it would administer the program. The CSP is a voluntary, incentives-based program that provides financial and technical help for farmers and ranchers to implement conservation practices on private, working lands. It will also help cover the cost of complying with federal environmental regulations.

GRASSROOTS

Food Check-Out Day shows affordability of food

To recognize the efficiency and productivity of America's farmers and ranchers and their contribution to food affordability, the American Farm Bureau Federation and the American Farm Bureau Women's Committee commemorated Food Check-Out Day on Feb. 6.

The event is held each year on the day when Americans, on average, have earned enough to pay for their yearly food supply. In contrast to the 37 days it takes the average American to pay for food, it took Americans more than 115 days to pay their federal, state and local taxes last year.

In addition to highlighting the affordability and abundance of food in the United States, AFBF uses the event to call for policies that increase farmers' profitability. AFBF also makes a sizeable food contribution to the Ronald McDonald House charities during the event. Ronald McDonald Houses provide lodging and meals for children who are being treated for serious illnesses and their families.

This year's event was held in New Orleans, and the food donation went to the Ronald McDonald House there. After the food was delivered on a red Case IH farm tractor, the Women's Committee members, AFBF President Bob Stallman and other volunteers formed a "human chain," symbolizing America's efficient food production system that starts out on the nation's farms and ranches.

Terry Gilbert, Ronald McDonald, AFBF President Bob Stallman and Denise Hymel (left to right), chairperson of the Louisiana Farm Bureau Women's Committee, get the "human food chain" started to deliver food packages from a tractor to the New Orleans Ronald McDonald House.

Groceries were passed along the chain to fill the food pantry of the Ronald McDonald House in New Orleans. Farm Bureau members made similar food donations to Ronald McDonald Houses in other locations around the country to commemorate the day.

"America's farmers and ranchers work incredibly hard to grow the world's safest, most abundant and most affordable food supply," said Terry Gilbert, a Kentucky farmer and farm leader who chairs the AFB Women's Committee. "The quality and affordable food produced by America's farmers and ranchers allows us to have the lowest comparable food bills in the world. That is something we should all be grateful for. Farm Bureau also will continue to work to increase the economic stability of America's farm and ranch families."

Lynn Giuffria (left), executive director of Ronald McDonald House Charities, and Terry Gilbert, chairperson of the American Farm Bureau Women's Committee, review their grocery receipt with Ronald McDonald and Sunny.

According to the latest Agriculture Department statistics, Americans devote only 10 percent of their disposable income to paying for food.

Stallman read a message from President Bush for the event.

"On national Food Check-Out Day, I encourage all Americans to recognize the strength of our agricultural industry," wrote the president. "By working to ensure a safe, abundant and affordable food supply, our farmers, ranchers and others involved in this important industry are contributing to the health and prosperity of our nation and countries around the world."

It would be easy to take for granted the safety and affordability of food in the United States, added Stallman.

"But we need to pause and recognize the contributions that America's food producers give to our society," he said. "While farmers are proud of their contributions, as an organization, we are deeply concerned by the fact that only 19 cents of every dollar we spend for food goes to the American farmers who grow it."

The percentage of disposable personal income spent for food in the United States has declined over the last 30 years. In 1970, Food Check-Out Day would have been 14 days later, on Feb. 20. The decrease in percentage of income spent for food is especially notable since trends indicate Americans are buying more expensive convenience food items for preparation at home, as well as more food away from home.

Ronald takes time to chat with houseguest Gypsy-Rose Blanchard.

U.S. outlines hemisphere-wide trade plan

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would be negotiated from the current applied rates rather than higher World Trade Organization rates under the U.S. plan.

"All products are 'on the table.' That's important," said Mary Kay Thatcher, AFBF public policy director. "But the most important thing is that our administration refused to reduce our domestic supports. We simply cannot do that in the FTAA and hope to have any leverage against Europe or Japan in the WTO negotiations.

"The flip side of that is that Brazil—the strongest advocate against our domestic supports—won't negotiate without our domestic supports on the table. So we are right back to where Farm Bureau has wanted to be all along: push the WTO through first and then complete regional agreements like the FTAA," Thatcher said.

Counter-proposal negotiations are anticipated in the next several months, culminating with a Miami Ministerial meeting in November, which the United States is co-chairing with Brazil.

The FTAA process began in 1994 when President Clinton and 33 other heads of state made a commitment to liberalize trade in the region. Formal negotiations began in 1998 and are to conclude by January 2005.