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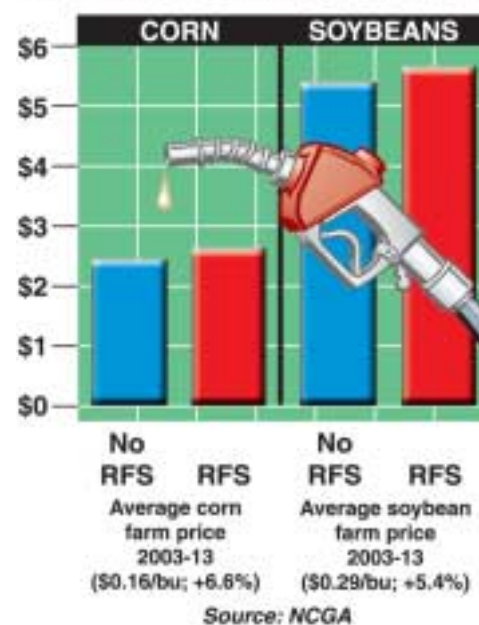
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Congress extends budget deadline

Rather than attempt to complete pending appropriations bills before the fiscal year ended Sept. 30, which would have been nearly impossible, Congress passed a continuing resolution (CR) giving it until Oct. 31 to finish the bills. President Bush signed the CR Sept. 30.

Without a CR, most of the government would have shut down Oct. 1, the first day of the new fiscal year.

Completing the appropriations even by the new deadline will be a struggle, and it is expected Congress will have to roll the remaining bills, including the agriculture appropriations, into one omnibus appropriations measure in order to get them done.

The House has already passed all 13 appropriations bills, but the Senate has passed only seven. The president has signed the \$3.54 billion legislative branch appropriations bill, the \$368 billion defense appropriations bill and the \$29.4 billion homeland security appropriations bill.

In order to complete an omnibus before Oct. 31, senators may feel pressured not to deviate from the House-passed bills, and some of the most divisive issues could be dropped from the bills. One such issue is the easing of restrictions on U.S. citizens traveling to Cuba. The House agriculture appropriations bill and the House transportation, Treasury and independent agencies appropriations bill both contain such provisions. The American Farm

Bureau Federation supports the Cuba travel provisions that would make it easier for U.S. citizens to visit Cuba and facilitate sales of U.S. farm goods.

Other top issues of interest to AFBF in the agriculture appropriations bill include country-of-origin labeling

and funding for conservation programs.

The House agriculture appropriations bill would prohibit the Agriculture Department from spending any of the appropriated funds to implement mandatory country-of-origin labeling of

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Service to FB recognized

John Rademacher (right), American Farm Bureau Federation general counsel, will retire Jan. 30. To honor Rademacher's 30 years of service and dedication, Scottie Butler, Florida Farm Bureau administrative and legal counsel, presented him with an award at the recent AFBF lawyers' conference.

Senate delays action on energy bill

The Senate on Friday adjourned for a weeklong recess without energy bill conferees reaching agreement on energy legislation. Negotiators had hoped to complete their conference report on Oct. 3, but it will now be delayed until at least mid-October.

Energy bill conferees began meeting in early September and have made minimal progress in ironing out their differences. The negotiators have not voted on or closed out any of the bill's titles or sections.

Despite the setback, Troy Bredenkamp, American Farm Bureau Federation energy specialist, said the break is "a good chance for senators to go home and hear from constituents about the need to complete an energy

bill with a strong renewable fuels standard and increased domestic energy production."

The most contentious issues at this time include renewable fuels and electricity, as well as tax incentive provisions. "The conferees aren't going to move forward with the negotiations until they're done with ethanol," Bredenkamp said.

A bipartisan group of 17 senators last week sent a letter to key energy bill conferees urging inclusion of renewable fuels provisions in their conference report. "A much more aggressive RFS schedule in the early years is appropriate and attainable," the letter said.

AFBF continues to urge conferees to

include in their report a more aggressive RFS that calls for the nation's fuel supply to consist of at least 3 billion gallons of renewable fuels by 2005 and 5 billion gallons by 2012. "We want a renewable fuels standard schedule that ratchets up production numbers in the early years so they're aligned more closely with current production levels," Bredenkamp said.

Farm Bureau also wants the Senate Finance Committee's energy tax package to be included in the final energy bill. Additionally, AFBF opposes climate change legislation that affects carbon trading, as well as changes to electricity policy that would compromise the reliability and affordability of electricity in rural America.

VIEWPOINT

New concerns highlight need for farm labor reform

A lot has changed in a little over 50 years. In 1952, U.S. servicemen were fighting in Korea. Dwight Eisenhower was elected, for the first time ever using television ads as part of a presidential campaign. There were no McDonalds. Elvis Presley had not even recorded his first song.

It was also 1952 when the Immigration and Nationality Act was established in part to help U.S. farmers recruit temporary, foreign employees when they could not find workers locally. Today, section H-2a of that law, like a rusty 1952 Buick that has been kept out behind a barn, is outdated, clunky and in need of major repairs.

Today, more farmers are relying on hired workers but fewer legal workers are available. Vermont dairy farmers woke up one recent morning to find the Homeland Security Department had raided their farm and removed their workers. With the increasing focus on homeland security, we can expect more raids. We need a viable and workable H-2a program now more than ever.

A broken system

Since its inception, H-2a has never been significantly reformed to meet changing times. The program, which has fundamental value at its core, is



forcing U.S. farmers to look elsewhere for labor and take their chances with a mostly illegal workforce.

The first major problem is the H-2a program's minimum wage, which is basically an average of all farm wages in a state. Thus, the minimum wage for squash pickers in Jamestown, Ohio, is inflated by the wages of tractor mechanics who might live in Cleveland.

A second flaw is that to use the program, a farmer must prove, and the Labor Department has to agree, there is a labor shortage. DOL fails 40 percent of the time to agree or disagree with applications submitted two months in advance. This year, a tobacco farmer in Connecticut was left stranded on the day of the harvest, missing 80 of the 100 workers needed.

Another deficiency with the system

is once in the program, farmers can almost bet they are going to be sued. Suspicion of this type of targeting is well founded. Recently, North Carolina growers were sued for not paying for their workers' travel during the first work week. In Washington State, a sheep rancher was sued for not paying workers while they were sleeping.

Time for a fix

Farm Bureau has long championed H-2a reform. For years, we were one of the only organizations fighting for an adequate legal workforce. Now, with the interest of a dozen congressional members and strong support within the industry, we are getting somewhere.

Recently, Farm Bureau threw its support behind legislation by Sens. Larry Craig (R-Idaho) and Ted Kennedy (D-

Mass.) and Reps. Chris Cannon (R-Utah) and Howard Berman (D-Calif.) that streamlines H-2a, moves toward a market-based wage and creates a process for farm workers to earn an adjustment of status.

That's a good start. However, we need a market-based wage. The minimum wage for squash pickers in Jamestown, Ohio, should be based on squash pickers in Jamestown, Ohio.

We also need to limit excessive lawsuits, like the ones in North Carolina and Washington. There needs to be more flexibility in housing requirements. Farmers should not have to hire workers that walk on after the job starts, and we need to make sure that all of agriculture can use the program if they so choose.

The good news is there are several other bills in Congress that attempt to reform the program, all of which have components we support. Rep. Henry Bonilla (R-Texas) will soon be introducing legislation that helps iron out more of our concerns.

AFBF will continue working with Congress toward a strong, viable H-2a program, ensuring agriculture's voice is included. There's no sense in driving a rusty, old 1952 jalopy when, with a little work, we could be driving a vehicle engineered for today's highways, using today's technology.

Helping agriculture meet water supply challenges

By Gail Norton

For more than a century, the Department of the Interior has worked side by side with Western farming communities to help build one of the most productive and dynamic agricultural economies in the world.

One of every five Western farmers and one-third of irrigated farmland in

The challenge we face today is developing realistic ways to address the increasing competition for finite water supplies.

the region—about 10 million acres—depend on water from projects built and managed by Interior's Bureau of Reclamation. The food and fiber produced by these farms is critically important to our nation's economic security as well as to the health and vitality of Western communities.

The challenge we face today is developing realistic ways to address the increasing competition for finite water supplies. Over the past 25 years, the West's population has grown by more than a third. In fast-growing areas of the Southwest and Mountain West, existing water supplies are, or will soon be, inadequate to meet the demand for water for farms, burgeoning cities and towns, Native American tribes and the environment.

Major droughts intensify these problems. Farming communities in the Klamath and Rio Grande River Basins have already been hard hit by this new Western reality.

Interior's "Water 2025" proposal, which received an overwhelmingly positive response at nine Western conferences this summer, offers a

framework that can help communities use proven tools and innovative approaches to prevent chronic shortages from escalating into crises and conflicts. More than 3,000 participants, including state, tribal, agricultural, environmental and water officials, joined in the discussions.

The desire of some communities for more storage facilities, a major topic at several of the conferences, is understandable. However, no single entity, including the federal government, can solve the West's water supply problems; nor is there a "one-size-fits-all" solution. Our goal with Water 2025 is to keep a sustained focus on future water needs—even after the drought ends.

More efficient uses of current supplies, water marketing and alternative sources of water must be considered before new storage projects can become viable options. And with the current federal budget constraints and environmental requirements, it is unlikely the federal government will be single-handedly funding and building major dams and reservoirs any time soon.

Water 2025 supports solutions we can use today—projects, for example, that conserve water by modernizing water storage and delivery systems. In some instances, delivery canals can lose up to 50 percent of their irrigation water either through seepages or through old, inefficient control structures. Lining or piping canals and modernizing and upgrading control systems can create significant savings in many areas.

Removing noxious and invasive plants, such as hydrilla and salt cedar (also known as tamarisk) that are clogging channels and sucking water from rivers and canals can help save significant amounts of irrigation water. In the aggregate, thousands of these projects across the West can save hundreds of thousands of acre-feet of water each year.

Water banks and markets also can provide efficient, pragmatic solutions to shortages by allowing the orderly and timely transfer of critically needed supplies among users, including endangered fish and wildlife. Water 2025 encourages voluntary transfers between willing sellers and buyers, including agreements allowing farmers to rent or lease some of their water to cities and towns in times of drought,

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Farm Bureau
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Joseph S. Fields,

Public Relations Director

Don Lipton, Deputy Director

Lynne Finnerty, Editor

Jaime Naig, Assistant Editor

Phyllis Brown, Assistant Editor

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Hot, dry summer makes its mark on Midwest grain crops

Favorable weather conditions in the spring weren't enough to sustain crops through a dry summer in areas throughout the Midwest, where several states are experiencing crop loss and lower yields than previously estimated.

Drought-related crop losses in July and August were estimated at \$750 million in Iowa, \$1.1 billion in Minnesota and \$1 billion in Wisconsin, prompting governors from each of the states to request disaster declarations from the Agriculture Department. Disaster declarations allow producers who meet certain requirements to be eligible for low-interest emergency loans and other types of assistance from USDA's Farm Service Agency.

"Producers throughout the state continue to experience crop production and grain quality losses due to the drought and related impacts," wrote Iowa Gov. Tom Vilsack in a letter to Agriculture Secretary Ann Veneman. "Liquidation of family farms is inevitable if economic hardships continue into the spring of 2004."

The dry summer disrupted what was expected to be a bumper crop for farmers throughout several regions in the Midwest. At one time, the corn harvest had been estimated to be the largest ever, and the soybean crop was projected to increase 2 percent over last year's harvest.

Rain finally fell last month in some areas, but it proved to be too little, too late. "It should be noted that although the heavy rains proved beneficial for the areas on which they fell, significantly boosting soil moisture content, the wetness came too late in



PHOTO BY ILLINOIS FARM BUREAU

Illinois Farm Bureau crop watcher Ron Haase snapped this picture of cracks between his rows of soybeans in late August.

the summer to markedly benefit summer crops, pastures and rangelands," said Drought Monitor author Rich Tinker of the National Oceanic and Atmo-

spheric Administration's Climate Prediction Center.

"Between 30 percent and 53 percent of both the corn and soybean crops in Iowa, Kansas, Missouri, Nebraska and Wisconsin were in poor or very poor condition, as were 48 percent to 85 percent of pastures and rangelands."

USDA in August estimated Iowa's soybean crop yield would be 46 bushels an acre, but the estimate now has been lowered to 39 bushels. Corn yields were projected to reach 158 bushels an acre, which has been reduced to 154 bushels.

According to Iowa State University Extension climatologist Elwynn Taylor, Iowa likely will be stuck in a dry cycle for the next few years if long-term trends continue. The state's annual rainfall has increased by 10 percent in the past 30 years, he said, to its current yearly average of 33.5 inches. "It's about time to start going back into a drier part of that cycle," Taylor said. "History tells us every 19 years there's a bad drought, and there's usually a slight one in between."

Congress in February allocated \$3.1 billion in disaster assistance for farmers and ranchers who experienced losses in 2001 and 2002 due to drought and flooding. Sen. Mark Dayton (D-Minn.) earlier this month introduced disaster assistance legislation that would provide financial assistance to producers who have experienced losses this year due to drought. The bill would provide direct assistance, on a graduated scale, to drought-affected farmers, as well as lower the threshold of loss required for farmers to qualify for assistance from 35 percent to 20 percent.

Hurricane reaps millions in crop damage

Estimates of crop damage caused by Hurricane Isabel continue to climb, with numbers now totaling as much as \$400 million in losses.

Terry Francl, American Farm Bureau senior economist, estimates crop and livestock damage in the four-state area in the hurricane's path—North Carolina, Virginia, Maryland and Pennsylvania—to be approximately \$400 million.

"The largest single commodity affected was cotton, with damage

approaching \$100 million," Francl said. Damage was reported on nearly 75 percent of North Carolina's cotton acreage, or approximately 600,000 acres. "But all the major crops had some damage, as did the vegetable industry," he added. Northampton County in Virginia reported the loss of 50 percent of its tomato crop, worth \$6 million. The state also lost 25,000 apple trees and an estimated 500,000 bushels of apples.

Aquaculture operations also experienced several million dollars in losses, Francl said.

Damage was greatest in North Carolina and Virginia, totaling over \$300 million, and the least in Pennsylvania. Only North Carolina has an official state estimate of damage, which currently stands at \$168 million. Eight of the state's top 10 counties in cotton and peanut production were in the hurricane's path.

U.S.-Russia agree on market access

The United States and Russia last week reached an agreement that the Office of the U.S. Trade Representative (USTR) said "ensures American poultry, pork and beef exports to Russia at historical levels and adds room to grow."

The agreement establishes tariff rates and amounts of product allowed to enter Russia at lower tariff levels (tariff-rate quotas [(TRQ)). Quantities of product above the quota will face higher tariffs, but Russia will also reduce the higher tariffs over time.

The administration had not released quota details or specific tariff rates as of press time.

The agreement also includes a consultative process to evaluate progress on implementing the TRQ and address the U.S. concern that Russia's mini-

mum import prices for certain products are higher than fair market prices, making U.S. exports more expensive than domestic meat products in the Russian market.

American Farm Bureau Federation President Bob Stallman commended USTR for reaching the agreement and said it resolves many of AFBF's concerns about Russia's trading practices.

"We are optimistic the agreement will increase economic relations between the United States and Russia, while benefiting the U.S. agricultural industry through increased trade to Russia," Stallman said.

The United States had been trying to resolve meat trade problems with Russia ever since Russia banned imports of U.S. poultry in March 2002 and significantly increased tariffs on imports of

U.S. beef, pork and poultry last December. The poultry ban was largely resolved last year, but the high tariffs remained in place.

Before the poultry ban was imposed, annual U.S. poultry exports to Russia were valued at more than \$600 million. One industry group estimated that the value of increased poultry exports as a result of the new agreement will be \$500 million per year.

Russia is the top market for U.S. poultry exports, and the fifth and seventh markets for U.S. pork and beef, respectively.

The agreement is also expected to help pave the way for Russia to gain permanent normal trade relations (PNTR) with the United States and become a member of the World Trade Organization.

Appropriations

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meat and poultry products. The bill passed by the Senate Appropriations Committee contains no such restriction. The difference will probably have to be worked out in conference. Farm Bureau supports country-of-origin labeling and opposes the House provision.

The House bill would also eliminate funding for the new Conservation Security Program created in the farm bill to encourage farmers to adopt more conservation practices voluntarily. It would also cut \$25 million in funding for the popular Environmental Quality Incentives Program. The Senate bill does not cut funding for the conservation programs. Farm Bureau opposes the funding cuts, as well as any other language that could change the 2002 farm bill.

Congress is now considering a \$87 billion supplemental appropriations bill to fund military operations and reconstruction in Iraq and Afghanistan. Debate on the supplemental, a top priority for the Bush administration and many members of Congress, is expected to delay progress on routine appropriations bills.

The Senate is in recess until Oct. 14, when it will resume work on appropriations bills.

Tax Reform

FairTax supporters aim to eliminate federal tax code

An effort is under way to simplify the increasingly complex federal tax code. It's called the FairTax, and it would get rid of the entire federal income tax system, taking with it the reams of paperwork and hours of number crunching that goes along with tax preparation.

The FairTax, supported by the American Farm Bureau Federation, is a national retail sales tax based on personal consumption that would replace the federal tax system. It would repeal all individual and corporate income taxes, as well as payroll, self-employment, estate, capital gains and gift taxes. It would replace these taxes by levying a single-rate sales tax on the final sale of new goods and services for personal use. The FairTax would also do away with the Internal Revenue Service.

"The current tax system forces farmers and ranchers to consider the tax consequences of each input purchase, commodity sale, capital asset purchase or capital asset sale. Tax planning has become a part of everyday decision-making," said AFBF President Bob Stallman. "Farmers and ranchers should be making business

"[The FairTax] would have a positive impact on day-to-day farm and ranch management and the transfer of farms and ranches from one generation to the next." • Bob Stallman

decisions based on economics, not tax consequences."

AFBF policy supports replacing the current federal income tax system with a system that does not penalize success and encourages savings, investment and entrepreneurship. AFBF wants a transparent and simple system that requires minimal personal information.

"After a lifetime of hard work and paying taxes, farmers and ranchers face double taxation through capital gains taxes at retirement and estate taxes at death," Stallman said. "These taxes often discourage retirees from reallocating assets to a more appropriate mix for their retirement years, and younger producers lose the opportunity to purchase the assets they need to start or expand farm and ranch businesses.

"[The FairTax] would have a positive

impact on day-to-day farm and ranch management and the transfer of farms and ranches from one generation to the next."

Data show that Americans spend approximately \$250 billion each year to comply with the federal tax code, FairTax proponents report, which breaks down to nearly \$3,000 per family or \$850 per person.

Reps. John Linder (R-Ga.) and Collin Peterson (D-Minn.) reintroduced FairTax legislation (H.R. 25) in January, and the bill currently has 38 cosponsors. They introduced the tax reform bill in both the 106th and 107th Congresses. Sens. Saxby Chambliss (R-Ga.) and Zell Miller (R-Ga.) introduced companion legislation (S. 1493) in late July.

The FairTax Act of 2003 would levy a

23 percent tax on the final sale of goods and services in place of all current federal taxes. Exports and business inputs would not be taxed, and business-to-business transactions and used product sales would be exempt.

The FairTax also provides sales tax rebates on all spending up to the poverty level. The rebate would be paid in advance and revised in accordance with the poverty guidelines administered by the Department of Health and Human Services. This provision would ensure that families do not pay taxes on essential goods and services, and middle-income families would for the most part be exempt from tax on most of their annual spending.

Additionally, Social Security and Medicare benefits would remain intact with the FairTax, as the respective trust funds would collect the same amount of money as they do now. Trust fund revenue would come from sales tax revenue rather than payroll tax revenue.

H.R. 25 has been referred to the House Committee on Ways and Means, and S. 1493 has been referred to the Senate Finance Committee.

Farmers and ranchers would benefit from FairTax

By Pat Wolff

Death taxes—getting rid of them forever is at the top of Farm Bureau's list of tax goals. Capital gains taxes—the rates are down, but not low enough for Farm Bureau, which opposes any tax on capital gains. Self-employment taxes—many farmers pay more to this hefty tax than they do in income tax. Alternative Minimum Tax (AMT)—an idea that makes little sense to the farmers and ranchers who have to pay it.

If there are so many things wrong with our current income tax system, why not just start over?

That's exactly what the delegates

who set American Farm Bureau Federation policy have concluded. "We support replacing the current federal income tax system," states AFBF policy.

But, replace it with what? A tax system designed to encourage private initiative, economic growth, equity and simplicity, says Farm Bureau—a way of raising revenue that is fair to agriculture and doesn't result in an overall tax increase. A tax that doesn't start until death taxes, capital gains taxes, self-employment taxes and the AMT are gone. And, once gone, the income tax must never be allowed to come back.

But how do we do that? Create a

flat-rate income tax with no exemptions and a tax return that fits on a postcard? A value-added tax imposed on goods as they are produced and embedded in the price of a product? A consumption tax that's collected at the point of sale of goods and services?

Only the FairTax, a national retail sales tax proposal, makes the grade according to Farm Bureau policy. The FairTax legislation would repeal the 16th Amendment, the part of the U.S. Constitution that allows the federal government to collect an income tax. The FairTax would get rid of all the taxes that Farm Bureau has long sought to repeal.

About 23 cents of each dollar would go for taxes, a level believed to be revenue neutral, meaning it would not increase or decrease the amount of money the federal government collects. And it would be simple. A tax can't get much simpler than one that's only collected when a purchase is made.

Double taxation would be no more under the FairTax. Today, most of us pay taxes on our income when we earn it, and when we spend it. Under the FairTax, only the purchase of new goods and services for end use would be taxed. Supplies used by farmers and ranchers to produce a crop or grow an animal are not for end use and would not be taxed when

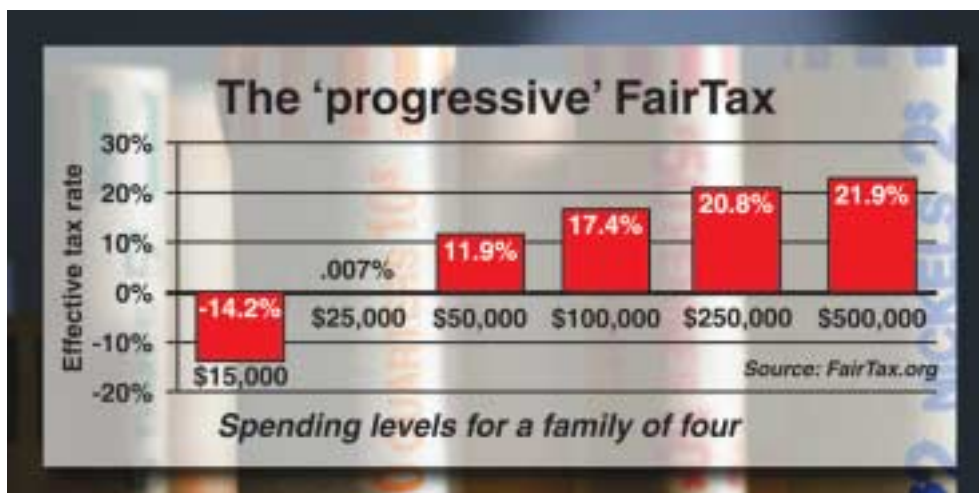
purchased. Fair to agriculture? Yes, indeed.

Like no other taxing system, each person would get to decide how much tax he or she pays and when to pay it. Spend and pay, or save and don't pay. Money invested or reinvested in businesses, like farming, wouldn't be taxed. That is sure to encourage private initiative and economic growth.

But, who is going to make that happen? Reps. John Linder (R-Ga.) and Collin Peterson (D-Minn.) and Sens. Saxby Chambliss (R-Ga.) and Zell Miller (D-Ga.) have introduced legislation (H.R. 25 and S. 1493) to replace the current tax code with the FairTax. Several other members of Congress have thrown their support behind the proposal.

Rather than continuing to tweak and further complicate our current tax code, and increasing the time and money required for tax planning and preparation, it's time to replace it with something better. The federal government needs tax revenue to fund government programs, but that revenue should be collected in the fairest, simplest and least expensive manner. The FairTax fills the bill.

Pat Wolff is a senior director of congressional relations for the American Farm Bureau Federation.



Tax Reform

Congressman discusses FairTax details, outlook

Rep. John Linder (R-Ga.) is leading the effort in the House to create a FairTax to replace U.S. income taxes, capital gains taxes, estate taxes, self-employment taxes and more. Farm Bureau News recently spoke with Linder to find out more about how the FairTax would work and what needs to happen to take the proposal from concept to reality. The following are excerpts from that conversation.

Q *In a nutshell, what is the FairTax and why are you supporting it?*

A The FairTax would abolish all taxes on income, including the corporate income tax, the personal income tax and the payroll tax, which is the largest tax that three-fourths of Americans pay. It would get rid of capital gains taxes, the gift tax, the death tax. It would replace all of these with a single, one-time national sales tax.

We've spent \$22 million in the last seven or eight years on research, and the most compelling piece of information is that 22 percent of what you're currently paying for retail is the embedded cost of the current tax system. You're paying the taxes of every company that's had anything to do with a tractor—from rubber manufacturers to tire manufacturers to steel builders. You're paying their income taxes, their payroll taxes and their tax compliance costs. So we say if you can abolish income taxes and all business taxes and get that cost driven out of the system, and replace it with a 23 percent embedded cost, your cost of living goes up 1 percent but you can keep your whole paycheck. You become a voluntary taxpayer.

To help low-wage taxpayers, the FairTax would un-tax living essentials by giving every household a check at the beginning of each month that would totally rebate the tax consequences of spending up to the poverty line. For a household of one, it would be \$9,000 a year. For a household of four, it would be \$24,500 a year. And for a household of six, it would be \$30,000 a year. Those taxpayers would get a check sufficient to totally rebate the tax consequences of spending that amount of money.

Again, the FairTax would make everyone voluntary taxpayers. You would pay taxes when you choose and as much or as little as you choose, depending on how much you choose to spend.

The FairTax would also fix Social

Security. The way things are going now, we will have an \$8 trillion shortfall in 75 years in the Social Security account.

Q *How would, say, the purchase of a tractor be taxed?*

A There would be no tax on a tractor. That's a business input. All business inputs would be exempt from the tax, so buying a tractor or seed or even land for farming would not be taxed. Only personal consumer items would be taxed.

If you buy a piece of land to develop, it would not be taxed because it's a business input. However, if you buy a piece of land to put your house on, that's consumption and it would be taxed.

Q *How long has this proposal been around?*

A It was first introduced as legisla-



tion in 1999. But research on it started in about 1995.

Q *How did you become a supporter of the FairTax?*

A I've always been a fan of this. [Former Rep.] Bill Archer (R-Texas) and I talked about it everyday practically when he was a member of Congress. He said there was a group of people in Houston who were working hard to raise money to do the research needed to show that it would work, and he put me in touch with them. Bill was getting ready to retire, so he asked me to become the sponsor.

Q *You have introduced legislation, and there is a Senate bill. What needs to happen to get that legislation moving?*

A We need to educate. We now have 515,000 members of Americans for Fair Taxation. I'm looking forward to getting 5 million families to join that. This is truly a grassroots effort. [Rep.] Ric Keller (R-Fla.) called the other day and asked us to put his

name on the bill because he had been contacted by the people in his district. I have not asked anybody to sign onto the bill, and we now have 39 or 40 cosponsors. I met with Sen. Rick Santorum (R-Pa.) this morning and am getting some keen interest from him and other senators about raising the level of awareness of it.

We also need to get this into the presidential campaign discussion, because that would elevate it tremendously.



Q *It's been said the proposal would eliminate the Internal Revenue Service. Who would then administer the FairTax? Doesn't someone still*

need to collect the money?

A There would be an agency in the Treasury Department that would contract with the states and the states would collect the tax from retailers. They would be paid a fee to do that. The retailer or whoever is collecting the tax from the individual would also be paid to do that.

Q *Most people heard a great deal about the flat tax a few years ago. How does the FairTax proposal differ from the flat tax proposal?*

A The difference is the flat tax is still a tax on income. The FairTax would be a tax on consumption. Under our system, the government won't know how much money you make, how you make it or how you spend it.

Q *How do you know that the FairTax can raise sufficient revenue to run the federal government and all of its programs?*

A The income economy is much more volatile than the consumption economy. It has been that way as long as we've been measuring it. Tax revenues are down today 20 to 25 percent. Under the FairTax, the government's revenues would have increased in nine of the last 10 quarters and we wouldn't be looking at these deficits, because the economy has actually grown in nine of the last 10 quarters. In a study done in 1995, the proposed national retail sales tax of 23 cents was revenue neutral. It would probably be revenue neutral at even less than 23 cents now because tax revenues are currently down.

Q *Farm Bureau supports the FairTax. Who else is for and against this proposal?*

A Retailers are cool to it because they don't necessarily want to be tax collectors. But certified public accountants universally support it. They know the current system is broken. They have said, 'We would make more by sitting down and plotting the future for our clients than by recording the past.' There isn't any organized opposition to this proposal.

Q *How long do you think it will take to get the FairTax proposal moving toward reality?*

A Our biggest problem is inertia because of the fact that this is such a big idea. Some people think it will never happen. People will talk to me when I'm on the stump campaigning about it and ask, 'Why hasn't this passed already?' Again, I think if we could get it into the presidential campaign discussions it would get more people talking about it and supporting it.

Q *As you know, Farm Bureau members are very politically active. What could Farm Bureau members do if they want to help advance this proposal?*

A I would like them to learn about it. I want them to visit the Web site (www.fairtax.org) and educate themselves so they can educate their members of Congress.



MAKE IT JUST ANOTHER DAY

Americans For Fair Taxation

CAPITAL UPDATE

Hearing focuses on ways to improve crop insurance

The federal crop insurance program has improved over the past few years, but further reform is needed, according to participants in a recent hearing on enhancing crop insurance to better manage risk for producers.

"Producers have faced a variety of regional disasters in recent years, including persistent drought conditions in some areas of the country, flooding, hail and, most recently, damage from Hurricane Isabel," said Rep. Jerry Moran (R-Kan.), chairman of the Agri-

culture Subcommittee on General Farm Commodities and Risk Management, in his opening statement. "Crop insurance is critical to withstanding these challenges."

Some committee members were quick to point out how a successful crop insurance program would reduce the need for ad-hoc disaster assistance, and therefore decrease additional federal spending as the government's fiscal situation "continues to deteriorate."

"We need to keep in mind that [the Agriculture Committee] will be asked to contribute to deficit reduction," said Rep. Charles Stenholm (D-Texas). "We need to do a better job with the resources we have."

Rep. Collin Peterson (D-Minn.), the subcommittee's ranking member, called ad-hoc disaster assistance "a hurdle we still need to get over," despite the fact the crop insurance program has improved.

The federal crop insurance program was reformed under the Agricultural Risk Protection Act of 2000 (ARPA). According to the Agriculture Department, participation in the crop insurance program has increased since it

was reworked in 2000. Almost 80 percent of eligible acreage currently is covered, compared to 69 percent in 1998. More than 50 percent of the insured acreage is insured at 70 percent or higher coverage level, compared to 9 percent in 1998.

The Sept. 24 hearing focused on insurance for program crops, including corn, cotton, grain sorghum, soybeans, wheat and other crops covered by commodity program provisions under the farm bill.

John Thaemert, representing the National Association of Wheat Growers, told the committee that the need for crop insurance reform was made evident by the need for disaster legislation last year. Thaemert listed the association's goals for crop insurance reform, including reducing the cost of higher levels of coverage. "The availability of higher coverage is of little use if a farmer cannot afford the premium," he said.

Consecutive years of loss due to weather is the biggest problem with crop insurance, said Bob Metz, speaking on behalf of the American Soybean Association. "The low or zero yields

resulting from multiple years of loss cause a farmer's [actual production history] to drop so far that he is unable to buy adequate insurance when he needs it most." Metz suggested the crop insurance program allow farmers to use a 10-year average to measure actual production history that allows producers to eliminate their one best and one worst year.

The American Farm Bureau Federation shares many of the same concerns presented at the hearing, but would like to see more efficient use of the resources already committed to the program.

"Our overall concern is that \$8 billion was spent not long ago to reform the program, and the current budget situation makes it even more important to use available resources more effectively," said Mary Kay Thatcher, AFBF public policy director. "We need to find ways to shift money within the crop insurance program and make sure producers know about the program's benefits."

The committee held a hearing on Oct. 2 that addressed insurance for specialty crops.

FB NEWSWATCH

Mexico's barriers targeted

The Senate Finance Committee held a hearing Sept. 23 on Mexico's barriers to U.S. exports of high fructose corn syrup, corn, pork and beef. Sen. Charles Grassley (R-Iowa), chairman of the committee, called Mexico's trade barriers short-sighted, ill-advised and reckless. Mexico imposed a tax on U.S. high fructose corn syrup to increase demand for domestic sweeteners. And Mexico has imposed antidumping actions, sanitary inspections at the border and other barriers that restrict U.S. exports of beef, pork, rice, apples and dry beans. Grassley said that if the barriers are not lifted soon, he might introduce legislation to authorize retaliatory tariffs on imports of Mexican agricultural products.

Kentucky FB launches TV show

The Kentucky Farm Bureau is the sponsor and distributor of a new TV program on WBKI-TV in Louisville spotlighting Kentucky landmarks, attractions and people. The weekly, 30-minute program began airing Sept. 27 in about one-third of Kentucky's 120 counties. It had been in development for about a year and is designed to bring to commercial TV a type of Kentucky-based, family-oriented programming that KFB believed was lacking. David Beck, KFB president, said the organization's sponsorship of the program fits well with Farm Bureau's broad base of membership in the state's rural and urban areas. KFB is seeking additional stations and cable outlets to air the program.

Helping agriculture meet water supply challenges

continued from page 2

and still retain their ability to farm.

Because they recognize valid, existing rights, voluntary transfers help avoid or reduce the uncertainty, heartache and conflict that can result when water uses are changed through litigation, regulatory mandates or other involuntary means. People can best negotiate win-win solutions if they feel secure that their ownership of water is recognized for the long term. If farmers, tribes or other users feel their water rights are endangered, necessary consensus may be unobtainable.

Alternative sources of water offer other possibilities. Many traditionally water-short areas in the West could benefit from the cost-effective treatment of brackish groundwater, for example. Interior can spur research to reduce the high costs of desalination. (An acre-foot—325,850 gallons—of desalinated water now costs about \$650.) Experts suggest the cost of desalination can be halved in 20 years, making this alternative source much more competitive.

Water 2025 seeks to build on and expand local initiatives. Interior can help with technical expertise, support services and seed money. The budget President Bush submitted to Congress in February 2003 calls for an initial investment of \$11 million.

Collaboration is the key. In the final analysis, long-lasting solutions to chronic water shortages will come from the local level—from the people

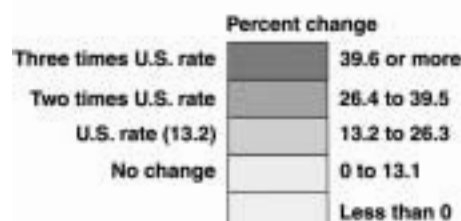
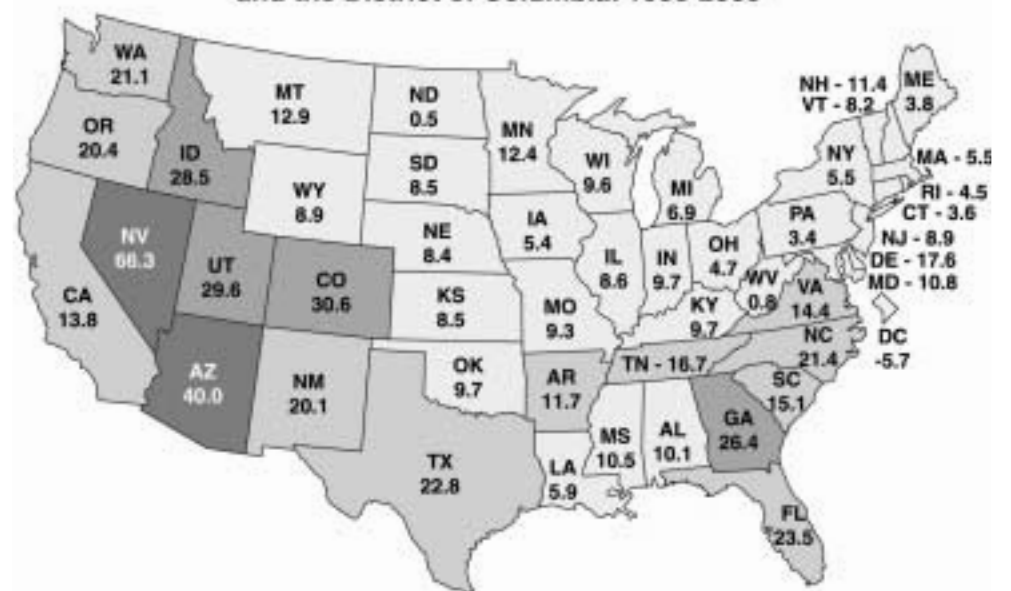
whose lives are most affected—not from the federal government. The difficult work of preventing conflict must be addressed by local communities, including farmers, in long-range collaborative efforts that focus today's

federal, state and local resources on improving water management and conservation, water marketing and alternative water supplies.

Gail Norton is secretary of the Interior.

Demographic changes: Population has grown fastest in the West, particularly in the 'public land states'

Percent change in resident population for the 48 states and the District of Columbia: 1990-2000



* Darker areas denote faster growth rates.
 * Nevada (66%) and Arizona (40%) lead the nation.
 * Intermountain states average about 30%.
 Source: U.S. Census Bureau

Pennsylvania FB launches mobile ag education lab

What's green, 32 feet long and utterly enjoyed by kids? It's Pennsylvania Farm Bureau's (PFB) "mobile ag education lab."

PFB put the lab on the road in August with the goal of teaching more schoolchildren where their food comes from.

"Even in our more rural counties, there are more students who are not from a farm than those who are," said Marlin Miller of PFB. "We think there's a tremendous need to reach not only kids, but also adults. This will help the teachers, who may not know that much about agriculture, to teach agriculture-related topics. And the students will tell their parents about it. So we expect it to reach a lot of people, either directly or indirectly."

The lab is fully equipped with the materials needed to perform science experiments that teach lessons about farming, food, fiber and the environment. Once stationed at a school, students enter the lab to germinate seeds under different conditions, create crayons from soy, test the water capacity of different soils and conduct other tests. PFB's Friends of Agriculture Foundation has hired a full-time teacher to travel with the lab and lead the experiments.

The school districts in four counties

raised funds for the foundation to purchase the lab. They are still raising money to finance the operation of the lab. Farmers, local agribusiness companies and others have donated to the effort.

Pennsylvania Gov. Ed Rendell christened the lab at Ag Progress Days, Aug. 20, in Rock Springs, Pa. He was joined by Dennis Wolff, Pennsylvania agriculture secretary, and Guy Donaldson, PFB president, at the christening ceremony.

"With fewer and fewer children having a tie to agriculture, we saw a need to help teachers educate more students about the importance of agriculture," Donaldson said.

The lab has already visited several schools, and its schedule is filled through March. Miller said it has been very well received by students, teachers and parents.

"When people pull up to the school and get out of their cars, you can hear them shouting, 'There's the mobile ag lab,'" said Miller. "They seem pretty excited about it."

Any teacher will tell you that's half the battle—getting kids interested and excited so they can learn.

"Most kids probably don't realize how large a role agriculture plays in their everyday lives. The lab helps



Pennsylvania Farm Bureau's new mobile agricultural science and education lab is a popular visitor at schools. Students use the lab to conduct experiments that teach them about farming, food, fiber and the environment.

them see how relevant it is to them," Miller said.

PFB plans to work with school districts across the state to put more labs on the road. Miller said the goal is to have one lab operating in each of the eight Farm Bureau regions in the state.

PFB estimates that one mobile lab could educate up to 900 students and involve up to 30 teachers per week.

The mobile agricultural education lab concept got started in Maryland, and mobile labs are already operating in five other states, according to PFB.

Mountain plover will not be listed as threatened

The Fish and Wildlife Service (FWS) on Sept. 9 withdrew its proposal to list the mountain plover, a bird, as a threatened species under the Endangered Species Act. Farm Bureau applauded the decision.

"This ruling is extremely important to agriculture producers," said Alan Foutz, Colorado Farm Bureau (CFB) president. "It is a major victory showing the importance of voluntary, incentive-based programs in the long-term conservation of a species."

After working with private landowners and state agencies to develop more data about the plover's status, FWS determined that the data did not indicate the species was in danger of be-

coming endangered for the foreseeable future.

The mountain plover was initially petitioned for listing in February 1999. CFB opposed the listing because studies into the bird's habitat were unfinished. CFB believed the listing would be detrimental to farmers. More than 75 percent of plover habitat is on private land. Listing the species as endangered would have limited or prevented agricultural activity on that land.

For the last several years, CFB has cooperated with FWS, the Colorado Wildlife Department and the Rocky Mountain Bird Observatory to conduct a three-year study of mountain plover populations on cultivated lands. Most prior studies, showing a decline in the population, had only been done on public lands. CFB members participated in the study by providing access to 300,000 acres of private lands in eastern Colorado. Results of this research identified the importance of crop fields and cultivated fields for nesting mountain plover.

Earlier this year, CFB contributed \$3,000 to a project to heighten aware-



ness of how their activities could affect mountain plovers. The outreach effort included developing a video and creating a toll-free hotline for farmers to give 72-hour notice of their cultivation plans. A mountain plover

recovery team surveyed fields and flagged any plover nests found before farmers tilled or planted.

Upon announcing the decision not to list the bird as threatened, FWS acknowledged the cooperation between CFB and state and local government agencies to improve the status of the mountain plover.

"Thanks in great part to the cooperation of private landowners, in the past several years we have learned a great deal regarding mountain plovers using croplands as alternate nesting locations," said Ralph Morganweck, director of the FWS Mountain-Prairie region.

Because of those and other efforts, wildlife managers now know that the bird's population has not declined significantly in the last decade, and that black-tailed prairie dog habitat, which provides habitat for nesting plo-

vers, is more abundant than previously believed.

"Voluntary, proactive programs have proven successful for the development of research for the long-term conservation of the mountain plover and other wildlife species," said Foutz. "Voluntary actions are much more effective than regulatory programs as an incentive for agricultural producers to participate in further conservation efforts. Federal regulations should not limit a producer's ability to operate on private property."

CFB is continuing to promote efforts to conserve habitat for other species. Some of the species on CFB's "watch list" include prairie dogs (black-tailed, Gunnison and white-tailed) and Gunnison sage grouse.

Historically, the mountain plover was found on grasslands used by bison, elk and pronghorn, as well as burrowing animals such as prairie dogs, kangaroo rats and badgers. Grazing, wallowing and burrowing activities created the type of habitat that mountain plovers prefer.

Currently, mountain plovers commonly show a preference for prairie dog towns and sites that are heavily grazed by domestic livestock. They also can be found on sod farms, cultivated fields and other types of agricultural lands.

FB NEWSMAKERS

Dana Ardary has been named **director of marketing** for the **Iowa Farm Bureau Federation**. Ardary will develop and direct integrated marketing strategies, brand and positioning strategies and member retention and acquisition. Most recently, Ardary served as a marketing consultant primarily for technology, government and law firm clients.

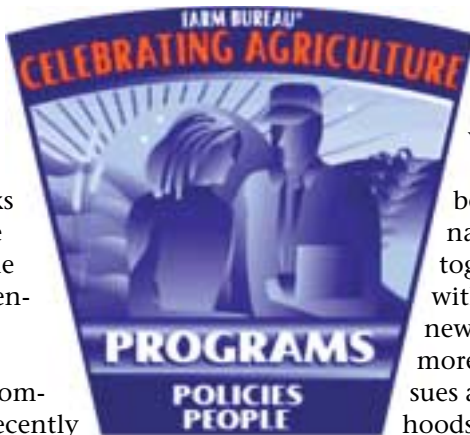
GRASSROOTS

Retired general to speak at Farm Bureau annual meeting

Farm Bureau members will hear a speaker who until recently led a coalition of more than 60 nations to victory in the wars against Iraq and Afghanistan, when they travel to America's only island state for the American Farm Bureau Federation's 85th annual convention, Jan. 11-14, 2004, in Honolulu, Hawaii.

Gen. Tommy Franks (USA-Ret.) will be the keynote speaker at the Monday afternoon general session.

As Commander in Chief, U.S. Central Command, Franks most recently guided 250,000 troops worldwide in precise execution of military operations in Iraq. He served during some of the most difficult times in U.S. history, including the attack on the USS Cole, the Sept. 11 attacks on our country, the fight against the Taliban and al-Qaida in Afghanistan and the war in Iraq.



Franks began serving his country in 1967 during the Vietnam War and worked his way up the ranks over the course of more than 30 years.

In addition to Franks, the annual convention offers "a full schedule that offers something for everyone," said Rolland Hayenga, AFBF's annual convention coordinator.

"Farm Bureau members from across the nation will be coming together to meet up with old friends, make new friends and learn more about the current issues affecting their livelihoods," Hayenga said.

"Members will also have the opportunity to learn about Hawaiian agriculture and enjoy some leisure activities during their stay in Honolulu."

Among the many highlights of this year's tentative agenda are the annual Young Farmer and Rancher contests, scheduled for Sunday, Jan. 11, and



Gen. Tommy Franks (USA-Ret.) will be the keynote speaker at the AFBF annual convention.

Monday, Jan. 12. Some of the nation's top young farmers will participate in the YF&R Discussion Meet and the final rounds of the YF&R Achievement Awards.

Sunday's events will be highlighted

by the afternoon's address to members by AFBF President Bob Stallman, a Texas rice and cattle producer. The annual parade of flags will begin at that afternoon session, which will also feature the President's Award and Foundation awards.

Another important feature on Sunday is the annual Farm Bureau Women's business session. Other Sunday activities include the morning devotions service and the opening of the Showcase exhibits. The Showcase trade-show exhibit runs through Monday afternoon and includes the popular Farmer Idea Exchange and County Idea Exchange.

Timely seminars will be held on both Sunday and Monday mornings. The seminars will include presentations on future technologies that will affect agriculture. General informational sessions on Farm Bureau priority issues, commodity outlooks and special presentations on personal development also will be included.

The convention concludes with the annual meeting of state Farm Bureau delegates discussing and voting on the policies that will guide AFBF in 2004.

Florida water litigation headed to Supreme Court

The Supreme Court has agreed to hear a case, South Florida Water Management District (SFWMD) v. Miccosukee Tribe of Indians, that could have ramifications for farmers and ranchers nationwide.

The water district pumps water from one basin to another both to control flooding and protect the local water supply from inflows of salt water. At issue is whether simply relocating the water from one part of the water body to another requires a permit from the government.

Lower courts have held that the permit is required under the Clean Water Act. But the water district and Farm Bureau disagree with the earlier rulings, saying that the law was intended to regulate only the addition of pollutants to U.S. waters, not water transfers or diversions.

Farm Bureau fears that the lower court rulings could increase regulation of farming activities.

"This could have a tremendous impact on agriculture in Florida and nationally," said John Rademacher, American Farm Bureau Federation general counsel. "The Clean Water Act agricultural exemption is being ignored, and that can't be allowed to stand. For example, farming would be nearly impossible if permits were required for flood control."

The rulings could also affect whether land could be used for farming. The water that the SFWMD is pumping from one basin to another contains low levels of phosphorous, which

"This could have a tremendous impact on agriculture in Florida and nationally."

comes from residential and commercial properties, including farms. If the water district were forced to cut phosphorous levels in order to continue the pumping, the state's land use planning would probably limit farming.

Storm water runoff from farms is defined as "non-point source" pollution under the Clean Water Act. Non-point source pollution is not regulated under the National Pollutant Discharge Elimination System (NPDES). Disposal of water from factories, where water has become polluted due to an industrial process in which the water was used, is defined as a "point source" pollutant and is tightly regulated under the permitting system. The SFWMD says the lower court rulings blur the distinction between non-point sources and point sources.

The Miccosukee Tribe of Indians has claimed the local water management district is engaging in a point source activity and NPDES permits are required. The water district has said that its practice does not fall into the point source category.

The Supreme Court hears only about 150 cases a year. The fact that the nation's highest court has agreed to add this case to its docket is an indication of how important the outcome would be, said Rademacher.

"This will establish an important

precedent," Rademacher explained. "If the courts say that non-point sources of pollution can be regulated the same as point sources, then the agricultural exemptions under the Clean Water Act would be challenged. Farm Bureau is arguing that the law doesn't allow that, that this is not a point source activity and that NPDES permits are not required."

Rademacher added that the state of Florida has worked over the last several years to address any pollution in the Everglades that might arise from agriculture.

"That's what the law provides, that the state handle this, and Florida has been doing that," he said. "For the federal government to now come in and regulate this would be inconsistent with the statute and would be a setback to the successful, cooperative environmental protection efforts of Florida and its farmers and ranchers."

AFBF and Florida Farm Bureau have filed a friend of the court brief in favor of overturning the lower court rulings. The Florida Fruit and Vegetable Association and Charles Bronson, Florida agriculture commissioner, joined in submitting the brief. Ted Olson, the U.S. solicitor general, has also submitted a brief at the request of the Supreme Court. His brief supports the Farm Bureau position.

Farm Bureau also claimed in its brief that if the lower court rulings are allowed to stand, the SFWMD would have to increase its budget to pay for obtaining permits. Those costs would likely be passed along to farmers in the form of higher taxes and fees.

"These likely additional costs to farmers and ranchers would significantly and adversely impact the ability of farmers and ranchers in Florida to competitively market their crops in today's international markets," the brief stated.

The Supreme Court will hear the case in January and is expected to render a decision by next June.

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