

1 UNITED STATES DEPARTMENT OF AGRICULTURE  
2 NATURAL RESOURCES CONSERVATION SERVICE  
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9 Conservation Security Program (CSP)  
10 Public Listening Session  
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14

15 January 27, 2004

16 12:00 p.m.

17 334 W. Spokane Falls Blvd.

18 Spokane, WA 99201  
19

20 **ORIGINAL**  
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23

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APPEARANCES:

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TOM WEBER  
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SPEAKERS:

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RUSS CENTER	35

ADDENDUM:

Identification: CSP Pilot Study

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1 BE IT REMEMBERED that on the 27th day of  
2 January, 2004, at the hour of 12:00 p.m., at the Spokane  
3 Convention Center, 334 West Spokane Falls Boulevard,  
4 Spokane, Washington 99201, the United States Department of  
5 Agriculture Natural Resources Conservation Service held this  
6 public listening session to gain feedback on a proposed rule  
7 to implement the new Conservation Security Program (CSP).  
8

9 The following comments were taken:

10 (Not an Official Transcript)  
11

12 MR. SNYDER: Good afternoon. My name is  
13 Jerry Snyder. I'm a fourth generation farmer rancher, wheat  
14 and cattle, on my farm just south of Ritzville, Washington.  
15 I was recently elected secretary treasurer of the Washington  
16 Association of Wheat Growers.

17 The Washington Association of Wheat Growers is  
18 currently in Atlanta right now, and they have asked me to  
19 bring the Association statement to you. The Washington  
20 Association of Wheat Growers applaud the restoration of full  
21 funding for the Conservation Security Program. The  
22 restoration removes existing obstacles that were recently  
23 published in the proposed rule, 7 CFR Part 1470.

24 This approved full funding will carry out the  
25 Conservation Security Program as signed into law in the 2002

1 Farm Bill and necessitates that the USDA revise proposed CSP  
2 rules that would severely limit enrollments and payments to  
3 producers under the restricted watershed priority program  
4 which has now gone with additional approved money.

5 This program will give farmers the opportunity  
6 to help raise their efforts to protect the environment,  
7 especially with soil, air, water, wildlife and fossil fuels.  
8 It is now critical that USDA issue the new supplemental  
9 proposed rule as soon as possible so that farmers, ranchers  
10 and others will have an opportunity to comment on the final  
11 rule.

12 The Washington Association of Wheat Growers  
13 requests an extension for the comment period due to the 2004  
14 Omnibus Appropriations bill actions. The revised supplement  
15 to the proposed rule must remove the watershed  
16 prioritization approach and provide all farmers and ranchers  
17 the opportunity to qualify for and participate directly in  
18 the Conservation Security Program.

19 In addition, all obstacles to sign up, like  
20 excessive paperwork and interviews, must also be removed and  
21 stated as such in the supplemental. This national program  
22 must be open to all producers of all types of agricultural  
23 commodities who meet the program's conservation  
24 requirements.

25 The law will benefit greatly from the intent of

1 continuous sign up and the intent of Congress. In concern  
2 of incidental acreage, such as woodland, should be placed on  
3 a percentage of acreage not to exceed 20 percent of the  
4 total acreage in the contract.

5 We encourage strong local and state  
6 participation, establishing self-certification with the  
7 intent of making CSP a producer friendly program and  
8 reducing the burden on NRCS staff and technical service  
9 providers.

10 The intent of the law was to allow for updating  
11 of criteria based on new scientific developments. A strong  
12 local working group could help identify these best  
13 management practices, such as county, committee and NRCS  
14 boards.

15 All conservation practices in the NRCS Field  
16 Office Technical Guide should be available as implied by the  
17 2002 Farm Bill to the participating farmers and ranchers,  
18 whether the practices are newly adopted or maintained  
19 practices.

20 The proposed rule severely reduces compensation  
21 to farmers and ranchers, which will dramatically reduce the  
22 conservation achieved through the CSP. The supplement must  
23 reflect the accurate and full base, cost share and enhanced  
24 payments required by the law.

25 In order to enroll in the CSP, farmers and

1 ranchers should not be required to implement practices on  
2 lands not eligible for payments. Also, division of payments  
3 should be left to the operator slash landlord decision, not  
4 the Government.

5 CSP is a new voluntary program to support  
6 already existing conservation stewardship of agricultural  
7 lands by providing payments to producers who maintain and  
8 enhance the condition of natural resources.

9 CSP will identify and reward those farmers and  
10 ranchers who are meeting the highest standards of  
11 conservation. CSP will build a foundation of natural  
12 resource conservation that will provide benefits to the  
13 public for generations to come.

14 Again, the Washington Association of Wheat  
15 Growers would like to state that with the passage of the  
16 2004 Omnibus Appropriations Bill lifting the cap and  
17 restoring the full funding, the USDA needs to re-write the  
18 supplement to the proposed rule to full implementation as  
19 intended by Congress in the 2002 Farm Bill.

20 And as my own final closing comment, if we don't  
21 work locally and do it so that we can work it into the  
22 program, knowing that in this state 62 percent of land that  
23 is in production is under a 12-inch annual rainfall, a  
24 watershed priority just isn't a feasible thing; yet air and  
25 soil very much are. Thank you for your time.

1 MR. OSTRANDER: Hello. My name is Chris  
2 Ostrander. I'm a farmer from about 35 miles west of here in  
3 Davenport. Today I'm speaking for the Western Sustainable  
4 Agriculture Working Group, which is one of several regional  
5 Sustainable Agriculture working groups around the country  
6 who work closely with the SA, Sustainable Agriculture, and  
7 the Sustainable Agriculture Coalition on nationwide  
8 sustainable agriculture policies.

9 The statement I'm going to read today is  
10 prepared by Jeff Schahczenski, Executive Director of the  
11 Western Sustainable Agriculture Working Group of Washington.

12 In the legislation that President Bush will sign  
13 into law this week, or has possibly signed into law by now;  
14 I'm not quite sure, Congress has restored full, uncapped  
15 funding for 2005 and beyond to the Conservation Security  
16 Program's landmark green payments initiative from the 2002  
17 Farm Bill to provide stewardship incentives in support of  
18 excellence in private working farmland conservation.

19 Unfortunately, less than a month earlier, the  
20 administration issued a proposed rule to guide  
21 implementation of the CSP that assumed the program would be  
22 limited to a capped, very low spending level each year. In  
23 fact, the proposed rule is so restrictive and proposes such  
24 low levels of financial assistance, it is doubtful whether  
25 many farmers could qualify or if any would bother trying.

1           The Conservation Security Program can offer one  
2 of the best opportunities in United States history to build  
3 a sustainable western agriculture on working lands. With so  
4 much potential at stake, it is truly amazing that the United  
5 States Department of Agriculture can now propose rules for  
6 this innovative conservation program that are so completely  
7 out of touch with the intent of Congress.

8           In announcing the proposed rules for this  
9 innovative conservation program last month, the Secretary of  
10 Agriculture, Ann Veneman stated that the proposed rules for  
11 the Conservation Security Program, quote, will reward the  
12 best and motivate the rest, unquote.

13           However, by any reading of these rules, what we  
14 really have is a program gutted of all its potential to be a  
15 truly new way to support conservation in agriculture. What  
16 the proposed rules offer is a program that will cheat the  
17 best and ignore the rest.

18           With Congress fully funding the CSP, three major  
19 items must be addressed quickly: First, the USDA must  
20 immediately write a supplemental rule to this program that  
21 recognizes that this program is an uncapped entitlement  
22 program. The current proposed rules must reflect the  
23 reality that this program was created to last at least seven  
24 years.

25           The NRCS and USDA should not be wasting time

1 creating a narrow set of rules that worry too much about the  
2 unfortunate fact that Congress has appropriated only \$41  
3 million for this program in the current fiscal year, which  
4 is almost half over already anyway.

5 Given the incredible foot dragging of this  
6 administration in implementing this program, it is unlikely  
7 that there will be final rules ready to spend much of the  
8 \$41 million appropriated this fiscal year anyway, and it  
9 would seem prudent to at least trial run a few CSP contracts  
10 under rules that reflect its true entitlement status.

11 Remember, entitlement means that all who are  
12 eligible have the opportunity to participate and that the  
13 cost of the program should not be the critical issue  
14 addressed in the implementation of the program. As an  
15 example, the commodity programs are also an entitlement  
16 program, and all of those who grow the commodity crops that  
17 the Federal Government supports are eligible for that  
18 support.

19 When the commodity title of the 1992 Farm  
20 Security and Rural Investment Act was passed, it was  
21 estimated that these commodity entitlement programs would  
22 cost some \$133 billion dollars plus over the life of the  
23 Act.

24 Of course the actual expenditures will be more  
25 or less depending on many factors not controllable by the

1 Fed Government. The Conservation Security Program is also  
2 estimated to cost \$7.2 billion dollars over the life of the  
3 Act that authorized it.

4 We need to make the same commitment to this  
5 entitlement program as we do to the commodity programs, and  
6 we need rules that reflect that commitment. The current  
7 proposed rules do not.

8 Second, the proposed rules set a series of  
9 eligible criteria that is so out of step with the  
10 legislation that if one could effectively sue the USDA for  
11 violating the intent of Congress, it is very likely that the  
12 plaintiffs would easily win.

13 As examples, while soil quality and water  
14 quality are important national resources of concerns for all  
15 of agriculture, the current rules require that CSP  
16 applicants meet all soil and water quality criteria before  
17 being eligible, in clear contradiction in the law.

18 We cannot make the bar so high for eligibility  
19 to this program that even very good conservation farmers and  
20 ranchers will not be eligible. This is like having a  
21 Medicare program, also an entitlement program, for which  
22 only people with every known disease are eligible.

23 The CSP legislation does not set specific  
24 resources of concern to be addressed by all farmers and  
25 ranchers everywhere. While water quality and soil quality

1 are important resources of concern, producers in the western  
2 United States may need to address additional resources of  
3 concern beyond those of soil quality and water quality  
4 issues.

5 State conservationists, in conjunction with  
6 their respective State Technical Advisory Committee, should  
7 have leeway to address two to three additional resources of  
8 concern than only water and soil quality.

9 Farmers and ranchers who wish to apply for  
10 second tier benefits of the program must now address three  
11 resources of concern rather than the one outlined in the  
12 legislation.

13 Enrollment in the program will be limited to  
14 certain not-yet-named watersheds. While a watershed  
15 approach to conservation is a useful tool, this is not a  
16 condition for eligibility in the legislation. Other parts  
17 of legislation that deal with enhanced payments, correctly  
18 rewards group projects, i.e., watershed projects.

19 The proposed rules set up a limited enrollment  
20 period while the legislation intends a continuous sign up  
21 for the program. The proposed rules fail to provide for  
22 renewal of the five to ten year contracts established in the  
23 program, despite such rules being specifically mentioned in  
24 the legislation.

25 The proposed rules limit payments to a

1 restricted list, which is not provided, and no such list  
2 exists in the legislation. Finally, the benefits of the  
3 program outlined in the rule are so limited that even if one  
4 can become eligible for the program, it is doubtful that it  
5 would be worth applying.

6 Again, examples include: The cost share rates  
7 proposed under the rule are only five percent of the  
8 estimated conservation practice costs. This, frankly, is  
9 insulting considering that other conservation programs like  
10 EQIP that try to bring farmers and ranchers into compliance  
11 with Federal environmental laws will get up to 75 percent  
12 cost share.

13 Thus a program supposedly rewarding proven  
14 conservation farmers only gets five percent cost share,  
15 while other government programs with no assurance of  
16 positive environmental outcomes get 75 percent.

17 The base acreage benefits have been reduced to  
18 as low as half of one percent of local rental rates from the  
19 legislative rate of five percent. While base acreage  
20 benefits are not related directly to conservation, this  
21 benefit would have helped induce medium to large farms to  
22 participate.

23 The proposed rules make no mention of additional  
24 enhanced payments for managed rotational grazing,  
25 diversified resource-conserving crop rotations and

1 conservation buffers despite these important multiple  
2 benefit practices being specifically outlined in the  
3 legislation.

4 The proposed rules hijack one of the most  
5 important now conservation programs in our nation's history.  
6 While this administration gives the impression of wanting to  
7 make new serious efforts for conservation in agriculture,  
8 when rhetoric meets reality, we are left with a monumental  
9 failure of delivery.

10 I'd like to speak to you as a farmer. I have  
11 raised fruits and vegetables organically for direct market  
12 on four acres about 35 miles from here. What I see in the  
13 Conservation Security Program is finally a Government's farm  
14 support program for the rest of us.

15 Frankly I'm astounded at the out of control  
16 costs at the major commodity programs that have historically  
17 worked in diametric opposition to the three pillars of  
18 sustainable agriculture; massive payments to major commodity  
19 growers that have not resulted in sustainable economic  
20 viability, sustainable environmental health or sustainable  
21 social responsibility.

22 Instead we now face a farm crisis especially  
23 dire for small family farmers, an environmental and natural  
24 resource crisis and the crisis threatening the fabric of our  
25 rural communities.

1           The CSP, if implemented, will allow society to  
2 fulfill an obligation to maintain and enhance farms of all  
3 scales and intent on growing any crops so that our food  
4 security is improved and our nation's gregarious foundation  
5 is shorn up.

6           Just the last paragraph; let me mention that  
7 each and every certified organic farm must submit a  
8 comprehensive farm plan that addresses the conservation of  
9 natural resources of concern that the CSP has designed to  
10 protect.

11           I strongly urge that the rules for CSP has an  
12 automatic enrollment for certified organic farmers who are  
13 already at great expense implementing comprehensive  
14 conservation measures on their farm. Please let's have a  
15 CSP rule that does what the legislature intended. Thank  
16 you.

17           MR. SHEFFELS: My name is Mark Sheffels.  
18 Today I'm speaking on behalf of the Pacific Northwest Direct  
19 Seed Association, the PNDSA. Our association was formed for  
20 the express purpose of promoting the adoption of direct seed  
21 cropping systems in the Pacific Northwest.

22           To avoid confusion, I should note that direct  
23 seed is also referred to as no-till. Our voting board  
24 members are all producers. We promote the adoption of  
25 direct seed cropping systems with great conviction because

1 we know that the crop production must be sustainable or our  
2 future will fade and disappear along with the soil on which  
3 it is dependant.

4 Direct seed is not a single focus conservation  
5 effort. It is a systems approach to conservation that  
6 protects our soil, improves water quality, air quality,  
7 wildlife habitat, and reverses the release of greenhouse  
8 gases.

9 We promote this production system because it  
10 provides stellar environmental benefit and often enhances  
11 economic performance. The PNDSA has been very interested in  
12 the Conservation Security Program, CSP, from its inception  
13 because it was proposed as a reward-based program.

14 Current conservation programs are incentive  
15 based. Producers that already practice conservation at a  
16 high level will generally not be eligible for the program.  
17 The intent is to make program money available for those that  
18 could potentially improve their conservation efforts the  
19 most.

20 That approach seems prudent at first glance.  
21 Unfortunately it has not been nearly as effective as it  
22 should be. You cannot buy commitment. At best producers  
23 that apply for current conservation programs may be sincere  
24 about practicing better conservation. At worst they may  
25 only be interested in the money they can receive from

1 jumping through the hoops.

2 In either case it is quite likely the effort  
3 will only last as long as the payment. Time and time again  
4 we see producers go back to the old ways as quickly as the  
5 money runs out.

6 CSP was built on a charge, "reward the best,  
7 motivate the rest." We applaud that focus, and we hope this  
8 program is administered in exactly that fashion. We believe  
9 that far more conservation will result from rewarding those  
10 that lead the conservation effort, rather than spending in  
11 an effort to buy commitment.

12 As farmers we know that our peers will not stand  
13 by and be left out if they see a true conservation  
14 commitment being rewarded. We believe tax payers will see  
15 far more environmental improvement from letting producers  
16 compete for conservation dollars by creating the best  
17 conservation production systems they can, rather than simply  
18 paying those producers to mitigate problems with expensive  
19 structural band-aids or single practiced-based efforts.

20 Current proposed rules state that the CSP  
21 contract holder must show control over the lands for the  
22 life of the contract. We are concerned that a producer  
23 wishing to enter into a CSP contract might have only a few  
24 years left on the lease or possibly no written lease at all.

25 It should be possible for the operator of the

1 land to hold a CSP contract as long as that operator is the  
2 operator of the record and is abiding by his CSP contract.  
3 The PNDSA understands the decision to limit the acres  
4 allowed into the program in an effort to make the dollars  
5 per acre worth competing for.

6 We agree with this approach. However, if tax  
7 payers are to get the quality and quantity or conservation  
8 they should get for their dollars, producers must be allowed  
9 to compete over the largest geographic area possible.

10 If the initial offering of this program is  
11 limited to a few watersheds, the vast majority of  
12 agricultural acreage will be left out of the competition.  
13 Reward the best, motivate the rest is dead on the mark. The  
14 best do not all live in a few watersheds.

15 We believe all conservation districts should be  
16 allocated enough money to participate in the competition.  
17 This would be fair to the growers, and it would yield the  
18 greatest amount of environmental benefit to the public. The  
19 first offering of CSP contracts will establish a precedent.

20 If only certain watersheds are eligible, the  
21 Conservation Security Program could become a site-focused  
22 effort which would simply expand to additional sites if more  
23 money were appropriated. If this were to happen, a program  
24 could easily lose the broad based political support it will  
25 need to survive.

1                   If every acre is allowed to compete, CSP has a  
2 potential to be a great program. When NRCS leaders sit down  
3 at the table to debate the administration of this program,  
4 an endless number of ideas will be offered. Please  
5 remember, reward the best, motivate the rest.

6                   Thank you for allowing the Pacific Northwest  
7 Direct Seed Association this opportunity to offer our  
8 thoughts.

9                   MR. MUEHLEISEN: My name is Dave Muehleisen.  
10 I'm with Washington State University, Center for Sustaining  
11 Small Farms Program. I will attempt to speak on behalf of  
12 small scale urban and limited resource farmers today.

13                   I want to thank Washington State National  
14 Resource and Conservation Services and the Natural Resource  
15 and Conservation Services for giving me this opportunity to  
16 speak on the recently published proposed rules for the  
17 Conservation Security Program as authorized in the Farm  
18 Security Investment Act.

19                   The Conservation Security Program as written in  
20 the bill is a program that really should reshape agriculture  
21 in America. It could enhance the economic security of  
22 family farms in the country, a group that many have  
23 estimated will be gone within 20 years.

24                   This program is a real gem, a gem that needs to  
25 be nurtured, and it needs to be set up so that it really

1 works for everybody. It's priceless and it needs to be  
2 treated that way.

3 It's not in the too distance future this program  
4 will someday be -- or will be the cornerstone of all Federal  
5 farms security systems in this country, as you had mentioned  
6 on page 202 on the Federal Register; that this will be the  
7 cornerstone and everything else will stem off of it.

8 As the Conservation Security Program, if it's  
9 allowed to be as it is published in the bill, will both  
10 strengthen both the environmental impact and the economic  
11 stability of our farmers, and will bring our people and the  
12 communities that we live in greater strength and help them  
13 greatly.

14 We must look at the tremendous benefit that the  
15 farmers bring to these communities. Not just production,  
16 but in terms of open space, water holding, filtration  
17 capacity and wildlife habitat, to name a few.

18 In order to sustain these farms, communities  
19 must see these benefits as another value added product that  
20 farms bring to that community, and they must be willing to  
21 put a financial value on those resources and those value  
22 added products that farms bring.

23 CSP as it was originally written does just that,  
24 and it really does bring and helps the community support  
25 those conservation activities that farms bring in the

1 community. Unfortunately, the proposed rules have no  
2 resemblance in the '02 Farm Bill.

3 I have to acknowledge that I was in D.C. during  
4 the time that it was written, and I understand that at the  
5 time the President's budget was talking for \$19 million  
6 dollars for the whole program, and it went up to \$41  
7 million, and a new program was written as such to address  
8 those shortfalls in terms of financing.

9 But now this program is now a uncapped  
10 entitlement program, and this is great news for all of us.  
11 The proposed rules are written as if it was a \$41 million  
12 dollar program forever, and we need to change that so that  
13 this is actually a true, uncapped entitlement program.

14 I don't see how these rules can be adjusted to  
15 address full funding of this program. We need to have  
16 supplemental rules published as soon as possible, and they  
17 must reflect that this is an entitlement program.

18 So the NRCS must look beyond the \$41 million and  
19 look to see that it is a full funded program. We have to  
20 remember that entitlement means that it is eligible for all,  
21 and so we have to look at it in terms of, as I've stated  
22 earlier, that this is a program that is looking at -- just  
23 as with the commodities entitlement program, that we have  
24 funding \$133 billion over the tenure life of that act.

25 That's just an estimate. Also with CSP the \$7.2

1 billion is an estimate, and so we need to have those rules  
2 reflect that. You cannot write the rules that reflect this  
3 budget. We must write the rule so that we can have this  
4 program work as it potentially can.

5 Now, a couple of things: Requirements for  
6 participation, they're too restrictive. Tier One, we have  
7 two resources of concern that you're addressing. The  
8 original bill says that there should only be one. That is  
9 as for Tier Two as well.

10 Tier 3, you require an entire RMR investment to  
11 be established. That's too much. Payments are way too low,  
12 point 5 to 1.5 percent. Well, I'm done. Can I just wrap up  
13 real quickly? Cost shares at five percent, way too low. It  
14 needs to be brought back up to the 75 percent.

15 Entitlement, the economic analysis that went  
16 with it suggests it's around 10 to 20 percent you're  
17 recommending for implementation; that's way too low. One  
18 other comment, I have that handout. What you have here,  
19 what you've written, is a great pilot program.

20 What I've suggested there in this handout in  
21 that flow diagram is how we can actually run a pilot program  
22 in this first year with the \$41 million. The one thing I  
23 said down at the bottom, you see the recommendation in terms  
24 of how we can leverage more money?

25 The 15 percent Tech Service cap that you kept

1 mentioning in the Federal Register, that means different  
2 ways to leverage around that; you can get around that, and  
3 actually use ag professionals to circumvent. Also, using  
4 conservation innovation grants.

5 MR. EVANS: Good afternoon. I'm Jim Evans.  
6 Myself and Scot Cocking up there in the yellow shirt, we  
7 represent the USA Dry Pea & Lentil Council. I'm a producer  
8 from Genesee, Idaho.

9 The USA Dry Pea & Lentil Council has placed a  
10 high priority on the proper implementation of the  
11 Conservation Security Program. Our organization is in the  
12 beginning stages of analysis of the proposed CSP rules  
13 published on January 2nd, 2004. Here are a few of our  
14 concerns:

15 The CSP's stated goal is to reward the best and  
16 motivate the rest. Our organization fully supports this  
17 statement. We believe the CSP should recognize and reward  
18 those producers who are committed to a long term  
19 conservation system that is sustainable and environmentally  
20 beneficial.

21 We further believe that the CSP program should  
22 encourage producers to achieve the highest level of  
23 conservation in the shortest amount of time. The three tier  
24 payment system should recognize and reward the best with a  
25 significant bonus over the other two tiers of CSP payments.

1                   We want to make it clear that our organization  
2 believes that the CSP should be structured to reward  
3 producers based on the conservation systems they apply to  
4 the working lands that they farm. We believe the program  
5 was designed by Congress to benefit working lands instead of  
6 a program like CRP that lock up lands from any commercial  
7 activity.

8                   The USA Dry Pea & Lentil Council supports  
9 funding and execution of the CSP based on achieved  
10 conservation results. The program should reward producers  
11 for achieving conservation goals based on systems that are  
12 economically sustainable and result in significant  
13 improvement and soil, air and water quality.

14                   The CSP should reward producers for addressing  
15 conservation goals based on cropping systems that address  
16 the following four major areas: Soil disturbance, residue  
17 management, crop rotation management, pest and nutrient  
18 management.

19                   Crop rotation, the CSP law passed by Congress  
20 specifically provides enhancement payments for diversified,  
21 resource-conserving crop rotations. The proposed rule  
22 provides very little recognition of the importance of a  
23 diversified crop rotation and no mention of any enhancement  
24 payments.

25                   It is absolutely critical that the NRCS

1 recognize the importance of crop diversity in the overall  
2 management of farming operations and how proper crop  
3 rotation benefits both conservation and the environmental  
4 goals of our society.

5 Legume crops do not generally a lot of crop  
6 residue. However, legume crops do fix nitrogen in the soil,  
7 break weed and disease cycles, improve overall soil health  
8 and reduce the need for field burning.

9 We believe a crop rotation that includes a  
10 legume crop should be rated very high. We look forward to  
11 the NRCS following the law and including enhancement  
12 payments for diversified, resource-conserving crop  
13 rotations.

14 Watershed priority versus rewarding the best in  
15 each conservation district; the proposed rule states that  
16 the NRCS will identify critical watersheds to begin  
17 implementation of the CSP program. It appears to our  
18 organization that NRCS wrote these rules as if it were a  
19 capped entitlement program.

20 In fact, Congress just passed the fiscal year  
21 2004 Omnibus Appropriation bill that returns CSP to its  
22 original position as a non-capped entitlement program as  
23 passed in the 2002 Farm Bill. Identifying critical  
24 watersheds to implement the CSP program is contrary to the  
25 original intent of Congress.

1                   We believe the NRCS should implement the program  
2 in every conservation district in the country. We believe  
3 NRCS should work with state and local working groups to  
4 identify the best conservation systems in each district and  
5 reward appropriately.

6                   The goal of the CSP program should be to  
7 identify the individual conservation systems in each  
8 district that will achieve long term sustainability and  
9 environmental benefits. It is important to recognize that  
10 every state and conservation district may approach achieving  
11 these goals in slightly different manners.

12                   The NRCS should refrain from rewarding  
13 individual practices versus a conservation system that  
14 achieves the desired overall conservation goal.

15                   For example, if the STIR and SCI formula is used  
16 to determine soil disturbance and residue significantly  
17 downgrades the use of a heavy harrow in 100 bushel wheat  
18 stubble, or a two-pass system that includes shanking in  
19 nitrogen fertilizer and then seeding, our organization will  
20 object.

21                   The CSP rules are not specific regarding these  
22 two practices at this time. However, current field  
23 technical guides consider the heavy harrow and shanking in  
24 fertilizer a tillage operation.

25                   The point is, heavy harrowing and a two-pass

1 fertilizer slash seeding operation may be considered  
2 significant tillage in a low rainfall area but not in a high  
3 rainfall area with 100 bushel wheat straw.

4 Payments, the CSP sets up three levels of  
5 payments. Base payments to reward participation, cost share  
6 which allow up to 75 percent cost share for new practices,  
7 and enhancement bonus payments for exceptional environmental  
8 performance.

9 The proposed rules as we understand them would  
10 only offer the following payments: Base payments, the  
11 proposed rules allow base payments of half percent to one  
12 and a half percent of the local rental rates. On a \$100  
13 acre cash rent, that would be half to a dollar and a half in  
14 this region.

15 Cost share, the proposed rules only allow a five  
16 percent cost share for new practices. On a \$10,000  
17 investment that would be \$500. Our organization encourages  
18 that this be advanced. Enhancement payments, proposed rules  
19 are very short on detail regarding enhancement payments, so  
20 it is difficult to comment on this issue. Thank you.

21 MR. MATSEN: Ladies and gentlemen, Mr. Weber,  
22 Mr. Derrickson, Mr. Hughbanks, Mr. Fitzgerald, thanks for  
23 being here today to listen to all of us talk about this  
24 program. I'm going to ask and answer five questions. I'll  
25 try to be brief.

1 First question, how well do the rules reflect  
2 the language in the originating legislation? Rated on a  
3 scale of one to ten, kind of like a movie-you-saw ten, not  
4 like the DCS. So on a scale of one to ten, I give the  
5 current rules about a four.

6 Budgetary restraints are given as the reason for  
7 a very restrictive program that is in the rules. So now  
8 that those restraints no longer apply, the rules need a  
9 re-write. I do not feel the current version of the rules  
10 shows the intent, purpose or direction.

11 Question two, how workable are the rules? Using  
12 the same scale, on a scale of one to ten, I give the rules  
13 at hand a five. It is clearly stated in the Federal  
14 Register Notice publishing the rules that more  
15 interpretation needs to be done before we have enough  
16 language to run a program.

17 So the five rating is not necessarily a  
18 reflection of work quality but degree of completion. This  
19 is the first time I've actually gone to the Federal  
20 Register, pulled out a piece of legislation and read it, and  
21 read it and read it again. There's a lot of work here, and  
22 I can appreciate that there's more to do.

23 So on to question three; what needs to be  
24 changed? It appears to me without being able to see all the  
25 details of payment structure, it's going to take some work.

1 Eligibility requirements don't appear workable.

2 Reliance on other programs to qualify is an  
3 out-of-program question that will disallow participation and  
4 requiring conservation activity without payment in the  
5 program. There are watershed limitations and there are  
6 resource limitations.

7 There appears to be substantial work to be done  
8 in this portion of the rulings. What needs to be clarified?  
9 Among others, there's a phrase "management intensity," but  
10 there's not a discussion about what that means or how that  
11 might be gauged.

12 I'm sure that the evaluation assessment portion  
13 of this program will have something to say about management  
14 intensity, but it needs more work. Then the portfolio  
15 approach to conservation, it sounds like a good idea but  
16 let's hear what that might be.

17 Question five, what direction do the rules set?  
18 Well, the current version of the rules indicates a program  
19 that will have limited participation. Frankly, it doesn't  
20 look like there's enough money there. Even if CSP remained  
21 a very restrictive program, pressing needs will still need  
22 to be addressed.

23 Does anyone really want to let this opportunity  
24 provide for far-reaching, innovative rewarding and effective  
25 conservation to be marginal? Only to require another round

1 of congressional hearings, committee meetings, campaigning  
2 and politicking to get back at the opportunity that we have  
3 right now. Thank you.

4 MR. WILLIAMS: My name is Seth Williams. I  
5 appreciate this opportunity to comment on the rules. I'm a  
6 4th generation farmer from Lincoln County, which is about 30  
7 miles west of here, primarily in grains, hay and cattle.

8 I've read parts of the rule, and I agree with  
9 some of the people that have come before who have said that  
10 the rule needs to reflect the commitment of the legislation  
11 as a full entitlement program, and I don't think it does  
12 especially for the first year.

13 I think that the local conservationists should  
14 also be able to set criteria for soil and water quality  
15 because that's going to be appropriate to the region. As  
16 people have said, we have different concerns in this region.  
17 It might be wind, it might be soil; it might not be water as  
18 much.

19 Also, I don't think it's fair to limit  
20 enrollment to watersheds. I think it should be available to  
21 everybody depending on their eligibility. Also the cost  
22 share rates seem very insufficient.

23 I don't understand exactly how the payments are  
24 to be made, but if it's based on cost shares or on the  
25 rental rate of one percent, I wonder if that's going to be

1 slanted towards farmers with thousands of acres in order to  
2 get a sufficient payment out of this program.

3 We need enhanced payments for rotational  
4 grazing, crop rotation and conservation buffers. Finally,  
5 as a second generation organic farmer, my father over the  
6 last three years was a pioneer in organics.

7 All this time we were left out of almost all  
8 programs, and naturally that system was slanted against us  
9 so we worked at a disadvantage for all these years. Finally  
10 a program comes along.

11 Now I see that there's really no benefits, that  
12 we have been using these conservation practices including  
13 not using chemicals. So I request that that be addressed to  
14 give people who aren't spraying or using other practices to  
15 be given some credit up front, thanks.

16 MR. STOKER: My name is Paul Stoker. I'm a  
17 34 year farmer. I grow crop down in the Columbia Basin.  
18 Currently I'm President of the Washington Association of  
19 Conservation Districts. I'd like to reflect some concepts  
20 to reflect the leadership of that group.

21 The first concept, we do fully support the CSP  
22 concept. We support the program as it is passed. We also  
23 support the request that current rules and regulations and  
24 laws be rewritten to reflect the Omnibus bill passed in the  
25 last few days.

1                   We feel that the CSP program is effective and  
2 support the agriculture industry in the United States.  
3 Secondly, we very adamantly support a program that's based  
4 on a rewards based program rather than incentive based  
5 program.

6                   We feel that a rewards based program will bring  
7 great support to the stewardship of the land, and will  
8 reverse a process in the last many years of agricultural  
9 programs, Federal Government and the state of being at a  
10 disadvantage. It will tackle resources, issues and  
11 concerns.

12                   Thirdly, because of the complexity of our state  
13 and the complexity of this program, we find the  
14 administration of the CSP in the state of Washington very  
15 difficult. We would suggest therefore that if a priority  
16 watershed is to be established, that a state like the state  
17 of Washington would be a typical necessity to allow the  
18 program to work here.

19                   Human resources and the diversity of the  
20 industry here makes the application CSP program exceedingly  
21 complex and difficult. In Washington in 2004 a geographic  
22 priority watershed would be almost essential for us to be  
23 involved in and have some kind of input as to how this would  
24 be implemented in our state.

25                   Fourthly, if there's to be a selection of

1 priority watersheds, we suggest that a prior watershed be  
2 established where significant resource is actually being  
3 undertaken, and where significant results have actually been  
4 shown, and significant progress for those resources have  
5 been accomplished. To suggest that a reward for a  
6 particular resource be established, there has to be a proven  
7 record in that particular resource area.

8 So therefore, in order to satisfy that request,  
9 we would suggest that local institutions or groups within  
10 the state of Washington be involved in the selections of a  
11 local priority watershed here to implement CSP in the year  
12 2004. With that, I thank you very much.

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15 (A recess was taken from 1:45 p.m.  
16 until 2:15 p.m.)  
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1 couple points. You have this 15 percent Technical Service  
2 cap, and that's a significant problem in that NRCS is no  
3 longer going to be able to help anybody once that's up.  
4 That's going to come up pretty quickly.

5 I came up with some ideas where we can try to  
6 leverage more money out of that so that we can get more  
7 services to the farmers so that they understand what they  
8 have to do in this self assessment. There's going to be a  
9 learning curve here. So that's going to be a problem.

10 Also, you mentioned in the proposed rules that  
11 you have really wanted to use this program; you're going to  
12 monitor this, and you're going to actually assess this  
13 program more than you've ever done any other program.

14 I believe you and I think you have an  
15 opportunity in terms of the enhancement portions of the  
16 payments that you require monitoring for everybody that gets  
17 a contract to make sure that we are looking at everything  
18 that's in place, all of the practices that are in place,  
19 make sure that they get monitored.

20 Also maybe even use those conservation grants  
21 that are coming out through NRCS, since the RFP is not out  
22 yet -- since it's not going to come out for a while to  
23 enhance that monitoring assessment. I think it could help  
24 there as well. Just use this year to start a real strong  
25 pilot program. Thank you.

1 MR. CENTER: My name is Russ Center, farmer  
2 from Genesee, Idaho. Program crops are a significant part  
3 of our operation. I've heard some of the concerns here by  
4 organic producer apparently this morning. I am not an  
5 organic producer.

6 We do have the first farm in the state of Idaho  
7 certified by the Food Alliance. I guess some of the  
8 comments as far as the rules and the general whole CSP  
9 concept I'd like to address. I think this program can be  
10 designed to be very inclusive.

11 I guess one of my concerns is though, I'm  
12 hearing pressure to lower the bar for qualifying for  
13 payments, and I think there should be a demonstrated  
14 contribution to environmental benefit to qualify for this.  
15 I don't think just because you farm that you should qualify  
16 for payments.

17 I know there's going to be pressure if this  
18 becomes an entitlement to lower the bar on this program, but  
19 I think there's truly an opportunity to change the way the  
20 natural resource base is managed if we reward the best.

21 One of the issues that's going to be I think a  
22 concern as we get farther into this in the funding, if there  
23 is significant funding, we're going to have to address  
24 concerns of the traditional program crop producer. We're in  
25 an annual rainfall area of 22 inches or so.

1           We have a pretty diverse crop rotation, but any  
2 time that we start moving away from program crop acreage, we  
3 lose base under every program. That's a discouragement for  
4 rotation diversity, and I think we need to address  
5 assurances that long term these guys that are doing the CSP  
6 tier three activities are not sacrificing maybe program  
7 payments in the future under another program.

8           So keep that in mind when -- Because if this is  
9 truly going to change the management of the natural resource  
10 base in the U.S., we're going to have to draw into the  
11 program crop producers. But I don't think just because you  
12 raise a program crop that you should qualify. You need to  
13 be doing something for environmental benefit.

14           There's a lot of issues that have not been  
15 talked about here that could be enhancements. You've talked  
16 about air quality, water quality, soil quality. If you look  
17 around the United States, irrigation use efficiency is a  
18 significant issue.

19           I think incentives need to be more efficient  
20 with irrigation water so that we don't continue with the  
21 irrigation crop plan to cities. I think there's a lot of  
22 potential there. The organic producers, they're doing  
23 things with pesticides that I think are an obvious benefit  
24 to the environment. There should be incentives for things  
25 like that, even the growers that are using pesticides.

1                   We have a wide range of pesticide toxicity. For  
2 instance, in the poles crop growing region, bud control,  
3 there's some of the old chemistry that is pretty toxic. We  
4 have incentives to use some of these more selective  
5 pesticides. I think that could be an enhancement.

6                   Bio-fuels use is another one. Incentives to  
7 incorporate bio-fuels used in your operation I think would  
8 be a very worthy incentive. So I guess as we look down the  
9 road and where the political pressures are going to be,  
10 there's several messages I'd like to leave.

11                   Number one, stick with reward the best. Number  
12 two, don't set the bar too low, and number three, you've got  
13 to I guess deal with some of the concerns by the traditional  
14 program crop growers, and at least to give them some type of  
15 assurance that they aren't going to be cutting their own  
16 throat by moving in this direction.

17                   The other issue that is not addressed much in  
18 the rules is payment limitations. If you're going to get  
19 the majority of the acreage in this country to be involved,  
20 the payment limitation issue is going to be significant.  
21 How you're going to address that I don't know, but I think  
22 there needs to be some serious thought on that issue.

23                   Because the health of this country is based on  
24 the natural resources that we operate with, and to get the  
25 most benefit, we're going to have to attract the big farms

1 to this. So there needs to be some time spent on the  
2 payment limitation issue. Thank you.

3 (No comments were taken from  
4 2:30 p.m. until 4:00 p.m.)

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6 (Hearing concluded at 4:00 p.m.)  
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STATE OF WASHINGTON )  
 ) ss.  
County of Spokane )

I, E. Madeline Heeley, do hereby certify that at the time and place heretofore mentioned in the caption of the foregoing matter, I was a Certified Shorthand Reporter and Notary Public for Washington; that at said time and place I reported in stenotype all testimony adduced and proceedings had in the foregoing matter; that thereafter my notes were reduced to typewriting and that the foregoing transcript consisting of 39 typewritten pages is a true and correct transcript of all such testimony adduced and proceedings had and of the whole thereof.

Witness my hand at Spokane, Washington, on this 5th day of February, 2004.

*E. Madeline Heeley*

E. Madeline Heeley  
CCR NO. HE-EL-EE-M30101  
Certified Court Reporter  
Notary Public for Washington  
My commission expires: 08-09

