

Good morning. My name is Gerald Jaeger and I live outside of Campbellsport, WI where I operate a 280 acre family farm with my wife Barbara where we raise replacement dairy heifers under contract with a dairy farmer neighbor. Prior to transitioning to a farm raising replacement heifers, Barbara and I operated a dairy farm for 35 years until heart problems caused us to change the focus of our farming operation.

I appear before you here today as a life-long, fifth generation Wisconsin farmer, a member of the board of directors of the Wisconsin Farmers Union and as one of the co-chairs of a coalition of people and farmer, church, civic action and environmental groups – the Family Farm Task Force -- who have been working for nearly three years to develop a legislative proposal to sustain and promote the growth of family-based entrepreneurial farming in Wisconsin.

The result of that effort was introduced in the Wisconsin Senate last week as SB 445, the Family Farm Protection Act, sponsored by Senators James Baumgart, Brian Burke and Kevin Shibilski. On behalf of the Wisconsin Farmers Union and the Family Farm Task Force I want to thank them for introducing the bill and I want to thank the Chairman Dave Hanson and the Senate Committee on Labor and Agriculture for holding today's hearing on the bill.

SB 445, entitled the Family Farm Protection Act, is designed to:

- Invest in a future for Wisconsin family-farms including low interest loans, low-cost strategies for modernization and expansion and the development of new agricultural enterprises, new products and an aggressive marketing effort for Wisconsin grown products.
- Level the playing field so small to moderate sized family farms – the majority of Wisconsin farms – can be economically viable.
- Ensure adequate environmental protection and healthy rural communities.

The Act calls for significant state investments in research, education and economic development programs that identify new uses for crops, develop new agricultural products, markets and processes that have the potential to expand markets and demand for farm products, increase farm income, create jobs and enhance Wisconsin's rural communities.

The Act also reforms current state grant and loan programs so that limited public investment resources are spread around a greater number of farms wanting to modernize their operations and are not consumed by a limited number of large scale enterprises and it limits the amount of cost-sharing dollars that any one farm can get to help more farms comply with environmental standards. The Act directs the University to investigate the impact of economic and market consolidation in the industry and requires the DOJ to assess its ability to enforce laws governing anti-competitive practices.

The Act restores consumer credit protections for agricultural loans and creates new loan programs for new agricultural businesses. Finally, it expands state assistance to farms implementing manure management plans and enhances oversight of some large-scale agricultural practices, particularly large-scale manure storage facilities.

That is a brief synopsis of what is contained within the Family Farm Protection Act and what it is trying to accomplish.

The bill is the final result of a brainstorming conversation which took place over a park bench lunch on State Street, just off Capitol Square here in Madison between staff members of the Wisconsin Farmers Union and the Wisconsin Rural Development Center on ways to revitalize family-scale agriculture in this state at a time when it needed to grow to respond to the realities of the marketplace and to be proactive in dealing with some of the farm marketing problems which were developing due to the concentration taking place in the agribusiness sector.

Both organizations decided to invite representatives of church and civic action groups with which they had worked in the past and environmental groups who had expressed an interest in trying to help family-scale agriculture to get together to see if they could come to consensus on policy initiatives to promote and foster family agriculture in Wisconsin. The invitation was extended and a broad-based group which evolved into the Family Farm Task Force worked for almost a year and a half to craft a draft document which then was circulated to farmers and others at public listening sessions held around the state to get their input on the proposal. The Task Force also met with representatives of other farm organizations within the state for their input as well.

Based on the comments we received during those meetings -- both their suggestions on improvements we had not considered previously and even their constructive criticism of some of the ideas we previously proposed -- the Family Farm Task Force made substantial revisions to the proposal it first advanced. The final result of that effort is the bill SB 445.

At this time I would like to deal with some of the myths which have surfaced in the public discussion of the Family Farm Protection Act since we first unveiled the proposal as we sought additional input on the ideas we were working on. Some individuals and organizations have attempted to characterize this bill as being anti-growth, or pitting big farmers against little farmer or vice versa. Neither of those characterizations are true.

The Family Farm Protection Act is a pro growth bill that recognizes the need for a changing, dynamic farming system in Wisconsin that responds to the needs of the economic marketplace. And this bill attempts to make sure that all farmers, whatever their size, have an equal chance at the limited public resources this state makes available to farmers to grow, modernize and adapt to that changing world. In fact, in the last few days I have come to the conclusion we should have named our bill the Family Farm

Promotion Act rather than the Family Farm Protection Act. I think that might be a better description of its purpose.

When we began this effort nearly three years ago, there was a public debate going on in this state and other states among some people that perhaps a moratorium should be imposed on the permitting of large confined animal feeding (CAFO) facilities, otherwise known as factory farms or industrial farms, etc. At the outset of our discussions we made it clear up front that we were not going to write a bill which prohibited the permitting of such operations even on a temporary basis.

At the same time, our group believed we needed to be pro active in looking at the issue of how we permitted CAFO production facilities in Wisconsin so that we could address in advance some of the problems other states had experienced where there had been rapid expansion of such facilities without proper regulatory safeguards being put in place.

Of particular concern to our group given the experiences of other states was the issue of who bore ultimate responsibility for the cleanup of CAFO sites if problems arose either through the design, the aging or the operation of the facilities. We felt this was especially important in cases where the CAFO facilities were owned, operated or otherwise controlled by out-of state firms, individuals or investment groups with few if any ties to this state or the local communities in which the CAFOs were placed. Other states have seen problems arise when investors in such facilities have managed to insulate themselves from financial responsibility and liability through a variety of ways that we attempt to address in this bill.

Within the state of Wisconsin we have been fortunate to date in that most of the CAFO operations licensed here have been home grown and operated by people who have strong ties to the local community and hopefully will operate their facilities in a responsible manner. That may change, however, as we are hearing increasing calls within the public discourse from some who argue we need substantial outside investment in dairy CAFO facilities in order to meet the milk production needs of our dairy processing sector.

The fact that we have seen declines in dairy farm numbers, the Wisconsin cow herd and milk production in recent years has been well documented and is familiar to all members of this committee and I see no need to go into a litany of figures on that subject at this time with this group. The question and challenge before us is what do we do as a state to reverse that trend and bring about expansion in Wisconsin dairy farming.

We attempt to address that issue within the Family Farm Protection Act by trying to direct the public investment dollars of this state towards fostering the growth and expansion of the smaller to medium-size dairy farms of this state. Even with the decline in the numbers of farms we have experienced to date, we still have remaining a substantial base of farms of this size who have large growth potential.

As we try to revitalize Wisconsin dairying, we need to keep in mind it is this group of Wisconsin farmers who own and maintain the state's remaining cow herd and its genetic base and have generations of experience in the breeding and management of that herd which should not be lost or discarded. It is from this group of farmers that the replacement heifers of the future will come. They will be the ones who decide whether or not to expand their operations and keep those cows here in Wisconsin or sell them out of state. They will be the ones who make the decision to invest in the future growth of their dairy operations or transition out of dairying into one of the other types of diverse farming enterprises for which this state also is famous.

That is why the Family Farm Protection Act calls for focusing more of the state's farm research resources on meeting the needs of this segment of the Wisconsin dairy farming sector. We need to provide them with help in developing low cost ways they can expand their dairy farming operations and grow our states cow herd and milk production base for the present and future needs of our dairy processing industry.

At the same time, we need to ensure that the state's limited public funds going into help financing dairy farm expansion are made available to the greatest number of farmers willing and wanting to undergo expansion activities. We do not believe it is good public policy to allow those limited public investment dollars to be swallowed up in huge grants of hundreds of thousands of dollars to a few individuals that leave only a few dollars left to finance expansion by others.

This brings me to another aspect of this bill, I feel I need to address at this time -- the \$8 million price tag that comes with this package, according to the state's Legislative Research Bureau.

The Family Farm Task Force, along with everyone else in this state, is well aware of the state's current budget woes that have been brought about by a number of factors. We are aware that everyone is looking for ways to cut public spending and that it is very difficult to propose a new spending proposal at this time. As a group we considered holding off advancing this proposal for another year, hoping for a more propitious time. In the end we decided that we needed to put forward this proposal because this was a time in which the state was taking a hard look at its public spending activities and its priorities.

Farming and agriculture remain this state's number one economic endeavor and the biggest contributor to this state's economic well being and we felt its future public investment needs needed to be a part of that public budget debate at this time. It is with that spirit in mind we recommend this bill at this time.

In conclusion, I again want to thank the members of the Wisconsin legislature who had the political courage to help sponsor the Family Farm Protection Act at this time and the opportunity to testify on its behalf. I have attached to this testimony a more complete explanation of the bill's provisions, as well as another written piece our task force has put together on frequently asked questions about the bill. I stand ready to try to answer any questions you may have about our proposal.

The following outline is a consensus document prepared by the following organizations: WI Farmers Union, WI Public Interest Research Group, Churches Center for Land and People, Sierra Club, Lutheran Office on Public Policy in WI, Wisconsin's Environmental Decade, and Wisconsin Citizen Action.

Family Farm Protection Act

Executive Summary

The proposed Family Farm Protection Act is designed to:

- Invest in a future for Wisconsin family-farms including low interest loans, low-cost strategies for modernization and expansion and the development of new agricultural enterprises, new products and an aggressive marketing effort for Wisconsin grown products.
- Level the playing field so small to moderate sized family farms – the majority of Wisconsin farms – can be economically viable.
- Ensure adequate environmental protection and healthy rural communities.

The Act calls for significant state investments in research, education and economic development programs that identify new uses for crops, develop new agricultural products, markets and processes that have the potential to expand markets and demand for farm products, increase farm income, create jobs and enhance Wisconsin's rural communities. The Act also reforms current state grant and loan programs that have tended to benefit large-scale operations over small farms and it limits the amount of cost-sharing dollars that any one farm can get to help more farms comply with environmental standards. The Act directs the University to investigate the impact of consolidation in the industry and requires the DOJ to assess its ability to enforce laws governing anti-competitive practices. The Act restores consumer credit protections for agricultural loans and creates new loan programs for new agricultural businesses. Finally, it expands state assistance to farms implementing manure management plans and enhances oversight of some large-scale agricultural practices, particularly large-scale manure storage facilities.

Family Farm Protection Act – DRAFT

Fiscal Impact

\$8,100,000 annually
\$150,000 in one time expenditures

Major Policy Components (LRB 4560 section numbers in bold for reference)

I. Agricultural Research, Education and Business Development Programs

- a) Increase funding for DATCP Agriculture Development and Diversification grant program which promotes new uses and markets from \$400,000 to \$2 million annually. **S78(2)**
- b) Establish \$1 million annual DATCP “Buy Wisconsin” Market Development Program that:

Promotes a Wisconsin identity for local, farm-raised foods including producer directories, marketing materials, media and trade co-promotion with producers, producer commodity groups and Wisconsin based specialty food companies.

Provides assistance to producers, school districts and local and state governments to promote the purchasing of products directly from family farmers, producer commodity groups and Wisconsin-based food specialty companies as a means of expanding markets for farm products and improving the quality and freshness of food served to children. **S17 & S78(3)**

- c) Increase UW-Center for Dairy Profitability funding by \$100,000 annually for research on low-capital strategies for improving profitability of moderate scale dairy farms

Increases funding for research of low-cost options (low-cost milking parlors, managed grazing, financial strategies) to assist moderate scale dairy farms in becoming more competitive in the dairy sector.

S78(5)

- d) Establish DATCP cost-share program for transition to managed intensive grazing and organic systems of livestock production. Fund at \$2 million annually.

Establishes a new program that provides cost-share programs and educational and technical assistance to farmers interested in or transitioning to managed grazing and/or organic livestock systems.

SS 1, 2, & 18

- e) Increase annual funding for research and education programs on effective entry strategies for beginning farmers.

Increases UW - Center for Integrated Agricultural Systems funding (\$50K) for on-going research pertaining to effective entry strategies for beginning farmers.

S78(6)

Increases funding (\$100K) for Wisconsin Technical College System beginning farmer education programs.

S78(7)

Increases funding (\$50K) for University of Wisconsin farm industry short-course for beginning dairy and beginning market gardener programs.

S78(6)

- f) Increase UW-Center for Integrated Agriculture (CIAS) farmer-research grants on sustainable agriculture.

S1

Increases funding of applied research and on-farm demonstration projects conducted by UW scientist and farmer research teams by \$200,000 annually. Focus on family farm-related issues including: managed grazing and organic dairying, environmentally and socially responsible food production systems and related enterprises.

S1

- g) Authorize Rural Business Economic Development program loans to individuals for farm operating costs and agricultural business start-ups. Fund at \$1 million annually. Loan policies and practices for the loans should be established by a farmer advisory board and staffed by DATCP Agriculture Development and Diversification and Department of Commerce Rural Economic Development Programs.

S76&78(4)

- h) Require the Department of Commerce to disburse Dairy 2020 grant funds for modernization and expansion and other Rural Business Economic Development grant funds for new dairy start-ups in such a manner that the average size of grant recipients is equivalent to the average size of a WI dairy farm in the previous year. Promotes fairness in grant programs. **Ss74-75**

II. Anti-Competitive Practices

- a) Require UW-PATS to study the degree of concentration in the dairy and livestock industry and its impact social and economic impact on family farm agriculture, rural

communities and consumers in Wisconsin. Study funded at \$100,000.
S77(4) and S78(8)

- b) Require the Department of Justice (DOJ) to assess its capacity to enforce laws governing agricultural anti-trust and unfair business practices and what it would need in terms of authority, staff and funding. Require the DOJ to review such programs that exist in other states and determine what types of activities would be appropriate in Wisconsin, how they would become aware of complaints and what actions they could take.
S77(5)

III. Credit and Agricultural Financing Reform

- a) Require all lenders participating in state financing programs (WHEDA) to use *loan servicing and forbearance policies* to the fullest extent possible prior to foreclosure actions. **S23**
- b) Eliminate the \$150 loan application fee for CROP program.
S22
- c) Restore coverage of Wisconsin Consumer Act to farmers (*Eliminated by 1997 Wisconsin Act 302*).
Ss41-73
- d) Require that farmers be provided with copies of all agricultural credit transactions.
S20

V. Rural Community and Natural Resource Protection

- a) Environmental Funding
- Provide \$2 million annually in cost share funding for state and federal required nutrient management plans and planner certification. Give priority to farms that have never before had a nutrient management plan. Develop nutrient management planning certification program. **S1, S9 & S16.**
 - Limit the amount that can be awarded to a single farm through Soil and Water Resource Management programs to \$50,000.
S14
- b) WPDES Permits: Currently there is no charge for the development of approximately 846 WPDES permits per year. To improve permitting services and compliance monitoring of the permit program for livestock facilities, charge a permit fee of \$250 for all WPDES permits & provide fee-funded staff. See also S77(2) relating to

assessment of staffing requirements for permitting and compliance.

S31

- Require the Department of Natural Resources to comply with WI Stat.s 299.05 and set time limits for issuance of WPDES permits for livestock operations. **Already Law**
- Eliminate the exemption from the \$10 minimum daily fine for livestock facilities that violate their WPDES permits. Limit the maximum daily fine to \$1,000. **S38-40**

c) Livestock Waste Storage Facilities

- **Require Proof of Financial Responsibility:** Ensure that owners of manure storage facilities with capacity greater than 3 million gallons have the resources to pay for clean up before they are allowed to start operating.

S26

- Require the University of Wisconsin – Program on Agricultural Technology Studies to study and report back in one year on options to liquid animal waste handling through manure storage lagoons and aerial irrigation systems, including the use of wastewater treatment systems. The study will develop a plan to phase out lagoons that do not meet NRCS standards. Fund study at \$50,000. [Note that industrial and commercial lagoons have been regulated since July 1, 1990 with a deadline of July 1, 1995 to upgrade, rebuild or abandon nonconforming lagoons.]

S77 and S78(1)

- Prohibit construction of new liquid livestock waste storage lagoons along trout streams.

S27

- d) **Integrator Liability:** Ensure that liability for environmental compliance rests with the entity with substantial operational control of the facility. This provision places financial liability at the top of the corporate chain where it belongs, rather than forcing the community or contract farmer to pay for damage caused by decisions/policies made at a higher corporate level. **S30**

- e) Require best management practices for controlling ammonia and hydrogen sulfide emissions at large animal feeding operations.

S37

- f) All permits & bonds must be in place before WPDES-permitted facilities can begin operation.

S29

- g) **Open Records:** Documents related to permit and discharge monitoring should be open and accessible by the public.

S32-36

For More Information, please contact:

Sam Gieryn, campaign coordinator

WI Citizen Action, 122 State St. #308, Madison, WI 53703

Phone: (608)256-1250

e-mail: sgieryn@wi-citizenaction.org

Gerald Jaeger, co-chair of the Family Farm Task Force

WI Farmers Union, N1387 Rolling Dr., Campbellsport, WI 53010

Phone: (920) 533-4725

e-mail: jaeger@kmoraine.com

Caryl Terrell, co-chair of the Family Farm Task Force

Sierra Club-John Muir Chapter, 222 S. Hamilton St #1, Madison WI 53703

Phone: (608) 256-0565

e-mail: cterrell@execpc.com

Family Farm Protection Act -- Frequently Asked Questions

How does the Family Farm Protection Act help farmers?

The bill significantly increases state investments in research, education and economic development programs that have the potential to expand markets, increase farm income, create jobs.

The bill provides assistance to producers, school districts and local and state governments to promote the purchasing of products directly from family farmers.

The bill creates a "Buy Wisconsin" program to modernize and expand promotion of farm products produced in Wisconsin.

The bill increases funding of applied research on family farm-related issues including: farm profitability and marketing

The bill establishes a cost-share program for farmers who want to transition to proven managed grazing or organic production techniques and related enterprises.

The bill restores consumer credit protections for agricultural loans.

The bill creates new loan programs to support agricultural business start-ups

The bill directs the University of Wisconsin to investigate the impact that consolidation in the agriculture industry is having on farmers and consumers.

The bill requires the DOJ to assess its ability to enforce laws governing agricultural anti-trust and anti-competitive practices.

The bill expands state assistance to farms implementing manure management plans.

The bill reforms current state grant and loan programs that have tended to benefit large-scale operations over small farms.

Why introduce the Family Farm Protection Act now?

Wisconsin agriculture is at a critical juncture. A quarter of our rural employment is based on farming or food, but we've lost one-third of our dairy farms since 1994. Along with them we're seeing declining rural population, tax base, declining retail sales and business activity. Still we have more family farmers on the land than most states and many economically strong. We are still "the dairy state" because we have more dairy farmers,

but we have to be more vigilant to keep what we have. We have to move agriculture forward and in Wisconsin that means family farms.

What is a family farm?

You look around Wisconsin and that's what you see, almost exclusively family farms. We don't have many of the huge corporate operations that some other states have. Wisconsin is still a family farm state. We want to keep it that way. We know that family farms are important to their communities. They tend to buy supplies locally, spend their profits or income in the community, utilize the local labor force, conserve the environment. These are the operations we want in Wisconsin and we want lots of them.

What kind of funding is needed for the Family Farm Protection Act?

We are asking for approximately \$8.1 million for programs that improve profitability on family farms, help farmers modernize, diversify and transition into the most profitable methods and markets, and cost-share funding for the most effective conservation practices.

Isn't your funding request too high considering the tight state budget?

This is a time of tough budgets, for the state, for farmers and most citizens. We can not take for granted that cash-strapped farmers are financially able to stay on the land producing high quality food for families in our cities and suburbs. We must continue to invest in our key industries like agriculture and curtail anti-competitive practices to be fair to the farm families who feed us.

Are supporters of the Family Farm Protection Act against large livestock operations?

We have concerns about the impact of factory farms on existing farmers, rural economies and the environment. The Family Farm Protection Act, however, focuses more on promoting fairness rather than choosing sides. Some existing funding programs need to be more faithfully serve the general farm population, such as Dairy 2020. The vast majority of Wisconsin farms are small- to moderate-scale. We believe environmental standards are important, but what's needed is often determined by the type of agricultural practices used, rather than the size of the farm.

Are Family Farm Protection Act supporters against expansion of dairy farms?

No. We recognize that Wisconsin needs to modernize and expand its dairy farms. We do oppose an inequitable distribution of state funds intended for that purpose. There are too many farms that need this type of assistance. We propose leveling the playing field by requiring the Dairy 2020 modernization and expansion program to more faithfully serve the typical Wisconsin dairy farmer. We can achieve our goals by lifting up all our farmers, instead of a smaller percentage.

**SPECIAL ORDER OF BUSINESS
FAMILY FARM PROTECTION ACT
WISCONSIN FARMERS UNION CONVENTION
Wisconsin Dells, WI -- Feb 10, 2002**

1 Whereas the Wisconsin Farmers Union has long expressed its belief that the
2 preservation and encouragement of family farm agriculture to be fundamental and
3 basic to the economic and social health of Wisconsin and our nation.

4 Whereas the Wisconsin Farmers Union believes that in a time in which a variety
5 of forces have been encouraging the greater concentration of farming and farm-
6 related enterprises, more steps should be taken by state government to encourage
7 and foster family farm agriculture;

8 Whereas in an effort to develop a broad coalition to support additional
9 government help for family farm agriculture, the Wisconsin Farmers Union has
10 been working with a diverse group of farm, religious, environmental and civic
11 action groups to develop a state legislative package, also known as the Family
12 Farm Protection Act, that would accomplish the goal of providing measures to
13 support family farm agriculture;

14 Whereas it is expected that the Family Farm Protection Act will be introduced
15 into the Wisconsin state legislature this year;

16 Therefore be it resolved that the members of the Wisconsin Farmers Union
17 express their support for the Family Farm Protection Act so long as the Wisconsin
18 Farmers Union Board of Directors determines that the provisions of the bill
19 remain in conformity to WFU policy and the original intent of the legislation.

Labor and Agriculture Committee
February 27, 2002
Madison, Wisconsin

Testimony of Gregg C Gleichert

Chair and members of the committee my name is Gregg Gleichert. I represent Jennie-O Turkey Store of Barron, Wisconsin. The company is formally known as Jerome Foods Inc and The Turkey Store Company.

I speak in opposition to SB 445, LRB 4560.

Jennie-O Turkey Store is a producer and processor of turkeys and turkey products with processing operations in the Barron county area. We employ over 1200 employees in northwestern Wisconsin and grow and process over 5 million turkeys in Wisconsin. Our operations consist of a processing plant, a hatchery, owned farms and contracts with independent farms and farmers.

We are concerned with the both the tone and content of portions of this bill. Wisconsin livestock agriculture faces one of it most competitive periods as world agriculture prices decline because of issues of supply and demand. Wisconsin agriculture does not simply compete in Wisconsin. I would suggest that only a small portion of Wisconsin agriculture output stays in this State. I know that to some proponents of this legislation this is of little concern. The reality is that we compete in a world market. Success of Wisconsin agriculture is based on success in those markets. Success of farmers large and small is based on selling our food products; value added and commodity in those markets not constraints on success and growth.

The proposed bill would in some areas remove Wisconsin as a State that can compete in those markets. In other areas it duplicates, needlessly existing and proposed rules.

With regards to issues of definition of large animal facilities, protection of ground and surface waters from non-point sources, and protection of special water resource are all addressed in current and pending regulations now before this legislature; rules that are receiving hearings even as we meet today. There is no need to repeat or confuse the rules that resulted from years of negotiations between all parties. At least they should be addressed in the process currently underway before new legislation is introduced for the same subject.

*inappropriate
with growth
assured*

*any issues
ing dealt
through
new rules*

This bill would make WI uncompetitive

The proposals for Odor BMP's do not seem based on science or are they as benign as they would appear. Detection of odor is not a measure of toxicity, content or source of the odor itself. While agriculture odors do exist and they can be bothersome to some, but they need to be dealt with science and common sense. The proposal would appear to direct development of BMP's that would eliminate all odors in livestock agriculture. I am not sure how you operate a livestock operation and take the smell out of a certain byproduct. No farm, factory or household should be a true nuisance to a neighbor. But elimination of livestock farming does not seem to be the right answer for a State that bases a considerable amount of its economic product on livestock operations. I know the answer to this may be that small farms will still be able to exist - just not those big farms. The result well may be that regulations eliminate the big ones and the market eliminates the small ones.

An allocation of funds to assist farmers in the State is a social policy issue, if that is how the State taxpayers want to allocate their tax, that is their choice. A better educated farmer with greater access to funds to grow their operations and make them more efficient is good for all of us. But don't restrict these families' abilities to grow and prosper and become if they want and can a large business.

Studies of concentration in the industry if conducted independently will show the realities of the market. I have not addressed the issues of farm contracts being regulated as a consumer transaction. We do not understand the need or the impact. If this makes Wisconsin farmers less competitive less able to make contracts it should be rejected. We suggest more study before this is adopted wholesale. Farming is a business not a lifestyle.

The family farm will be protected by a strong economy and a competitive environment that encourages agriculture. The environment can be protected by the rules proposed by the DNR and DATCP. Look at the reality of Farming today. Large livestock production as well as smaller operations is an important part of Wisconsin agriculture - we need them both.

For information contact:

Gregg C Gleichert
Gleichert & Associates
651-690-2546
2165 Lower St Dennis Rd
St Paul, MN 55116

*WI has been a
leader in environmental
regulation - exceeds
that seen in south.
'atmosphere is not as
conducive to business
as it once was.*

“For Information Only” Testimony Related to the Family Farm Protection Act

Brad Barham
Professor,
Department of Agricultural and Applied Economics
Co-Director,
Program on Agricultural Technology Studies
University of Wisconsin-Madison

February 27, 2002

Thank you for the opportunity to speak here today. I am Brad Barham, a Professor in the Department of Agricultural and Applied Economics at the University of Wisconsin-Madison, and I am also the Co-Director of the Program on Agricultural Technology Studies, or PATS, a joint operation of the College of Agriculture and Life Sciences and UW-Cooperative Extension. My remarks are meant to inform your deliberations, not to address directly the merits of the Family Farm Protection Act under consideration.

At PATS, we have been closely tracking the evolution of family farming in Wisconsin for about a decade now, studying changes in the size, technology use, buildings and equipment, management practices, farm labor, farm organization, and so forth. Just about every year, we do extensive survey work with large, random samples of Wisconsin farmers, focusing one year on dairy farms and the next year on all types of farms, asking farmers lots of questions about their operations and their families. We have also developed data sets that follow individual farms over time to see how their situation is changing. These two types of data sources offer very accurate portrayals of what has happened and what is currently happening on Wisconsin farms.

My remarks today will focus on dairy farming in Wisconsin, because dairy farms continue to account for well more than half of the value of agricultural sector output. I will make some basic points without exhaustively presenting the supporting data, but I encourage you to go to our web site for more information. It is (<http://www.wisc.edu/pats>). I also brought some fact sheets with the supporting data.

1. Wisconsin dairy farming has been and remains a “family-farm” dominated sector.

Many people believe that the era of “family-farming” in WI dairying has passed, and that we are now into the “industrial” dairy-farming era. At one level, this statement is completely false. ~~99+~~99+% of Wisconsin dairy farms are owned and managed by families. Non-family corporations play a negligible role in dairy farming. At another level, this statement has an element of truth to it. There are now many more large dairy farms than there were before. Ten to fifteen years ago, Wisconsin did not have more than a handful of large dairy farms. There are now 850 of them, if we call large more than 200 cows, and there are 170 very large farms (more than 500 cows).

In between these two extreme statements lies the reality of the dairy industry today, one that is still dominated by moderate-sized family dairy farms. In 2000, about 85% of dairy farms in Wisconsin were under 100 cows, and these operations accounted for more than 50% of the milk produced in the state. If you include 100-199 in the moderate size range, which compared to industrial farms out West is "small", then WI's moderate-sized family dairy farms accounted for 95% of the herds and 71% of the state's milk production. What is also clear is that those 18,000 dairy farms were owned, managed, and worked by families, and thus fit a much stricter definition of a "family farm" than simply whether a family owns the operation.

Make no mistake about it, however. The average size of Wisconsin dairy farms is rising. It is now 71 cows, and when I started in my job at PATS in 1993 Wisconsin's average herd size was around 53 cows. That is a growth of 33% over eight years, which means it would take the industry 15-20 years to double in size at that rate. And, that has basically been the industry's rate of growth for 50 years, an incredibly linear trend actually. In other words, for the past 50 years, the average size of WI dairy farms has been growing steady like a government bond but not like a high tech start-up, my point being that dairy farm is simply not changing nearly as fast as perceptions of it have changed.

2. Small to moderate-sized dairy farms are important to the vitality of the sector and will continue to be for some time to come.

I have already told you that 80% of Wisconsin dairy farms have less than 100 cows and 95% have less than 200 cows. These are basically operations where most of the labor is provided by family members, not hired labor. They are owned and managed by those same family members. These farms are responsible for the vast majority of milk production as well. So, that alone should be enough to tell you that these farms are critical to the vitality of the sector. Today, they produce most of the milk. And, I can assure you that tomorrow and well into the future they will be among the farms that are most likely to be producing milk.

Lots of them will leave the industry, of that you can be sure. In recent years, exit rates have been somewhat higher than historical norms, in part because farm returns have fallen with the price-cost squeeze experienced all throughout U.S. agriculture, not only in dairying. Exit rates have also been higher because it has been a good time to get out. Land prices have risen rapidly, making most Wisconsin farmers richer on their balance sheet even though the rest of their "ag assets" have generally lost value. Also, until the current recession, and perhaps even now, Wisconsin job markets have been relatively if not "very nice" to skilled workers, making the exit alternative attractive in terms of returns to their family labor, too.

But, what is even clearer than the continued exit of Wisconsin dairy farms is that very few new farms are likely to start up. Entry rates in dairy farming have fallen much more rapidly than exit rates have increased. If there is a crisis in Wisconsin's dairy sector, it is and has been one of entry for about a decade now. Put simply, there are

Industry has not gradually

*dairy prices ↓
job opportunities ↑
land prices ↑ } good time to leave farming*

fewer prospective farmers for demographic and cultural reasons, and the economic prospects facing most prospective farmers make the entry decision mostly one of lifestyle rather than economics if they can even afford to choose the lifestyle. This problem is magnified by the tremendous growth in rural land prices driven by alternative uses for residential and recreational properties. Let's be clear the vast majority of larger farms we do see out on the landscape are pre-existing farms that have expanded not new large operations that have entered at a large scale. In fact, our entry studies at PATS reveal that recent entrants tend to start out with somewhat smaller herds than the average Wisconsin farm for what may be obvious reasons. Most entrants are starting with limited equity and are bootstrapping their way into the sector.

So, hang with me now. Entry rates are very low, and entrants tend to be small. Exit rates are somewhat high. Where is the future of the dairy sector? It is largely in the farms that we have today. We will not attract hundreds of large entries from elsewhere anytime in the near future. The vast majority of the larger operations we have now got there the old-fashioned way by growing their operations, usually one step at a time, often taking a leap when a child or someone is ready to join the operation's management. And, then perhaps when this expanded operation has smoothed out the ruffles of the initial expansion, then they grow at even a faster clip. Thus, even if you were only to believe in the "big is better" strategy for Wisconsin dairy farming, I would be imploring you to consider policies that help the existing moderate-sized operations find ways to survive and grow, to bring in the new partners, and to get there a step at a time. The existing farms are the future unless we do something very significant to make entry much more attractive, and even then entrants will face the same challenge

3. **You don't have to be big to be profitable in the dairy sector, but you may have to grow your farm in some form so that family income needs can be met.**

This point will be more controversial. Many of you probably believe that only the large farms are profitable and will survive into the future. I believe that the reality of dairy farming is quite different from that view but that there is an element of truth in it, too. Let me explain.

First, repeated studies done by the UW Center for Dairy Profitability show that in terms of cost efficiency, once you get beyond the 50 cow herd size that on average there tend to be no statistical differences in costs between moderate sized operations and very large ones. One study found a 3-5% cost advantage, but that is too small to be driving structural change in the industry. While we can easily point to some potential advantages in being larger, more efficient milking facilities, cheaper housing per cow, volume premiums and so forth, there can also be some serious cost problems, especially those associated with management of labor and the quality of labor secured from hired workers in running the larger operation. Overall, the cost efficiencies of larger farms are not strongly displayed in the best farm-level economic data we have.

land cost = barrier to entry

∴ future = farms we have already.

• if new farms
come in they
will be smaller
or medium-size

Profitability
+ management
practices, not size

Second, farm profitability studies actually show a stronger relationship between productivity of the herd and profitability. That is, more productive herds tend to be more profitable ones, though that too can be taken to an extreme. But, the point is that size is only one factor in managing a farm. Herd productivity is another.

Third, at PATS, we are studying factors that explain exit rates of farms or survival. We have found strong evidence that larger, high-end confinement farms are more likely to survive controlling for other factors, so there is a point on the "big is better side". But, we have also found evidence that farms with a low-input strategy, like management-intensive rotational grazing or owning no land, are just as likely to survive as the high-end confinement farms. The interesting thing about this finding is that low-input dairy farms tend to be moderate in size and not particularly dynamic in terms of growing their herds either. They also tend to be households that are more likely to combine off-farm labor by the spouse with the farm operation.

Fourth, because of declining margins in dairy farming, growth in herd size, herd productivity, or other ways of expanding sales or net farm income may be crucial to survival. This much is clear, and has been a driver in the sector for years. However, the key point is that there are more ways to do so than just getting real big. You can also cut costs (the low-input approach), you can try to raise the productivity of your herd, you can find niche markets, or you can specialize in some other way. In other words, making a go of it on a farm can be achieved in a variety of ways, none of which in recent years have tended to be easy. Getting bigger is one way, and getting real big is by no means the right way or even a feasible way for many farmers. We need to get out of our box and help farmers to examine their full range of options. Many farmers now believe that getting big is the only way because they see more large farms around them. They hear others telling them that this is the way. And it can be one potential way, but let's not forget that there are also many others.

4. Diversity in dairy farming styles is critical to the vitality of the sector.

My closing point is that we have to recognize that diversity in dairy farming styles is, in fact, critical to the vitality of the sector, because that diversity comes largely from differences across farms in:

- physical resources (land, location, topography, etc.),
- lifecycle issues (age of farmer, family situation, children),
- family resources (wealth, skills, management approach, preferences), and,
- market conditions (high versus low land prices, proximity to off-farm labor opportunities, etc.).

If we discourage that diversity by only aiding the "big farms" and by telling the others that they are doomed, then we will have the effect of eliminating viable pathways, and we will have a less robust dairy sector and rural economy and society.



1050 Regent Street, Suite L2
Madison, WI 53715-1002
(608) 251-1918 (ph)

wispirg@pirg.org
www.wispirg.org
(608) 287-0865 (fx)

**Testimony of Kerry Schumann, Director of the Wisconsin Public Interest Research Group (WISPIRG), in Support of the Family Farm Protection Act, SB445
Senate Labor and Agriculture Committee
February 27, 2002**

Thank you for the opportunity to testify. My name is Kerry Schumann, and I'm the Director of the Wisconsin Public Interest Research Group, a nonprofit, nonpartisan public interest advocacy organization with about 15,000 members statewide.

I want to thank Senators Burke, Baumgart and Shibilski, and Representatives Miller, Schneider, Hebl and Plouff for taking leadership and introducing this legislation.

Working with farm, religious and environmental groups to create the policies encompassed in the Family Farm Protection Act has been a very rewarding experience. Too often we are told that environmentalists and farmers can't work together. Coming from both backgrounds, having grown up on a Wisconsin farm with a strong environmental ethic, this assumption of opposition has always troubled me. Working with the Family Farm Task Force reinforced in me the belief that farmers and environmentalists are not so far apart from one another in their beliefs.

Wisconsin's agriculture is at a crossroads. Our tradition of small family farmers is declining while we are seeing an increase in the number of large-scale industrial livestock facilities. Many government policies encourage a "get big or get out" mentality or attract large, out of state factory farms to Wisconsin. Too often, taxpayer-subsidized grants and low-interest loans are directed at large-scale agriculture. For example, the owner of an industrial dairy in New Mexico was offered an \$850,000 low-interest loan to build the second largest dairy in the state of Wisconsin.

Mergers and consolidations in the agriculture industries are also a problem for Wisconsin farmers, creating less competition and forcing small farms out of business. In 1997, four firms handled nearly 80 percent of the cattle slaughter in the U.S. Increasingly, large processors are controlling the market by both producing and processing agricultural products. This control of the market has pushed many small processors out of business, leaving farmers with limited options for selling their products.

At the same time, large-scale agriculture brings with it an extensive set of public health and environmental problems. High levels of nitrogen leaching into drinking water supplies increase the risk of spontaneous abortions and blue-baby syndrome, which can cause death in infants. A recent study by the UW Extension found that in the Mendota Watershed in Dane County, over 40 percent of private wells contained unsafe levels of nitrates. Animal waste poses a human health risk due to pathogens, such as cryptosporidium, which in 1993, got into Milwaukee's drinking water supply and made 400,000 people sick and led to the deaths of more than 100 people.

Agricultural pollution has also caused many fish kills in Wisconsin waterways. For example, In June of 2001, over 5,000 trout died in Black Earth Creek from agricultural runoff. Up to 86 percent of the trout in certain stretches of the stream were lost.

I don't mean to say that large-scale agriculture is bad and small farms are good. The issue isn't nearly that simple. However, Wisconsin agriculture is at a critical juncture. It's time for us to articulate a vision of what we want our state to look like in the future, and assuming that the future is big agriculture does not do justice to the quality of Wisconsin's family farmers and the value they add to this state. While the Family Farm Protection Act doesn't create a full vision for Wisconsin agriculture, it begins to look at and address many of the problems Wisconsin farmers face: issues like market and production consolidation, product marketing, clean water, and farm productivity.

I want to highlight a few of the provisions within the Family Farm Protection Act that WISPIRG is particularly supportive of.

- 1) Establishing a cost share program to assist farmers in transitioning to organic production or grazing. Both organic farming and grazing have a lesser impact on the environment than conventional farming and can be profitable for farmers. However, transitioning into organics and grazing can be very costly for farmers. Providing cost share for farmers will help farmers through the transition years.
- 2) Requiring Department of Justice to begin to look at agricultural anti-trust and anti-competitive practices. The agriculture industry is becoming increasingly consolidated and needs to be monitored.
- 3) Providing cost share money for farmers to implement nutrient management planning. Nutrient Management Planning is one of the most affective practices for reducing groundwater and runoff pollution and can save farmers money in the long run.
- 4) Requiring a study on animal waste storage and phasing out liquid waste lagoons in sensitive areas. Manure storage is one of the most pressing water and air quality issues facing agriculture today. We need to find safe alternatives to liquid manure lagoons.
- 5) Removing the exemption for daily fines for agriculture under the WPDES permit system, ensuring that farms, like other industries, are held accountable for their pollution.
- 6) Ensuring that corporations that own livestock facilities are held financially liable for potential environmental accidents.

These are just a few of the policies within the Family Farm Protection Act that WISPIRG supports. We are very supportive of the overarching principles of this bill – to promote family farms while protecting the environment.

We ask members of the committee to support SB445.

Again, thank you for the opportunity to testify.

Our comments on SB 445 are in the order in which they appear in the bill.

We support Section 16, Nutrient Management Grants.

We support this section because it is important to help provide financial tools so that farmers may have nutrient management plans, particularly those that do not already have such a plan. As the Committee is aware, the currently proposed Nonpoint Rules would require agricultural operations to have plans prepared by qualified planners. This financial assistance will help ensure producers develop appropriate nutrient management plans and meet the timeline in the administrative rule.

We oppose Section 20, beginning with line 23 on page 11 and ending with line 3, page 13 (Documentation of agricultural credit transactions.)

This section is the same as 2001 Assembly Bill 384. Agricultural credit transactions already provide the borrower with a copy of the documents that are signed. Producing duplicate copies will create extra paperwork and may sometimes confuse the borrower.

Furthermore, this legislation will obstruct the advance to a paper-less society through electronic commerce. Article 9 is designed to be neutral on the way in which the commerce is transacted, while this provision adopts old methods of commerce.

We oppose Section 42, beginning on line 17, page 19, through Section 73, ending on line 19 of page 28. (Consumer Act.)

WFC is unaware of any compelling argument to reverse 1997 Act 302, which removed agricultural loans of \$25,000 or less from coverage of the Wisconsin Consumer Act, and made them subject to the general business laws that already applied to ag transactions in excess of \$25,000 when the law change became effective in mid-1998. Act 302 did not remove the applicability of the debt collection statute and disclosure of finance charges and fees statute for these loans. The DATCP Farm Center has not recorded an increase in farmer complaints pertaining to this subject since the law intended to create greater access to credit was enacted.

We oppose Section 74; beginning on line 20 of page 28 and ending on line 8, page 29. (Changes to Early Planning Grant Program Department of Commerce.)

*dangerous to hamstring this
program - it has worked up
farms of all sizes!*

The bill's language would require that these grants be awarded so that the average proposed herd size of the "new dairy farms" does not exceed the "average herd size of dairy farms operating" in Wisconsin during the preceding year. At a time when our dairy industry needs to grow to supply the needs of our own dairy plants, it would be dangerous to hamstring this program. The program has been a success story in working with producers who want to take a business approach in reviewing options for their future in dairying. Over 700 awards totaling more than \$1.7 million have been made through the program to dairy producers. Of the awards that have been evaluated, respondents report over 38,000 cows added, with a total new investment of over \$202 million. Overall positive responses have been received regarding the projects' impacts on production efficiency and overall profitability. Nearly 50 percent of respondents commented favorably on improved quality of life. We understand that if SB 445's provision had been in effect, the bulk of awards would never have happened, and the outlook for our dairy industry would be even more bleak than it is today.

We support (4), in Section 77, beginning on line 22 on page 30, and ending with line 7 on page 31. (Study of concentration in the dairy and livestock industries.)

Members attending WFC's 2001 Annual Meeting last November adopted resolution 2.75 titled Meatpacker Concentration. It urges various government entities, including the U.S. and Wisconsin Departments of Justice, to investigate and determine whether recent and future meatpacking mergers and acquisitions violate the Packers and Stockyards Act, the Sherman Act, or the Clayton Act.

We support an increased state commitment to the Agricultural Development and Diversification (ADD) program. Section 78, lines 3 through 7 on page 32.

Wisconsin under-funds this popular and successful program that helps producers develop agricultural crops and livestock products, value-added and other new product uses and new business ventures. Our ADD program is one-tenth to one-fifteenth the size of programs in other Midwestern states. Michigan, Minnesota, as well as South and North Dakota are among the states with impressive efforts resulting in beneficial outcomes for participants. Since its inception in 1989, the program has been able to fund about 16 percent of the grant applications and about 10 percent of the funds requested. A 10-year economic-impact report on ADD, released on the 1989-1998 period, indicated a 22-to 1 return on investment. In addition, over 424 new jobs were created.

We appreciate your attention to our comments and would be happy to respond to your questions.

**Dairy Farm Investment Tax Credit
To Renew Wisconsin's Essential Producer
Infrastructure**

- For taxable years beginning after December 31, 2002, and ending before January 1, 2009
- A credit against income and franchise tax imposed equal to 10% of amount claimant paid for eligible expenses.
- Eligible expenses includes the construction, improvement, or acquisition of buildings or facilities, and the buildings to contain the facilities, for dairy animal housing, confinement, feeding, milk production and waste management, including any of the following if related to dairy animals: free stall barns, fences, watering facilities, feed storage and handling equipment, milk parlors, robotic milkers, scales, milk storage and cooling facilities, bulk tanks, manure pumping and storage facilities, digesters, and equipment to produce energy.
- Aggregate maximum amount of credit for any claimant is \$50,000.
- Provides for a 15-year carry-forward.
- Individuals are eligible. In addition, partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interest.

WISCONSIN RURAL FINANCE AUTHORITY

2002 Legislative Session

Representative Al Ott and Senator Jon Erpenbach

- The Goal is to consolidate Wisconsin agricultural loan and guarantee programs and create a Wisconsin Rural Finance Authority similar to the Minnesota Rural Finance Authority
 - Current Wisconsin agricultural finance guarantee programs are underutilized
 - Minnesota has issued more than \$116 million in participation loans to nearly 2,000 Minnesota farmers with an average age of 34 and approximate net worth of \$160,000
 - Financing would be through state of Wisconsin revenue and general obligation bonds; not dependent upon GPR
 - State bond financing (state tax exempt) allows loans to be issued at "below market" interest rates
 - The new Wisconsin Rural Finance Authority would "participate" with commercial lenders by financing up to 45% of the total loan package (therefore, commercial lenders are not competition)
 - Potential loan programs include the following:
 - Basic Farm and Seller Assisted Program (aimed at beginning farmers)
 - Aggie Bond Beginning Farmer Program
 - Agricultural Improvement Program (finances farm improvements)
 - Farm Restructure Program (finances debt reorganization)
 - Livestock Modernization Program (finances state-of-the-art improvements)
 - Value Added Stock Loan Program (finances farmer stock purchases in cooperatives)
- WFC is working with Department of Commerce, DATCP and WHEDA to consolidate existing Wisconsin guarantee programs and to determine the best location for the proposed Wisconsin Rural Finance Authority
 - Emphasis on ability to promote programs directly to producers
 - Emphasis on ability to administer loans at lowest possible cost and greatest efficiency
- The Rural Finance Authority would be governed by a Board of producers, bankers, and state officials appointed by the Governor

For more information contact Bill Oemichen (608/258-4413) or John Manske (608/258-4403) at WFC
Dated 2/15/02

JOINT STATEMENT ON RURAL AMERICA

The changes in rural America are creating challenges for countless individuals, families, and communities across the land. Not only are farmers and ranchers leaving their land which, in many cases, has been farmed by successive generations of the same families, but the consequences of this ongoing exodus are creating problems throughout rural communities.

Small businesses, banks, schools, churches, medical facilities, social and fraternal clubs and organizations, and the people who provide a whole range of services to neighbors and friends all share the concern of lives uprooted and livelihoods diminished. The entire social fabric of rural America is being torn.

What is taking place throughout rural America is in many cases more than a transition from an old to a new way of life. We are witnesses to a systemic restructuring of agriculture, which places the safe, abundant food supply for a hungry nation and world at risk.

We are committed to an ongoing effort to identify not only common concerns for the agricultural threads of the tapestry of our national culture, but also to finding the common ground upon which we will work to build a national consensus to preserve the contributions which independent farmers and ranchers make to our society.

As we begin our consensus work, the following issues, concerns, and needs form the core of our initial agreement:

1. Insuring a safe, abundant food supply for the world.
2. Building upon, improving on or replacing existing structures and mechanisms to respond to the continued dramatic effects of historically low commodity prices.
3. Providing human, financial and spiritual resources for rural communities to assist producers and their families in coping with their growing burdens of social problems.
4. Providing structures and marketing opportunities, which empower and enable farmers, ranchers and their communities to organize and cooperate in meeting shared challenges and opportunities.

Outstanding & Exceptional Resource Waters of Wisconsin

