NCFC Update

National Council of Farmer Cooperatives

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House Subcommittee Recommends Extension of Commodity Programs from 2002 Farm Bill; Full Committee Markup Delayed

The House Agriculture Subcommittee on General Farm Commodities and Risk Management held a markup for the commodity and risk management titles of the 2007 farm bill this week. By a vote of 18-0, the subcommittee approved an amendment offered by Subcommittee Chairman Bob Etheridge (D-N.C.) to substitute an extension of the 2002 Farm Bill language for commodity programs in place of the discussion draft initially considered by the Subcommittee.

Several amendments to the extension language were also approved by the Subcommittee. These included adjustments to the cotton and rice portions of the bill, establishment of a single corn and grain sorghum loan rate for each county, and the creation of a pilot program in Indiana allowing for planting of tomatoes for contract processing on up to 10,000 base acres.

Other amendments also considered but not approved included one that would substitute the discussion draft language with the Administration's proposal for commodity programs; another that would substitute the plan floated by Citibank to allow commercial lenders to buy out farm program payments from producers; and a final one that would have replaced the discussion draft with the commodity title language contained in legislation introduced by Congressman Ron Kind (D-Wis.). The first two amendments were defeated by voice vote; a recorded vote on the Kind language was requested, and the amendment was unanimously opposed.

The chairman of the full Agriculture Committee, Rep. Collin Peterson (DFL-Minn.), also announced that the full committee markup of the farm bill, which was originally scheduled for next week, will be postponed until after the July 4th recess. The Senate Agriculture Committee has not set a date for markup of its version of the 2007 Farm Bill.

NCFC Urges Opposition to Legislation to Gut Farm Programs

NCFC has joined with other agricultural interests in expressing opposition to farm legislation proposed by Rep. Ron Kind (D-Wis.) and others. The legislation is a revised version of earlier bill introduced by Rep. Kind. It would essentially eliminate current farm programs under the 2002 Farm Bill. In doing so, it would:

1. Eliminate Counter Cyclical Payments in 2010 and beyond.
2. Reduce Direct Payments to 65% in 2008 and further annually down to 10% in 2012. (Would be capped at $30,000 vs $40,000 max)
3. Eliminate Marketing Loans and LDPs by making them recourse loans only.
4. Lower payment limits to AGI of less than $200,000 with other changes.
5. Eliminate Planting Restrictions on fruits and vegetables.
6. Eliminate Sugar tariff rate quota.
7. Eliminate Peanut program.
8. Eliminate Dairy price support. (Dairy farmers would receive 90% of 2003-2007 MILC payment with 50% directed to Risk Management Accounts.)

Even though direct payments would nearly be phased-out, the bill would require farmers to be subject to a new index of environmental performance to be eligible to receive payments. Producers would be required to develop a plan of compliance certified by a third party. Failure to achieve highest level of compliance would result in penalties.

The legislation would replace these programs with Risk Management Accounts. Producers would be required to deposit 50% of direct payments received into an RMA in 2008-2009, rising to 100% in 2012. The bill would generally limit ability to withdraw or tap such funds to the extent that adjusted gross revenue fell below 95% of producer's 5 year average and then only up to 100%. (Among other issues, this would especially penalize a producer who had suffered recent disasters and reduced income during previous 5 years.)

Savings from elimination and changes in current farm programs would be shifted to other program areas, including conservation, energy, rural development and nutrition, as well as deficit reduction.

Senate Approves Energy Bill Creates Renewable Fuel Mandate

The Senate this week passed legislation (H.R. 6), the Clean Energy Act of 2007, that would create a mandate that 36 billion gallons of renewable fuel be in use by 2022. The bill also raises fuel economy standards for cars and light trucks by 40% by 2020.

NCFC also joined with other agribusiness associations this week in sending a letter to Senate leadership strongly opposing an amendment to the energy bill offered by Senator Judd Gregg (R-N.H.). The amendment would have eliminated the tariff on imported ethanol. The amendment was defeated by a vote of 36-56.

An additional package of energy tax incentives as approved by the Senate Finance Committee was not included in the package after falling two votes short of the 60 votes needed on cloture to allow consideration. The measure could still be considered separately in the future or possibly as part of a House-Senate conference on related legislation (see next story).

Energy Tax Packages Considered by House & Senate Committees

The House Ways & Means Committee and the Senate Finance Committee held meetings this week to mark up their separate versions of an energy tax package. Both packages contain several proposals strongly supported by NCFC. These include incentives to boost production and use of renewable and alternative energy, as well as the extension of a number of tax provisions related to ethanol and biodiesel production.

Major provisions contained in both bills include:

(1) Extend the current $1/gallon and 50 cents/gallon tax credits for biodiesel for 2 years through 2010;

(2) Extend the small producer biodiesel tax credit of 10 cents/gallon. (The House for 4 years (2012) and the Senate for 2 years (2010);

(3) Extend renewable diesel tax credit for 2 years (2010). House bill clarifies that $1/gallon credit limited to fuels produced solely from biomass with coprocessing eligible for 50 cents tax credit. Senate bill would limit current $1/gallon credit to 60 million gallons per facility with additional production qualifying for 50 cents/gallon credit.

(4) Extend Section 45 tax credits for electricity from wind and biomass (including livestock waste), along with ability for farmer cooperatives to elect to pass-through tax benefits to their members. The House bill provides 2 year extension (2010) and caps amount at 35% of facility's cost. The Senate bill extends for 5 years (2013).

(5) Extend tax credit for alternative refueling stations. House bill extends through 2010 and increases 30% tax credit to 50% and overall limit from $30,000 t0 $50,000 per facility. Senate extends existing tax credit through 2012.

(6) Establish new 50 cents/gallon production tax credit for cellulosic alcohol in addition to existing tax credits for biofuels. The House bill authorizes through 2010. Senate authorizes through 2012 or when national production of one billion gallons achieved, and limits tax credit up to 60 million gallons per year.

In addition, the Senate bill would extend the current small producer ethanol tax credit of 10 cents/gallon up to 15 million gallons for 2 years (2012), including ability of farmer cooperatives to elect to pass-through tax benefits to their members. It also establishes a new credit of 25 cents per gallon for the production of ethanol without using fossil fuels. Also with regards to ethanol, the Senate bill would reduce the existing 51 cents per gallon tax credit for ethanol to 46 cents after production reaches 7.5 billion gallons nationally. Finally, it would extend for 3 years (2014) provisions relating to refinery expensing as well as provide for 50% bonus depreciation relating to expansion or construction of a new refinery that meets certain requirements.

Immigration Legislation Expected on Senate Floor Next Week

Comprehensive immigration reform legislation is expected to be brought up for consideration in the Senate next week. The bill is the same as the one that was pulled from consideration two weeks ago after a failed vote to end debate on the measure; that legislation includes provisions of AgJOBS, which is designed to provide a legal, dependable labor force for American agriculture.

The situation in the Senate remains extremely fluid, and the Bush Administration continues its all-out effort to build support for the measure. NCFC encourages members to contact their Senate delegation to express support for comprehensive immigration legislation that includes AgJOBS provisions for agriculture.

WTO Talks Fail as Developing Nations Continue Intransigence on Tariff Reduction

Talks between the "G-4" (the United States, the European Union, Brazil and India) to advance the Doha Round of global trade negotiations collapsed this week over continued disagreement over increased market access for manufactured goods. Both US and EU officials blasted Brazil and India, two emerging economic powers, for their failure to agree to further reductions of tariffs on manufactured goods.

Upcoming Events:

<u>NCFC Meetings</u>

- September 26-28, 2007—LTA Chairs & Vice Chairs Meeting—Marriott Waterfront Hotel, Annapolis, Md.
- September 27-28, 2007—NCFC Executive Council Meeting—Annapolis, Md.

- January 23-25, 2008—NCFC Annual Meeting—Disney Beach & Yacht Resort, Orlando, Fla.