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JUL 13 2006

Anne Cannon

7/11/06

A.G. Kawamura
Department of Food and Agriculture
1220 N. St. #406
Sacramento, CA 95814

Dear A.G.:

As you may know, work has begun in earnest in Congress to begin drafting the 2007 Farm Bill. Historically, California has not received its fair share of federal Farm Bill funding even though we have significantly higher input costs than farmers in other states. For example, even with greater air pollution regulation, water conservation and water quality challenges as well as far more threatened and endangered species listed than nearly every other state, California still ranks only 28th of 50 states receiving Farm Bill money designated for conservation and pollution control.

However, I believe this next Farm Bill offers an unprecedented opportunity to address the unmet needs of California agriculture and everyone who benefits from it. As such, I am working closely with a number of stakeholder groups both at home and in Washington, DC to craft markers in different subject matters that can be presented to my colleagues as a way to jump start debate on a more equitable allocation of federal support.

Late in 2005, I began meeting with one such group of farmers, farm representatives, conservation groups and others who came together to develop a unified voice for change. We all agreed that the Conservation Title of the Farm Bill offers a great opportunity for finding that voice. Increasing funding for certain conservation programs, and making sure there are equal opportunities for California farmers to secure those funds, will both foster the continued development of our agricultural industry and help improve the environment.

This group spent several months identifying ways the Conservation Title could be improved and what follows is a summary of the changes proposed by this group. These changes reflect a consensus among those at the table on conservation issues. Throughout this process, I was pleased to observe the give and take among groups that oftentimes don't agree, but, in this instance, can recognize that it is possible to support agriculture *and* a clean and productive environment.

I invite you to review this document and share your thoughts and ideas about the proposal. The only way to take maximum advantage of opportunities in the next Farm Bill is for California to speak with a unified, bipartisan voice on its food and agriculture needs. The time is here for us to get organized in order to bring greater benefits to our state.

Thank you for your consideration.

Sincerely,

Dennis Cardoza
Member of Congress

Conservation Title Marker Bill Draft Summary

Objective: Increase funding for working lands conservation programs, increase program effectiveness in achieving environmental outcomes, improve effectiveness in California, and address issues that create special environmental challenges for California farmers.

CHANGES TO EXISTING PROGRAMS

Environmental Quality Incentives Program (EQIP):

Background: EQIP provides cost-share and incentive payments to farmers to meet certain environmental goals, such as cleaner water, cleaner air, enhanced wildlife habitat, and so forth. It is the Conservation program most used by California farmers.

Suggested changes to EQIP:

1. Gradually increase annual mandatory funding to $2 billion per year

2. Clarify that states must consider the overall cost effectiveness of proposed projects and target funds to projects that will deliver environmental benefits in the most cost-effective manner.

3. Require prioritization of applications based on how effectively and comprehensively they address designated resources of concern (*e.g.*, water quality, air quality, habitat for at-risk species); their cost effectiveness and efficiency in delivering environmental benefits; their level of environmental performance; and their ability, based on criteria to be developed by the Secretary, to effectively address national, state and local conservation priorities
    - *California angle: Since California has specific regulations addressing habitat, air and water that are generally more stringent than those in many other states, setting priorities within the bill will help encourage a larger share of EQIP funds to be devoted to California. In addition, it will help ensure that environmental problems in California are actually solved in a way that is good for California agriculture.*

4. Provide a significant incentive to states to improve implementation of EQIP on the ground and ensure that these performance incentives for states go to those states that prioritize cost-effective projects, effectively address conservation priorities, reward collaboration, innovation and higher levels of performance, and demonstrate results through effective monitoring and evaluation.
    - *California angle: Again, since state laws and regulations in California already require a higher level of performance, these changes to the performance incentives for states will help ensure recognition of this fact and draw more EQIP funding to California.*

5. Create an air quality subprogram within EQIP that would provide cost-share and incentive payments to producers to address air quality concerns associated with

agriculture. The program funding gradually increases to $100 million per year by 2013.

- *California angle: Since 2002, NRCS has been allowed to provide EQIP funding for air quality projects and has opted to spend about $5 million a year in the San Joaquin Valley. This program is heavily oversubscribed. Creating a subprogram will ensure that air quality continues to be funded.*

6. Direct USDA to take in consideration the variation in the costs of practices and product value by establishing differentiated rates for incentive payments for land management practices. This will level the playing field for producers operating in more expensive parts of the country, like California.
   - *California angle: This will eliminate an inherent bias in EQIP.*

7. In allocating funds, USDA should consider to what degree producers in each state are under pressure to comply with environmental regulations.
   - *California angle: California farmers are under more regulatory pressure than any other farmers around the country and this will ensure that that is taken into consideration when money is distributed.*

8. Encourage farmers to share good environmental stewardship practices by allowing payments to be used for farmer-to-farmer education through demonstration.

Wildlife Habitat Incentives Program (WHIP):

Background: This is a voluntary program for landowners and others who want to develop and improve wildlife habitat on farmland. In California, it has recently helped restore habitat for salmon.

Suggested changes for WHIP:

1. Gradually increase mandatory WHIP funding from $85 million a year to $300 million a year.

2. Allow for cost-share payments of up to 100 percent of actual costs for practices required under voluntary agreements to protect and restore plant and animal habitat.

3. Provide incentive payments to landowners in cases where the Secretary has entered into a contract or agreement to protect and restore habitat for federally or state-listed endangered, threatened or candidate species. Payments could include the cost of management activities needed during the term of the agreement or contract.

4. Ensure that implementation of WHIP is consistent with a state's wildlife action plan.

Grassland Reserve Program (GRP):

Background: This voluntary program pays to conserve and restore grassland while allowing the land to be used for grazing.

Suggested changes:

1. In order to assist California's farmers and ranchers in maintaining economically viable and environmentally sustainable grazing operations, GRP should be expanded and a greater emphasis placed on long-term and permanent easements.

Farm and Ranch Lands Protection Program (FRPP):

Background: The FRPP allows farmer to voluntarily sell conservation easements limiting non-farm development to ensure that farmlands and ranchlands continue to operate as farms and ranches.

Suggested changes:

1. Expand funding from $100 million to $300 million.
2. Provide that state and local governments and private land trusts are eligible for funding under this program.

California angle: California is home to many well-regarded land trusts capable of working successfully with farmers and ranchers to identify lands in need of protection and to serve as easement holders. The state also has a program in which it provides funds to private land trusts to acquire and hold easements.

OTHER CHANGES

1. Increase support for innovative solutions to environmental problems associated with agricultural production.

   a. Expand the Conservation Innovation Grants (CIG) program from approximately $25 million a year to $100 million a year by 2013, and improve it to ensure effective and efficient technology transfer.
   b. Expand EQIP to include funding for the development of partnerships with other agencies and contracting with technical assistance providers to supplement the Natural Resources Conservation Service's expertise and staffing.
   c. Establish an education assistance program for students in fields such as agronomy, conservation biology, engineering and other relevant subjects in order to ensure incentives for young people to develop expertise in fields which provide technical assistance to farmers. In exchange, students will commit to service to the USDA.
   d. Create a new initiative to support and encourage integrated pest management, giving priority for funding to regions where there is the greatest potential to benefit producers seeking to comply with environmental regulations.
      - *California angle: California's farmers face some of the most stringent pesticide regulations in the country and are also among those farmers most interested and active in using integrated pest management.*

2. Improve land retirement programs to ensure they do a better job of improving water quality and enhancing habitat for at-risk species and other wildlife.

   a. Expand the voluntary Wetlands Reserve Program (WRP) to 5 million acres to meet the President's wetlands pledge, and allow the Secretary to pay owners up to the full actual cost of ongoing or periodic management activities needed to maintain the hydrologic, habitat or other functional values of wetlands enrolled in the WRP.

b. Expand WRP to include funding for riparian habitat protection.
c. Take into account, while allocating WRP to states, the degree to which a state is protecting rare species and improving water quality.
    - *California angle: Because California gives relatively high priority to habitat protection and water quality, this provision would help ensure California would receive a fair share of the allocation.*
d. Reform the voluntary Conservation Reserve Program (CRP) to establish a goal for USDA to enroll 7 million acres of environmentally sensitive lands through continuous enrollment and the Conservation Reserve Enhancement Program.
e. Prohibit inappropriate plantings on, and promote better management of CRP lands in order to increase environmental benefits, particularly for at-risk species.
f. Change rental payment limits to allow USDA to take into account a state's higher land market values, and allows irrigated land rental rates for CRP projects that provide conservation benefits.
    - *California angle: Farmers here have been at a disadvantage because this program hasn't taken into account the higher land values in California than elsewhere in the country. These provisions change that.*

3. Let all farmers participate in the Conservation Title programs.
    a. Remove the adjusted gross income limits on participation in Conservation Title programs.
        - *California angle: This recognizes the high dollar value of California's specialty crops, and also acknowledges that farm size and crop value shouldn't exclude a farmer from receiving incentives for good environmental practices and for protecting the habitat.*

4. Continue the Conservation Security Program. The CSP provides funding for farmers and ranchers who are providing conservation benefits through good management practices. This program should continue to be funded.

Research Title Improvements

The Conservation Title working group realized early on that a combination of factors, including depleting assistance available through Cooperative Extension, require improvements in the Farm Bill Research Title to ensure that farmers have the information needed to provide good environmental stewardship. Specifically, the reform would:

1. Create a mandated initiative to provide funding for research on practices, technologies and approaches that will help farmers meet air pollution control requirements, water quality and water conservation goals, and rare species protection and habitat restoration requirements.

2. The initiative also requires that this research be disseminated to farmers.
    - *California angle: This initiative will provide tangible research and technical help to farmers facing the state's environmental regulations.*