

Varel G. Bailey
55213 770th Street
Anita, Iowa 50020

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Testifying as an individual farmer; farming since 1966.

Observation: farm bills are like military strategy; they are designed for the last war, not the next war.

When considering the future, I have these areas for recommendations:

Land

Site specific research

Risk mitigation

Rural infrastructure

Foods, fads and nutrition

Agriculture structure and market fairness

Land

Issue: loss of agricultural land; need for technology for land reclamation and improvement

Land is the basic building block of agriculture. Adequate area, quality and ecology of land are vital to the production of food, feed, fuel and fiber and are critical to the survival of humanity. The U.S. Government has a vital role in insuring that high quality agricultural land is not converted to non-agricultural use. Increased emphasis on farmland protection, more emphasis on new soil conservation technologies and programs and new initiatives on agricultural land reclamation around urban areas are needed.

Site specific research

Issue: loss of site specific research capacity while the need becomes greater

New emphasis on site specific research is needed to insure the necessary increases in agricultural production to feed a hungry world. Politics and agriculture are similar in that both are "local". Globalization has changed the goals of agriculture research. Instead of the local Land-Grant University working to perfect technology and management systems that are unique to their area, they and the private sector work for the "home run" invention that can be sold universally. At the same time Federal funding for Land-Grant support for Research Stations has been reduced 35% in the last decade and Cooperative Extension support has been reduced 42%. Globalization means every place is in direct competition with everywhere else. Economic survival is determined by a continuous stream of site-specific research. The last farm bill moved away from local research by establishing the National Institute for Food and Agriculture. This program uses large multi-state grants, with the goals set in Washington to develop ubiquitous technology. This may seem useful from a national perspective but it is counter to the need for local prioritized research. The private sector cannot provide this R&D because typically the unique market is too small. For the farmer, the private sector "consultant" cannot be trusted to provide unbiased information since many times he is furnished by an input supplier. If this situation continues, US agriculture will lose its

competitiveness with the rest of the world. Creation of a site specific research system is essential for the future of American agriculture.

Risk mitigation

Issue: need for redesign of government subsidized crop insurance program

Government programs provide an important role in buffering the risks from weather disasters, market aberrations and political irrationalities. Government must maintain the role as an insurer (for a fee) of uncertainty and not be a driver of change. Past government programs have enticed production into marginal areas (the corn belt almost to Winnipeg) (milk to the desert). This is a result of a combination of commodity programs, subsidized insurance programs and other supports that in some areas reduce the farm risk to near zero. Reconciliation of the programs so they provide adequate mitigation and not a guarantee of profit are needed.

Further revisions of the agreement between RMA and the crop insurance companies are needed. Even with the changes pending in the negotiation, the program is a rip-off for taxpayers and transfer of wealth from productive areas to marginal areas. That money will be better spent in other areas.

One of the areas in need of added support is in the ACRE program. This could simplify the program and make it workable for many more farmers.

Rural infrastructure

Issue: new infrastructure areas need policy development and Federal support

Typically when we think of infrastructure we think roads, bridges, railroads, phone lines, locks-and-dams, USDA offices, and the Rural Electric Coops. Those are all still vital but for rural America to provide for the demands of the rest of the country and the world, we are in a new era. World competitive Broad-band communications, a modernized electric transmission network, a quality Global Position System signal, a unified, comprehensive cellular phone system, and a modernized USDA computer system are some of the things rural America needs.

Broad band: A dynamic, last-mile, high speed, high capacity Broad-band is essential for a vibrant future. "Net neutrality" is key to success. Without net-neutrality, the consolidating communications industry will become gate keepers, milking profits from past investments rather than building for the future. If government fails to protect net neutrality it will be endorsing oligopoly or a cartel. We went through this with land-lines in the past. We can avoid the problem with the correct policy now.

Electric transmission network: We don't need to start with the political battles in crossing State lines and who makes the investment. We can start with changing the rules between REC's, their transmission line companies and the electric generation companies. Right now it is impossible for a farmer to build a wind turbine, generate electricity for his local REC in excess of the need of the local substation, and then send power back through the transmission line company to another substation in the same REC. This is not a technical problem; it is a bureaucratic problem. Furthermore, if a group of farmers and local investors wish to build a wind turbine farm, they must get in the same

bureaucratic waiting line as those trying to build coal, natural gas or nuclear power plants. Updating the rules for electric generation at the local and regional level will greatly increase the creation of alternative energy.

Global Positioning System: GPS has become a necessary service for agriculture and rural America. That signal has become the meta-data standard for farming, construction, transportation, recreation, emergency services and many other industries. For long time users, the signal seems to be less accurate and reliable. After the signal was unscrambled by the military there was a period of very high precision. Now many users are adopting RTK and CORE precision correcting systems that correct for the lower quality service, but even these programs may fail if the number of satellites drops too low or their signal is corroded. USDA does not run this system but agriculture needs to register a concern if the GPS system should fail.

Cellular telephone system: Traveling the Interstate highway in the US and then the Autobahns in Europe, there is a significant difference in cell phone towers. In the US there are normally three or four towers clustered together. In Europe there is only one. A US based cell phone will not work in Europe. The reason is Europe has a unified cell phone transmission system. The splinted system in the US means all the investment is in the high volume areas, leaving major rural area with little cell phone service. This is the same story as years ago when the land-line telephone system and the electric service system was developed. Government must step in when the private sector fails in delivering new technology that is essential to the economy and society.

USDA computer system: This is long overdue.

Foods, fads and nutrition

Issue: massive, long term support for nutrition programs need a new strategy

The majority of the money spent in the farm bill is for food and nutrition. The media is constantly full of news of obesity, hunger, nutrition driven medical problems, fad diets, and theories about eating. I get the opinion that the computer balanced rations I feed my cattle, hogs and sheep provide a better level of nutrition than what the American public eats each day. This begs a question: with the huge level of government funds invested, the electronic Food Stamp recording program, the demographic studies ongoing, and the massive research effort, why is human nutrition so confusing?

My fear is that a fringe group with a secondary agenda will attempt to use the USDA nutrition program to implement their goals. Without sound science based information on which to base public policy, serious damage can be caused on human health, and agriculture. The food policy system now in place could not stop the damage done by one BSE cow, miss-named H1N1 (swine) flu or sick poultry. It is time to allocate funds to research what we really eat and find ways for better nutrition to create a better life.

Agriculture structure, oligopoly and market fairness

Issue: the need for greater effort in the USDA & DoJ investigation

Public policy changes in the past decades have radically changed agriculture and rural America. Globalization has created a world market and world competition. Micro-electronics,

communications and the internet have created a world network. A world financial system moves unlimited money around the world with a click. An imperfect intellectual property system makes many inventions ubiquitous almost overnight. Consolidation and vertical integration in the livestock industry have collapsed the profit margins in livestock production. The patenting of DNA was legalized. New methods of retailing with worldwide supply chains have been developed. We currently have an unbalance market place. It is unbalanced at the farm level. It is unbalanced at the processing level and unbalanced at the retail level. Examples are: livestock grower contracts, processor supply ownership, unbalanced market information and artificial segmentation to stifle competition. Machinery is designed with proprietary software to capture maintenance business and trade territories are established to reduce market competition. Broad intellectual property patents provide a legal platform to shape segments of the industry and actually reduce innovation instead of stimulating it. In pharmaceuticals, FDA regulations are used as a weapon to stop generic products based on inert ingredients present due to the production process. Failure of Federal regulations to consider market balance when evaluating business consolidation has created an agricultural structure that is very fragile and tenuous. Rebalancing of the market is needed. Some will say that it is impossible to put the genie back in the bottle, but they said that about the "trust busting" business conditions in 1900.

Personal background

Varel G. Bailey

Varel is president and general manager of Bailey Farms, Inc., a family corporation at Anita, Cass County, Iowa. The farm includes 1250 acres of corn, soybeans, and grass with livestock enterprises of cattle and sheep.

He currently provides agricultural policy counsel for American Farmland Trust.

He is a member of the Farm Foundation Round Table.

He is the past chairman of the National Corn Growers Association, Iowa Corn Growers Association, Precision Beef Alliance, Iowa Farm Business Association, Iowa Beef Improvement Association, Iowa High Technology Council, Wallace Technology Transfer Foundation and Wallace Foundation for Rural Research and Development. He served on the board of the Iowa Quality Producers Alliance, the Farm Foundation and Transgenic Plant Services, Inc.

He served on the agriculture and small business advisory committee for the Chicago Federal Reserve Bank.

Varel was a candidate for Iowa Secretary of Agriculture in 1990 and served as rural field representative for Congressman Greg Ganske in 1996-97.

He is a 1962 graduate of Iowa State University in Farm Operations and served two years in the U.S. Army Artillery as a nuclear fire control officer.

Varel and his wife Jackie farm with their son Scot. They have two daughters, Sue Drew and Sara Rodriguez.