



The Farmland Stewardship Program

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ONLY 5 DAYS LEFT TO COMMENT ON PROBLEMS CAUSED BY SEC. 1604 OF THE 2002 FARM BILL

WASHINGTON, D.C., Nov. 22, 2002 – Only five days are left to provide comments to the U.S. Department of Agriculture on a recently published rule to implement Section 1604 of the Farm Security and Rural Investment Act of 2002 (Public Law 107-171). This rule could severely handicap efforts to carry out environmental protection efforts on large parcels of land and on a regional and watershed basis throughout the U.S.

A USDA press release from Nov. 19 describing the rule's release can be found on the Internet at <http://www.fsa.usda.gov/pas/FullStory.asp?StoryID=971>. The text of the rule is available at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2002_register&docid=02-27227-filed

Conservation programs were greatly expanded in the farm bill, with large increases in funding for existing programs, funding for a series of new programs, and new authority for promoting cooperation and partnerships between all levels of government and the private sector. Sec. 1604, however, disqualifies all individuals and entities with an adjusted gross income above an arbitrary limit from participating in ANY conservation program. **The individuals and entities that own up to 47% of the nation's farmland could be affected.**

WHY THIS IS A PROBLEM

When this portion of the statute was added during conference committee, the focus was on preventing wealthy individuals and entities from benefiting unfairly from commodity payments, which would reduce the funds available to individuals and entities with fewer resources, that were primarily engaged in farming, ranching or forestry, and whose survival might very well rely on the availability of funds for commodity payments.

Agree or disagree with this philosophy, it does make sense. A limited amount of money is available and it should go to the individuals and entities most in need. With a commodity payment, the survival of a business engaged in ranching, farming or forestry could very well be at stake.

At the last minute, however, this idea was extended to other programs in the farm bill, including the title II conservation programs. The idea for payment limitations originally was aimed at commodity payments. Including conservation payments was an afterthought -- and it was not thought through all the way.

Again, government money is being spent, so why should wealthy individuals benefit?

But when it comes to a conservation payment, the situation is different. One is no longer dealing with the survival of an individual or entity in a specific business enterprise (i.e., ranching, farming or forestry). One is dealing with LAND, specific parcels of land, and the resources on those lands. Conservation payments are designed to provide incentives, cost-offsets and compensation for:

- restoring lands to more natural conditions,
- maintaining or protecting natural, environmental and ecological resources on those lands,
- installing practices that will reduce impacts of ranching, farming and forestry practices on those lands and adjacent environmental resources, and
- implementing practices that will benefit surrounding land, water, soil and air resources, such as reducing fuel loads to prevent disastrous, out of control fires, and controlling and eliminating invasive species.

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All of these conservation activities provide benefits to the public at large. **Conservation activities really have nothing to do with -- and should have no connection with -- the relative wealth or lack of wealth of the individual or entity who, at this particular point in time, owns the land. Conservation activities should be focused solely on the resources that need to be restored, maintained or protected, and on encouraging owners and operators of ranching, farm and forestry operations to adopt practices that will lead to better stewardship on all working lands.**

By tying the qualification for conservation payments to the wealth of the individual or entity who, today, owns the land has the very unfortunate (and potentially disastrous) consequence of punching big holes in our environmental protection efforts. That's because some of the individuals and entities who are going to be knocked out of the game by Sec. 1604 are going to be the largest landowners in the middle of some of our most important regional environmental initiatives.

HERE ARE A FEW EXAMPLES:

According to "Owning Farmland in the United States (Ag. Info. Bulletin 637)," a USDA report issued by the Economic Research Service in Dec. 1991, 124,000 owners held 47 percent of all farmland, or approximately 437,000,000 acres, and 25 percent of all value in farms in 1990.

This goes to the heart of how Sec. 1604 is interpreted in the rule. I cannot speak with knowledge about all 124,000 owners cited in the 1990 USDA statistic. But I can speak with knowledge about some of the owners who have shown an interest in participating in conservation activities in Florida.

One example is the Mormon Church (The Church of Jesus Christ of Latter-day Saints), which owns and operates Deseret Ranch in Florida, the largest cattle ranch in the U.S. east of the Mississippi. The ranch covers 300,000 acres (470 square miles). It has been recognized by beef cattle organizations as one of the most profitable and best run ranches in the nation. Between Florida's climate, the latest cattle breeding techniques and grasses

perfected for central Florida, Deseret Ranch produces some of the heaviest weaning weight (nine month old) calves in the industry, averaging 546 pounds last year.

An article in the December 2001 issue of Florida Trends Magazine describes the ranch's finances. Calves are sold by weight, and Deseret Ranch produced 16 million pounds of calves last year, worth about \$16 million. [Cattle prices have since slipped from \$1 a pound to about 85 cents a pound, and were as low as 65 cents a pound three years ago.]

The article indicates that the Ranch spends about 62 cents a pound to produce each pound sold. If correct, the article notes, those figures give the Ranch a 2001 profit of \$6 million.

Also affecting this picture is the Church's financial practices. On for-profit businesses like Deseret Ranch, the Church pays taxes, making it one of the largest taxpayers in Florida's Osceola County.

The ranch has its own staff of wildlife biologists and a progressive wildlife-management plan. And where other farms have sold out to developers, the Church has maintained the ranch, despite its rising value. Florida Trend says local real estate experts estimate the value of the ranch land at \$900 million, which apparently led the Church to consider a plan to develop 7,000 acres ten years ago. But after environmentalists expressed concern, the Church abandoned the plan.

Since then local environmentalists and the ranch have found themselves on the same side much of the time, fighting a plan to put a landfill next to the ranch and protecting one of the state's largest bird rookeries, which is located in the area. As Florida Trend observes, the Church's long-term plans are to keep the majority of the ranch agricultural.

Still, Deseret Ranch is only a "division" of the Church. The Ranch must operate as a separate entity, but when it comes to the Adjusted Gross Income (or AGI) rule, the fact remains that the ranch is owned by a very large entity, which in this case is nonprofit, so falls under paragraph Sec. 1001D(a)(2), but nevertheless is still affected by Sec. 1604.

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MORE THAN 5 MILLION ACRES WILL BE AFFECTED IN FLORIDA ALONE

Several other examples can be cited in Florida. In fact, Sec. 1604 could affect conservation activities on as much as 5,000,000 acres – or about 15% of the Florida's land area. **These lands are critical to virtually EVERY environmental initiative that is underway in Florida -- including Everglades restoration, restoration of the Kissimmee River, and protection of habitat for the endangered Florida panther.**

For example, a group of individuals and entities own a 100,000-parcel that is the "hole in the donut," connecting several parcels of public land. The property, which is used primarily as a cow/calf operation, has a mosaic of ecologically valuable land covers -- large expanses of natural wetlands and vegetated uplands, including cypress swamps and pine/palmetto flatwoods, characteristic of an undiscovered Florida. There are several important natural flow ways, that are interconnected with and critical to the hydrological features of the adjacent public lands.

Most native habitats on the properties also are interconnected, providing corridors for wildlife (including several endangered species) to move from private to public land across a very large geographic area. Existing management practices have kept fuel loads (and, thus, fire hazards) low and have prevented invasive species from getting out of control and crowding out native plants.

Each of these individuals and entities have large agricultural operations. **But, as with many ag operations in Florida (and elsewhere in the U.S.), agriculture is not the only business activity in which these individuals and entities are involved. Much of their income is derived from other activities.**

As with the Mormon Church and Deseret Ranch, these ag operations must rise or fall on their own balance sheets. Investments in conservation must be factored in as a cost of business, and can only be carried out if the operation has sufficient profit to justify those expenditures.

Also, as with the Mormon Church, many of the individuals and entities in Florida that have ag operations as one of their business interests, these individuals and entities are very interested in keeping their land in agricultural uses and in improving their environmental stewardship of these lands.

THERE IS NO SECOND CHANCE FOR MANY OF THESE RESOURCES

Here's another example: A large paper company with operations in North Florida owns even more land than Deseret Ranch. The company is now in the real estate development business and has extensive plans for some of its land holdings, which contain habitats that have remained virtually unchanged for almost 400 years. The ability for this company to participate in conservation programs will make the difference between selling this land (and carving it up for development) and not selling this land.

We will not get a second chance to protect these resources.

So, please, urge USDA to give careful thought to what can be done to minimize the limitations that will be created by Sec. 1604 on efforts to expand conservation activities – and to preserve large intact ecosystems and promote biodiversity.

SEND WRITTEN COMMENTS TO:

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Stewardship America is a nonprofit research and education organization working to advance initiatives that will engender a thriving rural economy, with an economically robust agriculture, a healthy natural environment, viable rural communities, and safe, abundant supplies of food and fiber.