

**Testimony of Jean-Mari Peltier
President & CEO
National Council of Farmer Cooperatives
Before
The Senate Committee on Finance
Hearing on Hurricane Katrina: Community Rebuilding Needs
And Effectiveness of Past Proposals
Wednesday, September 28, 2005**

Thank you, Mr. Chairman. My name is Jean-Mari Peltier, and I am president and CEO of the National Council of Farmer Cooperatives (NCFC). We commend you for holding this hearing to look at community rebuilding needs in the wake of Hurricane Katrina and the effectiveness of past proposals, and appreciate the opportunity to share our views from an agriculture perspective.

NCFC is the national trade association representing America's farmer cooperatives. There are nearly 3,000 farmer cooperatives across the U.S. whose members include a majority of our nation's more than 2 million farmers. In addition to helping meet the food and fiber needs of consumers at home and abroad, they provide farmers with the opportunity to improve their income from the marketplace, capitalize on new market opportunities, and compete more effectively in a changing global marketplace. They also account for approximately 250,000 jobs and a combined payroll of over \$8 billion. Many of these jobs, of course, are in rural areas where employment opportunities are often limited. This includes many of the areas impacted by Hurricane Katrina and Rita.

We of course join with you and all Americans in expressing concern and support for everyone and their families who have been impacted by Hurricane Katrina and its aftermath, along with Hurricane Rita, and other disasters. As part of a nationwide campaign, we are coordinating and urging all members of NCFC to join together as part of a cooperative effort to help provide relief to those impacted in the Gulf Coast region and other areas. Already, farmer cooperatives, their employees and farmer members have directly contributed over \$1.2 million in hurricane relief, and we expect this number to grow. In addition, many of our farmer cooperative members have donated food, livestock feed, generators, fuel supplies, transportation, and other items. They have also provided temporary housing for their displaced employees.

As this Committee and Congress begin to look at possible additional actions that may be needed to help communities rebuild, it is important to make sure the needs of rural communities, including agriculture, are also addressed.

U.S. agriculture, including the food and fiber sector, is our nation's largest single industry, accounting for as much as 16% of GDP and 1 out of every 6 jobs. Within the Gulf Coast region hit by Hurricane Katrina and Rita, it is nearly a \$100 billion industry.

Many farmers and some farmer cooperatives and their facilities, as well as other agriculture segments within the region were especially hard hit. The first priority for our farmer cooperatives has been to account for their employees and farmer members. There have been reports of significant crop and livestock losses, and damage to existing buildings and facilities. Many dairy farmers and other farmers were left without power, roads were blocked, plants and other facilities were shut down. While some are back up and running, others are still under repair. Several of our members also reported missing barges and cargo. We are continuing to follow up with them for updated reports.

While the impact is still being assessed, including by USDA, the initial reports indicate that production losses, including livestock and crops, could be as high as one billion dollars or more, and could still go higher. Total losses, including damages to various operations such as warehouses, elevators, terminals, processing plants and other facilities, can be expected to be even higher.

In addition, farmers and their cooperatives, and other individuals and businesses, not directly affected by the storm will still incur significantly greater costs through higher energy and fertilizer prices and increased logistical hurdles. Energy and fertilizer costs, in particular are up substantially. USDA has estimated that the post-Katrina increase in energy prices could add \$85 million per month to agriculture's energy bills if they remain at that level.

The Port of New Orleans, a major interchange point for river and ocean-going agricultural cargoes, has been operating at substantially reduced levels. Over 50% of grain exports and a substantial volume of other agriculture-related shipments move through that system along the Mississippi. Alternative transportation modes are not always available and have increased in cost. This has led to increasing concern extending beyond the region as new crop harvest continues. Higher marketing cost also tends to adversely affect commodity prices and returns to farmers. USDA has been working with industry on many of these issues and we commend them for their efforts.

Farmer cooperatives, their employees, and farmer members are committed to working with Congress and the Administration in an effort to provide needed assistance and encourage the redevelopment and rebuilding of the areas affected by the recent hurricanes. Given the scale of devastation, we believe what is needed besides traditional emergency disaster assistance provided through USDA, we believe what is needed is a combination of assistance that provides tax relief and other incentives to encourage and facilitate such efforts.

Following the Midwest floods in the 1990's, for example, Congress responded by enacting several tax provisions, including extension of certain tax filing deadlines, allowing states to waive certain requirements to help homebuyers, making it easier to determine disaster losses, and other provisions to provide general relief. It also included specific agriculture provisions to allow livestock producers to defer capital gains on the sale of livestock on account of floods or other weather-related conditions. In response to other disasters, Congress has also approved a number of other tax provisions. These included the creation of special development zones and additional tax incentives to encourage business investment.

Clearly, previous experience has demonstrated the importance of providing such tax relief and other incentives to meet the needs of individuals and businesses, and to help attract capital, encourage investment, and promote long term economic recovery and job creation as an aid to local communities.

In this regard, we want to commend you, Mr. Chairman, as well as Senator Baucus, and the members of this Committee for your leadership and efforts relating to the enactment of recent tax legislation in response to Hurricane Katrina.

As you consider what additional tax relief and incentives may be needed, we want to work with you to help meet the needs of agriculture, including farmer cooperatives, their farmer members and employees, and their rural communities. We have also been working with our members and I would like to share several recommendations.

First, in looking at the possibility of creating new enterprise zones, or any other proposal, we want to be sure that such provisions also apply to agriculture and that farmer cooperatives may fully qualify for the benefit of their farmer members.

We would also encourage extension of previous tax provisions, such as allowing greater deductions under Section 179 and accelerated depreciation, to help assist farmers, their cooperatives, and other businesses with needed repairs and reconstruction efforts. Additional incentives should be considered to help promote new investment that will also help create new jobs in the region.

The recently enacted Katrina Emergency Relief Act contains several provisions, we were pleased to see, including for charitable contributions and food donations. Our farmer cooperative members, and their farmer owners, are fully supportive of such efforts and continue to respond to those in need. However, we believe an additional clarification may be needed to better enable farmer cooperatives to fully qualify for such deductions and pass the benefits on to their farmer members consistent with similar provisions under the American Jobs Creation Act.

On a related issue, the suggestion has also been made that consideration should be given to providing similar deductions for donations made directly to individual farmers and others in the disaster region, including livestock feed, generators, fuel and equipment. Authorizing a one-time deduction for such donations would certainly be a help to companies that responded immediately and directly after the disaster.

Finally, it has been recommended that Congress consider extending the general net operating loss (NOL) carry-back period to five years (from two years) for 2005 and 2006 similar to what was done in The Job Creation and Worker Assistance Act of 2002. To the extent this is done, it should also include special pass-through provisions for farmer cooperatives.

Thank you, Mr. Chairman. Again, we appreciate this opportunity and look forward to working with you and your Committee to meet the needs of those impacted in the Hurricane region and other areas.

