

March 10, 2020

Council on Environmental Quality
730 Jackson Place NW
Washington, DC 20503

Re: Update to the Regulations Implementing the Procedural Provisions of the National Environmental Policy Act

To Whom It May Concern:

The Campaign for Family Farms and the Environment would like to offer comments on the proposed rule "Update to the Regulations Implementing the Procedural Provisions of the National Environmental Protection Act" (Docket No. CEQ-2019-0003-0001.) The Campaign for Family Farms and the Environment (CFFE) is a joint effort by Dakota Rural Action, Iowa Citizens for Community Improvement, Land Stewardship Project, Missouri Rural Crisis Center, Institute for Agriculture and Trade Policy and Food & Water Watch. Our organizations work together as CFFE to change policies that promote consolidation in animal agriculture at the expense of independent family farms.

We oppose the change the proposed rule would make to the environmental review requirements for federally guaranteed loans to concentrated animal feeding operations (CAFOs.) The Proposed Rule states that Farm Service Agency (FSA) and Small Business Administration (SBA) loan guarantees, which are widely used to guarantee private loans that finance the construction and expansion of CAFOs, should not be considered to be a "major federal action." This would exempt these loan guarantees from review under the National Environmental Policy Act (NEPA.)

This change is inappropriate. A decision by FSA or another agency to guarantee a loan to a CAFO is a major federal action, which will have environmental and economic consequences for the community where that CAFO is located, as well as other farmers who must bear the economic consequences of increased production by new and expanding CAFOs. To exempt such loan guarantees from any environmental review process is irresponsible.

The majority of livestock and poultry production contract loans are federally guaranteed, either by USDA's Farm Service Agency or the Small Business Administration. By fueling the construction of new and expanded factory farms, these taxpayer-guaranteed loans have led to oversupply and low prices for independent family farm livestock producers, contributing to further consolidation of the marketplace, and putting more independent family farmers out of business.

Guaranteeing loans to factory farms is risky business and puts the U.S taxpayers in the position of assuming that risk. In the poultry industry, whenever an integrator needs to cut back production to reduce supply, they cut off growers or suspend delivery of poultry. Growers are responsible for repaying their large loans on their stranded investments, which reverts to the federal taxpayers if the grower goes bankrupt. Contracts between corporations and chicken

growers are often on a “flock-to-flock” basis, meaning that the growers have no guarantee that the contract will continue through the life of the loan.

Similar concerns exist about the use of guaranteed loans in the hog sector. Since the 1990's the hog industry has rapidly consolidated and vertically integrated. More and more hogs are produced in single use facilities that are specially designed to produce large volumes of hogs under production contracts or to be sold through marketing agreements with meatpackers. An unprecedented expansion in recent years has left the industry vulnerable to a pork glut.

The use of federally guaranteed loans for specialized hog production facilities have put hundreds of thousands of independent U.S. producers out of business, and make it very difficult for producers to respond to market signals such as cutting back production during periods of prolonged low prices. An expansion in factory farm dairy production has led to a glut in the marketplace. During times of low prices, USDA uses taxpayer dollars for bonus pork, poultry and dairy product buys, to stabilize prices resulting from the very overproduction that USDA is facilitating through direct and guaranteed loans.

This cycle of promoting the expansion of corporate livestock production with taxpayer money, then bailing out the industry because of overproduction with taxpayer money must come to an end. We are facing a time when credit needs are high in farm country and resources should be aimed at helping existing farmers weather these tough times. The last thing we need is federal farm loans that create more factory farms, more corporate livestock overproduction and longer periods of low prices. But exempting these loan guarantees from even the basic step of environmental review moves in the opposite direction.

The stated mission of the FSA guaranteed loan program is to enable commercial lenders to extend credit to operations who couldn't get credit without federal backing. The very nature of the guaranteed loan program is based on the specific role the federal government can play to facilitate lending. Without the federal guarantee, the lending would not happen. This means that the decision to guarantee a loan is significant, and it is specific to the federal agency making the loan guarantee. Therefore, it should remain on the list of activities that constitute a major federal action.

The Proposed Rule would undermine the intent of the National Environmental Policy Act, making the financing of new and expanding CAFO operations less transparent to communities that must deal with the environmental impacts they will bring. We urge CEQ to withdraw this proposed rule.

Thank you for your consideration.

Sincerely,

The Campaign for Family Farms and the Environment: Dakota Rural Action, Food & Water Watch, Institute for Agriculture and Trade Policy, Iowa Citizens for Community Improvement, Land Stewardship Project, and Missouri Rural Crisis Center.