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COMMODITY PROGRAMS, CREDIT, AND CROP INSURANCE—PART 1: PRODUCER PERSPECTIVES ON THE FARM SAFETY NET

HEARING BEFORE THE SUBCOMMITTEE ON COMMODITIES, RISK MANAGEMENT, AND TRADE OF THE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE ONE HUNDRED EIGHTEENTH CONGRESS FIRST SESSION

May 2, 2023

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COMMODITY PROGRAMS, CREDIT, AND CROP INSURANCE—PART 1: PRODUCER PERSPEC- TIVES ON THE FARM SAFETY NET

Tuesday, May 2, 2023

U.S. SENATE
Subcommittee on Commodities, Risk Management, and Trade
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The subcommittee met, pursuant to notice, at 9 a.m., in room 106, Dirksen Senate Office Building, Hon. Tina Smith, Chairwoman of the Subcommittee, presiding.

Present: Senators Smith [presiding], Stabenow, Gillibrand, Booker, Warnock, Fetterman, Hyde-Smith, Boozman, Ernst, Tuberville, and Grassley.

Also present: Senators Klobuchar, Welch, Hoeven, Thune, and Fischer.

STATEMENT OF HON. TINA SMITH, U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator SMITH. Good morning. The Subcommittee on Commodities, Risk Management, and Trade will come to order. Welcome to all of our witnesses, and Senator Hyde-Smith, thank you so much to you and your staff for working together with us to organize this hearing today.

Chair Stabenow, and I believe Ranking Member Boozman, will be with us shortly. I want to thank them for joining us, and many thanks to the full Committee staff for all of your help and support with this hearing and thank you to everyone for attending.

This morning is going to be a two-part hearing. Today we will focus on Title I of the farm bill, the commodities title, and on Thursday we will take on Title X, the credit title, and Title XI, the crop insurance title.

In February, the full Committee, the full Senate Ag Congress, heard from USDA officials on their views about commodity risk management and credit, and today we have the opportunity to hear directly from farmers and producers and stakeholder groups that work with farm safety net programs every day. Hearing from you is extremely important. As the people closest to the work, you know best what is working and what can be improved.

We are especially grateful that you took time to be here with us at such a busy time of the year. In Minnesota, the weather is just starting to warm up and the fields are just starting to dry out. My colleague, Senator Klobuchar, is here, so we hear that it is actually

spring in many parts of the country, and we are looking forward to welcome that to Minnesota as well.

I know that all members of this Committee share the goal of passing a bipartisan farm bill reauthorization, a bill that meets the needs of American farmers, ranchers, and producers in every part of the country, and a bill that meets the moment. Farmers, ranchers, dairy farmers, poultry and livestock producers are at the center of our economy, our food system, and our national security, and there is nothing more important to our country than a stable, secure, healthy food supply. That means that we need stable, secure producers that have the tools that you need to weather the inevitable ups and downs of agriculture.

My old friend, Dave Fredrickson, a farmer from Murdoch, Minnesota, former Minnesota Ag Commissioner and former head of the Minnesota Farmers Union, once told me that farmers are the most optimistic people in the world, and also, he added, the most in touch with the potential disaster lurking around the corner. You have to be. That is where these farm safety net programs come in. They are the tools to help farmers weather the inevitable ups and downs that will always be a part of your life and your life's work.

Today, although commodity prices are good, the ag sector faces many challenges. Today too many producers are struggling to cover their operating costs, and this is especially true for small and medium-sized farms. According to the USDA, 50 percent of farms have negative farm income. The high level of concentration in the ag sector, combined with supply chain disruptions has driven up input costs, which are now outpacing commodity prices and putting farmers, especially small farmers, in a real bind. Climate change and extreme weather events are an increasing risk for farmers as they deal with droughts and floods, wind and hail, and increased pests. Global disruption, both wars and trade disputes, add to the uncertainty.

Farmers are incredibly creative and adaptable. You are implementing smart climate practices. You are upgrading your infrastructure to improve resilience. You are developing new markets and deploying new technology. You need farm safety net programs that work for you, to help mitigate losses and even out those inevitable ups and downs.

In Minnesota, in 2022, almost 40,000 producers participate in the Agriculture Risk Coverage (ARC) and the Price Loss Coverage (PLC) programs. Minnesota dairy farmers relied on the Dairy Margin Coverage Program (DMC), and Minnesota sugarbeet farmers depended on the Sugar Program. Thanks to this incredible public-private partnership, Minnesota's 67,000 farms and ranches created more than \$16 billion in value, and every member of this Committee would have a similar story to tell about their own States—of challenges, yes, but also innovation and opportunity.

Over the last year, my staff and I have held dozens of farm bill listening sessions around Minnesota, and what we have learned is that for many producers the farm safety net is working. It is definitely helping. We have also heard that there are gaps. Not all risk management and safety net programs are working for smaller operations, and especially crop farmers, especially produce farmers. Some programs are a little hard to use sometimes, and a tweak

here or there could really help. Farmers of color, and Indigenous farmers in particular, struggle to find a safety net that works for them.

That is what today's hearing is all about. It is an opportunity for this Subcommittee to hear directly from you about what is working, what is not working, and what needs to be improved.

Now there are a few issues that I am particularly looking forward to hearing about. I am very interested in hearing from all of you in both panels, what are your top one or two priorities for farm bill safety net programs? What can we do to make these programs work for small and beginning farmers and nontraditional producers? How should the USDA support you? I hear constantly about staffing shortages at local FSA offices, and so I would like to hear about your experiences and what you think that we should do. How does the consolidation in agriculture, from everything from seed and fertilizer to processing, affect the risks that you face as you run your operations?

I look forward very much to hearing from all of today's witnesses about these issues and more, and I look forward to a very productive discussion.

Now I turn to Senator Hyde-Smith.

**STATEMENT OF HON. CINDY HYDE-SMITH, U.S. SENATOR
FROM THE STATE OF MISSISSIPPI**

Senator HYDE-SMITH. Good morning, and thank you, Chairwoman Smith and fellow Committee members, and I thank all of you for being here today and the witnesses for being willing to testify and serve. This is truly appreciated.

As the Ranking Member of the Commodities, Risk Management, and Trade Subcommittee I am pleased that we are holding this producer perspective on the farm safety net hearing. It is an honor to serve on this Committee, and since its work is so critical to America's hard-working farmers. I am also grateful for Chairwoman Stabenow and Ranking Member Boozman's commitment to these issues as well.

Today we have the privilege to hear from general farming organizations and a wide array of producers who will provide insight into the challenges facing producers in Mississippi as well as across the country. As we discuss the farm safety net, it is critical that we hear from producers directly to better understand their unique perspective and their needs. Their views can help us ensure that our policies and programs are responsive and effective. I look forward to a productive discussion.

As we all know, American agriculture is subject to a wide range of challenges and uncertainties, from unpredictable weather patterns to volatile market conditions to evolving trade policies and regulations. These challenges can have a significant impact on the viability of the American farmers, many of which operate on thin profit margins. This is why the farm safety net authorized in Titles I and XI of the farm bill is so critical. This Committee must get this right in the 2023 Farm Bill. There is no room for error.

The farm safety net is the backbone of our Nation's agricultural policy. It provides protection for producers who may face unforeseen losses and setbacks that are beyond our control. The farm

safety net helps protect the long-term viability of our rural communities, whose foundation is agriculture. I want young Mississippians to view returning home to take care of the family farm as a possibility and an attractive option.

Congress has the opportunity to help make this a reality by strengthening the farm safety net programs. When I visit with Mississippi producers, I always tell them, "Your priorities are my priorities." Mississippi is home to many large and small farm families. As my friend, Ranking Member Boozman says, "This farm bill will not neglect the small nor punish the large."

Time after time, I hear from producers that the current safety net is inadequate, especially for seed cotton and rice. Statutory reference price for the agricultural risk coverage, the ARC and the PLC Programs were calculated in the 2014 Farm Bill using data from 2012, more than a decade ago. We know that a lot has changed since then.

The existing reference prices do not reflect recent global events that have disrupted the American agriculture industry, including the China trade wars, the COVID pandemic, and the war in Ukraine. Increasing input costs, many of which are thanks to President Biden's war on American energy, have also contributed to the inadequacies of our reference prices.

By listening to our producers and understanding their experiences and challenges, we can identify these areas where the safety net can be strengthened or improved to ensure that it remains effective and efficient in supporting our agricultural producers. This approach will help to ensure that our policies and programs are responsive and effective and ultimately support the long-term sustainability and prosperity of our Nation's agriculture industry, which I think is all of our goals.

In this hearing I will look forward to having the opportunity to hear directly from Mr. Johnson of Mississippi, and our other guests to gain insights into the challenges and opportunities facing producers across the country. We will also explore ways to improve and strengthen the safety net to ensure that it is responsive to the needs of everyone.

President Eisenhower once said, "Farming looks mighty easy when your plow is a pencil, and you are 1,000 miles away from the cornfield." That is why this farm bill will be developed for producers, by producers. This hearing is critical as we continue to engage with farmers to understand their unique perspectives and needs and ensure that the safety net is tailored to meet those needs.

I look forward to today's discussion. Thank you, Chairwoman Smith, and I yield back the remainder of my time.

Senator SMITH. Thank you so much, and welcome, Chair Stabenow. We are very glad to have you with us this morning.

We are now going to begin our first panel. We have two witnesses on our first panel. President of the American Farm Bureau Federation, Zippy Duvall. Mr. Duvall, I know that Senator Warnock was hoping to come and introduce you, but he is not here yet, so I am going to plow forward.

Zippy Duvall has served as President of the American Farm Bureau Federation since 2016. He is a third-generation farmer from

Georgia. He and his son operate a beef cow herd, raise broiler chickens, and grow their own hay, all while continuing to restore the farmland that has been in the family for more than 90 years.

Welcome to the Committee.

I would also like to welcome President of the National Farmers Union, Rob Larew. Rob is President of the national Farmers Union, and prior to joining the National Farmers Union he worked for over 22 years in Congress in developing agriculture policy. Rob worked for both Representative Collin Peterson from Minnesota and the late Senator Paul Wellstone, whose seat I now hold. As President of the National Farmers Union, Rob is a national advocate on behalf of farmers and ranchers.

President Duvall and President Larew, you will each have five minutes for your opening statement. You have a clock in front of you, I think. Your full written statement will be made part of the record.

President Duvall, you are recognized for your opening statement.

STATEMENT OF ZIPPY DUVALL, PRESIDENT, AMERICAN FARM BUREAU FEDERATION, WASHINGTON, D.C.

Mr. DUVALL. Thank you so much, Chairwoman Smith and Ranking Member Hyde-Smith. We really relish the opportunity to come and speak to you.

One of the things you did not say in my bio is I spent 30 years dairying in Georgia, as a child, and then 30 years as an adult, so I have a long history of continuing to farm there in Georgia.

We want to thank you all for your work that you do for our farmers and ranchers across our country each and every day, and in your opening comments was almost ditto to my comments. You are right on target with what you are hearing across your region and the country.

As I have said before, a country that cannot feed itself and its people is not secure, so a strong farm policy that supports a strong food supply truly is part of a smart national security strategy.

USDA's most recent Farm Sector Income Forecast sees a decrease in net farm income in 2023 of 18 percent, when adjusted to inflation. The same report estimates farm and ranch production expenses, that you mentioned, Chairwoman, will continue to increase by \$18 billion. This follows a record increase of \$70 billion in 2022.

The short-and long-term interest rates that are high and rising have doubled and tripled, in some cases, in the last few years. High interest rates, caused by both high inflation and the Fed's step to address inflation, led to the farm debt crisis in the 1980's. We need to make sure that the doubling and tripling of interest rates does not cause those similar pressures on our farms and ranches because we already have some mental health issue across the farm because of the stresses they are going through.

Along with the challenges there are enormous opportunities in American agriculture. Innovation and research are helping us do more with less. Our advances in sustainability nothing short of very impressive. In order to seize the opportunities and continue the advancements we need strong farm policy. Much uncertainty remains related to the ability for farmers and ranchers to access

affordable supplies and to manage volatile markets, and deal with the regulation and weather-related challenges.

Our growers need to have access to comprehensive risk management options such as those in the commodity title of the farm bill through crop insurance. In particular, we need to see improvements in Title I that take into account the current challenges facing production agriculture.

Farm Bureau supports the following principles to guide the development of the programs in the next farm bill: increasing the baseline funding commitments to farm programs. We already talked about the cost of production, and it needs to reflect what it costs us to produce these products.

To maintain a unified bill that includes nutrition programs and farm programs together. Really and truly, the farm bill should be named the Food and Farm Bill.

We need to prioritize funding for risk management tools, which include both crop insurance and Title I commodity programs.

Of course, there are important investments throughout the farm bill, investments in critical research to fuel the incredible innovation that has helped farmers and ranchers do more with less. Investments in voluntary incentive-based conservation programs that have helped farmers achieve impressive sustainability gains and investments to ensure that those facing hunger have access to nutritious food that our farmers are dedicated to producing in more and more worthy programs in the farm bill.

The 2023 Farm Bill presents an important opportunity for you, the lawmakers of our great country, to rise above partisanship. We urge you to work together, and again, to pass the legislation that protects food security and all Americans and ensure the future success of farmers and ranchers that will also keep our national security intact.

Thank you for holding this hearing today. I look forward to the questions.

[The prepared statement of Mr. Duvall can be found on page 58 in the appendix.]

Senator SMITH. Thank you very much, President Duvall.

We now turn to President Larew.

STATEMENT OF ROB LAREW, PRESIDENT, NATIONAL FARMERS UNION, WASHINGTON, D.C.

Mr. LAREW. Thank you so much, Chair Smith, Ranking Member Hyde-Smith, and members of the Subcommittee. Thank you for the invitation to testify.

National Farmers Union is the second-largest general farm organization, and we advocate for the economic prosperity of family farmers, ranchers, and their communities through education, cooperation, and legislation. We can all work together to ensure that the next farm bill is as strong as it can be through sound crop insurance and commodity programs. I also want to emphasize the importance of diversified income streams and opportunities as well as the need for fair and competitive markets.

It has been an eventful five years since the 2018 Farm Bill became law. We have seen a trade dispute with China, increasingly frequent and severe weather disasters, rapid shifts in supply and

demand from the pandemic, and Russia's invasion of Ukraine. USDA predicts, as Mr. Duvall mentioned, a 21 percent decline in net farm income in 2023. Farmers and ranchers, on average, currently receive only 14.3 cents of every dollar that consumers spend on food. The farm safety net is being tested in new and unprecedented ways, and we are learning many lessons on how to be prepared for the next five years.

With that in mind, Farmers Union members have identified the following priorities. We need a well-funded, permanent disaster program to protect against losses from market disruptions and extreme weather. Reference prices and loan rates should be increased to offset higher costs of production. Additional crop insurance options should be made accessible to specialty crop producers and those with diversified farms.

We support farmers voluntarily removing marginal or sensitive land from production on an annual basis in exchange for crop insurance protections. We support a dual enrollment option for ARC/PLC to safeguard against dramatic losses. We support a voluntary update of base acres and want to find ways to issue advance payments from ARC/PLC.

The Dairy Revitalization Plan should be enacted to better serve family dairy farmers and stabilize milk prices. We strongly support the Farm and Ranch Stress Assistance Network and want to make sure it receives additional resources. We also strongly support farm bill efforts that benefit beginning farmer, veteran, and socially disadvantaged farmers and ranchers.

Farm bill investments in conservation, climate, renewable energy, and infrastructure can also help ensure the vitality of our communities. We seek tools and assistance to make our farms more resilient in the face of changing climate. We want to continue to be a part of the solution with practices that are voluntary, incentive-based, and rooted in science.

That is why we have partnered with Farm Bureau, the National Council of Farmer Co-Ops, the Environmental Defense Fund, and dozens of other organizations to form the Food and Agriculture Climate Alliance. FACA issued policy recommendations to Congress for the farm bill, and with our input USDA is implementing the Partnerships for Climate-Smart Commodities initiative. This project will create new market opportunities for family farmers and ranchers through climate-focused programs, and we are excited to see the effort get underway this year.

The financial viability of our farms is dependent on a fair market, so any conversation about the farm safety net should also address competition. We must create fair and more competitive markets in order to drive innovation, increase choice, and decrease input costs and boost prices for crops and livestock.

In this spirit, NFU launched the Fairness for Farmers campaign to shed light on the devastating impact that monopolies and near-monopolies have on family farmers, ranchers, and our communities. That is why we are calling for a competition title in the farm bill, to improve transparency and price discovery in cattle markets, strengthen the Packers and Stockyards Act, reinstatement mandatory country-of-origin labeling, and underscore the effects of consolidation in the food supply chain. By building fair and competi-

tive markets we address the root causes of financial instability for family farmers.

Finally, we know that farm bill coalition gets stronger by bringing in allies and supporters, and that a farm bill coalition becomes weaker when it is divided. I want to reiterate our willingness to work with other farmers and ranchers, with our rural and urban neighbors, and with groups who want to ensure that the farm bill includes strong policy not only on the farm safety net but also for nutrition, energy, forestry, research, and more.

I look forward to working with you to address these issues, and thank you once again for the opportunity to testify.

[The prepared statement of Mr. Larew can be found on page 65 in the appendix.]

Senator SMITH. Thank you very much to both of you. We will now begin a round five-minute questions from members of the Subcommittee. Let me start by asking both of you, folks on this panel and on the Senate Ag Committee understand that the farm bill touches nearly every part of life in America. As we have all said, it is essential to our national security and to the health and vitality of producers everywhere in the country.

Understanding that this is not exactly a fair question, I am going to ask it anyway, if each of you could just briefly talk about, just highlight the maybe two priorities that you think this Subcommittee should keep in our minds as we move toward reauthorizing the farm bill in 2023.

Mr. DUVALL. I would have to say, as I travel, and I travel a lot—I spend half my time here and half my time on the road, speaking to our grassroots, and then on the weekends on the farm, trying to catch up—but the first things you hear about is we have got to make sure that crop insurance stays intact, and we need to broaden it for those specialty crops that do not have opportunity to use it.

The second thing is they talk about the cost of inputs, and the Title I reference prices do not match up with the cost of that production. It is really not a true safety net.

We do not like to use the word “safety net.” It assures our American people that they are going to have their pantries available, food to fill their pantries, at a reasonable cost, and that is what the farm bill does for us. It assures that our farmers can survive any disaster and get to the next year, and that is why those updates need to be made.

Senator SMITH. Thank you.

Mr. LAREW. I predict that you are going to hear some themes that are common among a lot of the groups represented here. Certainly crop insurance is something that is always mentioned as front and center, to make sure that it remains very strong, but to build on the strength of that private and public partnership and make it more available to perhaps specialty crop growers who face very different markets, maybe much thinner markets, and different marketing arrangements, looking for ways to grow the success of those risk management tools to a number of different diversified types of farms.

Beyond that, the rest of the safety net in Title I does need to reflect the changing conditions out there. We need to make sure that

whether it is the reference prices in there or other triggers that reflect today's circumstance, we need to make sure that that is accommodated as well.

More broadly it is making sure that the farm bill recognizes the dramatic shifts and changes and challenges that we have had over the last five years and how to build more resilience in that, whether that is also looking at permanent disaster, et cetera.

Senator SMITH. Thank you very much. A related question. We know that the average age of farmers in this country is going up, not down. In Minnesota I think it is about 60 years. Now I am 65, so I am not——

I am very interested in hearing from both of you, as we think about risk management strategies and the particular challenges that beginning farmers, veteran farmers, socially disadvantaged farmers have as they are getting into agriculture and wanting to stay there, what particularly should we have in our minds for risk management, crop insurance, and other programs to support them. Mr. Larew?

Mr. LAREW. First I would say certainly efforts that are currently in place to help beginning farmers and those who are traditionally, historically underserved need to be maintained and even strengthened.

I think it goes beyond even the risk management tools that we have. We need to make sure that we are developing markets and that we are developing a marketplace that creates that future for beginning farmers. There are a lot of new, potential opportunities, and USDA is currently looking at building out local and regional markets. I think that in addition to making sure that we have risk management tools that meet the needs of these emerging farmers and that next generation, that at the same time that we are creating a marketplace that creates option and potential and competition for their future.

Senator SMITH. President Duvall.

Mr. DUVALL. Yes. I would say the biggest challenge young people have getting into agriculture is availability of land and availability of credit. Of course, those risk management tools are going to be a part of the piece of their business plan, to be able to get the credit, to be able to get into business and plant a crop. Making those programs more available to young people, beginning farmers, socially underserved farmers would be a huge help.

Young people ask me all the time, "Where do I start?" and "What programs are in USDA that I can take advantage of?" A lot of those programs, like the microloans that young people start with are capped, and they are capped at a level that none of us could get in agriculture with, or even make enough money with that investment to be able to justify doing that.

At the end of the day, we have brilliant young people, from all backgrounds, coming out of our land grant colleges and colleges all across this country, that want to be in agriculture, but the financial sustainability of farming is not there. Why would they want to come back to the farm and not know that they would be able to provide a living their family? We have got to find some way to make sure that we can draw young people back to this industry, because you are exactly right. I am 67, so I am over the age of the

average farmer, and I am very blessed to have a son and another young man working with me. They have to have other jobs to be able to work with me.

Senator SMITH. Thank you. Thanks so much.

Senator Hyde-Smith.

Senator HYDE-SMITH. Mr. Duvall, you and I know that the farm bill commodity and crop insurance programs have a significant return on investment, and they do keep our food supply abundant and affordable. Please tell us more about why any proposal to decrease farm safety net resources are misguided and would not result in saving taxpayer dollars in the long run.

Mr. DUVAL. Well, if you take those programs away it brings more uncertainty to the markets. Those programs, we have already mentioned that it is a public-private investment in agriculture, which keeps food at a more reasonable cost to all the consumers across the country, and it also keeps farmers opportunity to continue to farm after major disasters or drought, whatever it might be they may be faced with.

For the interest of the whole country and all the consumers and national security and everything, we need to make sure that we have a farm bill that supports not only farmers but also the people that are in a part of their life where they need a hand up and a helping hand through the nutrition programs.

Senator HYDE-SMITH. Thank you. Mr. Larew, as your testimony indicates, you have an interest in preserving the long-term viability of rural America, and I do too. Please expand on how Congress should strengthen Title I and Title XI farm bill programs to help preserve the long-term viability for rural America.

Mr. LAREW. Absolutely. I appreciate the question because it is really at the heart of what a farm bill hopefully can accomplish in rural America. This farm safety net, as has already been mentioned, is really as much as anything centered around providing reliability and certainty in the face of really uncertain times—when we have trade wars, when we have weather events—and farmers are used to trying to weather a lot of those kind of market-and weather-related challenges. We need a safety net in place to be that reliable underpin to make sure that those farms cannot just farm this year but have the opportunity to put a crop in the ground the next year and stay on that land. That keeps, as everyone on this Committee probably appreciates, that kind of effort also feeds into the local communities, into the local schools, it makes our small communities much more viable in the long run.

Whatever we can do to build on those successes in Title I, making sure that we update the price triggers, the reference prices, making sure that we broaden and strengthen and grow on the success of crop insurance, I think we will go a long way toward providing that certainty.

Senator HYDE-SMITH. You also note in your testimony that the latest farm income projections predict a 20.7 percent decline in net farm income for 2023, when compared to 2022. What should this mean for how this Committee crafts Titles I and XI of the farm bill?

Mr. LAREW. We cannot go backward. We have to go forwards, and we have to build a bill that is reflective of the current condi-

tions and for the next five years. In that sense we need to strengthen.

Senator HYDE-SMITH. Thank you. Thank you, Madam Chairman.

Senator SMITH. Thank you so much, Senator Hyde-Smith. Now I will turn to the Chair of the Ag Committee. We are so glad to have Senator Stabenow here and also welcome, Senator Boozman. Thanks for coming to our Subcommittee.

Senator Stabenow, you have the floor. As the Chair of the Committee, I think that you should feel free to take the time that you need.

Senator STABENOW. Thank you. That is dangerous.

Senator SMITH. The same courtesy will be offered to Senator Boozman, to be fair.

Senator STABENOW. Thank you very much, and I am so glad, Chairwoman Smith, that you are chairing this Subcommittee and that you have a partner in Senator Hyde-Smith. Thank you so much to both of you for your leadership, and, of course, my partner right next to you there, Senator Boozman, good morning. Good to see you.

I do appreciate a moment to just share a few thoughts and then ask a couple of questions to my good friends. It is good to see you, Mr. Duvall and Mr. Larew. Always good to see you, and to everyone that is here today.

Let me just state the obvious. Farmers and ranchers across the country have experienced a lot of difficult challenges in the last few years, that is for sure, from the trade wars and the pandemic to the droughts, to the floods, disasters because of climate. I mean, everything has been coming at our farmers and ranchers, and rural communities.

As we have talked about in other hearings, there has been about \$90 billion in ad hoc spending to respond to a variety of events, in addition to the farm bill, as we look at this. A lot of this emergency deficit spending, which weighs in on what you are even talking about, even though we are not saying it, in terms of resources or support that has been there.

I also want to say, though, that at this moment in the discussions, literally right now here, I have serious concerns about the potential of default that is hanging over our heads, for all of us who care about this farm bill and agriculture. Because I was here in 2011, first chairing the Agriculture Committee, when there were calls to cut spending in exchange for avoiding default, and ultimately that ended up in across-the-board cuts to a variety of mandatory programs, including ARC and PLC, which continues today, and will continue for another eight years, regardless of the current debate, a 5.7 percent cut every year, right now.

I worry about the folks who have never done a farm bill. We have 240 people, between the House and the Senate—most in the House, as we know—who have never written a farm bill, never voted on a farm bill, who do not understand what this means to rural America and agriculture.

In fact, one of the ways to get more assistance to farmers would be to repeal that 5.7 percent yearly cut, which I would be happy to do. I would be very happy to do.

I know that all of you are calling for additional resources. We want to do the best we can. We know the importance of addressing the challenges. Ranking Member Boozman, earlier this spring, asked the Budget Committee for budget flexibility so we can adequately address the needs of our producers. If we do not have additional funding in the baseline we are going to need to focus on our top priorities, and need your best thinking on how we do this together, to be able to target this.

This leads me to my first question, which is crop insurance, of which I am a strong supporter. Both of you have talked about this. It is a core part of risk management, and crop insurance has worked incredibly well for many producers to respond to weather disasters, declines in revenue, new products and options, and so on, we need to develop to make sure that that continues.

I wonder if you each might speak more specifically. You have talked about specialty crops, which, of course, is near and dear to my heart in Michigan. I am glad we were able to get coverage for specialty crops, but I know there is more that needs to be done. I wonder if each of you would respond just to more specific enhancements you would suggest in crop insurance, in general or in specialty crops. Any additional thoughts on that. Mr. Duvall?

MR. DUVALL. Well, of course the first thing at hand is to make sure that it is funded correctly, and we also need to make sure that we protect it to make sure that it does not dilute it down to where it is not effective to everyone. To make it better is to be able to make it easier for people to use. If you talked about specialty crop people, I hear a lot of specialty crop farmers say, "You know, it is just too difficult for me. I do not really understand it." Smaller farmers, "I do not really understand how to participate in those programs." The difficulty, especially in small and medium-sized farms, is a challenge to them.

You know, a lot of people look at American Farm Bureau. We have got six million members across the country, and they look at us as representing the large farmer, which is absolutely not true. We surveyed our national committees, our voting delegates, and actually, the majority of the people that participate in our organization are small and medium-sized farmers. We hear what I just told you all the time, that it is difficult, hard to take advantage of, and sometimes cost prohibitive, depending on what commodity they grow.

Senator STABENOW. Thank you. Mr. Larew?

MR. LAREW. Yes, a couple of things. No. 1, making sure that we are taking full advantage of the 508(h) provision there to be creative, whether that is tying in climate-smart ag practices, looking at ways to incentivize some of those kinds of practices. I think also looking at some of the programs that Congress has put in place such as Whole Farm Revenue, intended to try to address some of that diversified, multi-crop farm risk management, and yet has struggled to really gain a lot of traction out there because of certainly a perception that the paperwork and the kind of cumbersome process of having that coverage is ultimately not worth the effort in many farmers' possibilities.

Then for specialty crops, the challenges are immense, right? For some of these crops that are so thinly traded, or are traded with

direct contracts, how do we find ways to either better market existing products that folks may not even be aware of, and then certainly encourage the development of additional products out there?

I would also just underscore all of this with making sure that, first and foremost, we are not weakening that private-public partnership.

Senator STABENOW. Thank you. One more question. We know that the commodity title is essential. Crop insurance is essential. We also know other parts of the farm bill are incredibly important for our growers. We need all of it to make this happen.

Since we have both of you, even though we are talking about commodities and crop insurance I want to just ask each of you, as national leaders, more broadly when we look at all the components, whether it is research or infrastructure, developing diversified income streams through exports or the bioeconomy, I wonder if you might just speak about how all of this fits together. Because it is all important, right? I mean, we have got to make sure we have got all the pieces there. Farmers want markets. You want to sell. At the same time, we want to create more options, whether it is through more climate practices, whether it is through the bioeconomy. All of this is what will make our producers successful.

Mr. LAREW, would you just speak more broadly, because I assume it is all of it together.

Mr. LAREW. Yes, absolutely. Farm bill coalitions are broad and attract a broad range of support, for very good reasons, because the farm bill is this tremendous asset to the entire U.S. economy, whether it is even supporting hunger programs and SNAP, which as farmers we recognize also create markets for us and are also helping to feed our neighbors and even family farmers when needed.

We also want to make sure that—I referenced competition-related items—making sure that the markets that farmers do have access to are truly fair and competitive out there, building out local and regional market opportunities so that there are diversified income streams there. You mentioned the bioeconomy, looking at ways to incentivize, whether through energy programs or elsewhere in the farm bill, ways to encourage adaptation of new systems but also ways to generate income from those efforts.

I think, broadly, it is about building out market space in addition to a farm safety net, and creating opportunities for farmers in the future.

Senator STABENOW. Thank you. Mr. Duvall?

Mr. DUVALL. Two of the other areas that I harp on a lot is research and development dollars. We are being outspent by other countries, especially China, 3 to 1 in research and development dollars, the statistics tell me, and research and development is what keeps us on the cutting edge, it keeps us more competitive across the world, it keeps us more sustainable, it makes us more friendly to the environment, and it makes our businesses more efficient in having that new research coming down the pipe.

The other area is conservation and climate discussion. For years, as I farm, the list of people is long of people waiting to get funded for EQIP and many other programs that are offered through conservation programs. Proper funding—and I understand the funding

that was recently added to that, and farmers very much appreciate that.

What people do not really realize is if this market is voluntary and science-based, farmers will step up and take advantage of it and do all the right things because it is a partnership. To the tune of 140 million acres across America, farmers have stepped up in conservation programs. They will continue to do that in conservation and in climate as long as it is voluntary market based.

Those are two areas that we need to focus on so that those research and development projects also blend in to climate and conservation. You are exactly right—it all works together to make for a secure food system for our country.

Senator STABENOW. Thank you. Thank you, Madam Chair.

Senator SMITH. Thank you, Senator Stabenow.

We now turn to Senator Boozman. Welcome, Senator Boozman.

Senator BOOZMAN. Thank you, Senator Smith, and Senator Hyde-Smith, for holding this very, very important hearing.

I have had the opportunity to go around the country and visit with folks, as has the Chairwoman, and again, I want to compliment you all. I hear from your members. You all are very, very well represented throughout the United States and always bring so much to whatever gathering we have, whatever listening session. Again, you do a very, very good job, so we appreciate that.

Mr. Duvall, you mentioned Congress must protect agriculture and production practices from undue burden and respect farmers' ability to innovate and solve problems. Can you talk more about the current farm safety net programs, how they afford producers this flexibility, and any proposals that you have heard that would jeopardize this?

Mr. DUVALL. Risk management tools, just like us protecting our homes and our cars and our lives with insurance policies, and our farmers go to those risk management products to be able to protect their farm for enough revenue to be able to get to the next crop in the wake of a disaster, whatever that disaster might look like.

It is absolutely crucial because we see the difficulty of people trying to get into agriculture. It is availability, land, and credit. It takes a lot of money to become a farmer and stay in business a long time. It is necessary to have those risk management tools there, to make sure.

The threat is what might be tied to that, required of a farmer to be able to take advantage of those programs. Those are real threats. We need not dilute the program. We need to make it better, not more challenging. We need to make it easier, not more challenging.

For example, we should never take and say to a farmer, "You have got to do this to be able to get crop insurance." Crop insurance is a tool, and it is a risk management tool, and it protects that crop and that farm. It should not be limited by other factors that might be attached to it.

Senator BOOZMAN. No, we appreciate that, and I agree. To me, the farm bill, you know, one of the underlying themes, if maybe not the underlying theme for the agriculture part are the risk management tools, especially now in the very difficult times that we are in regarding input costs, high interest rates—the lists just go on

and on. The uncertainty, even with our banking community now, as things get tighter there.

I was going to ask you that, you and Mr. Duvall, about tying using specific climate or conservation practices in order to access the various risk management tools, what impact would that have on these programs for farmers?

The other thing that I have learned in traveling across the country is how different not only regions of the country are but regions of farms. It cannot be a one-size-fits-all.

The other concern that I have, and this is something that we can do that would not cost money—it would save money and make us much more effective—is the paperwork and all that you have to go through in order to participate. Mr. Larew?

Mr. LAREW. Yes, no, you are absolutely right. I mean, with this kind of diversity of not only type of farm, commodities grown, but then you add on top of that parts of the country and the climate conditions, you know, that is something that we cannot just put blanket requirements over.

One of the aspects of the Food and Agriculture Climate Alliance that I am particularly proud of is the fact that all of the recommendations that FACA made were with the impediment that they be voluntary, incentive-based, market-driven, and also based on very sound science. That is why, as part of those FACA recommendations related to risk management, making sure that we study fully the impact that climate-smart practices have on things like crop insurance so that decisions made to either incentivize or to better manage risk on our operations are based on the best available data and information. Then also, as I mentioned earlier, encouraging the use of the 508(h) authority within crop insurance to also kind of look at those potential opportunities.

Also in risk management we want to make sure that the RMA is not putting restrictions in place that limit farmers from adopting climate practices that will also help better manage. I think in a little way it goes both and forth, but very good points about not tying the hands of farmers.

Senator BOOZMAN. Good. Thank you, Madam Chair.

Senator SMITH. Thank you, Senator Boozman.

We now turn to Senator Booker.

Senator BOOKER. Thank you, Madam Chairman and the Ranker as well, thank you both.

There is a lot of talk today about strengthening the Title I safety net for commodity crop growers, but we really have a crisis with specialty crop folks. There is really no such program for them. A lot of beginning farmers really do not have an option and do not have any Federal safety net at all.

In the farm bill, we should be moving toward trying to create a comparable safety net instead of incentives for specialty crops. This is nutritionally what we say the majority of our diet should be made up of.

Mr. Larew, can you please speak to me about the gaps in the safety net for specialty crop farmers and what Congress can do to provide more support for specialty crop farmers.

Mr. LAREW. I appreciate the question because it really does go to the heart of one of the things that Farmers Union is pushing

and that is making sure that we are building on the success, as you made mention, of the risk management tools that are currently there for many farmers, but we do have many farmers who cannot access those, for a variety of reasons. Some of the tools that I referenced earlier, whether it is Whole-Farm Revenue coverage and so forth, which was intended to try to capture some of that more diversified farming, specialty crop growers who maybe brought in a range of different crops. Unfortunately, it is not working, and we are not providing the right incentives.

Looking for additional ways and flexibility, which may require more direct input from RMA, if products are either not being marketed properly and folks are not taking advantage of them or may not know about them, or otherwise are an impediment because the premiums are too costly.

I think that there are a number of ways there, but it should be at the heart of what we work toward in this farm bill, is to build out that opportunity for diversified farms and specialty crop growers.

Senator BOOKER. Thanks, Mr. Larew. I also want to thank you and folks from the NFU for their support of the OFF Act. I am leading it Senator Mike Lee, which would reform our Federal checkoff programs. You know this, that farmers are required to pay into these checkoff programs, but ultimately too often they see their own dollars being used in ways that really could hurt them.

I just want to ask you a yes-or-no question. Do you agree that it is important for Congress to include this checkoff reform in the farm bill?

Mr. LAREW. Very simply, yes. I would also just add that, you know, we see a lot of success and a lot of good work being done by checkoffs, and that is great, and we need to build on that success. We also need to make sure, in any checkoff, that farmers are center in that, and that is where I think there has been a disconnect. Farmers Union, for a very long time, has sought to improve checkoffs, and I think that there is lots of room to do that, and we are happy to support.

Senator BOOKER. I really appreciate that, and transparency as well.

Mr. Larew, finally, there has been a lot of focus on Capitol Hill about the foreign ownership of farmland, which I think is concerning. I also want to talk about what, in some ways, in the immediate now, is a bigger threat, which is the corporate ownership of farmland, the buying up of our farms by big Wall Street hedge funds and pension funds.

Do you agree that this is a problem, and can you please talk about the harm that this large-scale purchasing of farmland by corporate investors is causing?

Mr. LAREW. Oh, I think any time that farmland is out of control of farmers we are headed in a very wrong path. Anything that we can be doing to disincentive that and keep farmers farming the land.

I would also add that in addition to corporate ownership, or even foreign corporate ownership of land, that you also have a growing trend, in some cases, where food companies and others further down the chain acquiring land, renting it out to farmers to then ba-

sically be a contract grower for that particular land, using certain practices. This is a trend that, again, takes farmers out of the center of farming, and Farmers Union will be fighting that every step of the way.

Senator BOOKER. Yes. I mean, I have been stunned. I have traveled from North Carolina to Alabama to the Midwest and then across New Jersey, and some of the greatest Americans, inspiring folk, who have been on land for generations, the math is not working for them anymore because of these new kinds of corporate ownerships, who often benefit from some of these programs in ways that are intended to help farmers out. This, to me, is a crisis in our country and one of the reasons why farmers are getting less and less in terms of the percentage of the consumer dollars.

Finding ways to recenter farmers and farm families that have been on these farms for so long has got to be the key spirit of the work that we do on the farm bill. Would you agree?

Mr. LAREW. Absolutely. It is one of the reasons why we are pushing for our competition title, to make sure that fair and competitive markets are there, because that is another piece of this. When farmers have fair and competitive markets it allows them to stay on the land much more easily and be able to be farming into the future.

Senator BOOKER. Thank you very much. Thank you.

Senator SMITH. Thank you, Senator Booker. Senator Ernst.

Senator ERNST. Yes. Thank you, Madam Chair and Ranking Member, and thanks to all of our witnesses for being here today and for your testimony.

While I travel across Iowa I visit all 99 counties every single year in Iowa, and as I am out on that county tour, and we have done a number of farm bill roundtables with various stakeholders, our farmers, our ranchers, and what I am hearing is that those farmers are really excited about the future. They are consistently sharing with me about new science, technology, innovations, and that is all great. They also tell me about the challenges and uncertainty that farmers are facing with supply chain disruptions. There is a lot of high input costs and market volatility.

It is clear, and they mention this over and over again, that risk management is their top priority for those farmers, and we must continue to strengthen our farm safety net.

During the last farm bill I introduced legislation to improve the ARC County Program, and we were successful in passing several enhancements, including the use of crop insurance yield data instead of NASS and making payments for the physical location of the farm.

Mr. Duvall, we will start with you. How has ARC functioned with those changes in place, and what suggestions do you and your Farm Bureau members have to improve on that program?

Mr. DUVALL. To ditto what you said, it is a very important piece of the risk management tool that our farmers use, and I have not found very many complaints on how it is operating. I think our last farm bill has operated very well. We took a change in how we developed the programs, and I think it has worked very well.

Senator ERNST. Good. I appreciate that feedback because we always want to make sure that if there is room for improvement we

are improving those programs, and we are glad that what we were able to work on in the last farm bill is proving successful.

Mr. Duvall, there are a lot of disasters that we see happening across the United States that is impacting a lot of our farmers and ranchers. In Iowa, for example, we had a derecho just a couple of years ago that destroyed many Iowa farms.

Can you explain your farmer members' experience with the current ARC maximum payment rate and how it has limited assistance?

Mr. DUVALL. I am not sure I can speak to that.

Senator ERNST. Okay. Do you have any thoughts on that, Mr. Larew?

Mr. LAREW. I think that those maximums in there very simply just limit the ability that those programs have to be helpful when they are called upon to be the safety net. Without getting any deeper than that, we certainly want to see those changed.

Senator ERNST. Yes. You would both also state, though, that because of some of the weather events it is extremely important to have these protections in place. Correct?

Mr. LAREW. Yes.

Mr. DUVALL. Very much, and crop insurance reacts a lot faster than ad hoc. When farmers participate in that risk management tool, the claims are made, and they get return on their investment a lot quicker than they would through ad hoc.

Senator ERNST. Yes, absolutely. I appreciate that. I know how important that crop insurance is, and again, hear that so much from our farmers. That is one thing that I stress to people that are not in ag country, because for some reason they think the entirety of the farm bill is crop insurance. I always have to make the point that it is such an insignificant—not insignificant—but small amount within the farm bill is actually crop insurance, and the vast majority of the farm bill is actually the food bill. I really appreciate your comments this morning, and I appreciate the folks on this Committee that are working very hard to make sure that crop insurance stays available to those who need it.

Thank you very much.

Senator SMITH. Thank you. Senator Hoeven.

Senator HOEVEN. Thank you, Madam Chair, and thanks for holding this hearing, and thanks to both of the witnesses for coming today.

My first question to both of you just picks up on something that Senator Ernst just mentioned. Since less than 20 percent of the farm bill now actually supports our producers, is it not vitally important that we make sure that it is adequate to support those producers that produce the highest quality, lowest cost food supply, which not only benefits all the folks that are on Supplemental Nutrition Assistance Payments but everybody in America. Would you agree with that? It is very important that we get the 20 percent that goes to farmers right, and that it is adequately resourced. Would you agree with that, each of you?

Mr. DUVALL. We would.

Mr. LAREW. Yes.

Senator HOEVEN. Good. Along those lines, producers over and over tell me, and I think others, that crop insurance is their No.

1 risk management tool. Would you agree with that, and does that not mean that we need to make sure that it is adequately updated and resourced for them? Would you both agree with that?

Mr. DUVALL. Yes.

Mr. LAREW. Yes.

Senator HOEVEN. How about the countercyclical safety net? Right now we have ARC and PLC. Do you both believe it needs to be updated, both ARC and PLC, so that it provides the necessary support now? Would you both agree with that? Any recommendations you would have to doing that, unless you do not agree. Then I do not want to hear your recommendations.

[Laughter.]

Mr. LAREW. I certainly agree, and we do think it is time to increase the reference prices and those price triggers in both programs, and certainly we would also advocate and encourage the Committee to consider a dual enrollment option also of ARC and PLC.

Senator HOEVEN. The flexibility is important.

Mr. LAREW. Absolutely.

Senator HOEVEN. Mr. Duvall?

Mr. DUVALL. I would agree. Also, it is vitally important that we recognize what it really costs to grow a crop. On my farm this year I paid 300 percent more for nitrogen than I did last year, 300 percent. Who can absorb that in their budget and continue to operate? No one can.

Senator HOEVEN. Right. Both fuel and fertilizer inputs are, yes, much higher for our producers.

Then along those lines, wouldn't you both agree that if we get this right, that reduces the need for ad hoc disaster assistance in the out years. Would you both agree with that?

Mr. DUVALL. Yes.

Mr. LAREW. We hope.

Senator HOEVEN. Well, I understand. If we need it, I am going to be there working with you. Getting this right should help mitigate that need, should it not?

Mr. LAREW. Absolutely.

Senator HOEVEN. You both agree with that.

For our livestock producers, obviously we have got to work on markets, on competition, on transparency. Would you both agree with that?

Mr. LAREW. Yes.

Mr. DUVALL. Yes.

Senator HOEVEN. Then also talk to me about both Livestock Indemnity Program (LIP), and Emergency Livestock Assistance Program (ELAP). Shouldn't we do more with those two programs so that, for our livestock producers, they have some of that same type of risk management that our farmers do, and do you have recommendations on those livestock programs, specifically, LIP, ELAP, or others? Mr. Duvall.

Mr. DUVALL. I do not have the recommendations to give to you today, but we can do that through staff. Yes, I think it is just as important to make sure that our livestock producers have the same risk management tools that we would in row crop areas.

Senator HOEVEN. Thank you. Mr. Larew?

Mr. LAREW. Absolutely. The need is there. We ought to work to address it.

Senator HOEVEN. Okay. Let us talk about conservation programs, I know programs that are very important to our Chairman. In terms of these programs, it seems to me that for these programs to work they need to be farmer friendly. They need to be farmer friendly so that it actually helps the producer out there. They are the landowner, right? In terms of these programs, I think it is very important that they are voluntary, and it is not a one-size-fits-all.

Starting with you, Mr. Duvall, would you comment in regard to those points?

Mr. DUVALL. You know, we mentioned earlier that all regions across the country are different, so conservation programs are different from one region to the other. Climate projects are different from one region to the other. One size does not fit all. We have to have the research and development dollars being spent to give us the right practices that we need to be in, in conservation, and then we need to make sure that the moneys are there, available.

I mentioned earlier that the list for EQIP, all my working years have been long, long, long, and a lot of times I would get into it, and a lot of times I would not get into it.

Senator HOEVEN. Right. It is a big, diverse world out there in agriculture, so voluntary and not one-size-fit-all is vitally important for the success of these programs.

Mr. DUVALL. That is exactly right.

Senator HOEVEN. Mr. Larew?

Mr. LAREW. Yes. I would just echo that I think the success of that particular model of being voluntary and having that flexibility in there is proven out by the fact that many of these programs have historically been oversubscribed and underfunded. Making sure that we have the resources in there to serve as many as possible is really important.

Senator HOEVEN. Thanks to both of you. Thank you, Madam Chair.

Senator SMITH. Thank you, Senator Hoeven. Senator Grassley.

Senator GRASSLEY. Thank you, Madam Chairman.

First, I want to say my that long-held belief is that farm policy should be a limited safety net that helps farmers weather the storm of natural disasters and any unpredictable thing that affects commodity markets, and there are plenty of things like embargos and things like that, that can do great damage.

Anyway, there is a lot of talk about the need to increase reference prices because of falling farm income. According to USDA data, we will see net farm income drop slightly this year, but we will have to remember that in 2022, the United States set a record in farm income. Farm safety is there to help mitigate losses, not just increase producers' bottom lines, during times of relatively high commodity prices.

As Ranking Member of the Budget Committee, I care about how we are saddling future generations with our debt. The fundamental problem that we have in the Federal budget is not one of under-taxation but of overspending.

Mr. Duvall, I continue to hear that we need to improve and strengthen the farm safety net. Do you have any idea of ways of doing that without spending more money?

[Laughter.]

Mr. DUVALL. I wish I did. I would get the prize of the day. By the way, it is good to see you here and looking so healthy.

Senator GRASSLEY. Thank you. Thank you.

Mr. DUVALL. That is a tough question. How do you do it and not spend more money. I think we have just got to make sure that we determine what is going to keep our safety net strong and determine what it is going to take to keep our farmers strong, so that we can keep our national security strong. To determine what that is, the amount of money it is going to take to do that, is really up to Congress to do that. We are here to help you in any way, to give you the information you need to do that. To do it without any more money, I do not have any suggestions in that area.

Senator GRASSLEY. Well, let me suggestion to you, and you come from southern agriculture that does like Grassley's idea of limitation on what one farm can get out of the farm program.

For you and Mr. Larew I have this question, but before I ask the question, rules that you must be actively engaged in farming to be eligible for commodity price support programs were intended by Congress to make sure that the farm subsidies made it directly to the hands of our country's hardworking farmers. However, in 2020, the USDA rules exempt all family farms from the requirement, which we know that USDA defines as 98 percent of all farms.

To you two, is it fair to the taxpayer and smaller farms that do not qualify that extended family members, including siblings, cousins, nephews, nieces, can all receive the \$250,000 annual from the Federal Government, even though they have not done a tick of farm work over the last year? In your opinion, how many hours would be needed for someone to be actively engaged in farming? Remember, this question comes from the fact that 10 percent of the biggest farmers get 70 percent of the benefits of the farm program.

Mr. Larew.

Mr. LAREW. National Farmers Union strongly supports actively engaged provisions that limit payments to those who are truly invested in management and labor and provisions. We certainly would be willing to work to look for ways to ensure that those rules are being met, as intended by Congress.

Mr. DUVALL. I would agree with that, but we need to make sure that we understand that farm operations, family farm operations do not look the same as they did 30, 40 years ago. Just for the sake of efficiencies, we have family farm operations that are made up of cousins and second cousins and sisters and brothers, all farming together, using the same equipment, overlapping work responsibilities, and we need to make sure that those people that are actively working are able to be able to participate in those programs.

Senator GRASSLEY. Thank you, Madam Chairman.

Senator SMITH. Thank you, Senator Grassley.

Senator Thune, I believe you are next.

Senator THUNE. Well, I am not officially on this Subcommittee, Madam Chair, but thank you for the opportunity to be here to ask some questions. Thank you to our panelists here today.

Obviously, agriculture is the No. 1 industry in South Dakota, incredibly important to our State, and so the farm bill is always an important conversation, and I hope as we move forward we can enact policy that will be good for the prosperity of agriculture and our rural economy in this country. I would like to, just if I might, ask a couple of questions with regard to Title I of the farm bill, the commodity title, and what thoughts or suggestions you all might have. I assume maybe you covered this already, but if you could at least reiterate your thoughts about what we do with ARC and PLC.

We know crop insurance is the cornerstone in terms of the farm safety net, but those programs complement that, and a lot has changed since we lived the last farm bill in 2018, with respect to reference prices. Could you give us perhaps your thoughts about what we might do to shore up that aspect of our farm policy?

Mr. LAREW. I appreciate the question because in terms of the safety net, and ARC and PLC in particular, we think that they are basically strong provisions providing support that we feel needs to be updated to reflect kind of additional costs out there. Raising reference prices is really critical in that.

I would also just highlight that in spite of the land grant economist models of what farmers potentially should choose between ARC and PLC, for many producers it still a little bit of a guessing game out there about what is that year going to look like, which program is going to provide the better support for my operation. While the yearly kind of election is important, Farmers Union would like the Committee to explore a dual enrollment of ARC and PLC as one of the additional operations that would be part of the suite.

Mr. DUVALL. Mr. Larew has represented it very well, and I would just reiterate the biggest change we have seen is in the cost of production, the cost of us producing those products. To make sure that that safety net is accurate it needs to be updated as to what the real cost of production is.

Senator THUNE. You continue to support annual election of PLC and ARC?

Mr. DUVALL. Yes, sir.

Senator THUNE. Farmers Union is dual, basically, as opposed to—okay. All right. Well, that was a provision that we had included, that I worked to get included in the 2018 Farm Bill, and it is available, of course, in 2022 and 2023, as well.

Mr. Larew, in your testimony you discussed the Soil Health and Income Protection Program, which I authored for the 2018 Farm Bill. SHIP has provided producers in the Prairie Pothole States with a short-term option to conserve their least-productive land, which unlike the CRP program requires a commitment of only three to five years.

Could you maybe describe how a SHIP reauthorization and expansion could help producers enhance their operations?

Mr. LAREW. Absolutely. First of all, we would just thank you for the leadership and the vision in this provision. It has enabled producers to have a great deal of flexibility in that Prairie Pothole region for land that is marginal and should not be in production. Providing the shorter-term contracts in exchange for partial rental

payment there has really enabled producers to have that flexibility of production in a given year or series of year.

We would certainly support authorization of that, and possibly looking at expanding that model to allow that same sort of flexibility of taking marginal land out of production on a shorter-term basis to larger parts of the country.

Senator THUNE. Mr. Duvall, you, I think, would acknowledge, and I think most would, as I said earlier, that crop insurance is a critically important tool to mitigate risks associated with production agriculture, and maybe you could just briefly describe the Farm Bureau's ideas to improve that program in the next farm bill.

Mr. DUVALL. Crop insurance?

Senator THUNE. Yes.

Mr. DUVALL. Well, like we said earlier, we need to make sure we have the funding and support for it. We need to broaden it and improve it, and by broaden it I mean making sure that all commodities have access to affordable crop insurance. It has to be funded at a level that it does not dilute it down to where it is not an effective risk management tool.

Senator THUNE. Okay. Thank you, Madam Chair. Thank for your indulgence. My time has expired, but I would, to perhaps get you both on the record, if I can, with regard to some of the CRP changes that we are proposing, I, along with Senator Klobuchar, are proposing to make in this bill, to make it a more effective working lands-oriented program in our farm policy. If I could get you—I have got a couple of questions for the record that I will submit.

Thank you, Madam Chair.

Senator SMITH. Thank you very much.

Seeing no further members joining the Committee for this first panel, we will close down the first panel and welcome the second panel to the table here.

Thank you very much, President Larew and President Duvall. We greatly appreciated your testimony and you answering our questions so ably.

[Pause.]

Senator SMITH. Well, good morning, and welcome to our second panel. We will start with witness introductions, and we will begin with Mr. Ackerman, and Senator Stabenow is introducing Mr. Ackerman today.

Senator STABENOW. Well, thank you so much. It is great to see you, and thank you again, Chairwoman, for the opportunity to introduce my constituent, Greg Ackerman. Mr. Ackerman, who hails from Vassar, Michigan, has farmed for 38 years and grows dry beans, wheat, sugarbeets, corn, and soybeans. Today he is testifying in his capacity as the Past Chairman of the Michigan Bean Commission and as a Michigan Delegate to the U.S. Dry Bean Council.

Thank you so much for being here. We look forward to hearing your testimony.

Senator SMITH. Thank you. Next, we would like to welcome Mr. Kody Carson, Past Chair of the National Sorghum Producers. Kody and his wife, Kimbra, operate the family farm in Lamb and Hale Counties, Texas, where they grow sorghum, cotton, wheat, and

produce cattle. Kody currently serves as Past Chair of the National Sorghum Producers. Welcome.

Then I would like to welcome Mr. Brent Cheyne—am I saying your name correctly? Thank you—President of the National Association of Wheat Growers. Mr. Cheyne serves as the National Association of Wheat Growers' president. He farms with his son near Klamath Falls, in southern Oregon, where he raises wheat, barley, oats, and alfalfa, and Angus cattle.

Next, welcome to Mr. Blake Gendebien, Vice Chair of Agri-Mark Family Dairy Farms Co-op. Blake and his family operate a 500-cow dairy and farm 1,200 acres of alfalfa, corn, and soybeans in New York. Blake currently serves as Vice Chair of Agri-Mark, his dairy cooperative.

Next we have Mr. Rich Hillman, of Hillman Farms, on behalf of USA Rice Federation, and Senator Boozman will introduce Mr. Hillman.

Senator BOOZMAN. Thank you, Madam Chair, and it is an honor to introduce Mr. Rich Hillman. Rich would tell you, with pride, that he is a sixth-generation farmer in Lonoke County, Arkansas, where he grows rice, soybeans, and corn, and that the main reason he could be here and testify today is because the seventh generation is back home running the farm. We are grateful that you could make it, Rich, because you are so well-positioned to speak on issues affecting the broader needs of farmers in Arkansas.

Rich serves on the USA Rice Farmers board of directors as Vice Chairman of the Board for Riceland and Foods and represents his State well as the President of the Arkansas Farm Bureau.

I always tell people back in the State to grab me by the lapels and let me know what Congress needs to be doing better. Rich takes that literally, so we appreciate him very, very much. We are lucky to have him in Arkansas and grateful he took time away from the farm to be with us today.

Thank you, Madam Chair.

Senator SMITH. Thank you so much.

Next, we would like to welcome Mr. Patrick Johnson, who will be introduced by Senator Hyde-Smith.

Senator HYDE-SMITH. Thank you, Madam Chairwoman, and it is my pleasure to introduce Mr. Patrick Johnson, a cotton producer from Tunica, Mississippi. Mr. Johnson serves on the National Cotton Council board of directors and chairs the American Cotton Producers Farm Policy Task Force.

Patrick wears a lot of hats. He is also currently a member of the EPA Pesticide Policy Dialogue Committee, a director for Tunica County Farm Bureau, and a Commissioner for the Mississippi Department of Environmental Quality. He has held previous roles in many other organizations, and recently completed a term as President of Delta Council, which you will be speaking at, Ranking Member Boozman, this year, an economic development and agricultural organization in the Mississippi Delta. We certainly appreciate Senator Boozman participating.

He is a graduate of the University of Mississippi and joined his current farming operation in 1996. Mr. Johnson lives in Tunica with his wife Emily.

Welcome, Mr. Johnson. I will certainly look forward to your testimony today.

Senator SMITH. Thank you so much.

Next, we would like to welcome Mr. Caleb Ragland, who is Secretary of the American Soybean Association. Mr. Ragland is a farmer from Magnolia, Kentucky, where he farms 4,000 acres of soybeans, corn, and winter wheat. Welcome to the Committee.

Mr. Neil Rockstad, welcome to the Committee. Mr. Rockstad is Vice President of the American Sugarbeet Growers Association, a fellow Minnesotan. Mr. Rockstad and his wife Elizabeth farm near Ada, Minnesota, where they raise wheat, soybeans, corn, and sugarbeets on land that was once farmed by three of their grandparents and three great-grandparents. Neil currently serves as President of the Red River Valley Sugarbeet Growers Association board of directors and serves as Vice President on the American Sugarbeet Growers Association board of directors. Welcome.

Ms. Karla Baker Thompson, welcome to the Subcommittee. She is Vice President of J.E.T Farms and Georgia Integrity Farmers. She is a farmer living in Georgia and attorney by training. She previously practiced business and insurance law before moving to southwest Georgia to work with her husband Aaron on his family farm. Their farms are in Georgia and Florida, where they grow peanuts, sweet corn, green beans, blueberries, and sugarcane.

Last but certainly not least, my friend and fellow Minnesotan, Mr. Harold Wolle, who is First Vice President of the National Corn Growers Association. Harold is from Madeline, Minnesota, where I have visited. He is transitioning his farm to his son, Matt, who rents the tillable land of his ground, which I think is about 1,700 acres. Mr. Wolle also has 200 acres enrolled in the CRP program. As NCGA First Vice President, Harold serves as the First Vice President of the National Corn Growers Association Foundation and on the Finance Committee, and on the State level, Harold is a Past President of Minnesota Corn Growers. Welcome so much to the Committee.

Now, you each have five minutes for your opening statements. There is a clock in front of you to help guide you through, and we will certainly take your full written statement to be made a part of the record.

Mr. Ackerman, you are recognized for your opening statement.

STATEMENT OF GREG ACKERMAN, PAST CHAIR OF THE MICHIGAN BEAN COMMISSION; DELEGATE TO THE U.S. DRY BEAN COUNCIL, VASSAR, MI

Mr. ACKERMAN. Thank you for that introduction, Senator. First off, I would like to take this opportunity to thank you for being able to testify here today and to represent the dry bean growers across the U.S.

As the Senator said, my name is Greg Ackerman, a farmer from Vassar, Michigan, past Chairman of the Michigan Bean Commission, and current Delegate to the U.S. Dry Bean Council. On our family farm we currently grow soybeans, corn, sugarbeets, wheat, and dry edible beans including navy beans, black beans, and small red beans.

Dry bean production fits really well under our operation and has a unique sustainability story to tell. They are a short-season crop that does not need much water or fertilizer. Dry beans typically grow between 90 and 100 days from plant to harvest, meaning you can plant them the first of June and harvest them the first week of September. With that short of a season crop, it allows us to benefit by utilizing cover crops in our rotation, which builds soil health.

In addition, we are proud to be producers of a very health, nutrient dense, plant-based superfood. Many studies have shown when dry beans are used in human diets it has proven to lower the risk of cancer, improve gut health, and lower the risk of obesity. I believe beans are part of the solution to solving world hunger and are also a piece of the solution to climate change.

Some of the farm bill Federal policy priorities for our industry include, and what we talked quite a bit about already, was maintain funding for crop insurance. This is the sole farm safety net program for dry bean producers. This program should be maintained and expanded, where possible. Federal support for insurance premiums increases participation for coverage carried by growers. The more participation and coverage provided through crop insurance, the less need there is for ad hoc disaster assistance. The fact that dry beans are not part of the farm program authorized under Title I of the farm bill, this makes the Federal crop insurance even more vital for our growers.

Increased funding for MAP and FMD, something you have not heard of yet here today. The U.S. Dry Bean Council, along with 70 other agricultural organizations receive MAP and FMD funds. Both programs are authorized in the farm bill. The spending level for MAP and FMD have been flat for 20 years. Sequestration, inflation, administrative fees have all reduced the real funding available to these organizations.

Continuation of the McGovern-Dole International Food for Education and Child Nutrition Program. This program supports education, child development, and food security in insecure countries. The program authorized under the farm bill provides for the donation of U.S. agriculture commodities, including dry beans, as well as financial and technical assistance to support school feeding and material and child nutrition programs.

Continuation of the sclerotinia initiative. U.S. Dry Bean Council requests reauthorization of the National Sclerotinia Initiative under the farm bill. The goal of the NSI is to employ a coordinated research strategy to minimize the devastating effects of sclerotinia, better known as white mold, which causes serious economic loss by negatively impacting crop quality and yields that impact our growers' bottom lines. This also impacts the lines as a soybean producer as well.

Finally, trade. Since this Subcommittee jurisdiction includes trade issues, we would like to take this opportunity to urge you to renew support for expanded trade and new trade agreements. With this competitive environment changing, particularly in the post-pandemic world, the U.S. dry bean industry needs competitive trade advantages around the world. We continue to suffer from lost markets in the EU and the U.K. as a result of years of retaliatory

tariffs, also known as 232 tariffs. Prior to the tariffs, the EU was a large importer of U.S. dry beans.

This topic personally hits home to me. As a representative of the United States Dry Bean Council, I personally had the opportunity to attend back-to-back trade missions to the EU and the U.K., while the tariffs were in place. We met with government officials such as the U.K. Department of International Trade, USDA's Foreign Ag Service, Trade Ambassador to the U.S., and the Director General for Trade of the European Commission. We also met with many end users that typically use our products. A couple of the larger ones you may have heard of would be Kraft Heinz and Princess Foods.

Unfortunately, dry beans were just a victim that stemmed from the retaliatory tariffs. When these tariffs were eventually removed in June 2022, our industry was thinking this region would be back in the U.S. market, but that has not been the case today. Once you lose these markets and let others in, build those relationships and figure out how to compete, not only on the production side but on the quality side of the U.S., it is hard to earn those markets back.

Please consider these priorities as you move through the complexities of this farm bill, and thank you again for the opportunity to testify here today.

[The prepared statement of Mr. Ackerman can be found on page 77 in the appendix.]

Senator SMITH. Thank you very much.

Mr. Carson.

STATEMENT OF KODY CARSON, PAST CHAIRMAN, NATIONAL SORGHUM PRODUCERS, LUBBOCK, TX

Mr. CARSON. Well, good morning. Thank you, Chairwoman Smith and Ranking Member Hyde-Smith, for the opportunity to be with the Committee today.

As previously stated, my name is Kody Carson, and I farm with my wife Kimber in Lamb and Hale Counties of Texas. I served as the immediate Past Chairman of the National Sorghum Producers Board of Directors, and I think that with the exception of dairy and rice, I either grow or have grown every crop that is represented here today. Very few of us farmers are monocultures. I appreciate my colleagues being here.

It is an honor to be here today, and I hope that my testimony on behalf of the National Sorghum Producers, but more importantly as a farmer, will be helpful to you.

I would like to begin by giving a brief state of where the sorghum industry currently is. Sorghum farmers across the Plains States are facing an exceptional drought, and we have been for several years now. Farmers in these States have been hammered with intense drought conditions heading into the harvests of last summer, and those conditions remain as we head into this year's planting season. Out of the hundreds of sorghum acres I planted last year, I literally harvested one field. The national average sorghum yield was the lowest our industry has seen since the 1960's.

In addition to historic drought impacting our operations, market volatility, inflationary pressures, and higher expenses, coupled with

lower projections for crops cash receipts, are only adding to the stress and uncertainty we face in agricultural production today.

We are fortunate to have tools that can help sorghum producers through these extreme events that are beyond our control and in order to stay in business. Items such as Title I, crop insurance, and congressionally authorized ad hoc assistance programs have been invaluable in these stressful times. Due to the increasing severity of these challenges we face, we believe farmers and ranchers need a stronger farm safety net to provide predictability and certainty for producers and lenders.

It is also clear that more resources will be necessary to enact a strong farm bill this year, as there is simply a major shortfall in the safety net funding compared to our historic levels. My cost of production has also increased, most on the order of 50 percent, some 100. As Mr. Duvall stated, some inputs are up to 300 percent higher.

While the changes in the 2018 Farm Bill have been helpful, given the level and speed at which these costs have increased statutory PLC reference prices are now far too low to provide an effective support, in light of the many risk factors we are currently facing. The same is true of marketing loans, which remain an important cash-flow tool for farmers, but now they are also low relative to our current risk.

Sorghum producers are grateful for the wisdom of this Committee tying the reference price to the market with an escalator in the 2018 Farm Bill, as it will create some improvement to the level of certainty and confidence of sorghum farmers. However, given spiraling input costs, there is room for improvement in that as well.

Crop insurance is vital for sorghum producers, and the tools has been critical in helping us manage the ongoing drought conditions that are decimating the Sorghum Belt. Availability of products and insurance ratings, however, can have a very real, local impact on plantings, and we believe the Committee can take measures to improve in this area.

Due to sorghum's ability to withstand short periods of drought and heat better than most other crops, farmers do tend to deploy sorghum more aggressively when our production outlook is bleak. This fact exposes the crop to extra environmental stress and high-risk situations, and as a result, sorghum transitional yields suffer as do our insurance product ratings and cost to participate, compared to some other crops.

Fortunately, RMA announced a new crop insurance option last year for irrigated sorghum farmers that is now available in the 2023 growing season. This option benchmarks sorghum to corn for a higher guarantee for less money, and will be available as a pilot program to farmers in certain counties in Kansas, Oklahoma, and Texas.

We continue to work closely with RMA and look forward to working with this Committee to build upon these efforts to provide meaningful solutions to sorghum farmers. As we back out to look at a bigger picture, sorghum is always competing for acreage to supply our growing market. Most of that competition is with soybeans and corn in the northern portion of the Sorghum Belt, where

their insurance rates are simply better than those I just described. With respect to cotton in the south, they have options of higher levels of coverage at higher levels of premium cost share that we do not have, and we would just ask for parity.

Sorghum needs the ability to buy insurance products at similar high levels to compete for acres. We believe this will serve all farmers and foster a better use of resources over time to help address our parity and our acreage competition concerns.

We appreciate what this Committee is looking at and ways to address our weather disasters through improvements, and we believe that a cost-share policy for sorghum is a worthwhile pursuit. We look forward to working with this Committee and our fellow commodity organizations.

I would like to personally thank this full Committee for the letter that was sent on to the Budget Committee. It had some very valuable information, and I appreciate all the thought process that was sent into that.

With that, Madam Chairman, I just want to say thank you, as a farmer member, and look forward to National Sorghum Producers being able to assist you in any way we can.

[The prepared statement of Mr. Carson can be found on page 80 in the appendix.]

Senator SMITH. Thank you so much.

Mr. Cheyne.

STATEMENT OF BRENT CHEYNE, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, KLAMATH FALLS, OR

Mr. CHEYNE. I thank the Chair, Ranking Member, and members of the Subcommittee for the opportunity to testify and provide a wheat farmer perspective on the farm safety net. My name is Brent Cheyne, a farmer from Klamath Falls, Oregon, where I operated a certified Century Farm with my son. We pride ourselves in creating a quality product, and my son is committed to carrying on the family tradition and business of working hard and being a good steward of the land.

I also currently serve as the President of the National Association of Wheat Growers (NAWG). NAWG is a federation of growers from 20 wheat States that represents wheat producers' needs and interests in Washington, DC. Our members feel it is essential to testify today.

With rising input costs, decreasing net farm income, and the smallest winter wheat crop since the 1960's, it is very important that we take this opportunity to enhance the farming safety net. The commodity, crop insurance, and trade programs play an important role in preserving rural economies, keeping food supply stable, and keeping farmers on the family land.

NAWG's No. 1 priority is protecting crop insurance. Cuts were made in previous farm bills in an effort to be more fiscally conservative. This directly led to increased ad hoc disaster programs as the farming safety net came up short. It is imperative that we avoid similar cuts in the future. Not only does crop insurance protect farmers, it protects the banks and small businesses that help supply them and make rural communities and economies thrive.

My farm utilizes a yield protection policy with a coverage of 80 percent. We have a stake in the premiums, and it helps protect us in the case of disaster or yield loss. While we would like to insure the farm at a higher level, the policies are too expensive. Congress should take a hard look at this issue and make the program more affordable at higher levels of coverage. In short, NAWG asks that Congress make a good program better.

The PLC reference price has never changed, and prices have risen to a point that it would take a 38 percent decrease before triggering a payment. Any industry that loses over a third of its price would struggle to survive. NAWG asks that this Committee significantly increase the wheat PLC reference price so that it better reflects the current state of the agriculture economy.

Like everything else in the economy, funds for trade promotion programs like MAP and FMD have lost their effectiveness from inflation and sequestration. NAWG would like to see the funding double for these programs, and thanks the Senators here that sponsored the Expanding Agricultural Export Act. These programs have excellent return on investment and work to expand the markets for our products.

In a time when our competitors are investing in expanding their markets, we need to be doing the same. While ad hoc programs were needed to fill gaps left by cuts in the farm safety net, these programs were after the fact and lacked long-term certainty. Many times the programs led to stress at our USDA office, were complicated, and took a long time to reach the ones that needed it the most. Farmers cannot rely on these programs to mitigate the risks. It is imperative that Congress strengthen the farm safety net programs that are predictable and effective.

NAWG knows that these requests require money. However, the farm bill has received spending cuts in the past. The farming safety net makes up only two-tenths of one percent of Federal spending. It is essential to keep food supplies stable and rural economies thriving. This is why we joined with over 400 other agricultural organizations in a letter to the Budget Committees requesting more resources. It would be a waste of an opportunity to not make these investments in the farm bill.

Wheat farmers across the country are experiencing high prices, but at extreme risk. My written testimony shows the impact that inflation, interest rates, and severe drought are already having on the farmer's bottom line. High prices are meaningless when there is nothing to harvest, which many farmers in winter wheat-producing areas of the country are experiencing this year. Congress must act now to enhance the farm safety net.

Thank you for the opportunity to testify at this hearing. I look forward to your questions, and I even more greatly look forward to the opportunity to work with you on the upcoming 2023 Farm Bill.

[The prepared statement of Mr. Cheyne can be found on page 86 in the appendix.]

Senator SMITH. Thank you so much.

Next we have Mr. Gendebien.

**STATEMENT OF BLAKE GENDEBIEN, VICE CHAIR, AGRI-MARK
FAMILY DAIRY FARM CO-OP, OGDENSBURG, NY**

TESTIFYING ON BEHALF OF NATIONAL MILK PRODUCERS FEDERATION

Mr. GENDEBIEN. Chair Smith, Ranking Member Hyde-Smith, thank you for the opportunity to testify today. My name is Blake Gendebien. My family and I own and operate Twin Mill Farms, a dairy in northern New York.

I am proud to be Vice Chairman of Agri-Mark, a dairy cooperative owned by more than 500 dairy farm families in New York and New England. I am testifying today on behalf of the National Milk Producers Federation, of which Agri-Mark is a member.

I am pleased to offer comments on dairy policy. When this Committee began its work on the last farm bill, dairy policy was much less effective than it is today. The previous Margin Protection Program, while well-intended, fell short of providing the protection required of a valuable farm safety net. Further, unlike row crop farmers, dairy farmers lacked access to the risk management options that can help meet their unique needs.

Dairy farmers are grateful for the work this Committee did to reform the dairy safety net in both the 2018 Farm Bill and the Bipartisan Budget Act of 2018, and I am grateful to all of you for advocating for producers nationwide.

The Dairy Margin Coverage Program is a major improvement over MPP and has performed as a strong safety net for dairy farmers during difficult times. Since the program was implemented in 2019, my farm has consistently purchased the maximum coverage.

The next farm bill provides another opportunity to make improvements. DMC's underlying production history calculation is outdated. Dairy farmers need the opportunity to update their production history to reflect more current production levels. We are grateful to this Committee for enacting supplemental dairy margin coverage payments to compensate farmers for incremental increases as of 2019. It is critical that this adjustment be continued and enhanced in the farm bill.

National Milk's Economic Policy Committee is reviewing other potential improvements to DMC. The program currently allows producers to pay lower premiums for the first five million pounds. I believe a modest increase to this threshold would benefit many family dairy farmers in the Northeast and nationwide.

We are also grateful that dairy farmers now have access to crop insurance-like tools such as Dairy Revenue Protection (DRP) and Livestock Gross Margin Dairy. These programs give all farmers the ability to adapt their risk management to their needs. Further improvement would make these programs more affordable for all producers, and that would enhance participation as well.

Beyond these programs, the Federal Milk Marketing Order system provides significant value and safeguards to dairy farmers, cooperatives, and processors. Federal Orders are designed to assure consumers an adequate supply of fluid milk and to promote orderly marketing conditions for farmers. However, the industry has changed significantly since the last major updates in 2000.

To help the system reflect today's dairy sector, National Milk has worked extensively over the past year, through a comprehensive

process to modernize the Federal Order system. After more than 150 meetings, including dairy farmers and cooperative experts, National Milk's board of directors gave unanimous approval in March to a comprehensive Federal Order proposal, and yesterday we submitted our petition to USDA for a national hearing.

National Milk's proposal addresses numerous issues, including restoring the previous "higher of" Class I mover. The current mover enacted in the last farm bill was intended to be revenue-neutral but has cost dairy farmers nationwide more than \$900 million due to market dynamics in both 2020 and 2022. We are grateful for the pandemic reimbursements USDA and Congress provided, but dairy farmers do not want to have policy in place that requires the government to spend hundreds of millions of dollars every time the current mover underperforms.

Our petition also includes an essential update to make allowances, which have not changed since 2008, while manufacturing costs have increased clearly. Many dairy farmers like myself are members of cooperatives who own dairy processing plants, and therefore want to set the make allowance at the right level. In this context, we hope to work with this Committee in the next farm bill to require USDA to conduct mandatory plant cost studies every two years, and to report the results. This would provide us with the information needed to consider requesting future make allowance updates.

My written testimony covers key issues beyond the dairy subtitle, including conservation, trade, nutrition, and near and dear to my heart, farm stress programs.

Thank you again for the opportunity to testify. Thank you, my fellow farmers here, and I am happy to answer any questions you may have.

[The prepared statement of Mr. Gendebien can be found on page 98 in the appendix.]

Senator SMITH. Thank you so much.

Next we will turn to Mr. Hillman.

**STATEMENT OF RICH HILLMAN, FARMER, HILLMAN FARMS,
CARLISLE, AR**

TESTIFYING ON BEHALF OF USA RICE FEDERATION

Mr. HILLMAN. Good morning, Chairwoman Smith, Ranking Member Hyde-Smith, Chairwoman Stabenow, and Ranking Member Boozman, and members of the Subcommittee, thank you for the opportunity to testify here this morning. Senator Boozman, thank you for the warm introduction. I am honored to testify this morning on behalf of USA Rice, a national trade organization representing all rice farmers and segments of the rice industry.

Rice is grown on about three million acres across the U.S. Half of that rice is consumed domestically while the other half is exported to more than 120 countries around the world. On average, each rice farmer contributes about \$1 million to their local economy and employs six people. The broader \$34 billion rice industry supports more than 125,000 jobs nationwide.

Rice fields, the fields themselves, provide critical habitat for migratory waterfowl and other wildlife, and contribute substantially to biodiversity. More than 3.5 billion people worldwide depend on

rice as a staple food—3.5 billion people. U.S. rice grown is accessible, affordable, and nutritious.

Rice is not as fortunate as other commodities that saw a large run-up in the market prices during 2020 and 2021, all while contending with an unprecedented increase in costs of production.

A Texas A&M University study in 2022, predicted two-thirds of rice farms would have negative net cash farm income in the 2022 crop year. USDA also reports more than 30 percent increase in operating costs, which we talked about here this morning. On our farm, it was even higher.

Thank you all, and in particular Senator Boozman, for providing vital assistance to rice farmers in 2022 crop year in the 2023 Omnibus Appropriation bill. It was truly critical for rice farmers, Senator.

The current cost of production is extremely higher than the 2012 levels, when current PLC reference prices was calculated and established in the 2014 Farm Bill. That makes the current program not a true safety net for rice farmers today.

In 1986, a long time ago, I purchased my first combine for \$100,000, or thereabouts. The stress that debt caused lost sleep and a lot of worry. Although I was fortunate to have my father as a backstop, I was determined to make that payment, and paid that machine off. My son, who is a seventh-generation farmer, and my brother, and I all have greater pressures and challenges today. That combine is now \$750,000.

The importance of that story is the economies of scale that we have, and they have only become more evident. To keep pace with capital and other costs, we must farm more land and take on a lot more risk. As a high-cost input crop subject to severe global market distortions due to predatory trade practices of foreign countries, U.S. rice farmers are more vulnerable to the impacts of inflation and global events that have caused increased costs of fuel, fertilizer, labor, as well as the highest interest rates many of the farmers, especially our young farmers, have ever experienced in their careers. A strengthened safety net would ultimately be more cost effective for farmers and taxpayers than continued ad hoc programs.

The PLC program has traditionally been our true safety net, especially for rice farming. It has allowed us to better compete on a lopsided global playing field impacted by foreign subsidies, tariffs, and non-tariff trade barriers. India subsidizes its rice producers by upwards of 90 percent—90 percent—and injected billions to offset escalating input costs. This is only one example of many predatory trade practices used by foreign competitors, and we continue to ask the U.S. to address blatant WTO violations.

USA Rice strongly believes reference prices under PLC need to be increased and indexed to provide a safety net that remains relevant over the long haul to ensure the long-term viability of U.S. rice.

The work that you all do in this Subcommittee and on the Senate Ag Committee is extremely important to the families that I represent. It is important to me and my family, and please, never underestimate what you do here in our Nation's Capital, because it

is so critical to those family farmers. I appreciate all of your hard work and thank you for the opportunity this morning.

[The prepared statement of Mr. Hillman can be found on page 103 in the appendix.]

Senator SMITH. Thank you so much, Mr. Hillman.
Mr. Johnson, you are next.

**STATEMENT OF PATRICK JOHNSON, PRODUCER AND
DIRECTOR, NATIONAL COTTON COUNCIL, TUNICA, MS**

Mr. JOHNSON. Chair Smith and Ranking Member Hyde-Smith, thank you for this opportunity to testify.

My name is Patrick Johnson. I am a partner in Cypress Brake Planting Company, a family farming operation in the Mississippi Delta, located in Tunica, Mississippi. My farm produces cotton, rice, corn, soybeans, and what. I currently serve on the National Cotton Council board of directors and chair the American Cotton Producers Farm Policy Task Force.

The general structure of the 2018 Farm Bill has served the industry well and should be maintained. However, additional funding is necessary to address challenges, both on the farm and throughout the supply chain. A strong cotton safety net must consist of two key components: an effective commodity policy that provides either price or revenue protection to address prolonged periods of low prices and depressed market conditions, and a strong and fully accessible suite of crop insurance products that producers can purchase to tailor their risk management.

Supply chain disruptions and geopolitical challenges have led to a dramatic increase in production costs, leading to tighter margins and decreased profitability. Total production costs now range between 90 cents and \$1 per pound, which is well above futures prices, in the low 80's. When calculated based on seed cotton, the cost of production is almost 48 cents, far above the PLC reference price of 36.7 cents per pound. Today's production costs are diminishing the effectiveness of the current reference price, which should be increased.

Additionally, cotton producers should not face limits to their crop insurance options. Eliminating the prohibition on simultaneous enrollment in PLC and the Stacked Income Protection Plan (STAX), would allow a grower to better tailor their risk management options while also decreasing their reliance on ad hoc disaster programs.

On the topic of financing, the non-recourse marketing loan program for upland cotton remains vital for the U.S. cotton industry. However, despite higher production costs, the maximum level of the loan rate has remained at 52 cents, since 2002, and should be increased to better reflect costs of production and recent market prices.

Furthermore, various loan repayment provisions should be modernized to better reflect the global market and higher storage and logistics costs. These improvements include allowing storage credits to better reflect actual storage charges; determining a globally competitive Adjusted World Price based on the three lowest international prices; limiting the amount of the annual decline in the

costs-to-market values; and creating a 30-day window for finalizing the AWP.

We should also remember that not all cotton is the same. The 2018 Farm Bill continued important programs for Pima cotton, which is grown in parts of the West. The 2023 Farm Bill should increase the Pima loan rate to a more reflective level of pricing and costs of production. To ensure this commodity remains competitive abroad, the next farm bill should also add marketing loan functionality to the Pima loan and maintain both the Pima Cotton Competitiveness Payment Program and the Pima Cotton Trust Fund.

On the domestic manufacturing front, the Economic Adjustment Assistance for Textile Mills has allowed investments in new equipment and technology, thereby reducing costs, increasing efficiency, and allowing U.S. mills to be more competitive. To support American manufacturing, we urge Congress to restore the rate of 4 cents per pound, which was in place prior to 2012.

Tariffs are vital to our industry, which is why the Market Access Program (MAP) and Foreign Market Development Program (FMD) are so important. Our industry supports the Coalition to Promote U.S. Agriculture Exports' proposal to double funding for both MAP and FMD.

Finally, our industry is opposed to any further tightening of payment limits and program eligibility requirements. We are encouraged that Congress has recognized this reality in recent disaster assistance by including increased payment limit levels for producers who realize the majority of their income from their farming operation. This same consideration should be given to Title I program limits in the next farm bill.

In closing, I encourage the Committee to write a farm bill that provides long-term stability for the future and addresses the challenges that continue to be faced by our industry.

Thank you for this opportunity, and I look forward to answering your questions.

[The prepared statement of Mr. Johnson can be found on page 109 in the appendix.]

Senator SMITH. Thank you, Mr. Johnson.
Mr. Ragland.

**STATEMENT OF CALEB RAGLAND, SECRETARY, AMERICAN
SOYBEAN ASSOCIATION, MAGNOLIA, KY**

Mr. RAGLAND. Good morning, Chairwoman Smith, Ranking Member Hyde-Smith, and distinguished members of the Subcommittee. Thank you for the invitation to provide testimony as you develop the 2023 Farm Bill.

My name is Caleb Ragland, and I am a ninth-generation farmer from Magnolia, Kentucky. I farm soybeans, corn, and wheat with my wife Leanne and our three sons—Charlie, Cory, and Carter. I am testifying on behalf of the American Soybean Association.

ASA represents more than 500,000 soybean farmers across the 30 primary soybean-producing States. Nationally, U.S. soybean farmers produced over 4 billion bushels last year on over 87 million planted acres.

It is a busy season across soybean country, with farmers working hard to get this year's crop in the ground. We hope that at this time next year we will have a new farm bill in place that provides farmers a strong safety net that is stronger than what we have now. An effective safety net is vital. It should give us farmers confidence to put out a crop and know that we can keep the lights on when hard times hit.

In the next farm bill we need help with two priorities with the farm safety net. One is protecting crop insurance and the other is improving Title I farm safety net for soybeans.

We must protect crop insurance. This is the most effective and important component of the farm safety net for soybean farmers. Without crop insurance, the risks would be more than many farmers and lenders could stand. It certainly would be for me and my family. ASA urges you to protect crop insurance from harmful amendments that may arise.

We must improve the Title I farm safety net. A predictable, effective farm safety net is needed for the duration of the next farm bill. In a February report, USDA projected a nearly 21 percent decline in net cash farm income in 2023, relative to 2022. This is a major cause for concern for farmers.

Soybean growers have already experienced firsthand the challenges of an ineffective safety net. I will share with you my experience during the trade war with China in 2018 and 2019. The largest importer of soybeans in the world is China. Even with the ongoing efforts to diversify and open new markets, almost a third of all soybeans grown in the U.S. are destined for China.

During the height of the trade war with China in 2018, U.S. soy stopped flowing to the Chinese market in our peak export period that fall. Soybean prices dropped significantly, but we received no PLC benefits and little from the ARC program. USDA stepped in with ad hoc, temporary support to farmers.

If the trade war that shrunk soybean demand by over 30 percent hardly triggered the farm safety net provided in the current farm bill, it is difficult to envision a scenario that would provide meaningful assistance without significant improvements to the current reference price and program elements of ARC and PLC.

Another challenge impacting the accessibility and effectiveness of the farm safety net is the significant disparity in recent soybean planted acres compared to base acres, on which the ARC and PLC benefits are provided.

In 2022, soybeans were planted nationally on over 87 million acres. By comparison, soybean base totals 53 million acres. Over 34 million acres of soybeans were not protected by the soybean provisions of the ARC and PLC programs in 2022.

Thanks to a recent purchase of cropland that has increased my own base acres, a quarter of my farm is now protected by ARC and PLC. Again, one quarter, or 25 percent of my acres. This does not make me feel confident about the farm safety net available to me and the next generation of farmers and my family.

An option to voluntarily update program acres based on a more recent historical time period, would provide soybean farmers greater access to the soybean safety net, is needed. ASA urges an option

to update base acres combined with other improvements to the ARC and PLC programs.

Making improvements to the Title I farm safety net will require funding. We know that the budget challenges are real and will be difficult to navigate. We appreciate the Committee sending the strong bipartisan letter of support to the Budget Committee requesting funding for a successful farm bill.

ASA also led a letter to the Budget Committee signed by 400 organizations regarding the need for sufficient resources to write a meaningful farm bill. We ask that you keep agriculture in mind as budget discussions move forward on multiple fronts.

Thank you for hearing from farmers today. We appreciate the opportunity to share testimony and your work to develop the 2023 Farm Bill.

[The prepared statement of Mr. Ragland can be found on page 119 in the appendix.]

Senator SMITH. Thank you, Mr. Ragland.

Mr. Rockstad.

STATEMENT OF NEIL ROCKSTAD, VICE PRESIDENT, AMERICAN SUGARBEET GROWERS ASSOCIATION, HENDRUM, MN

Mr. ROCKSTAD. Chairwoman Smith, Ranking Member Hyde-Smith, and members of the Subcommittee, good morning. Thank you for the opportunity to testify before you on behalf of the American Sugar Alliance. My name is Neil Rockstad. I am a farmer along with my wife Elizabeth. We farm in Ada, Minnesota, where we raise wheat, soybeans, corn, and sugarbeets. We are the fourth generation in our families to farm, and with any luck I hope that my daughters, Nora and Hazel, will have the opportunity to become the fifth.

My family has raised sugarbeets for 75 years. I serve as Vice President of the American Sugarbeet Growers Association.

This hearing is important for sugarbeet and sugarcane farmers because Title I of the farm bill represents a critical safety net for our farming families and the employees of our sugar processors throughout the country.

The U.S. sugar industry generates more than 151,000 jobs, spanning 24 States, and introduces \$23 billion annually to the U.S. economy. American consumers also benefit from a high-quality, safe, reliable, and affordable source of sugar. That natural sugar is used as a sweetener, preservative, and bulking agent in 70 percent of packaged foods.

Additionally, our industry meets some of the highest labor and environmental standards in the world. Through continuous improvement in best management practices, we have made huge strides in efficiency and sustainability. In fact, we have increased sugar production by 14 percent, using 8 percent fewer acres in just 20 years.

I would like to make three points today. First, American farmers are threatened by less-efficient, subsidized, dumped foreign sugar that usually sells well below the exporter's cost of production. This makes the world sugar market the most distorted commodity market in the world. Due to existing trade agreements, the United

States is already the third-largest importer of sugar, accounting for about 30 percent of the U.S. need.

Yet, as global supply chain disruptions from the pandemic and the war in Ukraine have taught us, we must not become even more dependent on those foreign suppliers. This is why an effective sugar policy, which maintains a strong domestic industry, is essential to the food security of our Nation.

Second, sugar policy is structured to operate at zero cost to the U.S. taxpayer. It has operated at zero cost for 19 of the past 20 years, and the USDA projects that it will operate at zero cost for the next 10. That said, the loan rates for raw and refined sugar have not kept up with the rising production costs. Operating margins for our producers are being squeezed due to rising input costs. For example, farmers today are paying 87 percent more for diesel fuel and 141 percent more for fertilizer than they did compared with December 2018. The bottom line is that the current loan rate values no longer provide a realistic safety net for our producers.

Since the early 1980's, we have lost 68 processing facilities. The most recent closure is happening just this year in northeastern Montana. It is not weather or production that is causing these closures. It is economics. Once a facility closes down it does not reopen. Those communities, those regions, and those people face drastic changes. We would support examining how the farm safety net could be updated to better match actual operating costs for our producers.

Third, our producers are exposed to severe weather disruptions, and while our farmers do have some insurance products available, those are not as well developed or affordable as they are for some other commodities. For sugarbeets, policies are limited to yield-based coverage, and they do not benefit from a revenue-based product. For sugarcane, the Hurricane Insurance Program has been an invaluable addition, but a preventive planting provision is needed. We would encourage the Committee to provide help to improve insurance coverage options.

Additionally, our producers have participated in WHIP+ and ERP in the past. We are thankful that the USDA is working with Texas sugarcane farmers and beet farmers on disaster aid. We are certainly receptive to new efforts to providing standing disaster coverage in ways that do not undermine crop insurance.

Sugar policy can provide an adequate safety net for American farmers at zero cost to the taxpayer. It is critical that a strong policy remain in place to counter heavily subsidized and unreliable foreign suppliers whose environmental and labor standards simply do not measure up to our own.

Members of the Committee, on behalf of more than the 11,000 sugarbeet and sugarcane farmers in the United States and the employees of our processing facilities, I thank you for supporting strong U.S. sugar policy, and I welcome your questions.

[The prepared statement of Mr. Rockstad can be found on page 143 in the appendix.]

Senator SMITH. Thank you so much, Mr. Rockstad.
Next we will hear from Ms. Baker Thompson.

**STATEMENT OF KARLA BAKER THOMPSON, VICE PRESIDENT,
J.E.T. FARMS AND GEORGIA INTEGRITY FARMERS, CAMILLA,
GA**

TESTIFYING ON BEHALF OF U.S. PEANUT FEDERATION

Ms. THOMPSON. Chair Smith, Ranking Member Hyde-Smith, members of the Subcommittee, thank you for the opportunity to appear before you today to provide the peanut producers' perspective on the farm safety net.

My name is Karla Thompson. I current farm in a family business with my husband and my extended family in southwest Georgia. We have a diversified farming operation where we grow peanuts, fruit, and vegetables.

My family has been through a lot over the course of our time as American farmers, and the COVID-19 pandemic, in particular, really triggered a series of events on our farm and those like it. Since 2020, we have seen supply chain disruptions, inflation on key farm inputs, and labor shortages. Even prior to 2020, the peanut industry already faced difficulties. We had low prices due to trade issues, a reduced market in China, and a non-tariff trade barrier in Europe and in the U.K.

In addition to the financial stress of low market prices and increased input costs, we have had to spend significantly on equipment. Peanut farming requires not only your traditional farming equipment but also high-cost, very specialized equipment that is extremely expensive to purchase and maintain.

Dr. Stanley Fletcher of Abraham Baldwin Agricultural College and Professor Emeritus at the University of Georgia, has developed and maintained peanut representative farms from 2000 all the way until today. We currently have 22 representative farms spread across the country. Dr. Fletcher reviewed the peanut representative farms' 2021 cost of production compared to 2022 costs, and he found a significant increase. From 2021 to 2022, the total cost of production per ton increased by 26 percent.

Prior to this 2021 representative farm update, the peanut reference price of \$535 per ton did provide an effective safety net for growers. According to Dr. Fletcher, the reference price has not been a functional safety net since the 2021 crop.

Total variable input costs have increased 33 percent from 2021 to 2022. Where our 2021 cost of production was \$546 per ton, Dr. Fletcher reports our 2022 cost of production at approximately \$668 per ton.

On our farm alone, many of our expenses have almost doubled since 2018. For instance, you have heard about fertilizer costs. Ours have absolutely skyrocketed. Supply shortages directly translated to pricing increases, and so our fertilizer expenses have as much as doubled.

Labor costs have also been particular challenging. We really believe in taking care of our team, so labor costs are always the primary focus of our financial planning. Since 2018, it has become increasingly difficult to plan for and cover those costs.

One of the reasons that I am really proud to be an American peanut farmer is because I am helping to provide nutritious food for consumers. Peanuts contain 19 essential vitamins and minerals, and they are one of the most affordable protein sources for con-

sumers. In fact, not far from my farm is a processing facility for MANA, or MANA nutrition. MANA is a nonprofit organization that produces a ready-to-use therapeutic food made with fortified peanut paste. MANA is a great example of how my family and peanut growers across the country can be part of the solution for hunger.

What do we need from the 2023 Farm Bill? First, the U.S. Peanut Federation supports an increase in the reference price. Growers, shellers, and buying points are unified in our support of the Price Loss Coverage Program as included in the 2018 Farm Bill, with a reference price increase.

While the 2018 Farm Bill's Price Loss Coverage Program has worked for peanut growers, the rise in input costs and costs of production necessitates a reference price increase if this program is to remain relevant as a farm safety net.

Second, the U.S. Peanut Federation supports a voluntary base update that includes growers with and without current peanut base acres.

I would like to thank all of the Committee members for all of the work that you are doing on the 2023 Farm Bill. The importance of the farm safety net cannot be understated for my family's work as American farmers. I thank you for allowing me to testify today, and I look forward to any questions that you might have.

[The prepared statement of Ms. Thompson can be found on page 152 in the appendix.]

Senator SMITH. Thank you so much.
Mr. Wolle.

**STATEMENT OF HAROLD WOLLE, FIRST VICE PRESIDENT,
NATIONAL CORN GROWERS ASSOCIATION, MADELIA, MN**

Mr. WOLLE. Chair Tina Smith, Ranking Member Cindy Hyde-Smith, members of the Committee, thank you for the invitation to testify today. My name is Harold Wolle. I am a family farmer in Medelia, Minnesota, where I am transitioning the farm to my son, who raises corn and soybeans. I currently serve as First Vice President of the National Corn Growers Association.

Farmers across the country are busy today planting seeds and preparing for a strong crop and future harvest. The Committee's continued outreach is laying critical groundwork for a strong, bipartisan farm bill. Corn growers are as optimistic for this process as we are for this year's harvest.

This morning I will focus my testimony on NCGA's top farm bill recommendations for crop insurance and the commodity titles. The areas of emphasis for corn growers are summarized in our key principles: protecting Federal crop insurance, strengthening the producer safety net, bolstering U.S.-international market development efforts, and supporting voluntary conservation programs. Our farm bill recommendations seek to make USDA programs more effective and responsive through strategic investments and policy enhancements.

Federal crop insurance has a proven track record of helping producers quickly respond to natural disasters. Corn growers consistently rank crop insurance as the most important program and title of the farm bill. We strongly oppose any efforts to restrict producer access to crop insurance products and oppose harmful program cuts

that would negatively impact crop insurance products, their delivery, or the sound structure of the program.

One area where crop insurance can be improved is the cost of coverage to producers. NCGA broadly supports increasing the affordability of crop insurance. Many corn growers purchase endorsement policies and higher levels of buy-up coverage, but for others, the individual costs of purchasing coverage can discourage higher levels of coverage.

In the commodity title the Agriculture Risk Coverage, ARC, program, provides important countercyclical revenue coverage for farmers. Corn growers have identified two places to improve the program's effectiveness. Currently ARC county payment rates may not exceed 10 percent of the county benchmark revenue. This maximum payment rate has limited the assistance provided to producers.

NCGA supports increasing the maximum rate above 10 percent in order to provide increased assistance to growers who experience significant revenue losses. For example, in 2020, growers across Iowa suffered major losses due to the derecho. The yield losses were widespread and deep enough for ARC county to trigger payments in multiple counties, but the program's effectiveness was restricted due to this limitation.

NCGA also recommends increasing the coverage level for ARC county above the current 86 percent of the county revenue benchmark, to make the program more responsive to revenue losses.

The Price Loss Coverage program, PLC, provides important price protection for farmers. Corn growers value having the PLC program as an option, particularly during periods of sustained, lower-than-average prices. The current statutory reference price for corn is \$3.70 per bushel, well below current market prices and long-term historical averages.

NCGA supports strengthening the effective reference price escalator, which allows more responsive price protection. The provision is capped at 115 percent of the statutory reference price. For corn, the escalator is capped at \$4.26. For corn growers, the effective reference price is expected to trigger higher levels of price protection starting for the 2024 crop. NCGA supports strengthening this market-oriented mechanism by raising the 115 percent cap or modifying the formula to be more responsive to changes in market prices.

In the trade title, NCGA supports increasing funding for the Market Access Program and the Foreign Market Development Program.

In the conservation title, NCGA supports three initiatives to make the existing working lands program more effective in combating weed resistance, reducing nutrient losses through farmer-led collaborative watershed projects, and speeding the development and adoption of innovative conservation practices by strengthening the interim conservation practice standard program.

In closing, corn growers stand ready to provide additional feedback and support as the legislative process moves forward toward a successful farm bill harvest this year.

[The prepared statement of Mr. Wolle can be found on page 165 in the appendix.]

Senator SMITH. Thank you so much to Mr. Wolle and to all of our panelists today. We are now going to begin a round of questioning from members of the Subcommittee of about five minutes each, and Harold, I will start back with you.

We have heard from many of the panelists today about how increasingly severe weather events are having an impact on contributing to the additional risks that farmers are experiencing. I am thinking about our home State of Minnesota, where we just had a slew of snow this year. One of the impacts of all of this snow and rain is planting delays because of all this weather.

Mr. Wolle, could you talk a little bit about how prevented planting coverage under Federal crop insurance, how this works, whether it is an important strategy and maybe just talk a little bit about the importance of flexibility around planting dates and acreage reporting.

Mr. WOLLE. You are absolutely correct. Prevented planting is a very important part of crop insurance. Several years ago, Minnesota was—I believe it was 2019—was affected by very wet soils. I am optimistic that that will not happen this year. In that instance when farmers were unable to get in their field, prevented planting provided them a level of coverage for those acres that they were unable to plant. That was extremely valuable. Flexibility around the plant dates, that would be appreciated.

I think they work fairly well now, but it is a very important part of the crop insurance program.

Senator SMITH. Thank you so much.

Mr. Rockstad, would you like to join in on this? I think you mentioned in your testimony briefly about prevented planting provisions for sugar.

Mr. ROCKSTAD. Sugarcane, specifically, is looking for a prevented planting option in there. Sugarbeets are a little bit different. We have prevented planting. However, since we are a farmer-owned cooperative and we need to process our sugar, we do everything we can, even to late dates, to make sure that crop is in the ground so that we can adequately supply the market.

Senator SMITH. Thank you very much. Another question. In the dozens of listening sessions that I have had with Minnesota farmers and ranchers and producers, I have heard a lot about how much they rely on FSA, local FSA offices, and also some of the challenges around USDA filling vacancies in those offices. I want to just give an opportunity to folks on the panel to respond to that. Is that something that you are seeing, and any comment that you want to make about the importance of those local FSA offices? Mr. Gendebien?

Mr. GENDEBIEN. The local FSA office is critically important to dairy farmers and row crop farmers in getting the word out, to help our cooperatives, help our board of directors, to help everyone get the word out on how and when to sign up. It needs to be within driving distance, so you can get there between chores.

Senator SMITH. Mr. Cheyne?

Mr. CHEYNE. Well, I think one of the key things to me as a producer that I would suggest to the Committee is keep the county committee intact. The local hand at the helm gives a very steadying effect. The local people know the problems, and we can-

not expect somebody from out of the area with no understanding of our trials and tribulations to be able to assess and make the correct decision.

Senator SMITH. Right. Everybody has been saying today that everything is local, and one size does not fit all, and those FSA offices need to support that.

Mr. Ragland, did you want to jump in here?

Mr. RAGLAND. Yes. I actually serve on my local county committee, but sadly I have never been able to attend that in my own county. In my career of farming, we have never had our own office because we lost it several years ago. I echo the comments. The county committee is vitally important for that local touch and understanding what is going on.

I would further echo we need to provide some help to FSA in getting the word out better. When we do not have an office in each county it is harder for some folks to truly understand the options that are available. We have social media now. We have lots of electronic ways we can get messages out, and we need to do more than just letters and word of mouth, and so forth.

We also need good staffing. There is a shortage, and it is difficult. That goes back to money.

Senator SMITH. That is right. Thank you. Thank you so much. Just one last question. I am going to go back to Mr. Wolle. You mentioned, in your testimony, about how important the working land conservation programs are. Would you just maybe say a bit more about—my understanding is that those programs are dramatically oversubscribed. We have many more people who want to be participants than are able to. Could you just say a word more about why you think that is important for farmers?

Mr. WOLLE. You are absolutely correct. Our working lands programs are oversubscribed. On my own farm I have 200 acres of CRP, and it provides multiple benefits, as do the other working lands programs. My CRP provides wildlife habitat, wind and water erosion control, and it sequesters carbon, which is increasingly important to our society. Conservation programs, working lands programs are vitally important.

Senator SMITH. Thank you. I think this is not exactly the topic exactly of this Committee hearing, but the flexibilities of especially, you know, CSP and EQIP to meet the needs that farmers have on the ground I think is a real value, so thank you.

Senator Hyde-Smith.

Senator HYDE-SMITH. Thank you very much. I am going to direct my first question to Mr. Johnson. You farm cotton and other row crops in the fertile Mississippi Delta, but many who are not so familiar with growing cotton in the Southeast may think that people like you just have it made in the shade, which could not be further from the truth, because raising cotton is hard, it costs a lot of money, and the risks that you take, year in and year out, should make anyone nervous.

Based on your testimony, in meetings with many farmers from Mississippi and others from across the country over the past year, I get the impression that U.S. ag producers feel strongly that Congress should increase reference prices for the price loss coverage program commodities in the next farm bill. Would you please elabo-

rate on the need for Congress to raise reference prices and also share some of the personal challenges that you have faced in recent years with respect to inflation, the rising cost of production, and weed and pest threats that Southern producers face?

Mr. JOHNSON. Sure. I appreciate those comments and the question. You know, if we look back over the past several years, we have seen a dramatic increase in cost of production, in the neighborhood of \$160 an acre, which that could vary depending on where you are. It puts our production cost nearly 48 cents per pound of seed cotton, and the reference price is 36.7 cents per pound. You have a really wide gap where you could enter into a prolonged period where production costs are higher than what the market provides but there is still no support provided by the PLC payment with the current reference price.

We do feel like that is critical. The challenges that we face in the field, where cotton grows well a lot of other things thrive, and it is labor intensive and capital intensive. It is a challenging crop to grow, and certainly we depend on having the support of adequate PLC reference price.

Senator HYDE-SMITH. Thank you very much for that.

Mr. Hillman, it is challenging and expensive to grow cotton in the South, but I do not know which one is more difficult or more expensive, is cotton or rice. Both of them are truly a challenge.

Is it true that it could cost you well over \$1,000 per acre to grow rice in Arkansas, that the cost to produce one acre of rice could cost you perhaps even \$1,500?

Mr. HILLMAN. Senator, thank you for the question, and right now the costs are out of control. Certainly fertilizer, a lot of the inputs that rice and cotton have, have exceeded anybody's guess. A lot of that depends certainly on input costs. Labor cost is extremely high.

Also, when you talk about the difference between cotton, and a lot of the cotton is irrigated, but rice is an aquatic crop, and it requires a lot of water. We recapture that water, recycle that water and very sustainable, but the cost of the water can grow ever exceedingly through the year, and the cost of diesel fuel or electricity to run those pumps can run the cost up even higher than what we have talked about.

Senator HYDE-SMITH. Could you share for the Subcommittee some of the financial risks and challenges that you face on an annual basis to justify the need for strengthening our support programs for Title I?

Mr. HILLMAN. I am going to give you a complicated answer to a simple question. Certainly, when we talk about rice, and specifically in our area, with irrigated crops, crop insurance is one of our tools in the box. Certainly my fellow farmers here at the table, we need good crop insurance.

Title I, and specifically PLC, is a bigger tool for me, and bigger tool for my fellow rice farmers not only in Arkansas but across our Nation. That is for two reasons. I mentioned irrigation. As far as a drought coming and affecting our crop, more than likely it will not, but it will affect my bottom line if I have to irrigate during a terribly dry season.

The second reason is—and I alluded to it in my testimony—rice farmers across the United States are some of the best on the face

of this Earth. We can compete against any other farmers across the globe. What we cannot compete against is foreign governments that step in. Sometimes those governments are not truly allies of the United States. When those governments step in, I need a safety net that is above ground level, and those two reasons are why the PLC is really one of my strongest tools that I have.

Senator HYDE-SMITH. Well put, and I am out of time.

Senator SMITH. Thank you. Senator Stabenow.

Senator STABENOW. Well, thank you very much, Madam Chair, and to all of you, I know it is not easy, the beginning of May, to leave your operations and come here for a couple of days. We very much appreciate your perspective. That is how we work hard to get it right. We know we are always in a continuous improvement mode to be able to support our farmers and ranchers, so we really appreciate your perspective.

I note that Mr. Ragland, with the soybean perspective, as well as others that you pointed out in testimony the critical importance of our conservation program, and all of you have talked about how the need has exceeded what we have been able to do to support growers. Our programs have been oversubscribed. I think that highlights the importance of the recent conservation investments. Hopefully we will be much better able to meet needs in this area of risk management, and I think that is good news.

I think it is also important to remind ourselves again that there is no consensus on how to address all of the programs, because different regions have different responses. This is always the challenge of the farm bill. I tell folks it is less a partisan exercise and more of a regional exercise, based on what you grow, where you are. Our challenge is always bringing together all those needs to address the South, the North, the Midwest, and so on.

That really is our challenge, and I think that also means that it is not one size fits all for the commodity title or crop insurance, just like every other part of the farm bill. We need to be listening closely.

I did want to say, though, before asking a question, I think it is important to acknowledge some good news. You have been through so much that there are recent reports from the Kansas City Federal Reserve and the U.S. Department of Energy that despite 2022, which was horrible input costs, that prices for several major inputs have actually dropped in 2023. Hopefully you are experiencing that or are going to experience that.

We know the Administration's strong response to Russia's invasion of Ukraine has really contributed to stabilizing the markets around fertilizer and diesel fuel. I am hopeful you will feel what we are hearing in the reports of diesel fuel being down 25 percent from last year, and projected to go down, and fertilizer prices down 35 percent from last year. We are going to watch it closely because hopefully 2022 was an anomaly, and when we look over 10 years, hopefully this is just something that happened because of a number of bad circumstances coming together and not a trend. We are certainly going to follow it closely and hope that these new numbers reflect some support for all of you.

Mr. Ackerman, I did want to ask, as a diversified farmer, if you could talk a little bit more about crop insurance on your operation.

I know you have talked about this. Others have talked about how important it is. Talk more about the recommendations for us to enhance the risk management options available for the commodities you grow and why it is important we focus on this.

Mr. ACKERMAN. Thank you for that question, Senator. On our farm we buy crop insurance and we pray we do not need it, right? I think all growers are in the same boat. Because if you have to rely on crop insurance, really, you can never make money on crop insurance. It basically keeps you in business, right? For dry beans, in particular, they are not covered anywhere else other than crop insurance, other than if we have a complete disaster, then ad hoc kicks in.

I think the highest we can buy is 85 percent. Eighty-five percent crop insurance is going to cost us about \$40 an acre, I think, or \$45 an acre. It gets to be pretty high. I would say most growers buy in that 70 percent range. Remember, when you buy at 70 percent, you have got to take a 30 percent hit before it even starts kicking in, and that is where all your higher end is.

In all commodities you have to make that decision, but we try not to over-insure, just because it typically does not make sense for us. We do need that in place. I mean, it is very important for us because we, as dry bean growers, have no other option.

Senator STABENOW. Thank you. I always tell folks that criticize crop insurance that you are not getting a payout unless you have a loss. This is insurance, and it is very, very important.

One final question, Mr. Ragland and Mr. Wolle, you talked about enhancing the Agricultural Risk Coverage program that we developed, the ARC program, and of course we know it was designed to address shallow losses, and it really moves with the market different than PLC. I wondered if you might just, given where we are with budget constraints and where commodity prices are now, can you talk about the most important improvements we could make when considering the ARC program. Mr. Ragland?

Mr. RAGLAND. Specifically within the ARC program we just need to see higher coverage levels that reflect the inflationary cost of our inputs and cost of production, and then taking a look where we can with what the cap is as well. I realize it is designed for shallow losses, but as we look at the inflationary cost, our farm gate receipts are up too, but that is inflationary as well. We need to look at an expansion of the cap along with that, just to reflect what has changed in the whole picture.

Senator STABENOW. Thank you very much. Mr. Wolle?

Mr. WOLLE. As I said in my testimony, expansion of that 10 percent cap, as in my example in Iowa, when those producers qualified for the program their losses were far more than what that 10 percent was. The 10 percent is the limiting factor, in addition to the 86 percent payment rate. The combination of the two really limits the effectiveness of the program when it is trying to compensate for some of those disastrous losses.

Senator STABENOW. Thanks very much. Thank you, Madam Chair.

Senator SMITH. Thank you, Senator Stabenow.

Senator BOOZMAN.

Senator BOOZMAN.

[Inaudible.]

Senator SMITH. Senator Tuberville.

Senator TUBERVILLE. Well thank you very much. Thanks for being here today. My producers in Alabama—and we are not going to beat a dead horse here—are very concerned, obviously, about crop insurance and update reference prices.

Mr. Johnson, during 2022, in Alabama, there were over 221,000 acres enrolled in PLC, and nearly 100,000 acres enrolled in STAX. Due to eligibility limitations, only 23 percent of my producers were enrolled in STAX. If producers were permitted to enroll in ARC or PLC plus STAX, instead of having to choose, do you think there would be significant increase in STAX participation?

Mr. JOHNSON. Thank you for that question. The short answer is yes. Before 2018, cotton was not a covered commodity. We had the STAX program, which is an area-wide revenue insurance program, and that works well. You know, there have been years when I have purchased that, some years when I have not purchased that. When seed cotton was added in 2018, there was a prohibition of participating in STAX and ARC/PLC at the same time. It would definitely be helpful if we could remove that and give growers the flexibility to participate in both.

Senator TUBERVILLE. Thank you.

Ms. Thompson, in my home State, over 558.9 million pounds of peanuts are produced annually. If the peanut reference price is too low and the cost of production is approximately \$668 per ton, why are some growers signing contracts for less than \$600 per ton?

Ms. THOMPSON. Thank you for that question. Let me grab my notes here and I will run through that with you. There are a few reasons why. One of the reasons why is our crop rotation. Crop rotation is vitally important for the health of our land, and so a lot of our planting decisions are governed by that. We may have to sign a contract for peanuts at a certain price that we do not like in order to protect the health of our land, because that is what we need to grow that year.

We have some farmers that may need to take an operating loan to farm that year, and the bank will require a contract before giving us the loan, so there is not a lot of negotiating power there.

Then a lot of us just hope that high yields are going to offset low prices. Of course, that does not always happen.

Finally, there are a lot of members, like myself, that are members of grower-owned shelling co-ops, and we receive the loan value of the peanuts at harvest, and we are hoping to capture a profit on the peanuts as they are shelled and sold to manufacturers later on.

Senator TUBERVILLE. Thank you. Mr. Johnson, America's cotton producers export over 80 percent of U.S.-grown cotton. Yet the marketing assistance loan rate has not been increased in over 20 years. I have been hearing a lot about this. Could you explain how changes to the loan repayment rate calculation would allow cotton to move more efficiently through markets?

Mr. JOHNSON. Sure. First, the fact that the payment rate has not changed in such a long time, really, we would like to see that raised a little bit, even though it is nowhere close to production costs, that would be helpful from a cash-flow standpoint.

The other provisions that we are suggesting, in regard to the marketing loan, really create a little more value for the producer when prices fall below the loan price and ensure that cotton moves smoothly and efficiently through the supply chain and that we do not give any incentive for cotton to stagnate in the loan. That is the goal of the changes that we are proposing there.

Senator TUBERVILLE. Anybody else like to chime in on that? No volunteers?

Thank you, Mr. Chairman.

Senator SMITH. Thank you, Senator Tuberville.

Next, Senator Gillibrand.

Senator GILLIBRAND. Thank you, Madam Chairwoman. Mr. Gendebien, in your testimony you referenced the asymmetric risk facing producers under the existing Class I mover formula. Will you talk a little bit more about this?

Mr. GENDEBIEN. Yes. The new mover was well intended, but it has a ceiling of 74 cents when Class III and IV are identical. What we would like to do—but it has no floor, so it really causes a problem, and in 2020 and in 2022, the divergence in III and IV cost the farmers about \$900 million. Really, we would like to go back to the original higher of, which would eliminate those massive losses.

Senator GILLIBRAND. Yes, I could not agree more. In your testimony you also discussed the mental health and stress hardships faced by members in our rural community. I am actively working on legislation to make mental health resources more widely available to our farming, ranching, and rural communities. My legislation would aim to expand beyond the regional scope of the Farm and Ranch Stress Assistance Network to create a national hotline.

Would a national hotline for distressed farmers and ranchers help us start to address this complicated problem?

Mr. GENDEBIEN. Yes, I believe it would. We need to reduce the stigma around mental health. All of us here are under a lot of stress. Some of us are seventh-generation farmers, and when things are going tough, who wants to be the farmer after seven generations that could not make it? There is an incredible amount of weight on our shoulders, and depression is a real thing. We need to talk about it, and we need to have resources to help us get through it.

Senator GILLIBRAND. Thank you. I have been working on legislation, particularly the Dairy Pricing Opportunity Act, to return to the higher of for Class I pricing. Can you please talk about how returning to the higher of would help you?

Mr. GENDEBIEN. Returning to the higher of would have increased my pay price over 2020 and 2022, and it would have reduced the need for special payments or unique payments to farmers, which we are very grateful for, but we do not want to ask for millions of dollars every time Class III and IV diverge. It just does not need to be that way. It would stabilize my milk price.

Senator GILLIBRAND. Can you also talk a little bit about how the disruption in our supply chains over the last few years has affected your business, and any recommendations you would have to this Committee about hardening our supply chains or improving our supply chain infrastructure?

Mr. GENDEBIEN. Okay. I do have to comment that the supply chains are resilient in agriculture, and I am so impressed because we all work so hard to do the right thing. However, I saw it more at the cooperative level, trying to find film for wrapping our cheese and supplies for getting our product to market. That is where it really struck home. It increased cost to our cooperative, and therefore reduced payments to members and increased costs to members of our co-op. Supply chain management is absolutely critical. It would be a national security issue, and it would help our farms locally.

Senator GILLIBRAND. Thank you. Thank you, Madam Chairwoman.

Senator STABENOW. [Presiding.] Thank you very much. In the absence of our Chair and Ranking Member of the Subcommittee, who have both gone to vote and will be coming right back, but I will turn to our Ranking Member of the full Committee, Senator Boozman.

Senator BOOZMAN. Thank you, Madam Chair, as always. Again, we so appreciate you being here. This has been a great hearing. I apologize for running out. We all have like three or four important hearings going on, and that is why you are seeing the coming and the going.

One of the things I feel very strongly about, and I think the first panel, you know, also came forward with this, is that the world is very different now than it was five years ago when we wrote the last farm bill. Things were very stable then. Now the world is very different than it was two or three years ago.

We need to make sure that the risk management tools that you use—and you have a variety of risk management tools, all of you, they are all different—but making sure that those are updated so that you can be in a situation where you can go forward for the next five years. To me it does not make any sense—a lot of this data goes back to 2012. The world is truly very different now than it was then. Again, trying to forecast, you know, going up and down. The escalators do go up and down. To me this is just a fundamental thing.

The other thing that is fundamental is making sure that as we go forward with these programs that you are not mandated by certain practices in order to participate. Okay? Does anybody disagree with that, on the panel? Yes.

Mr. CARSON. I certainly do not disagree. We keep talking about our reference and our loan prices being out of date, and I know it takes a tremendous amount of money to get those where they need to be. We keep calling them a safety net, and I am not sure when that net is 2 inches above the concrete that it is doing the American farmer a lot of good. I do not have the answer, but I think that they are so far out of touch.

We have talked about bringing young farmers in and incentivizing new farmers. With the loan and reference prices where they are, it does not give a beginning farmer or an underserved farmer stability from the lender, from their supplier. They are just so out of touch.

Another thing that we have all constantly addressed is the RMA issue and how vital crop insurance is. I kind of have a unique per-

spective where I am at. I have experienced four years of a drought. I have dealt more with crop insurance in the last four or five years than I have the 30 previous. While I would not be sitting here today if it was not in place, one shortcoming I have found is that I cannot insure myself out of a disaster. Every year I have a disaster my APHs are lowered, my costs are increased. Can we buy coverage? Yes, but if those APHs drop I am almost paying \$1 for \$1.01 of coverage.

There are some shortcomings in our RMA system that can definitely be improved, even though all of us have thought adamantly that we would not be here today without those. With our budget restrictions and what you are trying to do to balance with the Administration in a bipartisan, bicameral bill that we need desperately, we have got to find funding. I do not think there are enough creative ways to bring our reference and our loan prices up and shore up our RMA insurance without additional funding.

Senator BOOZMAN. Very good. Anybody else want to comment? Yes, sir—especially as a young farmer.

Mr. RAGLAND. Thank you. My comments would be regarding soybeans. Our current reference price is \$8.40. I looked yesterday at the close, November soybeans for the crop that we are planting now, we are at \$12.75 on futures. The University of Illinois says the average cost of production is \$12.53 for the 2023 crop. We are looking at roughly 66, 67 percent of the reference price compared what it actually costs to produce the crop, and that is a wide gap.

I would also bring to light that the Black Swan events as farmers that we have no control over have a huge bearing on our prices. We have weather risks, and we also have all the risk of economic situations that we cannot control, and crop insurance is a vital tool for both.

As a young farmer, I could not function without a strong crop insurance program and strong Title I as well.

Senator BOOZMAN. Very good. Anybody else? Oops, I am out of time. The Chairwoman will yell at me, so I will yield back.

Senator STABENOW. Thank you. Before turning to Senator Warnock I did just want to underscore something, Mr. Carson. You said you cannot insure your way out of a disaster. That is why it is so important that we be supporting these efforts to deal with the disasters, which means stopping the pollution going in the air, and that is why farmers and ranchers are so critical in all of this. That is why we have additional money that has been put into ways that you can keep carbon in the soil instead of having it going into the atmosphere and creating all these storms and so on.

That is the reason we have been focused on that.

Mr. CARSON. Thank you for those comments. I truly believe in my heart that the farm bill is not for farmers. It is for the hungry children and the underserved, that our U.S. population has a safe and steady supply of food. We have got to work hand in hand. The farm bill is not for the farmers. It is for the American population.

Senator STABENOW. For the country. It is for our national security, for a lot of things.

Thank you. Senator Warnock.

Senator WARNOCK. Thank you so very much, Madam Chair. Georgia accounts for almost half of the peanuts produced annually

in the United States. We are proud of that. That is more than two billion pounds a year. Producers of peanuts and other designated crops are eligible for the Marketing Assistance Loan Program. This program provides interim financing to producers so that commodities can be stored after the harvest, when market prices are typically low, and then sold later on when the market picks back up. If the producers are not able to sell their crops at that higher price, they have to forfeit their crops as collateral. The stakes are always high for this program working right.

Mrs. Thompson, does this happen to peanut farmers often, and are we seeing a lot of peanut crop forfeitures?

Ms. THOMPSON. No. Historically, forfeitures have been very low. They are typically under five percent, and just to run through the past few years, in 2017 and 2018, they were around three percent, but those years' crops had some unusual production and quality issues. Then in 2019, there were zero forfeitures, in 2020, it was 0.17 percent. In 2021, as of January of this year, there have not been any forfeitures on record. That is the last data that we have.

Senator WARNOCK. Thank you. I take that to mean that this is evidence that the Marketing Assistance Loan Program is working well for peanut farmers.

Ms. THOMPSON. Yes.

Senator WARNOCK. That is good to hear, which is why I look forward to supporting this program in this year's farm bill. nationwide, the cotton industry employs over 115,000 people, and it contributes more than \$22 billion to the United States economy. Cotton is also a major economic driver in Georgia, with an estimated overall economic impact of \$3 billion. The 2018 Farm Bill originally authorized the Economic Adjustment Assistance for Textile Mills program. Currently, EAATM provides 3 cents per pound of cotton to domestic cotton mills for capital improvements like new technology and equipment to help keep them competitive with foreign mills.

Mr. Johnson, has this program provided stability, in your estimation, for the domestic cotton industry, and if so, can you talk about how that has happened?

Mr. JOHNSON. Yes. Thank you for that question. We do feel like that has been a very successful program. If you look back prior to 2008, the U.S. textile industry struggled for decades, and that has stabilized since that program was instituted in 2008.

There is a great example of the success of that program in your home State. One of the most technologically advanced textile mills in America is in Rabun Gap, Georgia, and the funds that are provided through that program allow mills to update their technology and equipment and make them more efficient. It has been very successful, and we would love to see the full payment rate of 4 cents restored to continue that success.

Senator WARNOCK. Yes, I am glad you brought that up because it is something, as you pointed out, that has created stability, and yet we did see that reduction in the 2012 Farm Bill. How do you think restoring that rate to 4 cents per pound, how would that affect the U.S. cotton industry?

Mr. JOHNSON. Well, the textile industry is such an important industry for national security. I think that just bringing that pay-

ment rate back up to 4 cents would allow more efficiency, make the U.S. textile industry more competitive, and that is the goal. It is great to be able to take the cotton that is grown here in the U.S. and see it used in manufacturing here.

Senator WARNOCK. There is no question that these mills are major economic drivers in the State of Georgia. You see it up close in rural towns like Jefferson and Rabun Gap, and this program is vital to ensuring that these mills can remain competitive globally, and that they can keep their doors open. I hope we can revisit that rate in this year's farm bill. I certainly will be doing everything I can to see to it that that happens.

Mr. JOHNSON. Thank you.

Senator WARNOCK. Thank you so much.

Senator SMITH. [Presiding.] Thank you, Senator Warnock. I believe that Senator Hyde-Smith is deferring to Senator Fetterman, because I believe he needs to go someplace. Senator Fetterman, you may go forth.

Senator FETTERMAN. Thank you so much.

Mr. Ragland, I appreciate the work that all generations of farmers do to help feed the world. I have a particular concern of young and beginning farmers we have in agriculture. Would you be?

Mr. RAGLAND. Yes, Senator Fetterman. Thanks. Thanks for the comment and the concern. As a somewhat young farmer still—I am quickly departing from that, sadly—it is getting increasingly hard to establish roots as a farmer, due to constraints with land availability and availability of funding. There is more risk and there are higher stakes than there has ever been. It is difficult.

One comment I would make along those lines, Farm Service Agency has some great programs through loans that are very helpful to young farmers. One thing I would encourage with that, based on personal experience and hearing from others, we need to make sure those loan programs work in a way that is effective and timely for our producers.

One of the biggest obstacles I see there is how long it takes to get operating loans approved, how long it takes to get land deals done. Sometimes if a farm comes up for sale, you have got a matter of days or hours to get it done, and some of these loans can drag out for months. I had one that took 14 months a few years ago. These programs are well intentioned, but we need to make sure we are efficiently rolling them out so that young farmers can take the opportunities that they do have.

Senator FETTERMAN. Yes. As a young farmer, would greater access to the farm safety net be really significant for you?

Mr. RAGLAND. I think that it is important not only for young farmers but for all farmers that we have a stronger safety net. The risk, as I mentioned, is greater than it has ever been, and our lenders have to have the confidence that there is a reasonable chance they are going to get repaid. As I mentioned with references prices needing to increase, in particular with base acre updates, the combination of all these things is really a cumulative effect. We need to look at all these things and together they will make a significant impact on the future for young farmers, in particular.

Senator FETTERMAN. Do you have any thoughts or ideas to how you can encourage more young people to go into farming?

Mr. RAGLAND. Well, I think that folks need to see that there is opportunity. There needs to be a path forward, and I think these things I have mentioned—making the loan programs better, having greater tools for risk management—create those opportunities.

I see a bright future for agriculture. I see a lot of bright folks that are willing to enter the industry. I do not see a crisis of a lack of folks interested. We need to make sure that they have the resources at their disposal in order to be effective when they do enter the agriculture industry.

Senator FETTERMAN. Thank you.

Mr. Gendebien, I know that the dairy industry continues to evolve, and I am sure you are familiar with what a dairy State we are, in Pennsylvania. It is important that the farm bill keep up pace with the needs of small farmers. Do you believe that is accurate?

Mr. GENDEBIEN. I do. I do. In southeastern Pennsylvania, Lancaster County is one of the largest dairy counties in the Nation, and it is comprised of mainly small, successful family dairies. It is very important that the farm bill helps both large and small producers, because we need them both.

Senator FETTERMAN. It would be very important to have those dairy safety networks for all of them. What can we do to stop the trend of losing small dairy farms?

Mr. GENDEBIEN. I think it is very important that we stand behind the DMC. That is a program that works. A modest increase in that program would be very beneficial. Also helping farmers understand Dairy Revenue Protection, because that is a terrific program as well, and that is for large and small producers. Sometimes small producers do not have the time to wrap their arms around these programs, so we need to make them easy, and we need to make sure that they understand how they work.

Senator FETTERMAN. Thank you.

Senator SMITH. Thank you, Senator Fetterman.

Senator Hyde-Smith.

Senator HYDE-SMITH. Thank you so much. Mr. Hillman, we need to protect our small farmers, our large farmers, and every farmer in between. As we have discussed, it can be rather expensive to put a crop in the ground these days, especially on a large scale, say a couple of thousand acres or more. Will you please provide the Subcommittee with some rough numbers of the financial risks so many U.S. farmers take every year?

Mr. HILLMAN. Thank you, Senator. I think, and I alluded to some in my testimony earlier, economies of scale right now are such that, just for instance, the piece of equipment that I was referring to, the combine that I purchased in 1986 versus today, seven-fold. I think that when we talk about farming and taking on that risk, economies of scale are there not only just with the equipment but also the interest rates that we have today right now, all of the inputs, also with labor.

When you talk about costs per acre, going back to my early career, some of the costs per acre for rice or soybeans or corn are approaching what land was going for back in the late 1980's. The risk involved of going out there when you have the economies of scale of having to farm more, certainly that does help defray some of

those costs, but it also increases the risks that these family farmers are taking.

It is a tug-of-war when we talk about the economies that we are dealing with and the numbers that we are playing with right now.

Senator HYDE-SMITH. Okay. I have got a few more minutes. Mr. Ragland, you lived and farmed through very real economic challenges when China, as your largest export market, was cutoff for a period of time. Economic disruptions have hit the various forms during the life of the current farm bill and could continue to do so in the future.

As a farmer, how do you view keeping up with status quo Title I farm safety net?

Mr. RAGLAND. Well, as we have alluded to earlier, we need an increase in our reference prices. We need the opportunity for a voluntary base update as well. Many farmers like myself have a very small percentage of their cropped acres that have base, and that impacts ARC and PLC programs, which are the backbone of Title I.

It is difficult with budget constraints, but to reflect the increases in our costs of production we truly need a significant increase in all facets of the reference prices and bases, just so we can be competitive and have reasonable disaster assistance and risk management within that Title I.

Senator HYDE-SMITH. Okay. Mr. Johnson, will you please provide the Subcommittee with some rough financial numbers that you have experienced and the risks that farmers take every year? Can you give us some examples of that?

Mr. JOHNSON. Well, I think a lot of my comments would be similar to Mr. Hillman's. We are not too far apart, and cotton and rice are not too far apart when you think about cost of production. When you think about farming efficiently, he brought up the combine example. A cotton harvester right now, the cost for that approaches \$1 million, and you really need close to 2,000 acres to justify making that purchase. When we look at fuel, labor, our seed and crop protection, that is how we end up in that 90 to \$1-a-pound rate for our cost of production.

We are just under a lot of pressure to be efficient. I mean, the only way you address that is by becoming more efficient and improving your practices and making more yield with less, and to this point that is what we are trying to do. We need these support programs to be more effective in the current environment than they are right now.

Senator HYDE-SMITH. Thank you so much.

Senator SMITH. Thank you. Senator Welch.

Senator WELCH. Thank you very much, and I appreciate—

Senator SMITH. Happy birthday, Senator Welch. I cannot miss the opportunity.

Senator WELCH. Well, I appreciate that. That is a kind memory of the Spirit of 76. That is my age.

You know, sir, what you just said is really the dilemma that I feel about farming. There is an enormous pressure on you to be, quote, "efficient." That gets translated into being big. That puts enormous pressure on small family farmers.

What I have always wrestled with, and I think a lot of us on this Committee have wrestled with, is we have an enormous appreciation for small local agriculture because it does so much for the people who live in that area, not just the farmers but all of us in Vermont, for instance, benefit immensely by the custodians of the landscape, which by and large are our dairy farmers. Yet the needs you have, because of those costs, really gobble up the smaller farms.

You know, this is the central dilemma, Madam Chair and Ranking Member, that I think we face. How do we maintain local agriculture, small family agriculture, for the values that it represents, not just out of sentiment but it is about local environment, it is about the local economy, it is about values that are so embedded in that farm family culture, when they are getting totally pressured by the demands to be, quote, "efficient," which really means big. That is the needle somehow we have to thread.

In Vermont, dairy has been our backbone in terms of playing that role historically, and it is under immense pressure. The Dairy Margin Program has been really helpful, but despite it about 60 percent of our farms we have lost in the last 30 years.

I just want to ask a little bit about the Dairy Margin Program. Mr. Gendebien, I share the concerns that Senator Fetterman was speaking about and also Senator Gillibrand, of course, represents all of New York but upper State New York, across Lake Champlain, very similar farming situation to what we have in Vermont.

Let me just ask, as a Northeast dairy farmer during the pandemic, how did the Dairy Margin Coverage Program help? That is for Mr. Gendebien.

Mr. GENDEBIEN. It helped a great deal. It is very important for the smaller farmers, but what is happening, Senator Welch, is the definition of a small farm is changing. It is not 75 cows anymore. It is 500 to 800. DMC program could be modestly enhanced so that that bottom Tier 1 is increased above five million pounds. That would really, really help.

These farms are still family farms. Margins are tight for everybody. I understand exactly what you are saying, where the margin per unit, per 100 pounds of milk sold, is so small, it is so slim that some of these farmers cannot even afford liability insurance. Then to expect them to buy Dairy Revenue Protection, they are not going to do that either.

So DMC, Dairy Revenue Protection, they are very important programs. We just need to make them more accessible to more people.

Senator WELCH. By the way, one of the other issues is the cost side, because obviously the margin is a function of what the price is and what the cost is. Of course, there is a great deal of concern about climate issues, and I think, on this Committee, a real desire to find ways to make it possible for the agricultural community to make the significant contribution of reducing carbon emission, and anaerobic digesters is just an example of being installed on a farm where I am.

Does that approach have some promise that would be beneficial to the survival and prosperity of our small dairy farms?

Mr. GENDEBIEN. I believe it does. These renewable natural gas digesters are fantastic technology, and a community digester,

where we could share would be very, very important for smaller farmers, absolutely.

Senator WELCH. Which it also would help with the runoff issue that is a problem.

Mr. GENDEBIEN. It would. Farmers, we want to participate in every single sustainability program. It is just that sometimes the cost outweighs the benefit.

Senator WELCH. Right. Thank you very much. I yield back, and thank you, Madam Chair.

Senator SMITH. Thank you so much, Senator Welch.

I believe we have no further questions from this panel so I would like to just thank all of our witnesses again for your time and attention and your excellent testimony. We often say, on the Agriculture Committee, that we are less partisan than some other spaces in Washington. We certainly have our regional differences, but the purpose of this particular hearing is to really fully flesh out what all of the differences are. As Senator Boozman said, people farm in the concrete, not the abstract, and it is very important to understand how all of those differences come into play, particular with these risk management tools.

I want to thank very much Senator Hyde-Smith and our staff, including the full Committee staff, for making this Committee hearing work so well.

For Senators who wish to submit questions for the record, those questions are due one week from today, which will be Tuesday, May 9th. For our witnesses, you will have two weeks to respond to any questions for the record.

Thank you again, and with that this hearing is adjourned.

[Whereupon, at 12:14 p.m., the hearing was adjourned.]

A P P E N D I X

MAY 2, 2023



**Statement of the
American Farm Bureau Federation**

**TO THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION &
FORESTRY; SUBCOMMITTEE ON COMMODITIES, RISK
MANAGEMENT, AND TRADE**

**Commodity Programs, Credit, and Crop Insurance – Part 1: Producer
Perspectives on the Farm Safety Net**

Presented By:

Zippy Duvall

President

American Farm Bureau Federation

600 Maryland Avenue, SW

Suite 1000W

Washington, DC 20024

Madam Chairwoman and members of the Committee, my name is Zippy Duvall. I am a third-generation farmer and president of the American Farm Bureau Federation, and I am pleased to offer this testimony on behalf of the American Farm Bureau Federation and Farm Bureau members across this country.

There are certainly plenty of challenges for American agriculture. Beginning with losses experienced from the trade war with China, pandemic lockdowns, supply chain disruptions, and record-high input costs, farmers and ranchers have been facing unprecedented volatility in recent years. While there are challenges, I remain optimistic for the future of American agriculture. Through science, technology and innovation and the get-it-done attitude of rural Americans, no challenge has been too great. But we also must make sure that farmers and ranchers have the tools necessary to succeed, including support from good public policy and strong markets both domestically and abroad.

USDA's most recent [Farm Sector Income Forecast](#), released Feb. 7, sees a decrease in net farm income in 2023. U.S. net farm income, a broad measure of farm profitability, is currently forecast at \$136.9 billion, down 15.9% from 2022's \$162.7 billion. This \$25.9 billion decline erases the \$21.9 billion increase that was forecast between 2021 and 2022. Adjusted for inflation, 2023 net farm income is expected to decrease even more: \$30.5 billion (18.2%). The report expects farm and ranch production expenses to continue to increase by \$18.2 billion (4.1%) in 2023 to \$459.5 billion, following a record increase of \$70 billion in production expenses in 2022.

Weather and climate conditions will have strong impacts on the true outcome of this year's price outlook. Extreme drought that has pushed up hay and wheat prices could subside marginally after a winter of strong Western precipitation and snow. Record corn and soybean production in exporting countries like Brazil and Argentina are competition for U.S. crops overseas, particularly in the China market. Uncertainty related to Mexico's commitment to ban GMO corn for human consumption and the ongoing [Ukraine-Russia](#) conflict remains.

On the cost side, production expenses are forecast to increase for a sixth consecutive year, growing in 2023 by \$18.2 billion, or 4.1%, to reach a record \$459.5 billion. And while it's little consolation, some major input items such as cumulative feed costs, fertilizers, fuels and oil

are expected to decline from record highs. Feed costs, which represent the largest single expense category, are expected to decline \$3.92 billion to \$72.66 billion (-5%). Fertilizers, lime and soil conditioners are expected to decrease \$1.25 billion, or 3%, from \$43.42 billion to \$42.17 billion. Typically, fertilizers represent about 15% of a crop farmer's costs and any increase, regardless of magnitude, can be crushing for some producers, especially in times of declining revenue. Fuels and oils are expected to experience the largest percent decline – 17% – from 2022, moving from \$20.25 billion to \$17.1 billion. These drops, however, are easily outpaced by increases in other expense categories including marketing, storage and transportation, which are forecast to increase 11%. Labor costs are expected to increase across all subcategories, with cash labor forecast to move from \$39.2 billion to \$42.08 billion (+7%). Inflation remains a source of uncertainty and is eroding asset values; and interest expenses have increased as the Federal Reserve Bank attempts to bring inflation under control through higher rates. Between 2022 and 2023, interest expenses, including operator dwellings, are expected to jump 22%, going from \$27.6 billion to \$33.84 billion, making it more difficult for farmers and ranchers to acquire lines of credit to purchase inputs and equipment this year. Livestock, seed, electricity, repair and maintenance are among the other categories expected to increase in price.

USDA's Farm Sector Income Forecast also provides expectations of farm financial indicators that provide insight into the overall financial health of the farm economy. During 2023, U.S. farm sector debt is projected to increase \$31.19 billion, or 6.2%, to a record \$535 billion in nominal terms. Nearly 70% of farm debt is in the form of real estate debt, for the land to grow crops and raise livestock. Real estate debt is projected to increase \$26.79 billion to a record-high \$375.8 billion, largely due to an [increase in land values](#) across the country. Non-real estate debt, or debt for purchases of things like equipment, machinery, feed and livestock, is projected to increase by \$4.4 billion to a record \$159.1 billion. The value of assets regularly being purchased with debt is rising, which means it will continue to be important for farmers and ranchers to pay down debt and cover interest to maintain a healthy balance sheet, an endeavor that will be even more cumbersome within a high interest environment.

Based on 2023 debt and asset levels, USDA expects the debt-to-asset ratio to be 13.22% for 2023, which sits marginally below the prior five-year average (13.5%), meaning farmers are expected to hold steady on borrowing to finance the purchase of assets. Higher interest rates will

likely act as a barrier for farmers to finance new assets and will then likely drive down the value of these assets over the next couple of years.

Working capital, which takes into consideration current assets and liabilities, is the amount of cash and cash-convertible assets minus amounts due to creditors within 12 months. In 2023, working capital is projected to fall by \$14.9 billion, or 8.9%, to \$118 billion, which is the first decline since 2016, and sits at \$2.5 billion below 2014 levels, when farmers and ranchers held \$121 billion in working capital. Lower levels of working capital often suggest that many U.S. farmers have just enough capital to service their short-term expenses and debt, which becomes more difficult as interest rates rise.

Short- and long-term interest rates are also high and rising. In recent years, interest expense has been about 5% of farm cash production expenses. Farmers will be facing interest rates double and triple what they were just a few years ago, with corresponding increases in interest expense; high interest rates, caused by both high inflation and the Fed's steps to address inflation, led to the farm debt crisis in the 1980s. A doubling or tripling of interest expenses now could cause similar pressures, especially for any farmer already committed to new investments, beginning farmers or farmers forced to borrow for succession. If history is a guide, it could take years for long-term interest rates to come back down to where they were for the last decade.

Higher interest rates tend to lower property values, including farmland values, which would make worse the debt trap of higher interest rates and lower farm returns. Rising interest rates will raise the cost of all debt, including government debt, which will ultimately cost the taxpayer and limit the government's flexibility to provide assistance in a debt crisis. Inflation is slashing the purchasing power of American consumers, and weakening the economy, which both undercuts demand for farm products and lowers prices. Inflation undermines the real value of USDA programs, including the value of reference prices and budgets for most commodity programs.

The aggressive interest rate increases by the Fed are making the dollar attractive to foreign investors and strengthening the dollar, which undermines U.S. agricultural export competitiveness. A Fed-driven recession in the U.S. is bad for the global economy, which will also undermine U.S. agricultural exports.

As such, much uncertainty remains related to the ability of farmers and ranchers to cost-effectively access inputs and deal with regional regulatory and weather-related challenges. With an early expectation of revenue declines, which more than erase gains made during 2022, it becomes all the more important for producers to have clarity on rules that impact their businesses' ability to operate, for producers to have access to comprehensive risk management options and for producers to be given a resounding voice during formulation of vital legislation such as the farm bill, which can either complicate or streamline farmers' and ranchers' ability to contribute to a reliable and resilient U.S. food supply sustainably.

The farm bill is a critical tool for ensuring our nation's food supply remains secure. No one buys insurance for the good times, and similarly, farm bill programs provide critical tools to help farmers and ranchers manage risk. Most farmers don't have the luxury of setting the price for their products, as most other small business owners do. Farmers accept the market rate, which fluctuates significantly, making financial planning a challenge. Add the unpredictability of weather and you see how farmers face intense volatility. It's a good thing most farmers see their livelihoods as a calling more than a job.

Farm programs are written to provide a basic level of protection to help offset bad economic times and severe weather. The 2018 farm bill brought certainty to farm and ranch families through crop insurance, improved risk management programs and support for beginning farmers and ranchers, while also providing much-needed funding for trade development and ag research.

Title I commodity programs are designed to be critically important for farmers in the event of a sudden decline in commodity prices or farm revenue. Current policies were developed in the 2014 Farm Bill utilizing 2012 cost of production data. But according to the House Committee on Agriculture, in a recent letter to the House Committee on Budget, the combination of spiking input costs and this outdated policy has rendered the commodity title ineffective. Considering the four crops that represent the largest acreage in the U.S.: corn, soybeans, wheat, and cotton, the forecast season average farm price of each commodity would need to fall by roughly 23, 30, 21, and 52 percent, respectively in 2023 to trigger any support under current law. If left unchanged, with challenging production costs, many producers would be bankrupt before Title I support provides assistance.

And to put projected farm bill spending in perspective, for the 10-year budget window starting in fiscal year 2024, all federal spending contained within the 12 titles of the farm bill is projected to account for less than two percent of the entire federal budget. When broken down further, the farm safety net (commodity programs and crop insurance combined), is projected to account for only two-tenths of one percent of federal spending. In return for this investment, the farm bill supports the food and agriculture sectors, which in 2022 accounted for direct, indirect, and induced output of more than 43 million jobs, \$2.3 trillion in wages, \$718 billion in tax revenue, \$183 billion in exports, and \$7.4 trillion in economic activity. The farm bill impacts every family in America by helping to put food on tables across our great country.

Farming is a difficult and risky business, yet critical to the well-being of our country. It's often stated that food security is national security. Russia's war on Ukraine vividly illustrates how the two are interrelated and there are countless other examples. Few pieces of legislation are more significant than the farm bill when it comes to ensuring our food system is secure. Farmers have America's back. The farm bill is how our country has farmers' backs. We urge Senators to recognize this significance as they consider updating and improving the farm bill.

Farm Bureau supports the following principles to guide development of programs in the next farm bill:

- Increase baseline funding commitments to farm programs;
- Maintain a unified farm bill that includes nutrition programs and farm programs together;
- Changes to current farm legislation must be an amendment to the Agricultural Adjustment Act of 1938 or the Agricultural Act of 1949;
- Prioritize funding for risk management tools, which include both federal crop insurance and Title I commodity programs; and
- Ensure adequate USDA staffing capacity and technical assistance.

The farm bill has been a bipartisan effort in the past. The 2023 farm bill presents an important opportunity for lawmakers to rise above partisanship and work together again to pass legislation that protects food security for all Americans and the future success of our farmers and

ranchers. And while time does not allow me to dig into the weeds of this very important and complex legislation, I invite members of this subcommittee to view the [more than 60 recommendations for the next Farm Bill available on our website](#).

Farm Bureau will continue to work to ensure that farm families maintain their ability to feed, fuel and clothe the world and defeat public policy that threatens the long-term resiliency of our rural communities. Congress must protect American agriculture and production practices from undue burden, and respect farmers' and ranchers' ability to innovate and solve problems.

American farm families want to leave the land better than when it was first entrusted to our care. That is the story of my family's farm in Georgia and the story of millions of farms across this country. We want to protect the planet, feed and clothe people, and promote vibrant communities. Working with our partners, land-grant universities, policymakers, and the farmers and ranchers we represent, Farm Bureau is committed to finding solutions for the challenges of the future and seizing the opportunities ahead for agriculture and our rural communities.

Madam Chairwoman, I commend you for convening this hearing and for all your hard work on behalf of agriculture across the country. I will be pleased to respond to questions.



**Testimony of
Rob Larew, President**

**Submitted to the
U.S. Senate Committee on Agriculture, Nutrition, and
Forestry**

Subcommittee on Commodities, Risk Management, and Trade

**“Commodity Programs, Credit, and Crop Insurance –
Part 1: Producer Perspectives on the Farm Safety Net”**

**May 2, 2023
106 Dirksen Senate Office Building
Washington, DC**

Good morning, Chairwoman Smith, Ranking Member Hyde-Smith, and members of the Senate Subcommittee on Commodities, Risk Management and Trade. Thank you for the invitation to testify before this subcommittee and for the opportunity to provide testimony from National Farmers Union (NFU). Founded in 1902, NFU is a grassroots organization that advocates on behalf of family farmers, ranchers, and their communities. There are more than 220,000 Farmers Union members nationwide, and our operations range widely in size, type, and production method.

This Committee has an opportunity and the responsibility to make meaningful and lasting reforms in the 2023 Farm Bill. Family farmers and ranchers face many emerging challenges which have affected our farming operations since the passage of the 2018 Farm Bill. These include natural disasters made more severe and frequent due to climate change, serious threats to our food security stemming from a global pandemic and a food system that lacks resilience, and a volatile market roiled by geopolitical conflict. These threats can and should be directly confronted by policymakers in the next farm bill.

Farmers Union members from around the country met in March 2023 at our 121st national convention. Through a grassroots policy development process, delegates at the NFU convention adopted policy on a wide range of topics and identified three special orders of business: “Family Farming and the 2023 Farm Bill,” “Family Farming and Dairy Policy Reform,” and “Fairness for Farmers.” Drawn from these priorities, NFU’s policy views on the next farm bill center on enacting an effective farm safety net, bolstering diverse income streams for family farmers and ranchers and our communities, and ensuring a competitive and resilient food system.

The Farm Safety Net

The farm economy is cyclical, and commodity price and input cost volatility are among the chief reasons that family farmers and ranchers are forced out of business. Farm bills should be written with tough times in mind so that programs serve as a safety net. Farm programs work best when they are forward-looking, and we need a farm bill that takes stock of the current farm economy while also anticipating future needs.

The last farm bill was evolutionary, not revolutionary. Important changes were made to existing safety net programs, like Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC), marketing loans, and crop insurance, but adjustments were mostly minor and technical. The commodities and crop insurance titles of the 2018 Farm Bill have largely functioned as designed. However, since 2018, there have been many challenges. Farmers experienced a period of low commodity prices and a rapidly deteriorating export market due to a unilateral trade war with China. In the following years, the Covid-19 pandemic and the Russian invasion of Ukraine further upended markets and disrupted supply chains. The resulting reverberations throughout the economy, especially with supply chain disruptions for inputs like nitrogen,

potash, and phosphorus, led to unusually high levels of price volatility across the agriculture sector.^{1 2}

In addition to reacting to changes in the farm economy, this Committee and other lawmakers should prepare for an expected downturn in the farm economy. The latest farm income projection from the U.S. Department of Agriculture (USDA) predicts a 20.7 percent decline in net farm income for 2023 as compared to 2022.³ Additionally, farmers and ranchers on average receive only 14.3 cents of every dollar that consumers spend on food. Corporate concentration in agriculture and food supply chains have created uncompetitive agricultural markets that drive down the farmer's share of the retail food dollar while also raising costs for inputs. While we must take steps to address these conditions that lead to depressed prices for farmers, we should also recognize the vital importance of the farm bill to support the viability of family farmers and ranchers.

There have been significant changes to the farm economy since passage of the 2018 Farm Bill. Family farmers and ranchers are counting on Congress to make the corresponding corrections and adjustments to make the farm safety net stronger. With an eye toward building a more resilient farm and food system, there are a series of important and helpful alterations that should be made to commodity and crop insurance programs.

NFU was among the more than 400 organizations that sent a letter to the House and Senate budget committees in support of ensuring that the agriculture committees have sufficient resources to write the 2023 Farm Bill. A significant portion of the assistance directed toward farmers and ranchers over the last five years came through ad hoc programs and is not reflected in the farm bill baseline. Programs like the Market Facilitation Program, Coronavirus Food Assistance Program, Wildfires and Hurricanes Indemnity Program-Plus, and Emergency Relief Program were badly needed. However, ad hoc programs provide uncertain and inconsistent relief. The next farm bill should allocate additional funding for a farm safety net that sufficiently protects farmers from severe market disruptions and extreme weather events.

Supply chain disruptions and global inflationary trends have significantly increased farmers' cost of production. High input costs increase a farmer's breakeven price for a given crop. It is imperative that farm safety net programs reflect that breakeven price. We urge Congress to increase marketing loan rates and other price-based triggers, such as those in ARC and PLC, to reflect higher costs of production.

NFU is an active participant in the Crop Insurance Coalition, and we believe that the risk protection provided by public-private partnership of today's crop insurance sector is cost-

¹ Kent Thiesse, "2022 farm input costs rapidly rising," *Farm Progress*, November 30, 2021.

<https://www.farmprogress.com/crop-protection/2022-farm-input-costs-rapidly-rising>.

² Suzanne Jenkins, "How the Russia-Ukraine War Helped Fuel Record Fertilizer Prices," Federal Reserve Bank of St. Louis, October 4, 2022. <https://www.stlouisfed.org/publications/regional-economist/2022/oct/russia-ukraine-war-record-fertilizer-prices>.

³ U.S. Department of Agriculture, Economic Research Service, "Farm Sector Income & Finances: Highlights from the Farm Income Forecast," Feb. 7, 2023. <https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/highlights-from-the-farm-income-forecast/>.

effective and timely. The next farm bill should ensure that crop insurance products are even more accessible for specialty crop producers and for those with diverse and innovative production systems. Farmers Union members see promise in the Whole Farm Revenue Protection (WFRP) insurance product, as its flexibility and reach could be of great assistance to many diversified farmers. However, the recordkeeping and planning requirements for WFRP are often overly burdensome and make it difficult for small and very diversified farms to participate. We hope the next farm bill will remove these barriers and will expand the use and adoption of WFRP.

NFU supports innovations such as providing crop insurance discounts to farmers for planting cover crops or using other conservation practices that increase resiliency and decrease risk. The next farm bill could extend the Pandemic Cover Crop program and pilot similar programs for other practices. Farmers should be appropriately incentivized and rewarded for taking steps to reduce risk in their operations.

Farmers Union members support the authorization of a program that incentivizes farmers to voluntarily remove marginal or environmentally sensitive agricultural land from production on an annual basis in exchange for crop insurance protections. The 2018 Farm Bill created the Soil Health and Income Protection Program (SHIPP) pilot program as a subprogram pilot under the Conservation Reserve Program (CRP), which could serve as a template for an effort for a more permanent program through the next farm bill. SHIPP offers farmers a short-term, flexible land idling option.⁴ We encourage the Committee to authorize a more permanent CRP option and to explore ways to give farmers more flexibility to leverage SHIPP for both soil health concerns and low commodity prices.

We support providing farm program participants with the option to enroll in both ARC and PLC which would protect against losses due to declines in price as well as revenue. This dual enrollment option would simplify the process for farmers and would remove a great deal of the uncertainty from the annual ARC/PLC election. Furthermore, Farmers Union members support a voluntary update to base acres. This option was last made available in 2014,⁵ and we believe that farm owners should be provided the chance to adjust their program acres in accordance with their actual plantings in recent years.

An additional concern about the ARC/PLC program is the delay between the end of the crop year and the delivery of farm program assistance. For many farmers, more than a year can pass before these payments are made, which adds stress to an already difficult financial situation. We encourage Congress to consider advance payments for ARC/PLC similar to those provided under the previous Counter-cyclical Payment Program.

⁴ U.S. Department of Agriculture, Farm Service Agency. "Soil Health and Income Protection Program (SHIPP) Pilot," May 2021. <https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/fsa-shipp-factsheet.pdf>.

⁵ U.S. Department of Agriculture, Farm Service Agency. *Farm Safety Net*. <https://www.fsa.usda.gov/programs-and-services/farm-bill/farm-safety-net/index>.

As previously noted, the series of ad hoc disaster programs in the last several years comprised a large portion of the recent farm safety net. The performance of all these programs will be instructive for lawmakers when considering changes or additions to the existing emergency programs. USDA was required to implement these assistance programs very quickly and with limited personnel, which sometime hampered their effectiveness. Farmers Union members call for more resources to be dedicated to hiring, retaining, and training quality staff for USDA field offices. Disaster programs must also be written with appropriate eligibility and payment caps, provisions that incentivize the use of sustainable and climate-smart farming practices, and with safeguard to avoid practices that would undermine crop insurance.

Dairy farmers have experienced boom and bust price cycles for decades. Since 2003, the number of U.S. dairy farms has decreased by 60 percent – or more than 42,000 farms – due to low margins for milk production.^{6 7} These volatile cycles are triggered by an imbalance between supply and demand. When milk prices are high, dairy farmers respond by increasing production to meet the demand. But when prices are low, dairy farmers also respond by increasing production, which floods the market and drives prices down further. The substantial price swings that result make it difficult to manage a business and plan for the future.

To reduce dairy farm closures and improve the outlook for US dairy farmers, NFU supports the inclusion of the Dairy Revitalization Plan, a growth management strategy that coordinates milk production growth among all dairy producers to stabilize prices.⁸ This program would increase farmer profitability by elevating milk prices, preventing overproduction, and reducing milk price volatility. It would also facilitate beginning farmer entry, reduce government expenditures, respond to global market conditions, have national and mandatory participation, allow for planned growth when the market can accept additional milk, prevent production base from acquiring value, and invite meaningful farmer input in development, implementation, and governance. Additionally, it would include changes to the Class I pricing formula to revert to the higher value of Class III or Class IV.

According to a recent study, had the Dairy Revitalization Plan been enacted in the last farm bill, milk prices would have been higher by an average of \$1.41/cwt. between 2014 and 2021. The degree of variation in prices above or below the average milk price would have been reduced by approximately 50 percent during the study period. Income was higher for farms that stayed within allowable growth across all levels of production.⁹

⁶ Nicole Heslip, “2023 Starts with More Milk, Fewer Dairy Farms, *Brownfield Ag News*, Feb. 22, 2023.

<https://brownfieldagnews.com/news/2023-starts-with-more-milk-fewer-dairy-farms/#:~:text=The%20USDA%20February%20report%20also,from%202022%2C%20or%20six%20percent>.

⁷ “As America’s Milk Consumption Declines, Some Farmers Find Alternatives,” *CBS News*, Jan. 15, 2022.

<https://www.cbsnews.com/news/milk-consumption-dairy-farmers/>.

⁸ Dairy Together. The Dairy Revitalization Plan.

https://www.dairytogether.com/files/ngd/629d75_9d6828bb745e4ceb83a18e1ef4b1da2a.pdf.

⁹ Nicholson Charles, and Mark Stephenson, “Analyses of Proposed Alternative Growth Management Programs for the US Dairy Industry,” University of Wisconsin-Madison, Aug. 2021.

https://dairymarkets.org/GMP/GMP_Report.pdf.

NFU supports continued prioritization for projects benefiting beginning, veteran, and socially disadvantaged farmers and ranchers and supports expanding new entrepreneurial opportunities within the Rural Development grants and loans programs. The average age of farmers continues to increase, and a majority of the nation's farmland is changing hands due to the aging farmer population. Programs must be enacted and funded to address the unique barriers that face beginning farmers and ranchers, with special emphasis on returning military veterans, and ensure that they have a chance to sustain a viable livelihood through farming or ranching. Congress should support the Young Farmer Success Act, a bill that could incentivize young people to enter agricultural professions by making them eligible for the Public Service Loan Forgiveness program.

Many veterans must face service-related disabilities and transitional issues soon after ending their military service. In recent years, there has been a movement to help veterans become farmers and many efforts are underway to provide them with agricultural education opportunities. The GI Bill – which helps veterans pay for college, graduate school, or other training programs – is meant to help veterans with this transition, but veterans who make use of their GI Bill benefits can lose years of eligibility for USDA veterans' programs. After receiving priority access to USDA programs through the 2014 Farm Bill, the 2018 Farm Bill included a five-year sunset clause to the USDA definition regarding veteran access for Farm Service Agency, Natural Resources Conservation Service, and Risk Management Agency programs. To better address this problem, NFU supports allowing veteran farmers to exclude certain years from their beginning farmer status if they were serving in full-time active duty in the military and while they are enrolled in a post-secondary education program.

There are various causes of stress among farmers and their families, including volatility in the farm economy, the financial risk involved in agriculture, weather unpredictability, and the changing climate. NFU has joined with the American Farm Bureau Federation, Farm Credit, and Michigan State University to offer stress training courses to our members and neighbors,¹⁰ and is continuing to work collaboratively with these partners to provide other resources. On the legislative front, NFU supports the Farm and Ranch Stress Assistance Network (FRSAN) as a key federal program that helps address the mental and behavior health challenges facing our communities. The 2023 Farm Bill should reauthorize FRSAN and make sure it receives additional resources to meet the ongoing and increasing need. FRSAN funds regional service provider networks that connect individuals engaged in farming, ranching, and other agriculture-related occupations to stress assistance programs. Services provided or coordinated through FRSAN include telephone hotlines and websites, farm stress training programs and workshops, support groups, and outreach services. As more than 60 percent of rural Americans live in areas with mental health professional shortages,¹¹ FRSAN is essential for serving populations where the need is great, and resources are limited.

¹⁰ National Farmers Union, "Farm Groups Partner to Help Farmers Manage Stress," Dec. 11, 2019. <https://nfu.org/2019/12/11/farm-groups-partner-to-help-farmers-manage-stress/>.

¹¹ Morales, Barksdale, and Beckel-Mitchener, "A call to action to address rural mental health disparities," *Journal of Clinical and Translational Science*, October 2020. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7681156/#r13>.

Diversified Marketing Opportunities for Rural America

We know that federal investments in agricultural programs through the farm bill, along with infrastructure improvements, are an important part of ensuring the long-term viability of rural economies. We support revitalizing local and regional food and energy systems, increasing wealth and asset-building in rural communities and encouraging entrepreneurship, innovation, and diversification in farming and ranching. We also know that farmers and ranchers are already playing an important part in combating climate change, and economic considerations should further incentivize these actions.

Climate-Smart Commodities

Climate change is affecting our farms and ranches. Farmers Union members tell us they want more tools and assistance to make their farms more resilient in the face of a changing climate, and they also want to implement practices that will help them be part of the solution. We support approaches that are voluntary, incentive-based, and rooted in science. No matter what, the practices we implement to address climate change must support the viability of our operations, because we cannot advance climate-smart agriculture if we are out of business. We strongly support farm bill conservation programs, and we hope to see a farm bill conservation title that increases mandatory conservation program spending to support programs that are historically oversubscribed and underfunded. Nevertheless, more is needed to support farmers and ranchers and to tackle the climate crisis.

USDA's Partnerships for Climate-Smart Commodities is an innovative initiative that can create new market opportunities for farmers, ranchers, and foresters, while tackling climate change.¹² The initiative will provide technical and financial assistance to producers to implement climate-smart production practices on a voluntary basis on working lands; pilot innovative and cost-effective methods for quantification, monitoring, reporting and verification of greenhouse gas benefits; and develop new markets for the resulting climate-smart commodities. NFU, along with members of the Food and Agriculture Climate Alliance (FACA),¹³ advocated for the pilot projects created by this initiative,¹⁴ and we are excited to see some of them underway this year.

USDA expects this initiative will expand markets and create new revenue streams for farmers, reach more than 25 million acres of working land over the next five years across the U.S. in a multitude of production systems, sequester 60 million metric tons of carbon dioxide equivalents over the life of the projects, involve nearly 100 universities (of which 30 are

¹² U.S. Department of Agriculture, Partnerships for Climate-Smart Commodities. <https://www.usda.gov/climate-solutions/climate-smart-commodities>.

¹³ Food and Agriculture Climate Alliance. <https://agclimatealliance.com/>.

¹⁴ Food and Agriculture Climate Alliance, "FACA Recommends USDA Use Pilot Projects to Build Toward a Carbon Bank," May 3, 2021, <https://agclimatealliance.com/2021/05/03/faca-recommends-usda-use-pilot-projects-to-build-toward-a-carbon-bank/>.

minority serving institutions), and leverage, on average, 50 percent of the federal investment with non-federal funds.¹⁵

If done right, USDA's Partnerships for Climate-Smart Commodities will be a win-win for farmers' bottom lines and our environment.

Biofuels

NFU is a strong supporter of biofuels. Farmers have a long history of innovation to meet the needs of the country, including expanding production into additional markets. The biofuels and renewable energy markets provide farmers with incentives to continue to work toward sustainable farming practices and to implement climate mitigation measures. Farmers should continue to be supported in these efforts through projects assisting the biofuels industry and promoting access to those markets, as well as supporting projects that reduce the carbon footprint on their farms, mitigate the effects of climate change, and innovate agricultural practices.

The growth of the biofuels market, through use of higher ethanol blends will provide significant benefits to the rural community and beyond, including substantial reductions in greenhouse gas emissions. Ethanol blends also reduce emissions of carbon monoxide, particulate matter, and air toxics compared to burning petroleum gasoline. NFU strongly supports programs that support and grow the use of biofuels.

Local Infrastructure

Better infrastructure and greater investment in regional food systems are needed to continue building a more resilient food supply chain in our county. USDA has invested \$1.7 billion since the beginning of the Biden-Harris Administration through the ReConnect Program that provides grants for broadband deployment. The roll out of high-speed internet is ongoing and NFU supports its continuation so that family farmers and ranchers may use up-to-date technologies and communicate in real time to sell their products and remain competitive.

Local and regional marketplaces, with their shorter supply chains, can help farmers capture a larger share of the retail food dollar and provide consumers with access to fresh, healthy produce. Value-added activities are important for rural economic development and farm income. Programs like the Local Agriculture Market Program (LAMP), an umbrella program for the Farmers Market and Local Food Promotion Programs have proved vital during the pandemic and especially during the recent supply chain disruptions.

To improve access to these growing markets, Congress should pass the Local Farms and Food Act, introduced by Senators Sherrod Brown (D-OH), Tina Smith (D-MN), Peter Welch (D-VT), and John Fetterman (D-PA). The bill makes changes to LAMP, the Gus Schumacher Nutrition Incentive Program, and the Senior Farmers Market Nutrition Program that will increase

¹⁵ U.S. Department of Agriculture, "Partnerships for Climate-Smart Commodities – By the numbers," <https://www.usda.gov/sites/default/files/documents/pssc-infographic-by-the-numbers.pdf>.

program access to underserved areas and among small producers. Investments would also strengthen local and regional food systems infrastructure and promote local economic development in both rural and urban communities.

Fairness for Farmers

In 2021, NFU launched the Fairness for Farmers campaign, which is an effort to shed light upon the devastating impact that monopolies and near-monopolies have on family farmers and ranchers. The campaign calls for legislative action including diversifying marketing opportunities, improving price discovery and transparency, antitrust enforcement, and reforming the Packers and Stockyards Act (PSA). Many of these priorities could be addressed through the inclusion of a competition title in the 2023 Farm Bill.

Very few firms control the market for farm inputs (such as seeds, crop protection, fertilizer, and equipment manufacturing), processing (including livestock slaughter and processing), food manufacturing, wholesale distribution, food service, and grocery retail. Farmers and consumers are on either end of this consolidated supply chain and are comparatively numerous and decentralized. The small set of large, consolidated firms in the middle of the supply chain wield immense market power over farmers and consumers.¹⁶

The trend toward greater consolidation of the farm and food system has been ongoing. The four-firm concentration ratio (CR4), which specifies the market share for the top four firms in an industry and is a commonly used metric for illustrating market concentration, has risen precipitously among meatpackers and poultry processors. From 1977 to 2019, the CR4 for beef packers that slaughter steers and heifers rose from 25 to 85 percent.¹⁷ ¹⁸ For pork, the increase in CR4 from 1976 to 2019 was 33 to 67 percent.¹⁹ For broiler chickens, the CR4 increase from 34 percent in 1986 to 53 percent in 2019,²⁰ and as the level of national-level industry consolidation may be lower for broilers, concentration is often much higher in localized markets.²¹

¹⁶ Jonathan B. Baker, “Market power in the U.S. economy today,” Washington Center for Equitable Growth, March 2017. <https://equitablegrowth.org/market-power-in-the-u-s-economy-today/>.

¹⁷ Cai, X., K. W. Stiegert, and S. R. Koontz, “Oligopsony Fed Cattle Pricing: Did Mandatory Price Reporting Increase Meatpacker Market Power?” Proceedings of the NCCC-134 Conference on Applied Commodity Price Analysis, Forecasting and Market Risk Management. St. Louis, MO. https://legacy.farmdoc.illinois.edu/nccc134/conf_2011/pdf/confp24-11.pdf.

¹⁸ USDA, Agricultural Marketing Service (AMS), Packers and Stockyards Division, “Annual Report 2020.” <https://www.ams.usda.gov/sites/default/files/media/PackersandStockyardsAnnualReport2020.pdf>.

¹⁹ Clement E. Ward, “Economics of Competition in the U.S. Livestock Industry,” January 2010. <https://www.justice.gov/sites/default/files/atr/legacy/2011/09/09/AGW-15639-a.pdf>.

²⁰ Joel Greene, “USDA’s ‘GIPSA Rule’ on Livestock and Poultry Marketing Practices.” (Washington: Congressional Research Service, 2016). https://www.evercrsreport.com/files/20160107_R41673_e1d67b445c928f46a6b23a04c38d116fdb819c93.pdf.

²¹ James M. MacDonald, “Technology, Organization, and Financial Performance in U.S. Broiler Production” (USDA, Economic Research Service, 2014). https://www.ers.usda.gov/webdocs/publications/43869/48159_cib126.pdf?v=0.

Increasing consolidation and declining competition pervades other sectors as well. As of 2015, the top four firms for corn and soybean seeds controlled 85 percent and 76 percent of the market, respectively; this compares to 59 percent for corn seed in 1975, and 42 percent for soybean seed in 1988.²² ²³ Four firms account for approximately 84 percent of the global herbicide and pesticide market,²⁴ and just two companies manufacture about half of the tractors and other essential farm machinery used by farmers.²⁵ Market share in retail grocery is also heavily consolidated, with the top four retailers controlling approximately 65 percent of sales in 2018.²⁶ As corporate consolidation in our food system has marched steadily forward, farmers have watched as their choices decline and their market power falter.

Packers and Stockyards Act Enforcement

The PSA became law in 1921 to protect livestock and poultry producers from unfair, deceptive, and monopolistic practices in the marketplace. But the law has not kept up with changes in the livestock industry, which has seen rampant consolidation, reduced market transparency, and the rise of unfair contract terms for farmers and ranchers. Rulemaking is underway at USDA to better enforce the PSA, which will provide additional protections for producers in livestock and poultry markets, clarify what conduct or actions by meatpackers violate the PSA, and require poultry companies to be more transparent in their contracting practices.

Updating the PSA is essential, but the statute and rules must be complemented by adequate enforcement. Congress should pass the bipartisan Meat and Poultry Special Investigator Act (S.346), introduced by Senators Tester (D-MT), Grassley (R-IA), and Rounds (R-SD). The bill would establish an independent office at USDA – the “Office of the Special Investigator for Competition Matters” – to enforce the PSA and prevent abuses by meatpackers.

Cattle Market Reforms

In the last 15 years, the level of cash or “spot market” trades in the cattle market has declined dramatically in favor of “Alternative Marketing Agreements” (AMAs). Congress passed legislation in 1999 to address concerns about AMAs and high levels of concentration in meatpacking, which resulted in livestock mandatory price reporting (LMR) for most transactions. LMR has helped with price discovery, but the erosion of the cash market for cattle is undermining its benefits. The cash market serves as the basis for pricing through AMAs and the thinly traded cash market is susceptible to manipulation by packers. Preserving a robust cash market is essential for true price discovery. Reduced market transparency is also an issue

²² Jorge Fernandez-Cornejo, “The Seed Industry in U.S. Agriculture: An exploration of data and information on crop seed markets, regulation, industry structure, and research and development,” *USDA Economic Research Service*, https://www.ers.usda.gov/webdocs/publications/42517/13616_aib786_1_.pdf?v=3857.1.

²³ James MacDonald, “Mergers and Competition in Seed and Agricultural Chemical Markets,” *USDA Economic Research Service*, 2017, <https://www.ers.usda.gov/amber-waves/2017/april/mergers-and-competition-in-seed-and-agricultural-chemical-markets/>.

²⁴ Claire Kelloway and Sarah Miller, “Food and Power: Addressing Monopolization in America’s Food System,” *Open Markets Institute*, May 13, 2019, <https://www.openmarketsinstitute.org/publications/food-power-addressing-monopolization-americas-food-system>.

²⁵ Ibid.

²⁶ CBRE, “2019 U.S. Food In Demand Series: Grocery,” May 2019.

because the packers' control of the market gives them significantly more information than cattle producers. LMR helps to ensure all market participants have access to some basic information, but more transparency is needed.

The Cattle Price Discovery and Transparency Act of 2023 (S. 228), led by Senators Deb Fischer (R-NE), Jon Tester (D-MT), and Chuck Grassley (R-IA), includes several provisions to address these issues. The bill would establish regional minimums for cash trades, as set by USDA through a public process, to improve price discovery in cattle markets. It would require 14-day slaughter reporting, expedited reporting of carcass weight and cutout yield data, which will give producers insight into the market and leverage when negotiating prices. It will also enact a permanent cattle contract library to afford greater insight into AMAs used in the market.

Product Labeling

NFU supports reinstating mandatory country of origin (COOL) labeling for beef. Clear and accurate food labels are an important tool that helps consumers make informed decisions and allows farmers and ranchers to differentiate their products and promote a fairer, more competitive market. We need conspicuous, mandatory, and uniform labeling for food products throughout the processing chain and reauthorization and full implementation of mandatory COOL for agricultural, aquaculture, and wild-caught seafood products.

Congress should pass the American Beef Labeling Act (S.52), introduced by Senators Tester (D-MT), Thune (R-SD), Booker (D-NJ). The bill would reinstate mandatory COOL labeling for beef sold in grocery stores by inserting "beef" and "ground beef" back into the existing 2002 law, which continues to require COOL for other foods, such as lamb, chicken, fish, nuts, fruits, and vegetables. This legislation would promote a fairer, more competitive market for America's cattle farmers and ranchers and quality family-sustaining jobs for meat processing workers. A consolidated and uncompetitive beef packing industry is exploiting consumers, workers, and ranchers alike and American consumers deserve the right to choose.

In March of 2023, the U.S. Department of Agriculture (USDA) released a proposed rule with new regulatory requirements to better align the voluntary "Product of USA" label claim with consumer understanding. Under current voluntary labeling rules, meat can be designated a "Product of USA" if it is processed domestically, but born, raised, and/or slaughtered in another country. This misleading claim puts domestic producers at a competitive disadvantage while preventing consumers from making fully informed decisions about the products they buy. While truthful and accurate voluntary labels are important to producers and helpful for consumers, they are not a replacement or substitute for COOL.

Competition Research

We know that corporate monopolies dominate agricultural markets, disadvantaging farmers, ranchers, consumers, and our communities. We also know many solutions we need right now: better enforcement of our competition and antitrust laws, updates to these laws that reflect the structure of our markets and economy, greater transparency and price discovery in commodity markets, and accurate and transparent labeling. But we can do an even better

crafting solutions if we have more information. Congress should support the bipartisan Livestock Consolidation Research Act of 2023, introduced by Senators Smith (D-MN) and Grassley (R-IA). This legislation recognizes that we have a patchwork of data and research on consolidation in the livestock industry. Their bill directs the USDA Economic Research Service to comprehensively study the impact of corporate consolidation in the livestock industry on farmers, ranchers, and consumers to form a stronger base for future policy solutions. NFU would like to see this concept extended to all aspects of food and agriculture markets and supply chains.

Conclusion

Farmers Union members are committed to helping this subcommittee write the strongest 2023 Farm Bill possible. While this testimony centers on provisions related to family farm viability, NFU has policy positions related to the other titles of the farm bill, ranging from research to trade to energy to credit. We support a strong nutrition title that provides assistance to millions of food insecure Americans, and are mindful that nutrition programs can also help to spur the growth of new and diversified marketing opportunities in production agriculture. Most of all, we know that a farm bill coalition gains strength by bringing in additional allies and supporters, and that a farm bill coalition becomes weaker when it is divided.

NFU policy states, “our spirit of cooperation must continue to grow and not have limits. Our challenge is to take this knowledge and spirit and incorporate it into meaningful policy through legislation on local, state, and national levels.” By working together, we can ensure that family farmers and ranchers and everyone involved in agriculture has a farm bill that protects our food security and our economy. Thank you for the opportunity to provide this testimony. NFU stands ready to continue to work with the subcommittee to address these issues and would be happy to answer any questions.



Senate Committee on Agriculture, Nutrition and Forestry

Subcommittee on Commodities, Risk Management, and Trade

Commodity Programs, Credit, and Crop Insurance – Part 1: Producer Perspectives on the Farm Safety Net

May 2, 2023

Chairwoman Smith, Ranking Member Hyde-Smith, and Subcommittee Members:

I am Greg Ackerman, a farmer from Vassar, Michigan, past chairman of the Michigan Bean Commission and a current Delegate with the U.S. Dry Bean Council. On our family farm we currently grow corn, soybeans, sugar beets, wheat, pickles, and dry edible beans including black, navy, and small red beans and many other classes over the years.

We really focus on dry beans in our business. Dry bean production fits so well in our operation. They have a tremendous sustainability story to tell. They are a short season crop that doesn't need much water or fertilizer and allow our soil to rest a little. In addition, we are proud to be producers of a very healthy, nutrient dense, plant based super food. I believe beans are part of the solution to solving world hunger and are also a piece of the solution to climate change.

Thank you for the opportunity to testify today. The sole farm safety net program for dry bean producers is the federal crop insurance program. The federal crop insurance program should be maintained and expanded, where possible. Federal support for insurance premiums increases participation and coverage levels carried by growers. The more participation and coverage provided through the crop insurance program, the less need there will be for ad hoc disaster assistance. The fact that dry beans are not part of the Farm Programs authorized under Title I of the Farm Bill makes the federal crop insurance program even more vital for us.

Beyond crop insurance, the other Farm Bill and federal policy priorities for the dry bean industry include:

Increased funding of MAP and FMD



The US Dry Bean Council along with seventy other agricultural trade organizations receive MAP and FMD. Both programs are authorized in the Farm Bill at \$200 million at \$34.5 million per year, respectively.

The authorized spending level for MAP and FMD has been flat for approximately 20 years. Sequestration, inflation, administrative fees, etc. have reduced the real funding available to these seventy organizations to a real value of only 150 million. The USDBC supports an increase in the funding authorization levels for MAP and FMD in the next Farm Bill as we rely on this funding for our global competitiveness and as we face unprecedented trade challenges.

Continuation of the McGovern Dole School Feeding and Food for Progress Programs

The McGovern-Dole International Food for Education and Child Nutrition Program supports education, child development and food security in food insecure countries. The program, authorized under the Farm Bill, provides for the donation of U.S. agricultural commodities, including dry beans, as well as financial and technical assistance, to support school feeding and maternal and child nutrition projects. USDBC supports full funding of no less than 230 million and ideally increased funding to respond to increased need as a result of climate change, civil conflict, and food inflation.

Reauthorization of Pulse Crop Health Initiative

The Pulse Crop Health Initiative (PCHI) is authorized under the Farm Bill, currently at \$25 million per year. Actual annual appropriations for the PCHI have not reached the fully authorized level but have been increasing each year for the past several years from \$3 million in FY2019 to \$5.5 million in FY2023. The purpose of the PCHI is to find solutions, through research on pulse crops - including dry beans - to critical health and sustainability challenges. USDBC requests reauthorization of the PCHI at \$25 million and full annual appropriation of the funding for each year of the Farm Bill.

Continuation of the Sclerotinia research initiative

USDBC requests reauthorization of the National Sclerotinia Initiative under the Farm Bill. The goal of the NSI is to employ a coordinated research strategy to minimize the devastating effects of Sclerotinia (white mold) which causes serious economic loss by negatively impacting crop quality and yields with losses in some years exceeding \$250 million.

Finally, since this subcommittee jurisdiction includes Trade issues, we would like to take this opportunity to urge you to renew support for expanded Trade and new Trade Agreements. The U.S. has not signed a new trade agreement for many years. With the competitive environment changing, particularly in a post pandemic world, the U.S. dry bean industry needs competitive trade advantages around the world. We continue to suffer from lost market share in the European Union and the United Kingdom as a result of years of retaliatory tariffs. U.S dry beans were a large exporter to these regions before the tariffs and since the tariffs have been lifted we have not been able to regain those



markets back. We are concerned that current Trade Agreements in discussion do not include traditional market access chapters or agriculture.

The dry bean industry also supports normalized Trade relations with Cuba. Cuba presents a tremendous market prospect for our industry; however, we remain unable to do business with Cuba due to a complicated trade environment and lack of reasonable financing options for Cuban buyers.

Thank you again for the opportunity to testify today.

Sincerely,

Greg Ackerman

Greg Ackerman
Past President, Michigan Bean Commission
Delegate, U.S. Dry Bean Council



**NATIONAL SORGHUM PRODUCERS
COMMODITY PROGRAMS, CREDIT, AND CROP INSURANCE
PART 1: PRODUCER PERSPECTIVES ON THE FARM SAFETY NET
TESTIMONY**

Presented to:

**Senate Committee on Agriculture, Nutrition, & Forestry
Subcommittee on Commodities, Risk Management, and Trade**

Tuesday, May 2, 2023

**106 Dirksen Senate Office Building
Washington, D.C.**

Presented by:

Kody Carson
Olton, Texas

Introduction

Thank you Chairwoman Smith and Ranking Member Hyde-Smith for the opportunity to testify before the Subcommittee on Commodities, Risk Management, and Trade. My name is Kody Carson and I grow sorghum, cotton, and wheat and produce cattle on my operation near Olton, Texas. Previously, I served as Chairman of the National Sorghum Producers' (NSP) Legislative Committee and as Chairman of NSP board of directors. I currently serve on the board as the immediate Past Chairman and I am humbled to be here today, and I hope my testimony as a family farmer and on behalf of NSP will be helpful to you as you begin work crafting the 2023 Farm Bill.

State of the Sorghum Industry and our Economy

Farmers across the Sorghum Belt like me must contend with limited annual rainfall throughout our semi-arid region and that is why sorghum, which is drought and heat tolerant, is such an excellent fit for the economic sustainability of our operations. However, sorghum producers are currently facing exceptional and prolonged drought and have been for multiple years now. Farmers in West Texas have been hammered by intense drought conditions heading into harvest last summer and those conditions remain as we head into planting season this spring. Out of the hundreds of sorghum acres I planted in 2022, virtually every field was a loss. The national average sorghum yield was the lowest our industry had seen since the 1960s, and in a survey to our producers many of them expect to contend with drought again in the 2023 growing season.

While sorghum is drought-tolerant, it is not drought immune, and we continue to experience erratic weather patterns including intense drought in my region. In addition to historic drought impacting our operations, market volatility, inflationary pressures and higher expenses, coupled with lower projections for crop cash receipts, are only adding to the stress and uncertainty of agricultural production today.

Efficacy of the Farm Safety Net

We are fortunate and thankful to have tools at the ready that can help sorghum producers through these extreme events beyond our control in order to stay in business, including Title I, crop insurance, and Congressionally-authorized ad hoc assistance that has been provided at various times. However, due to the increasing severity of these challenges, we believe farmers and ranchers need a stronger farm safety net to provide predictability and certainty for producers and lenders.

It is also clear that additional resources will be necessary to enact a strong Farm Bill this year as there is simply a major shortfall in safety net funding compared to historical levels. For brief context, the 2008 Farm Bill had a safety net baseline of \$85 billion. Adjusted for inflation, that figure would be roughly \$121 billion in 2023 dollars, nearly double what the current baseline is

today. Cost of production has similarly increased, rising at least 50 percent in most cases and upwards of 100 percent in others.

We believe that timely investment now into the farm safety net—which accounts for a modest two-tenths of one percent of federal spending—provides enormous economic returns for rural communities and our national economy while helping to avoid costly and unbudgeted ad hoc programs from having to fill the gaps over the next 10 years.

PLC Reference Prices

Right now, the farm safety net is not adequate. While the changes in the 2018 Farm Bill have been helpful, given the level and speed at which costs have increased, statutory PLC reference prices are now far too low to provide effective support in light of the many risks facing farmers in 2023. The same situation is true of marketing loans, which remain an important cash flow tool for farmers but are now much too low relative to current risk. We continue to believe the sorghum reference price and marketing loan rates must be adjusted upward to remain relevant to U.S. sorghum farmers as we work to maintain productivity through extremely turbulent times.

The good news is with stronger commodity prices over the 2020, 2021 and 2022 crop years, at least, the level of support provided by both ARC and PLC will be enhanced. We are grateful for the wisdom of this Committee in this way by tying the reference price to the market through an escalator included in the 2018 Farm Bill. It will create some improvement to the level of certainty and confidence of sorghum farmers. However, given spiraling costs of inputs, there is work to be done on improvements in this regard.

As you know, Title I policies have generally been decoupled from production since 1996. This is policy we support as we would never want to put USDA back into the position of dictating what is planted where. We also caution against the creation of any base updating models that will influence production against market and agronomic demands by incentivizing farmers to build base rather than plant for the needs of the market and the needs of their farm.

Crop Insurance

While Title I is mostly decoupled from plantings to maximize planting flexibility, there are other programs that serve different purposes that are narrowly tailored to production on the farm while still entirely market-oriented. I am speaking of the Crop Insurance Program, which is a program we very strongly support. In fact, sorghum producers bought crop insurance on 77 percent of their acres over the last five years, and the tool has been absolutely critical in helping us manage the ongoing drought conditions decimating the Sorghum Belt. It is based on market prices in the year, so it does not have any kind of distorting effect. It is also based on premium cost share so farmers have serious skin in the game. Availability of products and rating, however, can have a

very real local impact on plantings, so there remains some more work to be done to improve in this area.

For example, drought-tolerant, resource conserving crops like sorghum should be rewarded under the program. Due to sorghum's water-sipping qualities, the crop can offer farmers flexibility with their groundwater resources where sorghum is grown under irrigation. Sorghum also promotes soil health in rotations that benefit subsequent crops.

However, due to sorghum's ability to withstand short periods of drought and heat better than most other crops, farmers tend to deploy sorghum more aggressively when the production outlook is bleak. This exposes the crop to extra environmental stress. In effect, sorghum transitional yields, which are proxy yields for a farmer's individual yield history when transitioning to a crop he or she has never grown before, ultimately suffer and become an obstacle for sorghum production as well as for groundwater resource management.

Fortunately, in November 2022, RMA announced a new crop insurance option for irrigated sorghum farmers that is now available in the 2023 growing season. The option will be available as a pilot program to farmers in select counties in Kansas, Oklahoma, and Texas over the Ogallala Aquifer. We continue to work closely with RMA and look forward to working with this Committee to build upon these recent efforts that provide meaningful solutions for sorghum farmers.

Program Parity

Backing out to the big picture, sorghum is always competing for acreage to supply our markets, which are growing and demanding more of this product as a resource conserving ingredient. Most of that competition is with soybeans and corn in the northern portion of the Sorghum Belt and cotton in the south. For corn and soybeans, their insurance rating is simply better in many places for reasons stated above. This is something we are working on and being creative to address, to the benefit of all farmers, whatever crop they grow. With respect to cotton, there are options available for higher levels of coverage at higher levels of premium cost share that are not available for sorghum where we also need to work to achieve parity. Sorghum needs the ability to buy insurance products at higher levels like this to compete for acres. Again, we believe this option will serve all farmers and foster a better use of resources over time.

Knowing that this Committee is looking at ways to address predictable weather disasters through improvements in the Farm Bill, we suggest that providing a special cost-share policy for sorghum is a worthy pursuit. From a sorghum perspective, this option could help address our parity and acreage competition concerns and provide a more predictable and timely level of protection against widespread weather disasters compared to ad hoc assistance programs like ERP.

There are a lot of details that would need to be considered in fashioning these policies and NSP staff stand ready to work with you on these very important matters. We want policy that is improved for sorghum producers, and really all producers who are putting it on the line each year to make a positive difference for this world.

Trade Promotion, Development, and Global Food Security

Over the past decade, foreign markets have propelled demand and profitability for U.S. sorghum and we value the relationships with new and emerging trading partners. As such, we support increased funding for the Market Access Program and the Foreign Market Development program to help promote U.S. agriculture abroad. Typically, a third of U.S. sorghum production is exported but in recent years that percentage has climbed dramatically higher. China remains a substantial buyer and additional work is needed through federal and industry collaboration to diversify our markets.

Likewise, the U.S. Sorghum Industry readily collaborates with the global sorghum research and development community to foster and sustain regional sorghum supply chains appropriate to address the long-term agronomic, industrial, and cultural needs of the various other sorghum belts across the globe.

Unfortunately, natural disasters, regional conflicts, and the pandemic have all exacerbated food insecurity among destabilized populations. Sorghum is a resilient crop and grows well in semi-arid conditions, including in Africa, where it originated and remains an especially important and nutritious food and animal feed grain. We support the continued role of U.S. commodities in international food assistance programs as a vital tool to address the short-term needs caused by these interconnected challenges and alleviate the impacts of acute malnutrition. We applaud the work of this Committee as well as the Senate and House Hunger Caucuses in highlighting the critical role of the American farmer in advancing global food security.

Conclusion

Madam Chairwoman, in closing, I want to thank you again for the opportunity to testify and to let you know that our farmer members of the National Sorghum Producers appreciate the task you have before you. While we have focused on aspects of Title I, crop insurance, and trade promotion, these farm policy cornerstones have significant impacts on other important areas to our industry like research, rural development, and bioenergy. All are important pieces to a larger puzzle that underscore the value of the farm safety net and its central necessity toward ensuring farmers like me and my family are able to continue to farm from one season to the next.

Thank you again for the opportunity to testify and we look forward to working with the Senate Agriculture, Nutrition, and Forestry Committee and our fellow commodity organizations to make meaningful improvements to the Farm Bill.



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Written Testimony of Brent Cheyne

President, National Association of Wheat Growers

Before the Senate Agriculture Committee Subcommittee on Commodities, Risk Management, and Trade

Commodity Programs, Credit, and Crop Insurance – Producer Perspectives on the Farm Safety Net

May 2, 2023

Chairwoman Smith, Ranking Member Hyde-Smith, and Members of the Subcommittee, thank you for the opportunity to testify before this Commodities, Risk Management, and Trade Subcommittee. My name is Brent Cheyne, a farmer from Klamath Falls, Oregon where I operate a certified Century Farm with my son who will carry on the family tradition of working hard and producing a quality product. Thank you for holding this hearing today to discuss the 2018 Farm Bill and the changes we would like to see in the 2023 Farm Bill.

NAWG is a federation of 20 state wheat grower associations and industry partners that work to represent the needs and interests of wheat producers before Congress and federal agencies. Based in Washington, D.C., NAWG is grower-governed and works in areas as diverse as federal farm policy, environmental regulation, the future commercialization of emerging technologies in wheat, and uniting the wheat industry around common goals. Our members feel it is important to provide testimony before this subcommittee today as we look forward to the reauthorization of the Farm Bill this year. This hearing is particularly timely as many of us here were at Commodity Classic last month discussing the needs for the upcoming Farm Bill.

Wheat Overview

Nationwide, there are six different classes of wheat, each of which is grown for different uses in different geographic regions and climates, using a variety of agronomic practices, and facing different challenges. These varieties of challenges, uses, and growers make creating a one-size-fits-all program for wheat particularly difficult. In my home state of Oregon, there are just over 36,000 farmers operating over 15 million acres. My state grows Soft White wheat on over 700,000 acres making it the largest row crop grown in Oregon. Soft White wheat is used primarily in Asian-style bakery products as well as cakes and pastries.

According to the April 11 crop production report from the USDA National Agricultural Statistics Service (NASS), all wheat planted areas increased by over 4 million acres. However, this information was coupled with an April 2 report from USDA NASS that noted that “more than one-third of the winter wheat was rated in very poor to poor conditions” in Kansas, Texas, Oklahoma, and Nebraska. In other words, the largest area of winter wheat production is in bad shape. The report also noted that only 28 percent of the nation’s winter wheat was rated good to excellent condition, the lowest figure since 1996.

According to the United States Department of Agriculture's (USDA) World Agriculture Supply and Demand Estimates from April 11, the United States (U.S.) exported over an estimated 21.7 million metric tons (MMT) (797 million bushels) of wheat in 2021/22 and projects the U.S. to export 21.1 MMT (775 million bushels) in 2022/23, representing 48 percent and 47 percent of total U.S. wheat production respectively. With such a large percentage of our production exported, U.S. wheat growers' profitability is intricately connected to our export markets. The U.S. is the largest donor of food assistance worldwide, with over 1.3 MMT in food aid tenders in marketing year 2022/23 so far, making up around six percent of commercial sales, plus additional U.S. commodity donations, and substantial cash and non-U.S. purchased food. Wheat is one of the principal food grains produced in the United States and consumed around the world, constituting roughly one in five calories consumed worldwide. Food aid donations have made significant impacts in markets like Ethiopia and Yemen that are facing food shortages.

With nearly 50 percent of U.S. wheat heading to overseas markets, trade is a major priority for wheat farmers. The United States is the world's fourth largest exporter of wheat, behind Russia, Australia, and Canada, while being the largest contributor to food aid, providing around half of the world's food aid. On average, Mexico, the Philippines, Japan, South Korea, and Nigeria make up the top five destinations for U.S. wheat. Following the United States's success at the World Trade Organization (WTO) and through efforts to negotiate the China Phase 1 deal, China went from being the world's 16th largest importer to the 4th largest in a single year. In addition, top recipients of food aid most recently include Yemen and Ethiopia.

The world wheat market is an ever-changing one that provides unique opportunities for U.S. wheat farmers. But wheat is also the world's most widely planted and traded commodity. That means global competition among exporters is fierce. It highlights the continuous need for new market access to keep U.S. growers on a level playing field with other countries – especially as our primary competitors in quality wheat markets – Canada and Australia continue to sign and pursue new free trade agreements around the world. Two free trade agreements that are currently being evaluated by the administrations are with the United Kingdom and Kenya. Both would be prime examples where U.S. wheat faces tariff and non-tariff barriers that we would hope to resolve through trade negotiations. In addition, the Asia Pacific is a region ripe for U.S. attention on trade, given several competitor agreements in place and the continuing growth in their wheat consumption. Whatever form those future discussions take, agricultural market access must be a priority.

This hearing is of utmost importance as we keep those figures in mind. Under the current safety net, with those types of weather challenges impacting a significant portion of wheat farmers, many farmers will fall through the net. When falling from these heights, farmers will get injured. This testimony outlines the changes made in the previous Farm Bills, NAWG's requests for the 2023 Farm Bill, and lays out the economic conditions that make improving the safety net necessary.

Changes and Decreases to the 2014 and 2018 Farm Bill

The 2014 Farm Bill made cuts to the overall spending of the Farm Bill, especially in the Commodity Title. When accounting for sequestration cuts, the 2014 the Farm Bill eliminated a total of \$26.8 billion in spending, including \$12.7 billion in the commodity title.

These cuts widened the holes in the safety net that have allowed farmers to fall through over the last decade, leading to widespread calls for ad hoc disaster programs. Since the introduction of the Market Facilitation Program in 2018-19, disaster programs have spent far more than the original cuts to the 2014 Farm Bill, out of necessity, thanks to the shortcomings of the current safety net. Between the Coronavirus Food Assistance Programs (CFAP) and Emergency Relief Program (ERP) alone, wheat farmers received over \$2.5 billion for an average of \$850 million per year. These were needed programs that helped wheat farmers overcome a bad agricultural economy, low yields, and low prices.

While these programs were extremely helpful and necessary, they did not come without challenges. Unlike Title I programs and crop insurance, ad hoc disaster programs cannot be counted on given their nature. They are often funded a year or two after the disaster, and it can take many months for USDA to roll out the program. This drag in payment timelines often threatens to put farmers experiencing disasters out of business. Further, the complicated nature of forcing the USDA to create a new program to address disasters makes the program itself complicated. Staff at the local Farm Service Agency (FSA) offices are often given a crash course in a complicated program and then have to explain it to the farmer. This uncertainty and inconsistency can cause headaches and confusion and impact a farmer's relationship with their FSA office.

It is time that Congress lessened its reliance on ad hoc disaster programs and firms up the safety net to give farmers the confidence to produce the safest, most secure, and cheapest food system the world has ever seen.

The 2018 Farm Bill continued prioritizing Title III and its role in international food aid while making key changes to provide maximum flexibility in how agencies and NGO's implement these important programs. The new Farm Bill eliminated the 15 percent monetization requirement in Food for Peace, which allowed additional flexibility in program implementation. It also permitted 10 percent of McGovern-Dole program funds to be used for local and regional procurement, established a pilot agreement allowing supplemental appropriated Food for Progress funds to be used for direct development activities, and made technical changes to several fellowship programs.

The 2018 Farm Bill continued promoting trade by consolidating several programs into the Agricultural Trade Promotion and Facilitation section, which maintains the unique functions of each program while establishing permanent, mandatory funding for export promotion activities. It also created a Priority Trade Fund that allows the Secretary of Agriculture to allocate additional funds to any export promotion program. Market Access Program (MAP) and Foreign Market Development (FMD) program funding was also made available for activities in Cuba.

The 2018 Farm Bill provides \$255 million in annual mandatory funding for export programs from the Commodity Credit Corporation, while GSM-102 was given over \$3.5 billion for allocation in the fiscal year 2022.

NAWG Policy Priorities for the Next Farm Bill

Since the fall of 2021, our membership has reviewed the 2028 Farm Bill programs and subsequent ad-hoc programs through our internal committee structure and solicited individual grower feedback through a survey. These efforts culminated in our Board of Directors making 2023 Farm Bill recommendations in the summer of 2022 and expanding upon those priorities at Commodity Classic

early last month. This testimony will provide a reiteration of our major asks in the Commodity and Crop Insurance Titles and will justify these asks.

NAWG's number one priority is protecting the crop insurance title. The economic challenges outlined below and the ad hoc programs over the last half decade demonstrate the short-sighted nature of cutting crop insurance as a budget saving tool. Further cuts will jeopardize the partnership between the federal government and the private insurance industry that delivers an essential risk management tool. We encourage this subcommittee to avoid further cuts and even look at ways to enhance the program through better affordability.

My farm is a great demonstration of the challenges that farmers face when it comes to crop insurance affordability. My son and I utilize a yield protection policy on our farm with coverage of 80 percent. This means that in a qualified loss, we are only covered up to 80 percent of our average production history (APH). In a year of total loss, only being covered up to 80 percent only goes so far in protecting our farm. While my son and I would like to elect a higher coverage, moving up to an 85 percent coverage level nearly doubles the premiums that we pay. This is unaffordable for us and many similar farmers. Paying for maximum coverage levels is usually far too expensive for most farmers. Congress should take a hard look at this issue and make efforts to increase the affordability of higher coverage levels.

It's also important to understand that the crop insurance program is not just valued by farmers but the entire rural community. Many banks refuse to extend lines of credit without farmers enrolling in crop insurance. This is done as a form of protection for banks themselves. Crop insurance allows farmers to pay their bills to input dealers, seed suppliers, cooperatives, and buy groceries and local grocery stores, even in years where production or prices fall. Crop insurance is not just important to farmers, it's essential to the survival of rural America.

One specific improvement NAWG is proposing is the separation of Enterprise Units (EU) by continuous and fallow cropping systems. Currently, farmers must combine fallow and continuous wheat acres. As a result, you can have a fallow APH and a continuous APH that are reported separately but must have a blended unit in an EU. This dynamic ends up hurting farmers in arid areas when crop insurance needs to be a safety tool for their protection. Our solution would use precedent language in previous Farm Bills that make changes to EUs to allow insuring wheat EUs by fallow and continuous while still offering a combined option. This legislation would benefit farmers and help them be better able to insure their wheat and their livelihood.

In the commodity title, NAWG recommends a meaningful increase to the statutory reference price for Price Loss Coverage (PLC) and changing the parameters on the effective reference price calculation. These recommendations would allow for a stronger Title I program that can more effectively protect farmers, and better adjust to market conditions. This is especially important with the substantial increases in the cost of production. Using USDA's Commodity Costs and Returns data from October 3, 2022 (the most recent available), after factoring in overhead costs like labor, cost of living, and opportunity costs, wheat farmers lost \$64.47 per acre. Meanwhile, wheat farmers didn't see a PLC payment because the Marketing Year Average (MYA) price was already inflating. Data for 2022 comes out next week and will likely show that wheat farmers lost even more money in 2022 despite the increasing commodity prices due to increases in inflation and input costs, which the testimony will delineate. With the MYA price projected at \$8.90 per bushel, the \$5.50 reference price means that wheat farmers would have to see a 38 percent decrease in prices before seeing a government payment.

That's a precipitous drop. The effectiveness of the safety net is largely dependent on how big the fall will be. The statutory reference price established in the 2014 Farm Bill is outdated and doesn't work for this economy.

Another area of focus in improving the Title I program would be to modify and strengthen the parameters of the effective reference price in tandem with updating the statutory wheat reference price. The effective reference price and its adjustment mechanism could be improved to provide a better safety net for wheat farmers that can be responsive to market conditions. The current effective reference price is capped at 115 percent of the statutory reference price, with a maximum level of \$6.33 per bushel for wheat. Additionally, the 85 percent factor on the moving average should be reexamined and increased to 90 or 95 percent. Overall, having an adjustment that takes years to occur is too slow with the current volatility of commodity markets and the ever-increasing cost of production and the Committees should consider making this mechanism more responsive to market conditions. For wheat, the escalator can be more meaningful if the statutory reference price is adjusted to more accurately account for increased input costs and value of production, which has increased significantly since the 2018 Farm Bill.

We do not propose increasing the reference price to guarantee a profit for wheat farmers. It would simply mitigate some of the substantial risks involved in the industry and help protect from the serious increases in unavoidable costs that farmers face.

While the cost of this Farm Bill will come under intense scrutiny, it is impossible to separate the cost of the ad hoc programs and the Farm Bill. The cuts made in previous Farm Bills created the need for these additional programs, at tremendous cost. As mentioned previously in my testimony, the CFAP and ERP programs alone provided an average of \$850 million per year over three years, with CFAP providing almost \$1.5 billion in one year and ERP providing just over \$1 billion over two years. If made permanent, these programs would cost over \$8.5 billion on average over their 10-year lifespan. This does not even include the spending made in Market Facilitation Program (MFP) or the iterations of the Wildfire and Hurricane Indemnity Program (WHIP and WHIP+). Meanwhile, raising the reference price – for example – by one dollar would cost \$14.6 billion over that same 10-year timeframe according to some estimates. As we consider reauthorization, it is important we work to strengthen our Farm Bill safety net that provides timely, effective, and dependent protection.

Title III of the Farm Bill consists of two major elements that play a crucial role in agricultural trade: international food aid and agricultural trade promotion. The international food aid programs have been successful in stabilizing economies and populations hurt by climate change, famine, and war and have helped promote peace by reducing terrorism and food emigration. Trade promotion programs have helped U.S. agricultural products remain competitive on world markets and opened access to new markets, which has boosted the agriculture economy and kept farmers in business. While making up less than one percent of total Farm Bill funding, Title III plays a crucial role in the farm safety net.

As MAP and FMD haven't seen a funding increase since 2002 and 2006, respectively, NAWG is thankful to Senator Smith and Ernst for being original cosponsors of the bipartisan Expanding Agricultural Export Act (S. 176). S. 176 would double the authorized funding levels for MAP and FMD to \$400 million and \$69 million, respectively. The funds are used to reimburse agricultural organizations for a portion of the cost of carrying out overseas marketing and promotional activities, such as consumer promotions. These programs generate a net return of \$24.50 for every dollar invested and support 225,800 full- and part-

time jobs nationwide. NAWG is fully supportive of this bill and encourages the Senate Agriculture Committee include it in the 2023 Farm Bill.

Each year, our nation's international food aid programs help feed millions of vulnerable people around the world. These programs have enjoyed significant bipartisan support for more than 65 years, and the need for food assistance has never been greater, emphasizing the need for the farm bill to continue supporting U.S. commodities as part of these vital programs.

The use of American grown commodities as food aid has been a cornerstone of U.S. foreign assistance programs for decades. U.S. commodities have been integral in allowing the U.S. to expedite hunger relief, increase resilience, and save countless lives. However, over time, these proven programs have shifted away from their bedrock of commodities to alternatives lacking in accountability, such as physical cash handouts in some of the most unstable regions of the world and using American taxpayer dollars to purchase commodities from foreign agricultural competitors. It is time to put the food back in food aid by increasing the amount of pure in-kind commodity donation in the food aid programs.

NAWG recognizes several of these priorities would require securing additional budget authority to craft the next Farm Bill. To this end, NAWG joined over 400 agricultural organizations requesting additional resources so that this committee can write a Farm Bill that provides an adequate farm safety net for rural America. NAWG appreciates the desire of Congress to be fiscally conservative with our tax dollars. However, the farming safety net makes up only two-tenths of one percent of federal spending. In a world faced with increasing global hunger, massive increases in input costs, unprecedented market volatility, and large government expenditures, now is the time to invest in the Farm Bill, not limit agricultural spending.

The Farm Bill also includes important programs related to conservation financial and technical assistance and research. We look forward to continuing to engage with all the Members of the Senate Agriculture Committee on the Conservation and Research Title and additional provisions in the bill.

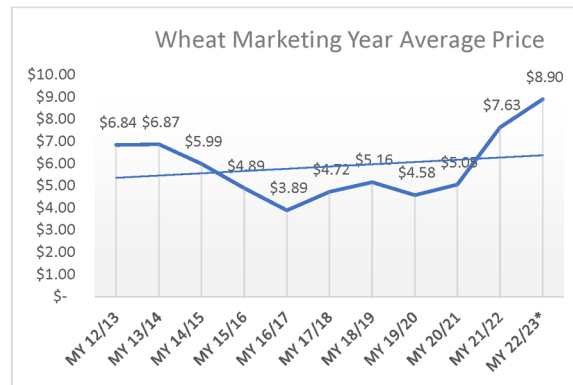
Economics in Wheat Country

Wheat farmers are currently enjoying a strong farm economy, although it has its challenges. Higher prices have bolstered cash and farm income in recent years, putting farmers in a decent position to weather economic storms. However, challenges in the form of inflation, interest rates, and weather are already impacting our growers as farm income is projected to decrease in 2023.

Prices

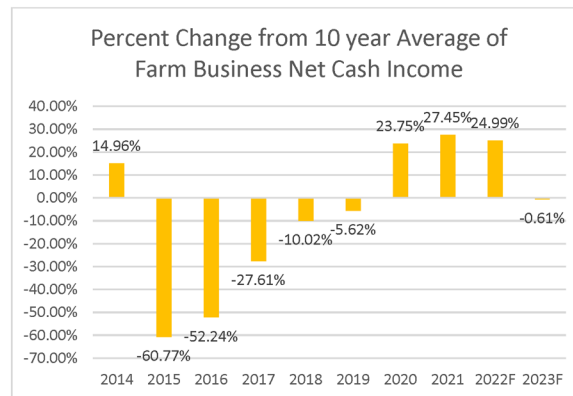
Wheat farmers have been through a lot economically over the last decade, experiencing near record highs and lows in net farm income and prices, while dealing with trade and market disruptions thanks to COVID-19, trade wars, and the Russian invasion of Ukraine. The volatility has been coupled with multiple years of natural disasters in the form of drought, causing historically low production in spring wheat in 2021, followed by historically low production in winter wheat in 2022. Forecasts predict another year of historically low winter wheat production once again in 2023. The USDA is projecting the lowest yields in winter wheat since the 1960's. Currently, the agricultural economy is strong but is facing significant headwinds that have led to economists forecasting decreases in 2023.

The past two marketing years have given wheat farmers much needed relief as prices have risen significantly. After seeing six straight years of low prices, low enough to trigger the already-too-low Title I Reference Prices, wheat prices have recovered to a point where wheat farmers can actually be profitable. This year, the MYA price is projected at a record \$9.00, up from the 2021-22 MYA price of \$7.60. These prices have given wheat farmers an opportunity to make valuable investments in their businesses. However, significant headwinds in the form of inflation, interest, input prices, and weather conditions threaten to, at least partially, negate these record prices.

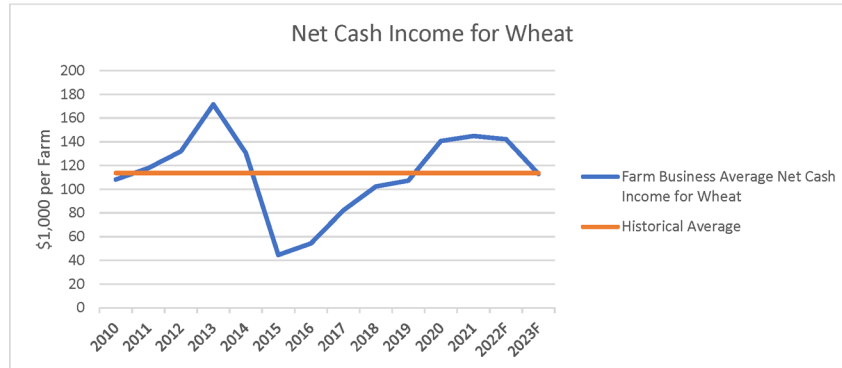


Net Income

These increases in prices are reflected positively in net cash income for farm businesses. Net cash income is the cash available to farmers to draw down debt, pay taxes, cover family living expenses, and invest. Thanks to these high prices, farmers have seen historically higher than normal net cash income.



From historically low cash income in 2015 to historically high income in 2021, increased prices, high yields, and disaster payments have helped wheat farmers survive those bleak years. However, as the charts below show, Net Cash Income is forecasted to not only decrease from historical highs in 2023 but come down to historical averages. This is due to the turbulence I have described in the agricultural economy. This volatility makes it difficult for wheat growers to plan into the future and have consistency in budgeting for and marketing their wheat crop.



Inflation and Interest Rates

Like the rest of the economy, farmers have felt the belt-tightening pressures of increasing inflation and interest rates. Inflation, caused by increased government spending, supply chain pressures, monetary policy, and the war in Ukraine, hit the highest rate that young farmers have seen in their lifetime, the highest since the 1980's. The chart below from the Bureau of Labor Statistics shows the heights the

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

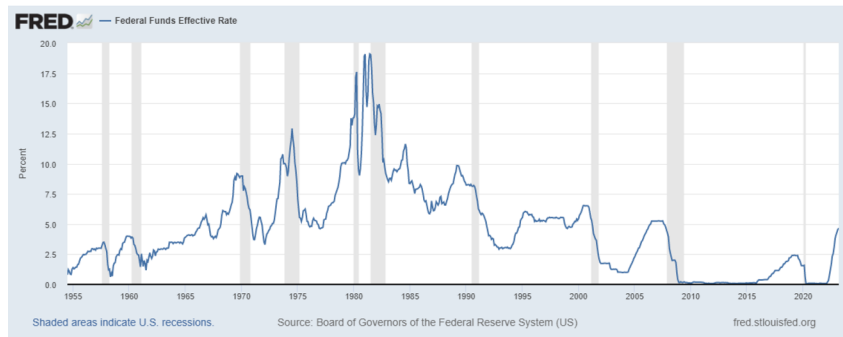


inflation rate hit in late 2022. While inflation has eased somewhat, the economy still suffers from the highest inflation rate of the 21st Century.

These inflation rates have shown themselves in numerous ways for farmers, but most notably in the additional costs of farm inputs. For example, one analysis that a wheat farmer in Southwest Kansas made on his own 308 acres of no-till fallowed wheat showed that the price per acre of crop protection tools more than tripled between 2021 and 2022.

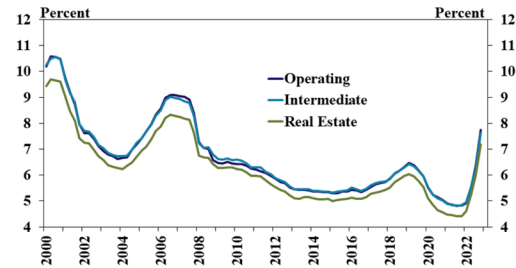
When multiplied across the entire 308 acres, this was an increase of \$27,981.80. This is only one part of the story as fertilizer, labor, and equipment parts and repairs are not included in that estimate. These increased costs for crop protection tools are only a small fraction of the entire set of bills that wheat farmers are now paying.

The increased inflation is coupled with increasing interest rates as the Federal Reserve has attempted to reduce inflation. The chart below from the Federal Reserve Bank of St. Louis demonstrates the abnormally elevated federal funds rate at levels unseen since the 2008 financial crisis. The federal funds rate is the suggested interest at which banks lend money to each other set by the central bank.



The important difference between the recent increases in inflation rates and the previous highs in the 1980s and 2008 is the recent trend of near zero interest rates. Near zero interest rates make money more available and decrease the cost of obtaining loans. Farming is a business that often relies on operating loans. Meanwhile, the risky nature of agriculture means their annual operating notes may run at higher interest rates than the rate at which banks lend to each other. This is demonstrated in the chart below from the Federal Reserve Bank of Kansas City.

Chart 1: Average Fixed and Variable Interest Rates on Agricultural Loans*



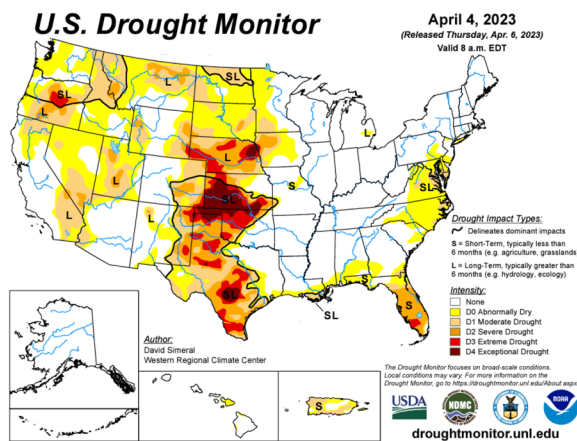
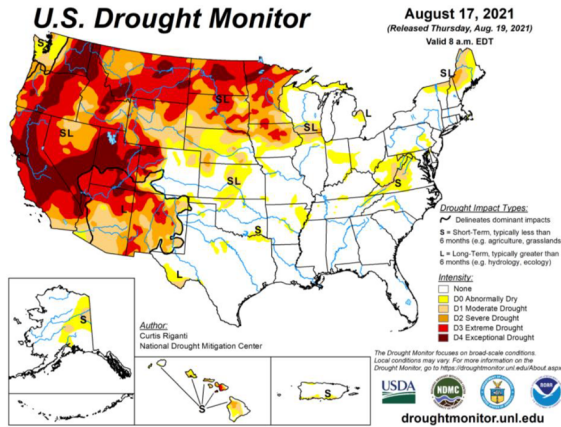
*Average interest rate across all Districts with applicable data. Includes Chicago, Dallas, Kansas City, Minneapolis, St. Louis Districts.
 Note: St. Louis survey began Q2 2012. Chicago District survey includes only fixed operating and real estate loans.
 Sources: Federal Reserve District Surveys of Agricultural Credit Conditions

According to the Kansas City Fed, in the fourth quarter, “Interest rates on farm loans jumped to decade highs as benchmark rates rose further. The average rate charged on agricultural loans at banks in reporting Federal Reserve Districts increased nearly 150 basis points from the previous quarter and were about 300 basis points higher than the same time a year ago. Rates rose to the highest level since 2008 and pushed up financing costs considerably.” On my farm, we were just quoted for our operating note at 8 percent but were told that next year’s rate would be over 10 percent, something we have anecdotally heard across the country. Farmers that have enjoyed near zero interest rates now have to deal with the additional costs of capital and the increased prices thanks to inflation.

Many farmers depend on these operating loans to continue to farm. Farming is not only risky, but also very expensive, with a new combine harvester costing almost \$1 million. After years of near-zero interest rates on operating notes, these increased interest rates make it more expensive for farmers to use the capital they need to implement conservation practices, invest in new equipment, and stay in business.

Weather Conditions

Agriculture is uniquely dependent on the weather. While other industries can continue to thrive through excess drought or rain, farmers’ crops are completely dependent on the weather. The last five years have put intense production pressure on both spring and winter wheat for farmers throughout the United States. The 2021-22 crop year saw the lowest all wheat production since 2003 and marked only the second time in fifty years that all wheat production failed to reach 1.7 billion bushels. Meanwhile, 2022-23 is projected to be the smallest winter wheat crop since 1963 because of the significant drought conditions. The charts below show the drought monitors for August 2021 and April 2023, respectively, demonstrating the intensity of droughts throughout various regions of the wheat growing area and its impact on both spring and winter wheat.



Conclusion

As the Senate Agriculture Committee continues to have these hearings and begins drafting the 2023 Farm Bill, I look forward to working with the members of this subcommittee, their staff, and the other witnesses here today to help craft a Farm Bill that works for wheat growers and all of American agriculture. Farmers play a key role in helping sustain our rural communities and feeding the world. As the Farm Bill process continues, I would urge judicious and expeditious review of authorized programs and work to ensure a full reauthorization of Farm Bill programs prior to the expiration of the current

Farm Bill on September 30, 2023, so that producers have certainty about the structure of the safety net moving forward.

We look forward to continuing to work with you to ensure a strong U.S. farm economy. Thank you again for this opportunity.

Written Testimony of Blake Gendebien
Senate Agriculture Subcommittee on Commodities, Risk Management, and Trade
On behalf of the National Milk Producers Federation and Agri-Mark, Inc.
May 2, 2023

Chair Smith, Ranking Member Hyde-Smith, members of the committee, thank you for the opportunity to testify before you today as the committee reviews current farm policy in advance of the upcoming farm bill.

My name is Blake Gendebien. My family and I own and operate Twin Mill Farms in Northern New York. We are a second-generation dairy started in 1972, in Lisbon, NY in the St. Lawrence Valley. My wife and I milk 500 cows and farm 1200 acres with my mother and father. We employ 11 people.

I am proud to be a member-owner and the Vice Chairman of Agri-Mark, a dairy cooperative owned by more than 500 dairy farm families in New York and New England. Our cooperative has been marketing milk for dairy farmers since 1917 and actively represents their legislative interests in the Northeast and in Washington, D.C.

Agri-Mark is governed by our farmers. Our board of directors includes 14 farmers elected by their peers, and the board sets the policies and strategic direction for the cooperative. Our mission is to guide our cooperative to ensure a more prosperous future for all members, employees, and their communities. We have approximately 550 members across Connecticut, Massachusetts, Maine, New Hampshire, New York, Rhode Island, and Vermont. Agri-Mark has a strong presence in New York, where more than half of our membership and half of our milk volume comes from.

Each year Agri-Mark markets around 370 million gallons, or 3.3 billion pounds, of fresh milk for our farm families. That milk is manufactured into nutritious high-quality dairy products at our four manufacturing facilities, or it is marketed to other regional dairy processors. Agri-Mark operates three cheese production facilities and one butter/powder facility. Our award-winning cheeses and quality dairy products are marketed under the Cabot and McCadam brands which are sold across the U.S. Much of our New York milk is processed in our Chateaugay, New York cheese plant.

I am testifying before you today on behalf of the National Milk Producers Federation (NMPF), of which Agri-Mark is a member cooperative. NMPF develops and carries out policies that advance the well-being of dairy producers like me and the cooperatives we own. NMPF's member cooperatives market the majority of the U.S. milk supply, making NMPF the voice of tens of thousands of dairy producers on national issues.

I am pleased to offer comments on dairy policy as you prepare to craft the next farm bill. When this committee began preparing for the 2018 Farm Bill, dairy policy was much different, and much less effective, than it is today. The previous Margin Protection Program (MPP), while well-intended, fell short of providing the protection required of a valuable farm safety net. MPP allowed farmers to insure against low margins – the gap between milk prices and feed costs – but

did not offer affordable or meaningful coverage that accounted for the challenges producers endured. As a result, dairy farmers largely opted out of the program. Further, unlike our counterparts who grow crops, dairy farmers lacked access to the risk management options that can help meet their customized needs.

Dairy farmers are grateful for the work this committee did to reform the dairy safety net in both the 2018 Farm Bill and the Bipartisan Budget Act of 2018. As a New York producer, I am particularly grateful to you, Senator Gillibrand, for advocating on behalf of dairy farmers in New York and beyond and for securing the MPP refund provision to help dairy farmers in the last farm bill. The Dairy Margin Coverage (DMC) program is a major improvement over MPP and has performed as a strong safety net for dairy farmers during difficult times. It offers producers affordable coverage for margin levels that reflect the milk price and feed cost challenges they face. DMC worked as intended in 2021, paying out well over \$1.1 billion to participating farmers nationwide, including more than \$111 million in New York, as they continued to weather the COVID-19 pandemic. While margins improved in 2022, the program still paid out nearly \$84 million nationwide, including more than \$7 million to farmers in New York.

DMC has provided important security to my family's farm, given the volatility that persists in dairy markets. Since the program was implemented in 2019, my farm has consistently purchased the maximum available DMC coverage at a margin of \$9.50 per hundredweight, knowing that it may not pay out every year, but is intended to serve as a safety net when needed. I am glad that more than 72 percent of those dairy farmers who have DMC production history are enrolled in the program for 2023.

However, as valuable as the program has been, many farmers have not been able to fully benefit because DMC's underlying production history calculation is outdated. Dairy farmers need the opportunity to update their production history to reflect more current on-farm production levels. 2013 is far too long ago, and other farm safety net programs do not use such an outdated production reference. Many farms have grown to meet market demands or to allow their children to join the farm. We are grateful to this committee for enacting Supplemental Dairy Margin Coverage payments to compensate farmers for incremental production increases as of 2019. It is critical that this adjustment be continued and potentially enhanced so that DMC remains a viable safety net.

In addition, NMPF's Economic Policy Committee is currently reviewing other potential improvements to DMC for this next farm bill. For example, DMC currently allows all participating producers to pay lower premiums per hundredweight for their first five million pounds of production history, known as Tier 1 milk volume. Recognizing the budgetary constraints around the farm bill, I believe a modest increase to this threshold would benefit many family dairy farmers in the Northeast and nationwide.

Beyond DMC, we are grateful that, on par with producers of other commodities, dairy farmers of all sizes now have access to both a Farm Service Agency-run safety net as well as Risk Management Agency tools, such as Dairy Revenue Protection (Dairy-RP) and Livestock Gross Margin-Dairy (LGM-Dairy), which give all farmers the ability to adapt their risk management to their needs. I have participated in Dairy-RP for many years since it was created. We are pleased

that USDA last year approved several improvements to LGM-Dairy, including simplifying the purchase process to align it more closely with Dairy-RP and making the program available in all counties in every state. We look forward to working with this committee on further potential adjustments to strengthen these risk management options. In particular, we support improvements to make these programs more affordable for producers of all sizes.

Beyond the dairy safety net and risk management tools, the Federal Milk Marketing Order (FMMO) system provides significant value and safeguards to dairy farmers, cooperatives, and processors. Federal Orders are designed to assure consumers an adequate supply of fluid milk and to promote orderly marketing conditions for farmers. However, the industry has changed significantly since the last major order updates in 2000, and the COVID-19 pandemic drew acute attention to key shortfalls within the system. Dairy producers want the FMMO system to evolve with our industry and economy and be supportive of the needs of today's dairy participants.

To meet this challenge, NMPF has worked extensively over the past year-plus to conduct a comprehensive examination of the FMMO program aimed at updating and modernizing this important dairy producer-focused program that has remained largely unchanged in the last two decades. After more than 150 meetings of NMPF dairy farmer members and co-op technical experts, including from Agri-Mark, NMPF's Board of Directors gave unanimous approval in March to a comprehensive proposal to modernize the FMMO program. We are heartened by the strong support among dairy farmers from coast to coast for this broad proposal and we look forward to imminently submitting our petition to USDA for a comprehensive national federal order hearing to modernize FMMOs.

We are hopeful that this comprehensive, thoughtful, measured approach to modernizing the program will be considered as the foundation for a national federal order hearing. NMPF's proposal includes carefully vetted solutions to numerous issues. As one example, our proposal includes a restoration of the previous "higher of" Class I mover formula. The current "average of plus \$0.74/cwt" mover was enacted in the last farm bill to accommodate a request for improved price risk management for processors while maintaining revenue neutrality for farmers, but it has instead cost dairy farmers nationwide more than \$900 million in Class I skim revenue on account of market dynamics in both 2020 and 2022. This has occurred because the current mover fundamentally saddles farmers with asymmetric risk. It includes an upper limit on how much more Class I skim revenue it can generate for producers than the previous mover, but no lower limit on how much less can be generated than the previous mover. We were very grateful for the Pandemic Market Volatility Assistance Program provided by USDA with Congress' support, but it is not reasonable or sustainable to keep a policy in place that will necessitate significant ad hoc disaster assistance every time the current Class I mover causes farmers to suffer major losses. Dairy farmers are united in seeking a return to the previous mover.

NMPF's petition also includes an update to make allowances, which are a necessary component of the FMMO pricing formulas. Current FMMO make allowances have not changed since 2008, while the costs of manufacturing dairy products have increased. Many dairy farmers are members of cooperatives like Agri-Mark who own dairy processing plants and therefore have a clear interest in setting the make allowance at the right level, looking at this from both the farmer and processor perspective. However, in addition to this needed interim update, we also seek to

develop a process to ensure that make allowances are reviewed more frequently. With this in mind, we hope to work with this committee in the upcoming farm bill to enact legislation to require USDA to conduct regular, mandatory, and auditable processing plant cost studies every two years and to report the results. This would provide information necessary for all dairy stakeholders to consider requesting future hearings to update make allowances based on accurate and up-to-date data.

I would like to highlight several other areas of great significance to dairy. First, dairy producers are long-time environmental stewards who tend with great care to our land, water, and other natural resources. As a testament to dairy's endeavors, research shows that producing a gallon of milk in 2017 required 30% less water, 21% less land, had a 19% smaller carbon footprint, and produced 20% less manure than it did in 2007. However, we always believe that more can be done, and, as a result, have set industry-wide goals of becoming greenhouse gas neutral or better, improving water quality, and optimizing water use by 2050. Conservation programs like the Environmental Quality Incentives Program are key as we work to continue our ongoing sustainability efforts. New funding enacted last year will help dairy farmers scale up innovative climate smart practices, such as new approaches to both feed and manure management, especially as these popular programs are currently oversubscribed.

Second, trade is critical to our success as farmers. Today, exports account for approximately 18% of our production and are likely to comprise an even greater share as global dairy demand continues to grow. Trade promotion programs like the Market Access Program and the Foreign Market Development program promote American-made dairy and agriculture products that compete with heavily subsidized foreign products, returning well over \$20 in export revenue for every one dollar invested in the programs. We support doubling funding for both essential programs to better promote U.S. dairy products worldwide. In addition, we hope to work with this committee in the farm bill to combat the European Union's efforts to restrict the use of common food names in markets around the world. These efforts are a trade barrier plain and simple, and they must be stopped.

Third, dairy farmers appreciate the enduring connection between agriculture and nutrition. Dairy is a nutrition powerhouse, serving as an excellent source of 13 essential nutrients, but continues to be under consumed according to the most recent Dietary Guidelines for Americans. Nutrition programs like the Supplemental Nutrition Assistance Program are vital to linking the food we produce as farmers to families across the country facing difficult circumstances. Finally, the Dairy Donation Program provides nutritious dairy products to food insecure families and minimizes food waste. We look forward to working with this committee on any additional enhancements that will help this program meet its goals.

Finally, in recent years, farmers have endured one difficult year after another. Stress in rural America continues to be a major problem that grips many of our communities. I am thankful to this committee for working in the previous farm bill to reauthorize the Farm and Ranch Stress Assistance Network, which aims to connect those working in agriculture to stress assistance and behavioral and mental health support programs. We thank the members of the Appropriations Committee for providing the needed funding and hope those efforts can be increased in the future.

Thank you again for the opportunity to testify before you. I am happy to answer any questions you may have.

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Testimony of

Rich Hillman

**Before the Senate Committee on Agriculture, Nutrition, and Forestry
Subcommittee on Commodities, Risk Management, and Trade**

**Commodity Programs, Credit, and Crop Insurance –
Part 1: Producer Perspectives on the Farm Safety Net**

Washington, D.C.

May 2, 2023

Good morning, Chairwoman Smith, Ranking Member Hyde-Smith, and Members of the Subcommittee.

Thank you for the opportunity to testify before you today concerning the current conditions in agriculture and our priorities for the upcoming Farm Bill.

I am Rich Hillman, a sixth-generation rice farmer from Carlisle, Arkansas, where I farm along with my son, Collin, who is the seventh generation, and my brother. We also raise soybeans and wheat.

I have the honor of testifying on behalf of USA Rice, the global advocate for the U.S. rice industry, a \$34 billion industry representing farmers, millers, merchants, and allied businesses, where I serve on the USA Rice Farmers Board of Directors. I also serve as the president of Arkansas Farm Bureau.

Rice farmers in the United States produce 20 billion pounds of rice annually, which is grown on approximately three million acres of farmland that is highly managed for sustainability. About half of our rice is consumed here at home while the other half is exported to more than 120 countries around the globe. Nearly three quarters of the rice consumed in the U.S. is produced and processed domestically. However, our industry has its challenges as the global rice market is among the most distorted of any sector, a factor that underscores the vital importance of the U.S. farm safety net for rice farmers like me.

This rice is produced on family farms across six major rice producing states – Arkansas, California, Louisiana, Mississippi, Missouri, and Texas – as well as a handful of other states, including Florida, Illinois, Kentucky, South Carolina, and Tennessee, with positive economic impacts in nearly every other state. On average, each rice farmer in the U.S. contributes \$1 million to his or her local economy and employs six people. This equates to more than \$5.6 billion in positive economic impact on the U.S. economy and a total of 31,710 jobs directly supported by rice production. Also, rice farmers have an additional \$5.5 billion impact on the U.S. economy in value-added and labor income generated by their operations. The broader rice industry supports more than 125,000 jobs nationwide.

In addition to putting rice on grocery shelves, in restaurants, on the dinner table, and as an essential ingredient for beverages and other products, such as pet food, U.S. rice farmers have long been committed to environmental stewardship which dates back generations – well before sustainability became a buzzword.

Rice was not as fortunate as many other commodities that saw a large run ups in market prices in 2020 and 2021 all while contending with an unprecedented increase in costs of production.

The Agricultural and Food Policy Center at Texas A&M University conducted a study in 2022 to examine the impacts of the rise in costs of production on its representative farms and rice farms were most negatively impacted. The rise in cost of production equated to an \$880,000 loss in net cash farm income from 2021 to 2022 per rice farm. According to the study, two-thirds of rice farms were predicted to have negative net cash farm income for the 2022 crop year. USDA also shows a dramatic increase in operating costs – a more than 30 percent increase in 2022 – compared to five years earlier.

I want to thank you all for providing this vital assistance to rice farmers for the 2022 crop year. The additional funding provided through the FY 2023 Omnibus Appropriations bill was truly critical for a great many rice farmers, including myself, as well as thousands of rural and urban communities and businesses that are dependent on rice production and processing.

We have had more recent, relatively modest rises in price but much of the gains we have seen have been offset by the erosion of the Price Loss Coverage program's (PLC) effectiveness to adapt with the times. The current cost of production is nowhere near 2012 levels – when the current reference price was calculated, and ultimately established in the 2014 Farm Bill, rendering the program unworkable for rice at its current level.

As an especially high input crop that is particularly subject to severe global market distortions due to the predatory trade practices of foreign countries, like India, U.S. rice farmers are much more vulnerable to the impacts of skyrocketing inflation and other global events that have caused increases to the costs of fuel, fertilizer, labor, and other crop inputs, as well as to the highest interest rates many farmers today have ever experienced. As a capital-intensive business, rice farmers put everything on the line each year to grow a crop. So, the net result of the 2022 crop year would have been a sea of red ink had it not been for the additional assistance that Congress provided.

In 1986, I purchased my first combine for \$100,000 – by myself. The stress of carrying that note of debt on my shoulders caused months of lost sleep and worry. But I paid off my debts and have since moved on, successfully growing our family farm. Fast forward to today, that same combine now costs \$750,000. Over these less than 40 years, the importance of economies of scale has only become more evident. In order to keep pace with capital and other costs, we must farm more land, while taking on more risk, further underscoring the importance of the farm safety net.

I should also note the challenge this is creating for our rice industry infrastructure. Last year, the extraordinary increase in input costs without a corresponding rise in rice prices created the

perfect storm resulting in the lowest rice acres being planted in the U.S. in 40 years. And, even with our tremendous increases in efficiency and yields, we had the lowest rice production in 30 years. This threatens not only rice farms but the entire U.S. rice infrastructure, including mills and elevators, applicators and farm suppliers, and many other rural businesses and economies that rice farmers support.

Although input prices remain high, we are anticipating a rebound in rice acres planted in the U.S. to normal levels in the near future. In 2022, a mere 2.2 million acres was planted. However, USDA forecasts this year that the U.S. will plant 2.6 million acres of rice. This is at least one encouraging sign.

We know that demand for rice by consumers in the U.S. and abroad only continues to grow. Rice is the staple food for more than half of the world's population and highly efficient rice farmers in the United States want to continue to lead the way in feeding a hungry world, especially at times when there is such a high potential for food shortages.

More than 3.5 billion people depend on rice to provide approximately 20 percent energy and 13 percent protein per capita. Rice's wide use as a staple by many cultures underscores its ability to nourish diverse populations and to enhance varied dietary patterns. U.S.-grown rice is a popular addition to the diet of Americans and when included in the dietary pattern, it helps Americans meet Dietary Guidelines because both refined and whole grains are accessible, affordable, and available. In addition to U.S.-grown rice being accessible and affordable, rice enjoys near universal acceptance, which is one of the reasons U.S.-grown rice is so prevalent in government feeding programs.

Looking ahead, we need a permanent fix to the rice farm safety net in the 2023 Farm Bill to ensure the long-term viability of the U.S. rice industry.

The purpose of any Farm Bill should be to provide a foundation or measure of stability for farmers to keep them on the farm despite distorted global markets, often unforgiving weather, and other challenges thrown at producers that are totally beyond their control.

Recent years have seen new obstacles that the 2018 Farm Bill could never have anticipated, including a trade war, a global pandemic, unprecedented subsidization of farmers in other rice producing countries, and a string of especially severe and chronic natural disasters. In response to each of these events, supplemental assistance was provided by the Administration or Congress to support our vital critical infrastructure industry – agriculture – in order to see farm and ranch families through these volatile times which continue to reverberate through today.

This has meant that a significant additional investment in agriculture, above and beyond what the Farm Bill provides, has had to be authorized to support farmers on top of the baseline funding of the 2018 Farm Bill. While we understand this is not captured in the Congressional Budget Office's (CBO) baseline for the Farm Bill going forward, we still believe it is important to recognize that there were needs that the current Farm Bill simply could not handle. And, as such, we believe that the safety net under the 2023 Farm Bill must be strengthened. A stronger safety net for farmers in the Farm Bill would be more cost effective for farmers and taxpayers than continued ad hoc programs.

Given this, USA Rice believes the forward looking 2023 Farm Bill baseline must be increased so that policy can be crafted to better anticipate and address the needs of family farms in these volatile times. I want to thank you for the budget views and estimates letter that the committee sent outlining the importance of increased funding for the farm safety net. We want the 2023 Farm Bill to be for farmers and the only way to do that is by strengthening the farm safety net. We think standing by our nation's critical rice industry is a worthy investment. The pandemic taught us, among other things, that food security as a national security issue is not a clever slogan. It is a reality. We cannot afford to lose the domestic rice industry or other commodities vital to the nation's food, fiber, feed, and fuel supply.

Title I of the Farm Bill, specifically the PLC program, has traditionally been our true safety net. It's what has allowed us to better compete on a lopsided global playing field distorted by high and rising foreign subsidies, tariffs, and non-tariff trade barriers.

For example, China was found to have illegally over-subsidized just three crops — including rice — by \$100 billion in a single year. For its part, India subsidizes its rice producers by upwards of 90 percent and injected even more financial support for its farmers facing escalating input costs. This results in India dumping rice across global markets at prices below the cost of production, causing India to gain market share steadily and unfairly. In fact, in the past ten years, India has become the largest rice exporter in the world, controlling over 40 percent of the world market. This was made possible through India's trade distorting practices and egregious violations of its World Trade Organization commitments. These are just two examples of a litany of predatory trade practices used by foreign competitors.

In the face of these and other challenges, USA Rice strongly believes reference prices under PLC need to be meaningfully updated and indexed in order to provide a relevant safety net that remains relevant over the long haul.

Payment limitations also need to be adjusted to reflect the growing risks undertaken by family farms. Just as lenders have had to adjust how much they are willing to lend and what they will require as collateral to keep up with current conditions, so too must the Farm Bill's safety net

adjust. This includes payment limitations, adjusted gross income (AGI), and actively engaged rules that simply have not kept pace with the times. They are outdated, as evidenced by the hundreds of Members of Congress on both sides of the political aisle who not long ago wrote to the Department of Agriculture expressing concerns that the limitations applied to pandemic and trade war relief, the same limitations long imposed on Title I programs, simply did not cover the enormous losses suffered by producers. This reality also led Members of Congress to pass more realistic program parameters in the context of natural disaster assistance, the Emergency Relief Program, for 2020 and 2021. We hope that Congress will take similar steps in the context of the next Farm Bill. For full time farm families, this is a remedy that is long overdue.

Further, we believe that Title I programs should be exempt from budget sequestration. These programs are already designed to ensure that the farmer is not made whole when suffering losses, but rather deliver a modicum of help to remain in business, hopefully until conditions improve. Sequestration has further limited assistance to farmers during the times they need it most. At present, for those few farmers who will receive a small amount of assistance under PLC or ARC for losses last year, the assistance will be further reduced by 5.7 percent due to sequestration. Promised producer planting flexibility has been a longstanding commitment to farmers by Congress to ensure that farmers are planting for the market and for the soil and not due to government programs. Any updates or reallocations to base acres should be voluntary and the farmer's decision.

In sum, the work you do on this Committee is extremely important to the farm families I represent, and I am grateful to have this chance to testify before you.

Farming has been an honor of a lifetime for me, and it means a lot that you would place such a value on the work that I love.

Again, thank you for the opportunity to visit with you about these issues of critical importance to farm families like mine.

Testimony of Patrick Johnson
Subcommittee on Commodities, Risk Management, and Trade
Senate Committee on Agriculture, Nutrition, and Forestry
May 2, 2023
Washington, DC

Introduction

I am Patrick Johnson, a partner in Cypress Brake Planting Co., a family farming operation in the Mississippi Delta located in Tunica, MS. My farm produces cotton, rice, corn, soybeans, and wheat. I am also involved in several ag related businesses including Buck Island Seed Co., Three Way Gin, and Tunica Air Inc., an aerial application service. The goal of my farming operation is to improve conservation and efficiency through the implementation of new technology and best management practices. I currently serve on the National Cotton Council (NCC) Board of Directors and chair the American Cotton Producers Farm Policy Task Force.

The NCC is the central organization of the United States cotton industry. Its members include producers, ginner, cottonseed processors and merchandizers, merchants, cooperatives, warehouse, and textile manufacturers. A majority of the industry is concentrated in 17 cotton-producing states stretching from California to Virginia. U.S. cotton producers cultivate between 10 and 14 million acres of cotton, with production ranging from 12 to 20 million 480-lb bales annually. The downstream manufacturers of cotton apparel and home furnishings are in virtually every state. Farms and businesses directly involved in the production, distribution, and processing of cotton employ more than 115,000 workers and produce direct business revenue of more than \$22 billion. Annual cotton production is valued at more than \$5.5 billion at the farm gate, the point at which the producer markets the crop. Accounting for the ripple effect of cotton through the broader economy, direct and indirect employment surpasses 265,000 workers with economic activity of almost \$75 billion. In addition to the cotton fiber, cottonseed products are used for livestock feed and cottonseed oil is used as an ingredient in food products as well as being a premium cooking oil.

Economic Overview

The U.S. cotton industry continues to navigate an environment characterized by increased production costs, sluggish consumer demand, and supply chain disruptions. For the current 2022/23 marketing year, the U.S. Department of Agriculture (USDA) estimates world cotton consumption at approximately 110 million bales, down 5% from the previous year and down 11% from 2020/21. The decline in global demand stems from several factors. First, continued price inflation, especially for energy and food products, is putting additional pressure on consumer purchasing power, thus limiting demand for apparel and textile products. Second, events such as the foreign currency crisis in Pakistan and the devastating earthquake in Turkey are limiting the demand for U.S. cotton by those two textile industries. Third, global supply chains are continuing to adjust to China's slow post-COVID economic reopening and the implications of the Uyghur Forced Labor Prevention Act. Projections for the upcoming 2023/24 marketing year call for a modest recovery in world cotton consumption, but those estimates hinge on a continued recovery in the global economy and moderation in overall inflation.

In 2022, U.S. growers planted 13.8 million acres of cotton, as higher prices encouraged a 23% increase in area. However, due to extreme drought conditions in the Southwest, harvested acreage of 7.4 million acres was at the lowest level since 1983. U.S. production of 14.7 million bales was 2.8 million bales lower than in 2021.

Looking ahead to the 2023/24 marketing year, production costs remain elevated and are only slightly lower than year-ago levels. According to USDA's Economic Research Service, U.S. cotton production costs increased by \$161 per acre between 2018 and 2022 – an increase of 20 cents per pound based on an average yield of 800 pounds per acre. Cotton harvest-time futures prices in mid-April 2023 are 19% lower than a year ago, while the prices of competing commodities are just 7-8% lower than year-ago levels. Cotton producers will face difficult economic conditions in 2023 with lower cotton prices and high production costs.

The current economic signals are reflected in the latest acreage expectations with USDA calling for 11.3 million acres planted in 2023, a drop of 18%. Given current drought conditions in the southwestern United States, there remains much uncertainty regarding cotton production for the 2023/24 marketing year. To estimate U.S. production for 2023/24, the NCC applies the 5-year average (2018-2022) abandonment rate and yield for most cotton-producing states. In the Southwest, adjustments were applied to the 5-year average values to account for current drought conditions. For 2023/24, U.S. harvested area is estimated to be 8.7 million acres with an overall abandonment rate of 22.6%. 2023/24 U.S. production is estimated to be 15.5 million bales with an average yield of 853 pounds per acre.

Additional Budget Resources

The general program structure authorized by the 2018 Farm Bill has served the industry well and should be maintained in the new farm law. However, as Congress charts the path for the 2023 Farm Bill, additional funding is necessary to address challenges both on the farm and throughout the supply chain.

Since the implementation of the 2018 Farm Bill, ongoing trade tensions and geopolitical disputes have caused major disruptions in cotton exports, revealing gaps in cotton's safety net. A major disruption in the global demand for cotton fiber also occurred due to the worldwide COVID-19 pandemic, leading to increased storage, supply chain disruptions, and an overall reduction in global cotton consumption. Since passage of the 2018 Farm Bill, cotton growers have also been impacted by record droughts across the Southwest and Western portions of the Cotton Belt as well as devastating hurricanes across South Texas and the Southeast.

Thankfully, Congress and USDA responded to the needs of the cotton and agricultural industries by authorizing several *ad hoc* assistance programs. Since 2017, Congress has provided more than \$90 billion in *ad hoc* assistance to agriculture, and between 2018 and 2021, *ad hoc* assistance comprised approximately 70% of all direct farm payments, which includes traditional farm bill support provided through the commodity and crop insurance titles. Although the U.S. cotton industry continues to face a challenging economic environment, Congressional budget procedures do not allow this past funding to be captured in the new farm bill without additional dollars being allocated by the House and Senate Budget Committees. We must ensure the Senate Agriculture Committee has the necessary resources to draft a farm bill that addresses the current needs facing the cotton industry.

Producer Safety Net

The cotton safety net must consist of two key components: 1) an effective commodity policy that provides either price or revenue protection to address prolonged periods of low prices and depressed market conditions that span multiple years; and 2) a strong and fully accessible suite of crop insurance products that producers can purchase to tailor their risk management to address yield and price volatility within the growing season.

The annual producer election of either Agriculture Risk Coverage (ARC) or Price Loss Coverage (PLC) included in the 2018 Farm Bill has worked well for growers and should continue in the new farm bill. Cotton producers have overwhelmingly selected the PLC program, with more than 90% of seed cotton base acres enrolled under that option. Agricultural markets are cyclical, and an effective safety net is imperative for the inevitable times of low prices. The combination of commodity program options and crop insurance provides farmers as well as their lenders the confidence entering the planting season that downside risk is mitigated in periods of steep price decline or a significant loss of production.

Supply chain disruptions and geopolitical crises in nations that provide a substantial portion of critical production inputs have led to a dramatic increase in cotton production costs, leading to tighter profit margins and decreased profitability. Since 2018, cotton costs of production have increased by 20 cents per pound, based on average yields of 800 pounds per acre. For many producers, total production costs now range between 90 cents and \$1.00 per pound, which exceed current futures prices trading in the mid-80s. When calculated based on seed cotton, the total costs to produce a pound of seed cotton have risen nearly 9 cents since the 2018 Farm Bill, with current costs of production of almost 48 cents, far above the seed cotton reference price of 36.7 cents per pound (Exhibit 1). The current costs facing producers are diminishing the effectiveness of the current PLC statutory reference price, which should be increased in the new farm bill.

In addition, growers enrolled in the ARC/PLC programs are currently limited in their access to crop insurance due to a prohibition on the purchase of the Stacked Income Protection Plan (STAX) on their enrolled farms. STAX is a crop insurance product for upland cotton that provides coverage for a portion of a producer's revenue based on the county, or area-wide experience. In 2018, when seed cotton became eligible for the ARC/PLC under the commodity title, Congress prohibited the purchase of STAX on ARC/PLC-enrolled farms, beginning with the 2019 crop. At the beginning of the prohibition, most growers chose to enroll their base acres in PLC. However, with higher cotton futures prices for the 2021 and 2022 crops and limited effectiveness of the current seed cotton reference price, STAX has become a more attractive option.

Cotton producers should not be limited on their crop insurance options and should be able to manage risk based on the needs of their operation. Eliminating the prohibition on simultaneous enrollment in PLC and STAX, as well as boosting the top coverage level of STAX for those farms with no seed cotton base or who forego enrollment in ARC/PLC, would allow a grower to tailor their risk management options according to the needs of their operation while also decreasing their reliance on *ad hoc* programs, putting producers in charge of their own production risks.

Upland Cotton Marketing Assistance Loan

The non-recourse marketing assistance loan program for upland cotton remains a cornerstone of farm policy for the U.S. cotton industry. While current prices are well above the loan rate, we know that will not always be the case. During times of low cotton prices, the marketing loan program is an essential tool for multiple segments of the cotton industry to effectively market cotton and provide cash flow for producers to meet financial obligations. Even in times of higher market prices, the marketing loan is utilized by the cotton industry to provide cash flow for producers and flexibility in marketing to encourage orderly movement of the crop throughout the year. In recent years, over 50% of the upland cotton crop enters the loan, and use of the loan approaches 80% in times of low prices. Also, in periods of low prices, if growers choose to forgo the marketing loan, they may receive a Loan Deficiency Payment (LDP) representing the difference between the loan rate and the market price. This is an important component of the marketing loan program that should be retained.

Despite higher production costs, the maximum level of the loan rate has remained at 52 cents since 2002. The level of the loan rate should be increased to better reflect current costs of production and recent market prices. In addition, loan repayment provisions should be modernized to better reflect the competitive landscape in the global market and the higher storage and logistics costs facing the industry by: 1) allowing storage credits to better reflect actual storage charges; and 2) determining a globally competitive Adjusted World Price (AWP) based on the three lowest international prices, limiting the amount of the annual decline in the costs-to-market values, and a 30-day window for finalizing the AWP (Exhibit 2).

Since being implemented in 2006, maximum storage credits have declined, while actual storage charges have increased. Between 2006 and 2022, average storage charges across much of the Cotton Belt increased by 45 cents per bale per month, while the effective storage credit fell 8 cents per month. Currently, the effective storage credit is 78 cents below the average storage charge.

Basing the AWP on an average of the three lowest quotes in the international market, rather than following the current practice of using the five lowest quotes, would create more value for cotton during loan redemptions and prevent cotton from stagnating in the loan and accruing costs. This will in-turn make the cotton loan more effective in providing support for producers and ensuring fluid movement into the marketplace. Moving to the three lowest quotes is also consistent with other provisions of the marketing loan program that are already based on three quotes.

Establishing limitations on the annual decline in the costs-to-market calculation is imperative. USDA currently conducts an annual survey of costs-to-market, and in recent years the industry has witnessed large changes in this calculation, which can negatively affect marketing decisions. While USDA would continue to conduct the annual survey of costs, this provision would establish limitations on the annual decline from the previous year to mitigate negative impacts on the competitiveness of U.S. cotton.

Providing increased flexibility in AWP determinations during loan redemptions would allow producers to realize a more optimum AWP from the day of the loan redemption or the locking in of a LDP. Growers would then have the benefit to lower their costs to redeem cotton for a thirty-day period following the redemption date. This provision would be another tool to help move cotton

from the loan and into the marketplace. Similar flexibility should also be provided to the determination of the LDP.

Complete automation of the marketing loan program should also be addressed in the next farm bill. During the December 2018 lapse in government funding, these programs were severely impacted due to the need for direct personnel involvement in processing the entry and redemption of cotton in the marketing loan program. During this period, some growers were not able to enter cotton into the loan and access those funds, while others could not market their cotton because they could not redeem the loan. We urge this Committee to work with USDA to provide the necessary support to ensure that any future lapse in government funding does not negatively impact the marketing loan program.

Extra Long Staple (ELS) Cotton Policies

There are important policies in place for ELS, or Pima, cotton. ELS cotton is grown in California, Arizona, New Mexico, and parts of Texas. The 2018 Farm Bill continued the ELS cotton loan program as well as a provision to ensure U.S. Pima cotton remains competitive in international markets. The balance between the upland and Pima programs is important to ensure that acreage is allocated in response to market signals instead of support levels.

ELS producers, like their upland counterparts, have experienced sharp increases in production costs in recent years, with current costs exceeding the safety net provided by the loan program. While ensuring that market signals remain the driver of planting decisions, the 2023 Farm Bill can address deficiencies in the safety net provided to ELS cotton producers by increasing the ELS loan rate to a more reflective level of pricing and costs of production.

The next farm bill should also add “marketing loan” functionality to the ELS loan. Of all the commodities eligible for Commodities Credit Corporation (CCC) loan, ELS is one of only two commodities with a non-recourse loan that lacks the provisions of an alternative repayment provision during periods when market prices are lower than the statutory loan rate. The new farm law should also maintain the ELS Cotton Competitiveness Payment Program and the Pima Cotton Trust Fund.

Economic Adjustment Assistance for Textile Mills

After a decade of experiencing a precipitous decline in the amount of cotton used by U.S. textile mills, U.S. mill consumption has stabilized since 2008 due to ongoing assistance provided in the Farm Bill. The recent years of stability and expected future growth can be attributed to the continued benefits of the Economic Adjustment Assistance for Textile Mills (EAATM) program, originally authorized in the 2008 Farm Bill. Recipients must agree to invest EAATM proceeds in equipment and manufacturing plants, including construction of new facilities as well as modernization and expansion of existing facilities.

EAATM funds have allowed investments in new equipment and technology, thereby reducing costs, increasing efficiency, and allowing domestic mills to be more competitive with foreign mills. This was shown to be prophetic during the COVID-19 pandemic as the U.S. textile industry was able to quickly shift their manufacturing facilities to the production of personal protection equipment (PPE). In addition, the industry continues to be a critical supplier of products to our defense

industry. The yarns and fabrics produced by the U.S. textile industry are also integral products in the two-trade occurring with the Dominican Republic-Central American Free Trade Agreement (CAFTA-DR) and the United States-Mexico-Canada Agreement (USMCA) countries.

When EAATM was initially implemented in 2008, the support level provided was set at 4 cents per pound of cotton consumption by the U.S. textile industry. Yet, budget pressures reduced that number to 3 cents in 2012. We urge Congress to restore EAATM support to the original 4-cent level in order to further support this critical employment and manufacturing base.

Payment Limits and Program Eligibility

Our industry is opposed to any further tightening of payment limits and program eligibility requirements, as we believe these policies are already too burdensome and restrictive considering the size and scale of production agriculture necessary to be competitive and viable in today's global market. The NCC has always maintained that effective farm policy must maximize participation without regard to farm size or income. Artificially limiting benefits is a disincentive to economic efficiency and undermines the ability to compete with heavily subsidized foreign agricultural products. Artificially limited benefits are antagonistic with a market-oriented farm policy. In fact, the current program limits are incompatible with the cost structure and capital investments necessary for today's family farms.

We are encouraged that Congress recognized this reality in recent disaster assistance by including increased payment limit levels for producers who realize the majority of their income from their farming operation. This same consideration should be given to Title I program limits in the next farm bill. Other proposed arbitrary restrictions regarding the contribution of management and labor through changes to the definition of "actively engaged" are out of touch with today's farming operations and would only contribute to inefficiencies. These policies also discourage the next generation from returning to their rural communities. Under these proposals a son or daughter who wants to return to the farm and utilize their accounting degree to market the crop and keep the books would not be considered as "actively engaged" in the operation. The 2023 Farm Bill should not include policies that seek to discourage the next generation of farmers.

Conservation

A strong conservation title benefits the environment and is an important tool for producers across the United States. Voluntary conservation programs reward producers for implementing sensible environmental practices on working lands and provide a means to devote marginal production acres into long-term use.

Working lands conservation programs are of utmost importance to most producers. Going forward, the application of conservation funds, both provided by the 2023 Farm Bill and the 2022 Inflation Reduction Act, should 1) recognize the diversity of production practices by rejecting a one-size-fits-all approach; and 2) reward – not penalize – the environmental contributions of early adopters.

International Programs

The Market Access Program (MAP) and Foreign Market Development Program (FMD) are extremely important tools that support U.S. exports. Cotton Council International, the foreign

market promotion arm of the U.S. cotton industry, utilizes both programs and the industry has seen clear benefits from these programs. Our industry supports the Coalition to Promote U.S. Agriculture Exports proposal to double funding for both MAP and FMD. MAP has not been increased since 2006 and one-third of funding has been lost to sequestration, inflation, and program administration. FMD has not been increased in almost 20 years. With market volatility and economic disruptions causing greater risks and uncertainties, the new farm bill can provide the additional resources necessary for U.S. agricultural exports to remain competitive.

U.S. Cotton Trust Protocol

Brands and retailers are under extensive pressure to verify the sustainability of the products they are sourcing. Virtually all the top 100 global brands and retailers have created lists of sustainable raw materials and publicly committed that 100% of their sourcing will come from these lists over the next 5-10 years. Despite its reputation for quality, U.S. cotton risks not being included on these lists due to the rigorous criteria that must be met. The U.S. Cotton Trust Protocol was created and designed to meet and exceed these criteria.

The Trust Protocol underpins and verifies U.S. cotton's sustainability progress through sophisticated data collection and independent third-party verification. Choosing Trust Protocol cotton will give brands and retailers the critical assurances they need that the cotton fiber element of their supply chain is more responsibly and sustainably grown with a lower environmental footprint. Brands and retailers will gain access to U.S. cotton with sustainability credentials verified through Field to Market, measured via the FieldPrint Calculator and certified through third party audits. Through the Trust Protocol, growers can show continued improvement in reducing greenhouse gas emissions, land, water, and energy use, and other environmental factors.

Sustainability programs, such as the Cotton Trust Protocol will be an important complement to existing Farm and Conservation programs by allowing farmers to prove their commitment to responsible production and the investment being made by taxpayers through a strong safety net.

The U.S. Cotton Trust Protocol was recently approved for \$90 million grant through USDA's Climate Smart Agriculture and Forestry Partnerships. The proposal establishes a 5-year, collaborative pilot to provide technical and financial assistance to 1,650 U.S. cotton farmers (including historically underserved cotton producers) to advance adoption of climate smart conservation practices on 1.2 million acres, produce 4.2 million bales (480 lbs.) of climate smart cotton over five years, and demonstrate 1.4 million metric tons of CO₂e reductions and \$350M in economic benefits to farmers.

Conclusion

In closing, I encourage the Committee to write a farm bill that provides long term stability for the future. There will be price declines from current levels, there will be natural disasters with losses more severe than the essential assistance that commodity programs and crop insurance can respond to, and there will be trade disputes and geopolitical turmoil that will wreak havoc on our export markets. However, it is critical that the 2023 Farm Bill provide an economic safety net to address the challenges that will continue to be faced by our industry.

The NCC looks forward to working with the Committee and all commodity and farm organizations and other stakeholders to develop and pass a new farm bill that effectively addresses the needs of all commodities and all producers in all regions of the country.

Thank you for this opportunity, and I would be pleased to respond to any questions.

Exhibit 1. Costs of Production per Pound of Seed Cotton

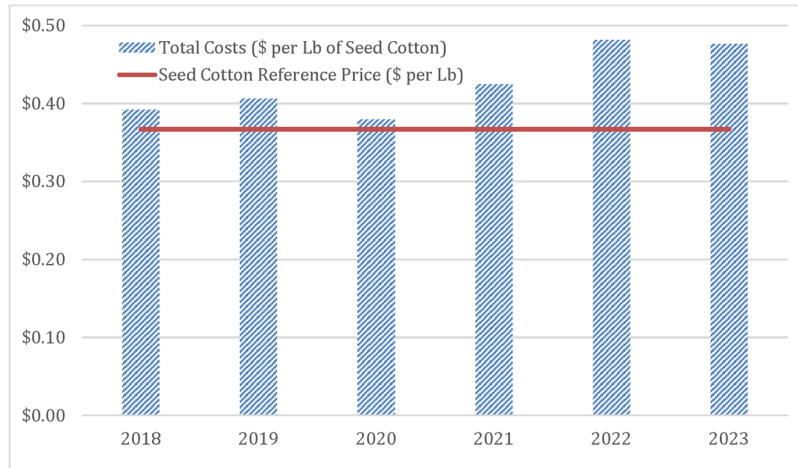
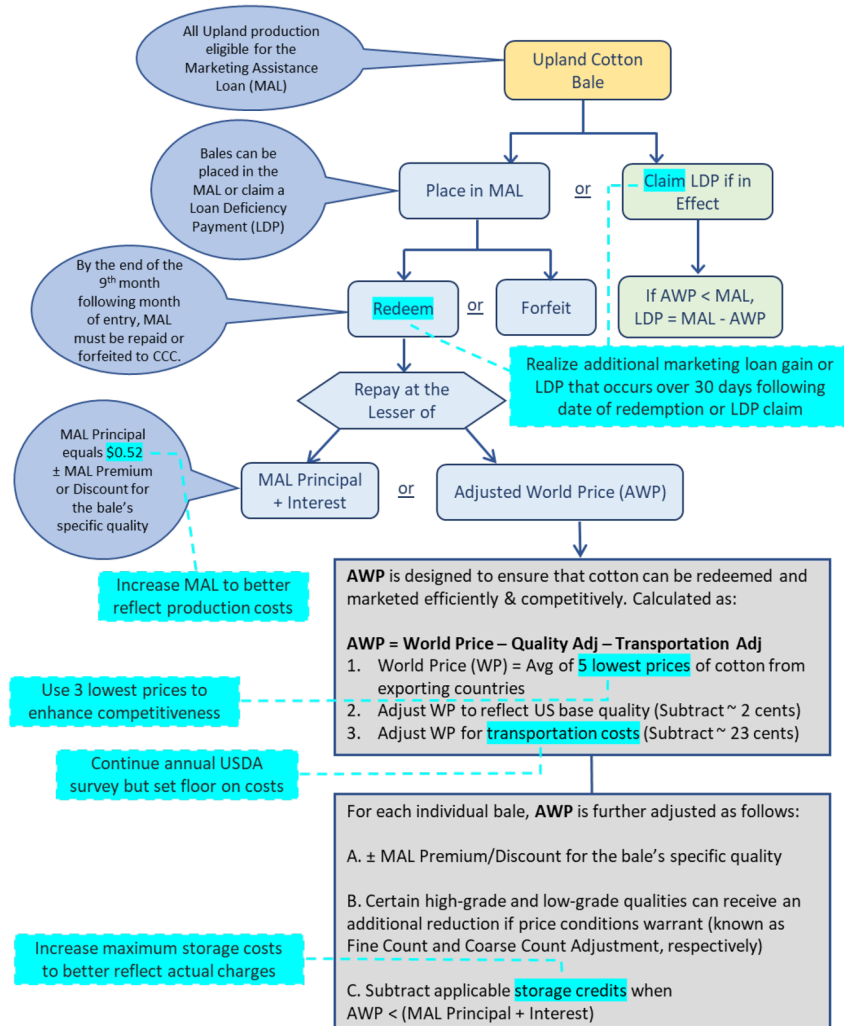


Exhibit 2. Structure of the Upland Cotton Marketing Loan Program
Farm Bill Recommendations Highlighted in Blue





Testimony of Caleb Ragland
Secretary
American Soybean Association

Before the U.S. Senate Committee on Agriculture, Nutrition, & Forestry
Subcommittee on Commodities, Risk Management, and Trade

"Commodity Programs, Credit, and Crop Insurance –
Part 1: Producer Perspectives on the Farm Safety Net"

May 2, 2023

Good morning, Chairwoman Smith, Ranking Member Hyde-Smith, and distinguished members of the subcommittee. It is a privilege to join you and offer testimony as you develop the 2023 Farm Bill.

I am a soybean farmer from Magnolia, Kentucky, and am here today representing the American Soybean Association in my current role as secretary. Founded in 1920, ASA represents more than 500,000 U.S. soybean farmers on domestic and international policy issues important to the soybean industry and has 26 affiliated state associations representing the 30 primary soybean-producing states. Farmers produce soybeans in nearly every state represented by members of this subcommittee.

Nationally, U.S. soybean farmers produced 4.28 billion bushels on over 87 million planted acres in 2022. Our soybean farmers help provide countless products needed and enjoyed by consumers, including healthy edible oils and other food ingredients, protein-rich livestock feed, and clean-burning biofuels, among others. A strong farm economy based on market opportunities for soy at home and abroad, an efficient transportation and infrastructure system that helps maintain competitiveness, and a safety net for challenging times are all critical to our success.

As the farm bill reauthorization process advances, we thank you for holding this hearing.

Farm Bill Priorities & Budget

ASA's farm bill priorities released publicly in May 2022 were developed with significant input from farmers.

In preparation for the farm bill reauthorization, ASA started the process of gathering feedback from farmers in 2021. Educational sessions for our board members and state soy affiliate staff were held, and an in-depth farm bill survey was administered to soybean growers. In early 2022, ASA held 12 virtual farm bill listening sessions—over 25 hours—with interested soybean farmers and state soy affiliates across soy's 30-state growing region.

Feedback gathered from the survey and listening sessions, combined with written comments and policy resolutions, contributed to ASA's farm bill priorities document, which is attached to my testimony.

Much attention has been dedicated to the first priority item listed regarding the budget: "Increased budget authority for the next farm bill is justified in this current environment marked by economic and geopolitical volatility. Additional resources are needed to address needs and interests throughout this comprehensive piece of legislation."

We appreciate that both the Senate and House Agriculture Committees recognize this and sent strong bipartisan letters to the Budget Committees acknowledging the needs and challenges in agriculture in recent years and the opportunity the 2023 Farm Bill provides to make meaningful

improvements. ASA led a letter signed by 400 national, regional, and state organizations and sent to the Budget Committees with a consistent message; it is attached to my testimony.

Without a doubt, the federal budget challenges are very real and complex to navigate. We ask that you keep needs in agriculture top of mind as budget discussions progress. Sufficient budgetary resources will be needed to craft a new bipartisan, comprehensive piece of legislation.

ASA's farm bill priorities in this subcommittee's jurisdiction include protecting crop insurance and its private sector delivery system, improving the farm safety net for soybeans, and increasing investment in trade promotion programs. Other priorities outside of this subcommittee's jurisdiction are also highlighted below.

Crop Insurance

Authorized by a separate statute, crop insurance does not need to be reauthorized in conjunction with the farm bill. However, we recognize that amendments to crop insurance may be offered that have a positive or negative impact on farmers like me who rely on it every year to manage risk.

In 2022, U.S. soybean farmers paid over \$1.4 billion for crop insurance protection, according to USDA Risk Management Agency (RMA) data. This risk management program allows farmers to select coverage that meets our needs each year and responds in a timely manner when losses are triggered. The competitive private sector delivery system allows farmers to find the best service providers for our operations.

ASA urges you to protect crop insurance from harmful amendments. It is the most effective and important component of the farm safety net and valuable in securing operating credit each year. This risk management tool must remain affordable and effective.

Title I Farm Safety Net

While crop insurance provides risk management when the crop is in the ground, Title I provides necessary protection beyond that period. The 2023 Farm Bill presents an opportunity to address deficiencies in the Title I farm safety net that were revealed during recent economic disruptions. A predictable, effective farm safety net is needed for the duration of the next farm bill, especially when considering USDA's February 2023 Farm Income Forecast projection of a 20.7% decline in net cash farm income in 2023 relative to 2022.

Soybean growers experienced firsthand the challenges of an ineffective safety net during the trade war with China in 2018-2019 and urge improvements in the Title I farm safety net components of Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) for soybeans.

Soybeans have long been U.S. agriculture's top export crop. Foreign markets were destinations for more than 50% of U.S. soy production through whole beans, meal and oil in the last marketing year, as is historically consistent in recent years. China is the largest importer of soybeans in the world, so our commercial export relationship with China is critically important. Even with ongoing

efforts to diversify and open new markets, almost a third of all soybeans grown in the United States are destined for China under normal trade conditions.

During the height of the trade war with China in 2018, U.S. soy stopped flowing to the Chinese market in our peak export period that fall. Soybean prices dropped significantly, but we received no PLC benefits and little from the ARC program. USDA stepped in with ad hoc, temporary support to farmers through the Market Facilitation Program (MFP).

If a trade war that shrunk soybean demand by over 30% hardly triggered the farm safety net provided in the current farm bill—a Title I safety net that has been declining over the past 20 years in real terms—it is difficult to envision a scenario that would provide meaningful assistance without significant improvements to the current reference price and program elements of ARC and PLC. Adjustments to the soybean reference price and improvements to ARC would provide soybean farmers a more effective safety net.

Another challenge impacting the accessibility and effectiveness of the farm safety net is the significant disparity in recent soybean planted acres compared to base acres, the historical acreage on which ARC and PLC benefits are provided.

In 2022, soybeans were planted nationally on 87.5 million acres. By comparison, soybean base totals 53.2 million acres. Over 30 million acres of soybeans were not protected by the soybean provisions of ARC and PLC in 2022. While some of these soybean acres may have been corn or wheat base, for example, these other crops may not correlate well with the losses being experienced on the farm, such as during the trade war. Some beginning farmers have little base on their farms, and greater adoption of no-till conservation practices has enabled farmers to cultivate row crops in new areas that have no base.

An option for farmers to voluntarily update program acres based on a more recent historical time period would provide soybean farmers—including young or beginning farmers—greater access to the soybean safety net. As a young farmer, I can attest that this is sorely needed along with other safety net improvements.

ASA supports these specific improvements to increase the effectiveness, accessibility, and reliability of the Title I farm safety net:

- Increasing the soybean reference price for calculating ARC and PLC, which could be achieved through a statutory reference price change, adjustments to the effective reference price, or a combination of these
- Adjusting the ARC calculations
- Providing the option (not requirement) to update base acres to reflect a more recent, defined period of time while allowing new acres to enter the program.

It is important to note that a combination of remedies to address these deficiencies is needed. For example, if an option to update base acres is allowed, it may not be exercised if the reference price for soybeans remains where it is currently set.

Trade

The long-term success of U.S. soy abroad would not be possible without the foresight of Congress in creating public-private partnership programs at USDA to assist trade associations in promoting our products on a global stage. ASA is a longtime cooperator of these programs, particularly the Market Access Program (MAP) and the Foreign Market Development Program (FMD). Utilizing MAP and FMD funds, ASA has leveraged those resources to increase market access, address technical barriers to entry, and create demand for U.S. soy. Trade promotion programs are helpful in diversifying and expanding agricultural exports; this is particularly important as we consider rising tensions with China, the leading export market for many U.S. agricultural products.

A 2016 study commissioned by the U.S. Soybean Export Council (USSEC) shows that international marketing activities conducted on behalf of U.S. soybean growers increased soybean exports each year by an average of 993,600 metric tons (MT), or nearly 5%. For soybean meal and soybean oil, the average annual growth over that period was estimated to be somewhat larger at 15% (808,600 MT) for meal and 24% (149,600 MT) for oil.

These numbers translate to an additional \$29.60 in export revenue per \$1 spent on international promotion. At the producer level, that additional export revenue translates into a cost benefit ratio of \$10.10 of additional grower profit per \$1 spent on international promotion. While this research was undertaken in advance of the 2018 Farm Bill, the results remain unchanged: International marketing activities contribute directly to increased exports and grower revenue.

U.S. soy has used these funds to work in new and emerging export markets to grow the demand for U.S. soybeans, and we have seen great success. While we have carefully cultivated our largest export market, China, the past five years have also shown how important market diversification is for U.S. soy's long-term success. Using MAP and FMD funding, our industry has invested in growing demand in export markets outside China.

A great example is Egypt. Over the past five years, the demand for U.S. soy has increased 178%. In MY2016/2017, we exported 0.7 million metric tons (MMT). By MY2020/2021, that demand had increased to 2.67 MMT. Our partners at USSEC have used MAP and FMD funds on the ground in Egypt to facilitate trade missions with Egyptian buyers, engage in-country with the local poultry and aquaculture industries, and build an understanding of the quality of U.S. soy with Egyptian customers.

As demand in Egypt for chickens has increased, so too has the soybean crush capacity in-country. As its crush and feed sectors have evolved in recent years—especially since 2016—Egypt has moved from primarily being a soybean meal importer to importing whole soybeans, which has led to growth in its domestic crush industry. As its crush industry has grown, preference for U.S.

soybeans has grown alongside it. During the same timeframe, aquaculture in Egypt grew more than 700%, and aquafeed demand has approached 2 MMT, with soy demand of 750,000 metric tons.

Due to these critical investments made possible by MAP and FMD, Egypt now sources more than 80% of its soybean imports from the United States. This is one example of the successes investments in these programs have brought to U.S. soy.

These programs, however, are in desperate need of an increase in funding allocations. The MAP program was officially created in 1996, but authorization can be traced back to 1978, while FMD was created in 1955. The most recent data available for total export market development funding and partner contributions is from 2019 and years prior. However, MAP and FMD funding has not changed since fiscal years 2006 and 1997, respectively. Over that same time, partner funding continually grew to be about twice the level of federal resources.

To further exacerbate the stalemate in funding increases, it is clear that our international competitors are outspending us in the trade promotion arena. A recent study released by Texas A&M University shows that, under the European Union's Common Agricultural Policy (CAP), the EU allocated \$1.28 billion from 2014 to 2018 on wine promotion alone. That amounts to an average of \$256.4 million per year for one product, while the entirety of the Agricultural Trade Promotion and Facilitation Program (ATPF) allocations is \$255 million annually.

It is critical for the continued success of U.S. agriculture that Congress invest additional resources in the ATPF in the 2023 Farm Bill. ASA recommends doubling the minimum annual mandatory funding for the Market Access Program to \$400 million and the Foreign Market Development Program to \$69 million.

Outside of USDA's export promotion programs, ASA supports the international food assistance programs authorized in the farm bill. Soy is the only plant protein to offer all the essential amino acids necessary for human nutrition. The World Food Programme and other international relief organizations rely on U.S. soy protein in foods such as corn-soy-blend (CSB) as well as canned vegetable oil. These soy products have served as staples for emergency response in at least 88 countries throughout the world. With ongoing humanitarian crises in Ukraine, Yemen, Syria, Afghanistan, and Ethiopia, programs like Food for Peace Title II's distribution of food aid are even more important, and U.S. farmers play an important role in growing crops that meet the high quality requirements for these foods to remain safe for people to eat months after they are shipped from the U.S.

There have been, however, efforts over the past several farm bills to improve "flexibility" in international food assistance programs by allowing the Private Voluntary Organizations (PVOs) that partner with the U.S. Agency for International Development (USAID) to utilize more and more non-commodity options, such as cash or vouchers in food aid programs. ASA strongly opposes any proposals in the upcoming farm bill that would replace in-kind food aid with cash aid. The

American aid program is the gold standard in international aid. Ours is the largest and most diverse, reliable, and effective food security program in the world, with a track record of reducing malnutrition and increasing incomes and food supplies for very poor and vulnerable populations. The role of U.S. commodities in international food assistance programs must be maintained.

ASA also supports USDA's international food assistance programs: Food for Progress (FFPr) and McGovern-Dole Food for Education. ASA has supported the work of these two programs through its World Initiative for Soy in Human Health (WISHH), ASA's catalyst in developing and emerging markets. ASA would specifically like to raise a concern around the 2021 FFPr award, which was awarded to a sole entity: the government of Sudan. This award went against the scope and focus of FFPr, which is designed to focus on strengthening agricultural productivity and expanding trade of agricultural products.

Language in the fiscal year 2022 omnibus appropriations report addressed Congress' concern regarding this award and the precedent it could set by allocating an entire year's worth of funding to a single entity. We respectfully request the committee's attention to this issue in the next farm bill to ensure the approach is not repeated in the future by including language to prohibit USDA from awarding the entirety of the funding award to a single entity.

The programs authorized in Title III of the farm bill, from the Agricultural Trade Promotion and Facilitation Program (ATFPF) to international food aid programs, are important for the long-term success of U.S. soybean growers, and we appreciate this committee's attention in ensuring Title III programs are as robust as possible to ensure the continued success of U.S. soy growers.

Additional ASA Priorities

We appreciate the opportunity to share additional farm bill priorities outside of this subcommittee's jurisdiction.

Checkoff

Over 30 years ago, Congress passed the Soybean Promotion, Research, and Consumer Information Act, creating the United Soybean Board (USB)—an agricultural research and promotion program funded and managed directly by soybean farmers under the oversight of USDA's Agricultural Marketing Service. This program, also referred to as the soy "checkoff," finances research, promotion, and education initiatives, all of which are aimed at improving yield, sustainability, and demand for U.S. soy products.

Checkoff-driven initiatives have brought a return on investment—\$12.34 for every farmer dollar invested in the checkoff—to growers like me, who are then better able to support our families, employees, and rural communities. Examples of checkoff-funded innovations include the establishment of the soy-based biodiesel industry; development of high oleic soybeans, which have improved use in the food and industrial sectors; creation of the Soy Sustainability Assurance Protocol to verify use of sustainable farming practices for foreign buyers; and mapping of the soy

genome. The success of the American soybean farmer and the U.S. soy value chain would not be as robust as it is today, were it not for the checkoff.

I have additionally been impressed by the lengths to which the soy checkoff has gone to ensure good stewardship of the dollars entrusted to it. Stewardship of the funds collected from the 515,000 farmers in the U.S. is a top priority for the 78-member farmer board, appointed by the Secretary of Agriculture. These farmer leaders oversee all of the checkoff's investments for the benefit of *all* soybean farmers.

And because the soy checkoff uses farmer assessment money to carry out its functions, transparency and oversight of these funds is critical to protect the farmers' investments. The soy checkoff works closely with USDA's Agricultural Marketing Service to ensure compliance with all applicable legislation, regulations, and policies. This includes ongoing review of budgets and contracts, marketing communications, and advertising, which are reviewed for conflicts of interest; statements that would be false, misleading, or disparaging to another agricultural commodity or competing product; attempts to influence legislation; and more. Regular audits (by USDA, as well as third-party firms) of the national and state checkoffs further ensure that the checkoff remains transparent and compliant. The checkoff proudly shares its annual report, financial audit reports, and policy manual on its website for any member of the public who wants to review them.

As a result of the soy checkoff's accomplishments, farmer-led model, and transparent governance, farmers are overwhelmingly supportive of the existing soy checkoff structure: In the last USDA-led Request for Referendum in 2019, only 0.13% (*just about one tenth of one percent*) of eligible soybean farmers called for a referendum—many, many fewer than the 10% that would prompt a reconsideration of the checkoff's structure.

ASA urges protection of the checkoff from harmful and unnecessary amendments in the farm bill to ensure continued success.

Conservation

Soybean farmers are committed to improving soil and water and leaving the land better than they found it. ASA conducted a survey several years ago and learned that, on average, our growers implement 14 conservation practices and spend more than \$15,000 each year on conservation. On many farms, that is a substantial amount—especially during times like these with high input costs.

For years, farm bill conservation programs have been in place to help farmers cover these costs and mitigate the risks associated with implementing new practices. Unfortunately, farmer demand for voluntary, incentive-based working lands programs like the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP) always outpaces available funding: Between 2010 and 2020, just 31% of farmers who applied to EQIP and 42% of those who applied to CSP were awarded contracts.

As you develop the next farm bill, we respectfully request the committee's attention in adequately funding these programs to meet demand. ASA also encourages you to consider directing funding to programs and practices that address cropland soil quality and health, water quality and quantity, and that provide regulatory predictability and save input costs; to develop climate smart provisions that focus on total on-farm ecosystem services, not just additionality; to emphasize working lands programs over land retirement programs; and to consider incentives that encourage adoption of precision agriculture technologies, the use of which has a wide range of environmental and productivity benefits.

We ask the committee to work with appropriators to ensure NRCS—as well as other USDA agencies—has the staffing, training, and technology in place to fully implement these programs and deliver high quality service to its farmer customers. During the Commodity Classic farm trade show this spring, NRCS expressed eagerness to bring on staff quickly but also shared that it takes a multi-year time commitment to train staff adequately for farmer field visits. When the 2023 Farm Bill is enacted, we do not want it to languish in the implementation phase due to staffing concerns.

Above all, we ask that you remember that, when it comes to conservation, there is no one-size-fits-all solution. Farmers grow soybeans across the country, from New York down to Florida and west to North Dakota and Texas. The farm bill's conservation programs must be flexible enough to accommodate this country's wide range of conservation needs, crops, soil types, farming practices, and weather systems.

ASA looks forward to working with the committee as conservation provisions are developed.

Energy

The energy title provides important assistance for the development and production of biofuels—one of the biggest market opportunities for soy. In addition to environmental benefits, biomass-based diesel adds significant value to U.S. agriculture through increased demand for both soybean oil and rendered animal fats. USDA Rural Development energy programs, first authorized through the 2008 and 2014 Farm Bills, provide loan and grant opportunities for the development of renewable energy, including soy-based biofuels.

ASA supports the continued authorization of energy programs that support soy-based biofuel production, like the Biorefinery, Renewable Chemical, and Bio-based Product Manufacturing Assistance Program, which can provide loan guarantees of up to \$250 million for development of advanced biofuels; and the Advanced Biofuel Payment Program, which assists advanced biofuel producers—many of whom drive rural economies through local investments and employment.

In addition to biofuel-specific programs, ASA supports the continued success of the Rural Energy for America Program (REAP), which provides guaranteed loan and grant financing to agricultural producers and rural small businesses for renewable energy projects. While these projects can cover more than just biofuels, ASA is supportive of USDA funding that backs energy production grown by U.S. farmers. For example, last year an Iowa biodiesel facility received funding to retrofit

a facility to generate an additional 15 million gallons of production—enough to power 22,000 vehicles annually. This plant supports local Iowa soybean growers as well as the surrounding community.

ASA supports authorization of the Higher Blends Infrastructure Incentive Program (HBIIIP) in the 2023 Farm Bill. Developed under the authority of the USDA Secretary, HBIIIP provides funding to expand infrastructure to deploy biofuels nationwide for consumers. Providing additional availability for B20 and other biofuels blends will benefit both the consumer and the environment.

Biobased

In addition to biofuels, the energy title also provides important resources for the bioeconomy through the BioPreferred Program, which celebrated its 20th anniversary last year. The BioPreferred Program supports bioproduct purchases for federal agencies and contractors, as well as through the USDA Certified Biobased Products label.

There are over 1,000 soy-based bioproducts, many of which were developed by the soy checkoff and benefit from enrollment in the BioPreferred Program. These products, made with sustainably grown soy protein and oil, range from industrial lubricants and asphalt sealants to tires, paint, and artificial turf. Consumers and the public continue to increase demand for sustainably produced products; even federal agencies and institutions, including NASA, the Pentagon, the Smithsonian, and Badlands National Park, utilize countless soy biobased products.

There are economic and environmental advantages to using soy in manufacturing and consumer goods. Soybeans are renewable and abundant. As mentioned earlier in my testimony, last year U.S. growers produced over 4.2 billion bushels of soybeans, which has helped reduce America's dependence on foreign oil. Soy-based bioproducts also create jobs. Released in 2021, USDA's most recent report on the economic impact of the U.S. biobased products industry found American-made biobased products added \$470 billion and over 4.6 million direct and indirect jobs to the U.S. economy.

ASA supports reauthorization of the BioPreferred Program, and providing adequate funding will improve brand awareness and utilization of biobased products across the federal government.

Research

Investments in research through Title VII are needed for the continued growth and innovation of U.S. soybean growers. Whether the research is carried out at land grant universities through the Hatch Act or through USDA's Research, Education, and Economics (REE) mission area (including the Agricultural Research Service, the Economic Research Service, the National Institute for Food and Agriculture, and the Foundation for Food and Agriculture Research), all the interlocking components of this title have an impact on soybean growers.

Investments in research allow soybean growers to increase production and efficiency while ensuring a high-quality, affordable product for buyers and consumers. Investments can lead to

new innovations such as soybean varieties better equipped to combat plant pests and diseases, improve nutritional content, adapt to a changing global climate, and increase yield without requiring increased inputs such as fuel and fertilizer.

ASA supports increased investment in soybean-centric research—be that biobased products, input management, or new and stronger seed varieties. These will benefit not just soybean growers but the entire value chain.

Conclusion

The 2023 Farm Bill is critically important to soybean farmers and many others. ASA supports an on-time, meaningful, comprehensive, and sufficiently funded 2023 Farm Bill.

We appreciate your efforts to develop the 2023 Farm Bill and the opportunity to share testimony today. We look forward to working with you to craft meaningful legislation.



ASA Priorities for the 2023 Farm Bill
May 25, 2022

As the House and Senate Agriculture Committees lay the foundation for the 2023 Farm Bill, the American Soybean Association shares these initial priorities which will be further refined into more specific requests by early 2023. These priorities reflect feedback gathered from 12 virtual farm bill listening sessions held this year, an in-depth farm bill survey administered to soybean growers in late 2021, and current policy resolutions.

General

- Increased budget authority for the next farm bill is justified in this current environment marked by economic and geopolitical volatility. Additional resources are needed to address needs and interests throughout this comprehensive piece of legislation.
- Congress should maintain the agricultural and nutrition titles in the next farm bill.
- Review of USDA staffing, technological capabilities and cybersecurity, and pathways for knowledge transfer should occur to ensure readiness for farm bill implementation. Gaps should be prioritized to receive appropriations or farm bill implementation funding.
- Policy should support innovation in data collection, data analysis, and internal data sharing between USDA agencies, while emphasizing the confidentiality and nonpublic disclosure of individual producer data.

Farm Safety Net

- Crop insurance is the most effective and important component of the farm safety net and must remain affordable.
- The Title I farm safety net components of Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs must be improved for soybeans. Strong consideration should be given to increasing the soy reference price combined with an option for farmers to update base acres. Planting flexibility must be maintained.
- Marketing assistance loans must be maintained, and consideration should be given to increasing marketing loan rates.
- Program eligibility should not be restricted through means testing.
- As a condition of receiving Title I and crop insurance benefits, farmers are required to meet specific environmental standards such as protecting water quality, wetlands or soil health. These should be maintained but not augmented.
- If a standing disaster assistance program is created, the financial protection provided by Title I programs and crop insurance should not be reduced to fund the disaster program, and it must not undercut or disincentivize participation in crop insurance.

Conservation

- Conservation programs must remain voluntary, incentive-based and flexible; one size does not fit all. Early adopters must be fully eligible for conservation programs. Regulatory burdens regarding program enrollment and adaptive management should be reduced.

- While all resource concerns are important, funding should be directed to programs and practices that address cropland soil quality and health, water quality and quantity, regulatory certainty and saving input costs. Funding should be directed to working land programs over land retirement programs, and the Environmental Quality Incentives Program (EQIP) should take priority over the Conservation Stewardship Program (CSP).
- Conservation Reserve Program (CRP) acres should remain approximately unchanged from current levels. Rental rate limits should remain the same or increase. Haying and grazing provisions should be revisited, both for mid-contract management and under emergency scenarios.
- Climate-smart provisions should reward farmers for overall ecosystem services provided and year-round ground cover, not just additionality. Growing Climate Solutions Act provisions should be included if not already passed.
- Incentives to encourage use of precision agriculture technologies and specialized equipment to implement certain conservation practices should be considered.

Trade

- The Market Access Program (MAP) and Foreign Market Development Program (FMD) are successful public-private partnerships which are cooperative, cost-share programs between private industry groups representing farmers and USDA. Annual funding should be doubled to \$69 million for FMD and to \$400 million for MAP.
- USDA's export credit guarantee program (GSM-102) and the Facility Guarantee Program (FGP) should continue and be fully utilized.
- International food aid programs should allow for increased flexibility for monetization requirements.

Energy

- Authorization and funding for the Bioenergy Program, the Biodiesel Fuel Education Program, and Biobased Market Program (BioPreferred Program) should be included.
- When considering on-farm renewable energy programs, priority should be placed on energy projects that utilize soybeans and other crops.

Rural Development

- Statutory authority and funding should be provided for the Higher Blends Infrastructure Incentive Program.
- Reliable broadband coverage remains out of reach for many in rural America, yet it is essential for precision agriculture technologies, farm efficiencies and community connectivity. The Broadband-ReConnect program should align with the goals of other broadband programs supported through the bipartisan infrastructure law.

Research

- Increased investment should be provided in priority areas strategic to soy interests.

Nutrition

- Opportunities to promote soy as a food ingredient should be included.

March 14, 2023

The Honorable Sheldon Whitehouse
Chairman
U.S. Senate Committee on Budget
Washington, D.C. 20510

The Honorable Jodey Arrington
Chairman
U.S. House Committee on Budget
Washington, D.C. 20515

The Honorable Chuck Grassley
Ranking Member
U.S. Senate Committee on Budget
Washington, D.C. 20510

The Honorable Brendan Boyle
Ranking Member
U.S. House Committee on Budget
Washington, D.C. 20515

Dear Chairmen Whitehouse and Arrington and Ranking Members Grassley and Boyle:

As you develop the fiscal year 2024 budget in this farm bill reauthorization year, we write to express our strong support for providing the Senate Committee on Agriculture, Nutrition, and Forestry and House Committee on Agriculture with sufficient budgetary resources to write a new bipartisan, multi-year, comprehensive, and meaningful piece of legislation.

Just as there are many pressures on the federal budget, there are many pressures on U.S. farmers and others throughout the agricultural supply chain who provide food, feed, fuel, fiber, and other products to consumers across the United States and abroad.

According to the U.S. Department of Agriculture (USDA), international sales of U.S. farm and food products reached \$196 billion in 2022. The leading market for these products is marked with geopolitical volatility: China. During the trade war with China that began in 2018, U.S. agriculture endured significant market impacts, which unfortunately revealed gaps in the farm safety net. If a trade war with our largest trading partner hardly triggered the farm safety net provided in the current farm bill – a Title I safety net that has been shrinking over the past 20 years – it is difficult to envision a scenario that would provide meaningful assistance without significant improvements. Continuing rising tensions with this important trading partner underscore the need in the next farm bill for a more meaningful, predictable farm safety net and the need to invest more into trade promotion programs to help diversify agricultural markets.

Market volatility with China is only one example of the many disruptions impacting U.S. agriculture during the life of the current farm bill. The Russian invasion of Ukraine, COVID-19 and other supply chain disruptions, non-tariff trade barriers erected by multiple countries, and devastating natural disasters have tested the effectiveness of current farm policy. Increased production input costs have as well, with USDA projecting that most expense categories will remain above their 2021 levels in 2023 both in nominal and inflation-adjusted dollars. These projected high input costs, coupled with lower projections for many crop cash receipts, are cause for concern for farm country: USDA's February 2023 Farm Income Forecast publication projects a 20.7 percent decline in net cash farm income in 2023 relative to 2022.

Projections such as this, when realized, often result in financial stress and calls for ad hoc or supplemental disaster assistance to farmers and ranchers – that is, assistance outside of the farm

bill. In fact, between 2018-2021, ad hoc assistance made up approximately 70% of direct farm payments due to challenges described above. Ad hoc assistance is necessary in times of need but is not a timely, reliable, or predictable safety net for farmers and ranchers. The upcoming farm bill reauthorization provides an opportunity to address very real needs in agriculture and rely less on off-budget ad hoc assistance.

In addition to needs highlighted above, farm bill budget resources are needed for protecting and enhancing crop insurance to assist with volatile weather and crop loss, improving access to voluntary conservation incentives, addressing rural development needs, investing in research for innovation and competitiveness, providing opportunities to help the nation become more energy independent and food secure, and supporting solutions to address logistics challenges.

Sufficient budgetary resources will be needed to craft a new bipartisan, multi-year, comprehensive, and meaningful piece of legislation. As you work to build the federal budget for fiscal year 2024, we seek your support for providing sufficient resources to the committees to craft the next farm bill.

Sincerely,

National Associations

Agricultural Retailers Association
 Amcot
 American Agri-Women
 American Association of Crop Insurers
 American Association of Veterinary Medical Colleges
 American Bankers Association
 American Cotton Producers
 American Cotton Shippers Association
 American Farm Bureau Federation
 American Farmland Trust
 American Feed Industry Association
 American Pistachio Growers
 American Pulse Association
 American Seed Trade Association
 American Society of Agronomy
 American Society of Farm Managers and Rural Appraisers
 American Society of Plant Biologists
 American Soybean Association
 American Sugar Alliance
 American Sugarbeet Growers Association
 American Veterinary Medical Association
 AmericanHort
 Aquatic Ecosystem Restoration Foundation
 Aquatic Plant Management Society

Association of Equipment Manufacturers
Biotechnology Innovation Organization
The Breakthrough Institute
Cherry Marketing Institute
Corn Refiners Association
Cotton Growers Warehouse Association
Cotton Warehouse Association of America
Cottonseed and Feed Association
Council of Producers and Distributors of Agrotechnology
Crop Insurance and Reinsurance Bureau
Crop Insurance Professionals Association
Crop Science Society of America
CropLife America
Delta Waterfowl
Ducks Unlimited
Farm Credit Council
Farm Journal Foundation
The Fertilizer Institute
Global Cold Chain Alliance
Hop Growers of America
Independent Community Bankers of America
International Certified Crop Advisers
International Dairy Foods Association
International Fresh Produce Association
National Alfalfa and Forage Alliance
National Alliance of Independent Crop Consultants
National Association of Conservation Districts
National Association of Landscape Professionals
National Association of State Departments of Agriculture
National Association of Wheat Growers
National Barley Growers Association
National Black Growers Council
National Christmas Tree Association
National Coalition for Food and Agricultural Research
National Corn Growers Association
National Cotton Council
National Cotton Ginners Association
National Cottonseed Products Association
National Council of Farmer Cooperatives
National Council of Textile Organizations
National Farmers Union
National Grain and Feed Association
National Grange

National Milk Producers Federation
 National Onion Association
 National Peach Council
 National Pork Producers Council
 National Potato Council
 National Sorghum Producers
 National Sunflower Association
 The Nature Conservancy
 North American Blueberry Council
 North American Meat Institute
 North American Millers' Association
 North American Renderers Association
 Pheasants Forever
 Quail Forever
 Rural and Agriculture Council of America
 Society of American Florists
 Soil Science Society of America
 Specialty Crop Farm Bill Alliance
 Supporters of Agricultural Research (SoAR) Foundation
 U.S. Apple Association
 U.S. Beet Sugar Association
 U.S. Canola Association
 U.S. Cattlemen's Association
 U.S. Durum Growers Association
 U.S. Peanut Federation
 U.S. Poultry & Egg Association
 U.S. Rice Producers
 U.S. Sweet Potato Council
 USA Dry Pea & Lentil Council
 USA Rice
 Weed Science Society of America
 Wine Institute

State and Regional Associations

Agribusiness Association of Iowa
 Agricultural Council of Arkansas
 Alabama Bankers Association
 Alabama Cotton Commission
 Alabama Farmers Federation
 Alabama Soybean and Corn Association
 Alaska Farm Bureau
 Almond Alliance

Arizona Cotton Ginners Association
Arizona Cotton Growers
Arizona Farm Bureau Federation
Arkansas Community Bankers
Arkansas Farm Bureau Federation
Arkansas Rice Federation
Arkansas Rice Growers Association
Arkansas Soybean Association
BankIn Minnesota
Bluegrass Community Bankers Association
California Agricultural Irrigation Association
California Alfalfa & Forage Association
California Association of Wheat Growers
California Bean Shippers Association
California Cherry Growers and Industry Association
California Citrus Mutual
California Community Banking Network
California Cotton Ginners and Growers Association
California Farm Bureau Federation
California Fresh Fruit Association
California Grain & Feed Association
California Pear Growers
California Pork Producers Association
California Rice Commission
California Seed Association
California Specialty Crops Council
California State Floral Association
California Sweetpotato Council
California Table Grape Commission
California Warehouse Association
California Women for Agriculture
Carolinas Cotton Growers Cooperative
Colorado Association of Wheat Growers
Colorado Corn Growers Association
Colorado Farm Bureau
Colorado Potato Legislative Association
Community Bankers Association of Georgia
Community Bankers Association of Illinois
Community Bankers Association of Kansas
Community Bankers Association of Ohio
Community Bankers Association of Oklahoma
Community Bankers of Iowa
Community Bankers of Michigan

Community Bankers of Washington
Connecticut Farm Bureau Association
Corn Growers of North Carolina
Cotton Producers of Missouri
Dairy Producers of Utah
Delaware Farm Bureau
Delta Council
Empire State Potato Growers
Florida Agri-Women
Florida Cotton Producers Association
Florida Farm Bureau Federation
Florida Fruit & Vegetable Association
Florida Rice Growers
Food Producers of Idaho
Georgia Agribusiness Council
Georgia Corn Growers Association
Georgia Cotton Commission
Georgia Farm Bureau Federation
Georgia/Florida Soybean Association
Georgia Fruit and Vegetable Growers Association
Georgia Urban Agriculture Council
Grain and Feed Association of Illinois
Hawaii Farm Bureau Federation
Hop Growers of Washington
ICBA of New Mexico
Idaho Alfalfa and Clover Seed Growers Association
Idaho Grain Producers Association
Idaho Hay and Forage Association
Idaho Hop Growers Association
Idaho Noxious Weed Control Association
Idaho Nursery & Landscape Association
Idaho Oilseed Commission
Idaho Onion Growers' Association
Idaho-Oregon Fruit and Vegetable Association
Idaho Pest Management Association
Idaho Potato Commission
Illinois Corn Growers Association
Illinois Farm Bureau
Illinois Fertilizer and Chemical Association
Illinois Soybean Association
Independent Bankers Association of New York State
Independent Banks of South Carolina
Independent Community Bankers of Colorado

Independent Community Bankers of South Dakota
Independent Community Banks of North Dakota
Indiana Bankers Association
Indiana Corn Growers Association
Indiana Farm Bureau
Indiana Soybean Alliance
Iowa Corn Growers Association
Iowa Farm Bureau Federation
Iowa Soybean Association
Kansas Agribusiness Retailers Association
Kansas Association of Wheat Growers
Kansas Corn Growers Association
Kansas Cotton Association
Kansas Cotton Ginners
Kansas Farm Bureau
Kansas Grain and Feed Association
Kansas Grain Sorghum Producers Association
Kansas Pork Association
Kansas Soybean Association
Kentucky Corn Growers Association
Kentucky Small Grain Growers Association
Kentucky Soybean Association
Louisiana Agricultural Consultants Association
Louisiana Bankers Association
Louisiana Cotton and Grain Association
Louisiana Farm Bureau Federation
Louisiana Independent Cotton Warehouse Association
Louisiana Rice Producer Group
Maine Farm Bureau Association
Maine Potato Board
Malheur County Onion Growers Association
Maryland Bankers Association
Maryland Farm Bureau
Maryland Grain Producers Association
Massachusetts Association of Lawn Care Professionals
Massachusetts Farm Bureau Federation
Michigan Agri-Business Association
Michigan Corn Growers Association
Michigan Farm Bureau
Michigan IPM Alliance
Michigan Soybean Association
Mid-Atlantic Soybean Association
Midwest Council on Agriculture

Midwest Forage Association
Minnesota Agri-Growth Council
Minnesota Area II Potato Council
Minnesota Association of Wheat Growers
Minnesota Canola Council
Minnesota Corn Growers Association
Minnesota Crop Production Retailers
Minnesota Farm Bureau Federation
Minnesota Soybean Growers Association
Mississippi Farm Bureau Federation
Mississippi Rice Council
Mississippi Soybean Association
Missouri Corn Growers Association
Missouri Farm Bureau
Missouri Independent Bankers Association
Missouri Rice Council
Missouri Soybean Association
Montana Agricultural Business Association
Montana Farm Bureau Federation
Montana Independent Bankers
Montana Potato Improvement Association
Nebraska Agri-Business Association
Nebraska Cooperative Council
Nebraska Corn Growers Association
Nebraska Dry Bean Commission
Nebraska Dry Pea and Lentil Commission
Nebraska Farm Bureau
Nebraska Independent Community Bankers
Nebraska Soybean Association
Nebraska Wheat Board
Nebraska Wheat Growers Association
Nevada Farm Bureau Federation
New Mexico Farm and Livestock Bureau
New York Corn and Soybean Growers Association
New York Farm Bureau
New York Green Industry Council
Nezperce Prairie Grass Growers Association
North Carolina Bankers Association
North Carolina Christmas Tree Association
North Carolina Cotton Producers Association
North Carolina Egg Association
The North Carolina Peanut Growers Association
North Carolina Small Grain Growers Association

North Carolina Soybean Producers Association
North Carolina State Grange
North Carolina SweetPotato Commission
North Central Weed Science Society
North Dakota Corn Growers Association
North Dakota Grain Growers Association
North Dakota Soybean Growers Association
Northarvest Bean Growers Association
Northeast Dairy Producers Association
Northeastern Weed Science Society
Northern Canola Growers Association
Northland Potato Growers Association
Northwest Agricultural Cooperative Council
NYS Agribusiness Association
Ohio AgriBusiness Association
Ohio Corn and Wheat Growers Association
Ohio Farm Bureau
Ohio Soybean Association
Oklahoma Agribusiness Retailers Association
Oklahoma Cotton Council
Oklahoma Farm Bureau
Oklahoma Grain and Feed Association
Oklahoma Seed Trade Association
Oklahoma Sorghum Growers
Oklahoma Soybean Association
Oklahoma Wheat Growers Association
Olive Oil Commission of California
Oregon Association of Nurseries
Oregon Bankers Association
Oregon Cattlemen's Association
Oregon Dairy Farmers Association
Oregon Farm Bureau
Oregon Hop Growers Association
Oregon Potato Commission
Oregon Wheat Growers League
Oregon Women for Agriculture
Oregonians for Food and Shelter
Pacific Coast Renderers Association
Pacific Egg and Poultry Association
Pacific Seed Association
Palmetto AgriBusiness Council
Panhandle Peanut Growers Association
PennAg Industries Association

Pennsylvania Association of Community Bankers
Pennsylvania Cooperative Potato Growers
Pennsylvania Farm Bureau
Plains Cotton Growers, Inc.
Plant California Alliance
PNW Canola Association
Potato Growers of Michigan, Inc.
Puget Sound Seed Growers Association
Red River Valley Sugarbeet Growers Association
Rhode Island Farm Bureau Federation
Rolling Plains Cotton Growers
San Joaquin Valley Quality Cotton Growers
Snake River Sugarbeet Growers Association
South Carolina Corn and Soybean Association
South Carolina Farm Bureau Federation
South Carolina Peach Council
South Dakota Agri-Business Association
South Dakota Corn Growers Association
South Dakota Farm Bureau
South Dakota Soybean Association
South Dakota Wheat Growers Association
South Texas Cotton and Grain Association
Southeastern Cotton Ginners Association, Inc.
Southern Cotton Ginners Association
Southern Cotton Growers, Inc.
Southern Crop Production Association
Southern Idaho Potato Cooperative
Southern Rolling Plains Cotton Producers Association
Southern Weed Science Society
Southwest Council of Agribusiness
St. Lawrence Cotton Growers Association
Synergistic Hawaii Agriculture Council
Tennessee Bankers Association
Tennessee Corn Growers Association
Tennessee Farm Bureau Federation
Tennessee Soybean Association
Texas Agri-Women
Texas Association of Dairymen
Texas Corn Producers Association
Texas Cotton Ginners Association
Texas Farm Bureau
Texas Grain Sorghum Association
Texas Rice Producers Legislative Group

Texas Soybean Association
 Texas Wheat Producers Association
 Vermont Bankers Association
 Vermont Feed Dealers and Manufacturers Association
 Virginia Agribusiness Council
 Virginia Association of Community Banks
 Virginia Cattlemen's Association
 The Virginia Christmas Tree Growers Association
 Virginia Cotton Growers
 Virginia Crop Production Association
 Virginia Farm Bureau
 Virginia Grain Producers Association
 Virginia Peanut Growers Association
 Virginia Soybean Association
 Washington Association of Wheat Growers
 Washington Farm Bureau
 Washington Friends of Farms and Forests
 Washington Mint Growers Association
 Washington Potato and Onion Association
 Washington State Potato Commission
 Western Agricultural Processors Association
 Western Alfalfa Seed Growers Association
 Western Association of Agricultural Experiment Station Directors
 Western Growers
 Western Peanut Growers Association
 Western Plant Health Association
 Western Society of Weed Science
 Wild Blueberry Commission of Maine
 Wisconsin Corn Growers Association
 Wisconsin Pork Association
 Wisconsin Potato and Vegetable Growers Association
 Wisconsin Soybean Association
 Wyoming Ag Business Association
 Wyoming Bankers Association
 Wyoming Wheat Growers Association

CC: Members of the Senate Committee on Budget
 Members of the House Committee on Budget
 Members of the Senate Committee on Agriculture, Nutrition, and Forestry
 Members of the House Committee on Agriculture

Testimony of

Neil Rockstad
On behalf of the
American Sugar Alliance

**Before the Senate Subcommittee on Commodities, Risk Management, and
Trade**

Hearing: Commodity Group Perspectives on Title 1

Washington, D.C.
May 2, 2023

Good morning, Chairwoman Smith, Ranking Member Hyde-Smith, and Members of the subcommittee. Thank you for this opportunity to testify before you today on behalf of the American Sugar Alliance concerning the upcoming Farm Bill. Thank you also to Chairwoman Stabenow and Ranking Member Boozman for your leadership in advancing a Farm Bill.

My name is Neil Rockstad. I was born and raised in the great state of Minnesota and am a proud constituent of Senator Smith. My wife Elizabeth and I grow sugarbeets on our farm near Ada, which is in between Grand Forks, ND and Moorhead, MN. Together we are fourth generation farmers and with any luck, our girls Nora and Hazel will be the fifth. In addition to the all-important family credentials, I serve as Vice President for the American Sugarbeet Growers Association and as President of the Red River Valley Sugarbeet Growers Association. I am also shareholder in the American Crystal Sugar Company. American Crystal is proud to be celebrating our 50th year as a farmer-owned cooperative this year. I've also held leadership roles with the Farm Bureau at the local and state levels.

Coming from sugarbeet producing states, both Chairwoman Stabenow and Smith know firsthand how sugarbeets and by extension all of agriculture, are so important to rural communities like mine. There are so few economic engines in our rural communities, but the U.S. the sugar industry generates more than 151,000 jobs across two dozen states and contributes more than \$23 billion annually to the U.S. economy (see figure 1. Map of the U.S. sugar industry).¹ In my home state of Minnesota the sugarbeet industry provides almost 21,000 jobs and has a \$3.06 billion dollar economic impact.

¹ Fischer, B., Herbst, B., Outlaw, J., and Raulston, J.M. (2022) "*Economic Impact of the U.S. Sugar Industry*," Agricultural and Food Policy Center, Texas A&M University, June. (available at <https://sugaralliance.org/wp-content/uploads/2022/06/Sugar-Report.pdf>)

American consumers benefit from a safe, high-quality, reliable, sustainably produced,² and affordable source of an essential ingredient in the nation's food supply. Sugar is used as a natural sweetener, preservative, and bulking agent in 70 percent of U.S. food manufacturing.

Our farmers, millers, processors, and refiners have built a strong and resilient supply chain for American sugar.³ Our product is stored and distributed from 90 strategically located facilities throughout the nation ready for delivery when and where needed according to the specifications required by our customers. Unlike some other food items, sugar was readably available on grocery store shelves throughout the pandemic. That success is attributable to U.S. sugar policy and the heroic efforts of our farmers and factory workers.

Outsourcing more of our sugar supply to other nations not only puts our farmers at risk, but also makes it even more difficult for our food companies to produce and supply the consumer products demanded by a growing segment of U.S. households that are looking for such things as sustainability and other environmental attributes in their food. Our industry meets some of the highest labor and environmental standards in the world. Using best practices and continuous improvement, our sector has made huge strides in sustainability, mainly through productivity gains in soil fertility, investment in advanced technologies, mechanization, improved beet seed and sugarcane genetics, and refining efficiencies. In fact, over the past 20 years, we have increased sugar production by 14 percent on 8 percent fewer acres, through improved yields while lowering pesticide use.

Many of the jobs and businesses generated and supported by the U.S. sugar industry are rural areas and urban areas where good blue-collar jobs have become harder and harder to find. As an industry, we are proud to provide high-paying good jobs in our communities.

This hearing is timely and important for sugarbeet and sugarcane farmers because Title I of the Farm Bill — the Commodity Title — represents a critical safety net for our farm families and the many employees of sugar mills, processors, and refineries throughout the country.

I will make four main points today.

First, efficient U.S. sugar producers are threatened by less efficient foreign, subsidized and dumped sugar that usually sells well below the exporters' cost of production. This makes the world sugar market the most distorted, volatile and unreliable commodity market in the world (see figure 2. World's largest sugar exporters). There are no signs of that changing in the foreseeable future.

Due to existing U.S. commitments under multilateral and bilateral trade agreements, the United States is the third largest importer in the world of this essential commodity, with those imports accounting for approximately 30 percent of U.S. needs. Yet, as the global supply chain disruptions resulting from the global pandemic, Russia's war in Ukraine and a variety of global climatic events have made clear, we must not become even more dependent on foreign suppliers for essential

² See <https://sugaralliance.org/producing-sugar-sustainably/sugar-sustainably-sweet-stories>.

³ We documented that supply chain resilience for American sugar supplies at our submission to USDA this past spring (available at <https://www.regulations.gov/comment/AMS-TM-21-0034-0437>).

goods particularly for food, energy, computer chips, and the like. This is why an effective sugar policy, which maintains a strong domestic industry, is essential to the food security of our nation.

Second, U.S. sugar policy is structured to serve American farmers, consumers, food manufacturers, and taxpayers as it operates no cost to the U.S. Treasury. U.S. sugar policy has operated at zero cost to taxpayers 19 of the past 20 years and is expected to do so again this year. USDA projects zero cost for the program over the next 10 years, as well. The one time in the past two decades the program did not operate at zero cost was due to Mexico's dumping of sugar onto the U.S. market at below Mexico's production costs, which the International Trade Commission unanimously held violated U.S. trade law. That problem has been effectively addressed to the satisfaction of all parties through the existing antidumping and countervailing duty Suspension Agreements.

Nevertheless, the loan rates for raw cane sugar and refined beet sugar have not kept up with inflation nor the rising costs of production (see figure 3. Rising input costs). Operating margins for sugar producers are being squeezed each year, due to rising labor, fuel, seed, fertilizer, equipment costs and interest rates that affect both field and factory returns. Since the last Farm Bill was written at the end of 2018, farmers are paying 87% more for diesel fuel, 141% more for fertilizer, and 33% more for machinery. And while some of those prices have come down marginally from last year, they still remain high and have the potential to rise again depending on global geopolitics. Current freight, rail, and ocean shipping rates continue to remain high and can be amplified by supply chain disruptions, such as those resulting from Russia's war in Ukraine. The bottom line is that if sugar were sold at the current safety net levels, most of the domestic industry would not be economically sustainable. The safety net must be increased in this Farm Bill for long term stability to provide secure supplies for American consumers.

In addition, sugar farmers are worried about increasing challenges of managing weeds and crop pests with fewer crop protectants, the rising cost of labor and availability of guest workers, the uncertainty caused by repeated wetland rules that do not seem driven by science but by politics, and difficulties in securing adequate truck and rail for handling for our product.

The current loan rate levels for sugar no longer provide a realistic safety net for our producers. Since the early 1980's we have seen 68 sugar processing facilities close and most outside investors exited the remainder of the industry due to the high risk and low returns. It was family farmers, like mine, who stepped up to rescue the industry from further closures of their factories, mills, and refineries (see figure 4. Facility closures). Now many of those are struggling.

We are saddened to see an additional sugarbeet processing facility in Northeastern Montana closing down this year --- not because of a weather disaster, but because the current economic environment with high costs of sugar production making it difficult to stay in business. Once a facility closes down it doesn't reopen, and it leaves behind workers that need to relocate and a town that has lost a large part of its economic and tax base.

Having sugar loan rates that are closer to our actual costs of sugar production would provide a more effective safety net for our producers and provide a signal to our cooperatives and companies that during the next downturn in prices, the floor price will actually cover a meaningful portion of

sugar production costs. As such, we would support examining how the farm safety net could be updated in the next Farm Bill for all Title I commodities to better match actual operating costs for farmers.

Third, sugarbeets and sugarcane, like most crops, are grown in areas that experience weather disruptions. While sugarbeets and sugarcane are resilient, risk protection is needed given the exposure to strong hurricanes, freezes, and frequent and more intense droughts or excess rainfall. Sugarbeet and sugarcane farmers do have some insurance products available to them, but those crop insurance tools are not as well developed or affordable as for some other commodities. For sugarbeets, policies are limited to yield-based coverage and do not benefit from a revenue-based product like other commodities, nor do they have enterprise units available for purchase. For sugarcane, the Hurricane Insurance Program (HIP) has been an invaluable addition, but a prevented planting provision is needed. Participation and coverage levels for sugarcane lag significantly behind other crops so better addressing sugarcane's unique perils would be helpful. Price election methods that are more closely tied to the futures prices for sugar should also be updated to better reflect current market prices.

Sugarbeet and sugarcane farmers have participated in WHIP+ and ERP previously and are considering how their losses in 2021 and 2022 might be eligible for the most recent ERP program. In particular, I want to thank Senator Hoven for his early work that led to establishing WHIP+. We are thankful that USDA is working with Texas sugarcane farmers, and beet farmers on disaster aid. Unfortunately, USDA estimates that only \$3.7 billion is available for over \$10 billion in disaster needs for 2021 and 2022.

For those reasons and because there has been interest in developing additional risk management programs to complement crop insurance, we are certainly receptive to new efforts to provide standing disaster coverage in ways that do not undermine crop insurance and possibly even encourage greater participation by making insurance more affordable. Under any standing disaster program, we would encourage the committee to provide particular help to crops that might not have access to more successful crop insurance coverage options or for which the program has just not operated optimally.

Lastly, the current Title I sugar policy can provide an adequate economic safety net for American sugarbeet and sugarcane farmers, provided it is kept up to date and so long as there remains in place effective responses to foreign sugar-producing countries' subsidizing and dumping. Without those responses, we would effectively outsource our sugar supply to heavily-subsidized and unreliable foreign sugar suppliers whose environmental and labor standards simply do not measure up to our own. That would be the opposite of strengthening supply chains and contrary to providing a safety net to American producers. Under that scenario, farmers, consumers, and taxpayers would all lose.

On behalf of the more than 11,000 sugarbeet and sugarcane farmers in the United States as well as the employees in our mills, processors, and refineries, I thank you for supporting sound U.S. sugar policy and strongly opposing harmful proposals that would undermine the success of this policy.

We encourage and welcome the members and staff of the committee to visit our farms and factories. We look forward to working with you and other stakeholders committed to strengthening American food and agriculture as this committee continues to hear from producers as you weigh options for improving the Farm Bill.

Thank you for your consideration and your support for American sugarbeet and sugarcane family farmers. It is critical that the full Agriculture Committee reject attempts by special interests to weaken U.S. sugar policy that would outsource American farms to Brazil, India, and other countries that heavily subsidize sugar production. I look forward to any questions you might have.

Neil Rockstad, Minnesota sugarbeet grower
Representing the American Sugar Alliance

Figure 1

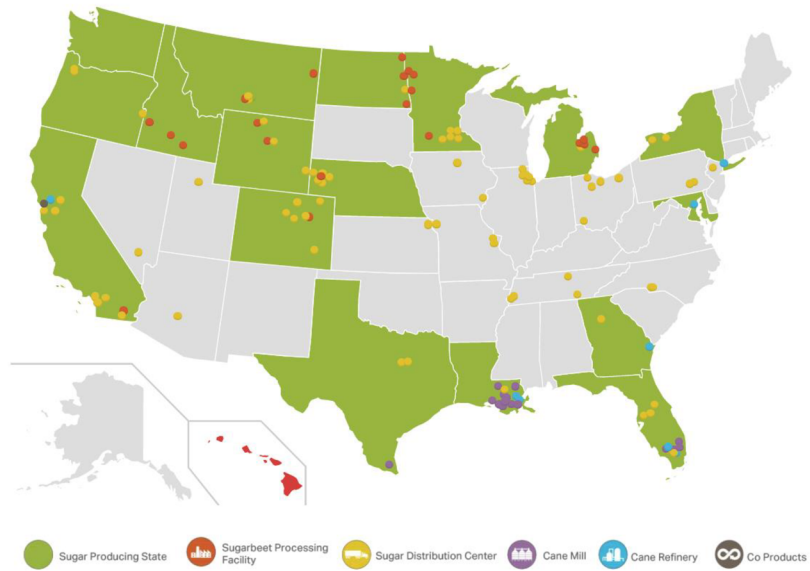
U.S. Sugar Industry

Figure 2

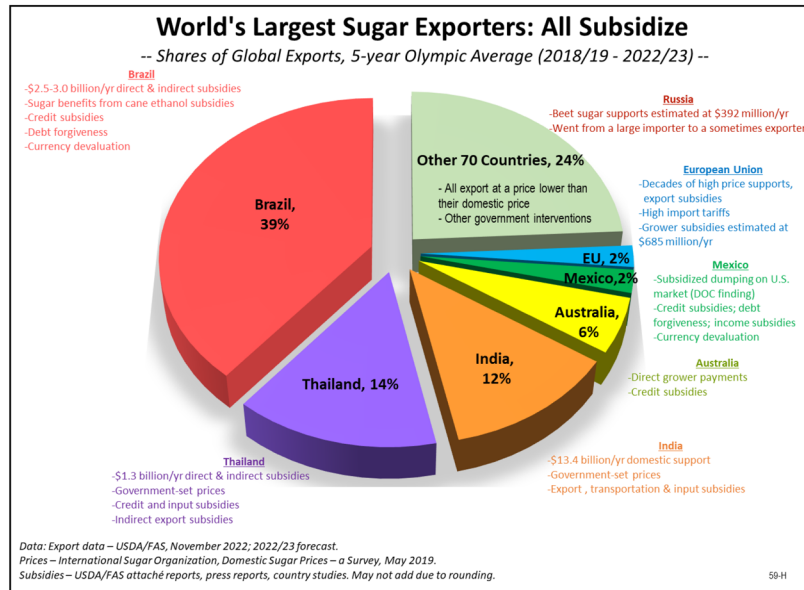


Figure 3

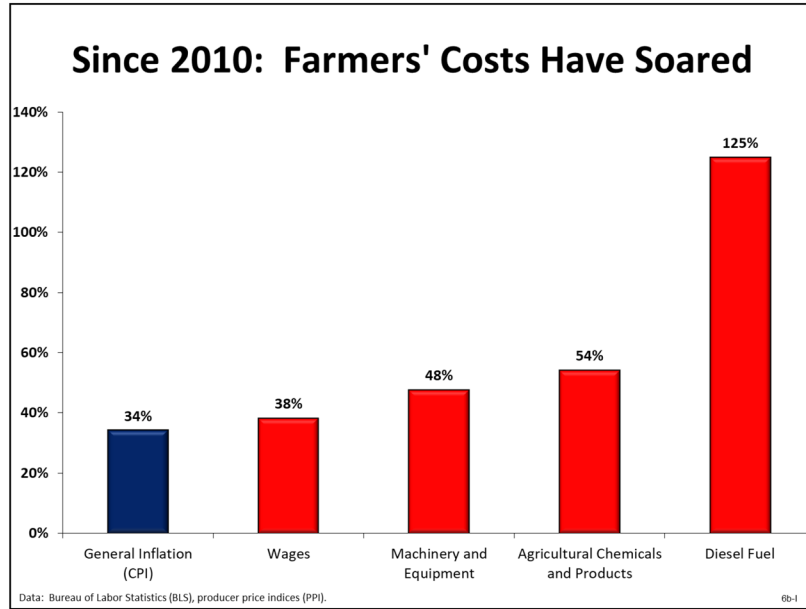
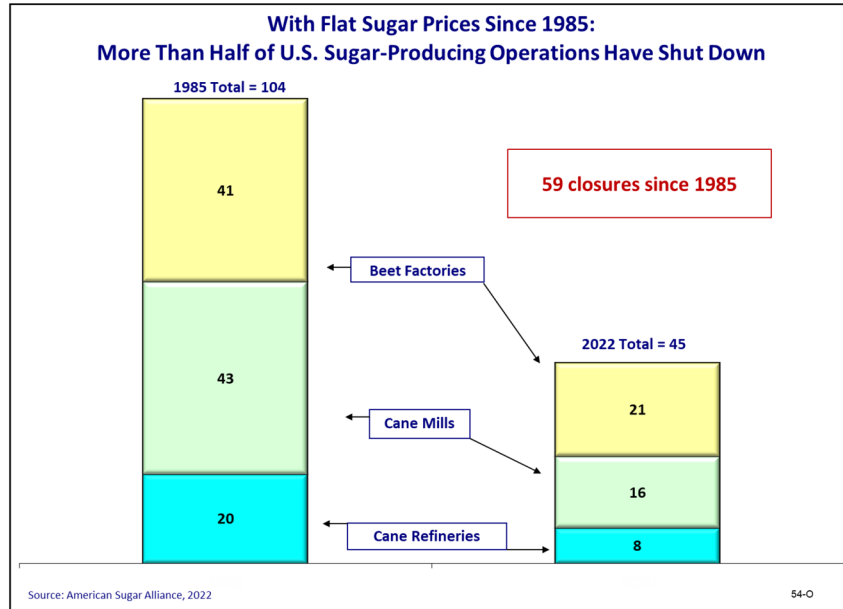


Figure 4



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**Karla Baker Thompson
JET Farms Georgia and Integrity Farms
Camilla, Georgia**

United States Peanut Federation

**U.S. Senate Committee on Agriculture
Subcommittee on Commodities, Risk Management, and Trade**

Washington, D.C.

May 2, 2023

Chair Smith, Ranking Member Hyde-Smith, and members of the Subcommittee, thank you for the opportunity to appear before you today to provide the peanut producers' perspective on the Farm Safety Net. My name is Karla Thompson. I currently farm in a family business with my husband and extended family on our family farm in Southwest Georgia. We have a diversified farming operation including peanuts, blueberries, green beans, fresh sweet corn, and sugar cane. I am responsible for strategic planning, financial control and development, and regulatory compliance. Our farm reflects an increasing diversity in southeastern agriculture. We have row crops and specialty crops.

I am here today representing the United States Peanut Federation (USPF). USPF is comprised of the Southern Peanut Farmers Federation, the American Peanut Shellers Association, and the National Peanut Buying Points Association. The Southern Peanut Farmers Federation includes the peanut grower organizations in Georgia, Alabama, Florida, and Mississippi.

The COVID-19 pandemic triggered a series of events on our farm. Since 2020, we have seen supply chain disruptions, inflation on key farm inputs, and labor shortages. Prior to 2020, the peanut industry was already in the throes of difficult variables such as low prices—much of which was a result of trade issues; a reduced market in China and a non-tariff trade barrier in the European Union (EU), followed by the United Kingdom (UK). The EU and UK are some of our premium markets (see attachment A).

In addition to the financial impact of low market prices and increased input costs, peanut farming requires high cost, specialized equipment on top of traditional equipment such as tractors, trucks, cultivators, plows, etc. This specialized equipment includes:

- Peanut Pickers
- Peanut Diggers
- Peanut Carts
- Peanut Lifters
- Peanut Reshakers
- Twin Row Planters and Layoff Rigs
- Dedicated Sprayer Rig

This specialized equipment is extremely expensive to purchase and maintain, resulting in additional stressors on our farms.

Dr. Stanley M. Fletcher, Professor of Policy at the Center for Rural Prosperity and Innovation at Abraham Baldwin Agricultural College and Professor Emeritus at the University of Georgia, has developed and maintained peanut representative farms from 2001, prior to the 2002 Farm Bill, to today. We currently have twenty-two representative farms (see attachment B) spread across the country. They cover all of the peanut areas from Virginia to New Mexico.

Since the 2018 Farm Bill, we have seen substantial inflation. Dr. Fletcher reviewed the peanut representative farms' crop year 2021 cost of production as compared to 2022 costs and found a significant increase. The total cost of production increase per ton was 26.31% percent from 2021 to 2022. Prior to the 2021 representative farm update, the peanut reference price of \$535

per ton provided an effective safety net for growers. However, according to Dr. Fletcher, the reference price has not been a functional safety net since the 2021 crop year. Total Variable Input Costs (TVIC) such as seed, fertilizer, fuel, crop insurance, etc., have increased 33.48% when comparing 2021 to 2022. Our 2021 cost of production was \$545.97 per ton, and Dr. Fletcher reports our 2022 cost of production at approximately \$668 per ton (see attachment C).

I would like to provide anecdotal evidence supporting the representative farms Cost of Production analysis. On our farm alone, many of our expenses have almost doubled since 2018. Our fertilizer costs absolutely skyrocketed. We need certain fertilizers to sustain the right nutrient levels in the soil, both for the peanuts we are growing in any given season and to protect the land for the future. In the past few years, we have experienced seasons where we could barely obtain the necessary products due to supply chain issues. Supply shortages directly translated to price increases, and our fertilizer expenses have as much as doubled. Currently, fertilizer prices are changing week to week preventing us from making informed management decisions.

Labor costs have been especially challenging. We believe in taking care of our team and paying them fairly, so labor costs are a primary focus of our financial planning. Since 2018, it has become increasingly difficult to plan for and cover our labor costs. For example, we need skilled equipment operators to plant and harvest our peanuts safely and efficiently. Every year, it gets harder and harder to find local workers with those skills, and so we have come to rely on guest workers from Mexico that we recruit through the H2A visa program. The costs for the

H2A program have always been high, but they have risen dramatically just this past year. In Georgia, the U.S. Department of Labor unexpectedly raised the H2A minimum wage by 14%, from \$11.99 in December 2022 to \$13.67 for 2023.

I am proud to be an American peanut grower because of the high nutritional value peanuts provide to our nation and world. The Peanut Institute has released data highlighting the health value of peanuts in reducing heart disease, Alzheimer's disease, Type 2 diabetes, and some cancers. Peanuts, one of the cheapest sources of protein choices for consumers, contain 19 essential vitamins and minerals (see attachment D).

Not far from our farm is the processing facility for MANA nutrition. MANA is a nonprofit organization known for the production of a ready-to-use therapeutic food (RUTF) through its fortified peanut paste. MANA has recently expanded their facility in Georgia. MANA's mission statement is "We are here to end malnutrition."

What do we need from the 2023 Farm Bill?

First, the U.S. Peanut Federation supports an increase in the reference price in the 2023 Farm Bill. Growers, shellers and buying points all support the Price Loss Coverage Program as included in the 2018 Farm Bill with a reference price increase. While the 2018 Farm Bill's Price Loss Coverage program has worked for peanut growers, the rise in input costs and cost of

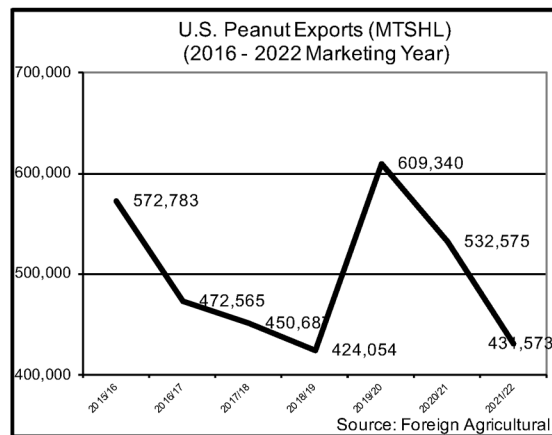
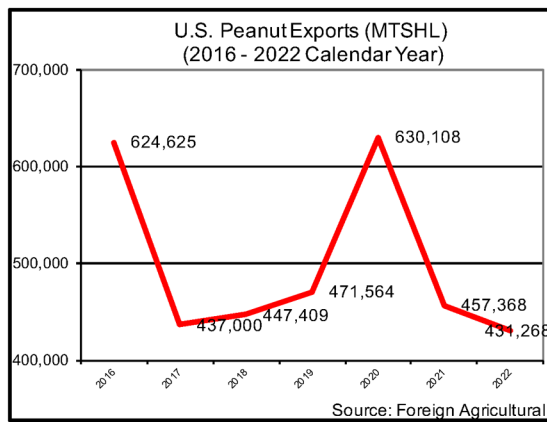
production necessitates a reference price increase if this program is to remain relevant as a farm safety net.

Secondly, the U.S. Peanut Federation supports a voluntary base update that includes growers with and without peanut base acres. While the 2014 Farm Bill allowed for base updating for peanut growers that already had base on their farms, it excluded many young farmers and new production areas. Our economists estimate that a voluntary base update, using the latest five-year Olympic average, will include approximately 112,000 peanut acres nationally (see attachment E).

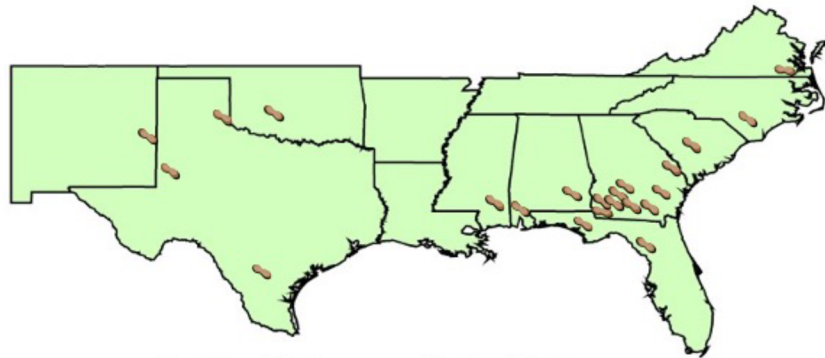
I would like to thank the committee members for the tireless work you are doing on the 2023 Farm Bill. The importance of the farm safety net cannot be understated for my family's work as American farmers. Thank you for allowing me to testify today. I look forward to any questions you may have.

U.S. SHELLED PEANUT EXPORTS 2016 - 2022

Total Shelled Peanut	UNIT	Calendar Year	QUANTITY	Marketing Year	QUANTITY
World Total	1 Peanuts	MTSHL 2016	624,625	2015/16	572,783
World Total	1 Peanuts	MTSHL 2017	437,000	2016/17	472,565
World Total	1 Peanuts	MTSHL 2018	447,409	2017/18	450,687
World Total	1 Peanuts	MTSHL 2019	471,564	2018/19	424,054
World Total	1 Peanuts	MTSHL 2020	630,108	2019/20	609,340
World Total	1 Peanuts	MTSHL 2021	457,368	2020/21	532,575
World Total	1 Peanuts	MTSHL 2022	431,268	2021/22	431,573

**ATTACHMENT A**

Areas Represented by the 22 United States Representative Peanut Farms



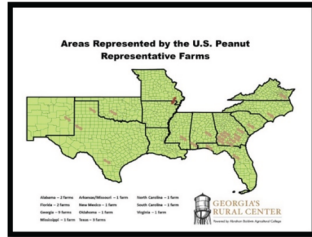
Georgia —9 farms	Texas —3 farms
Florida —2 farms	New Mexico —1 farm
Alabama —2 farms	Virginia —1 farm
South Carolina —1 farm	North Carolina — 1 farms
Mississippi — 1 farm	Oklahoma — 1 farm

ATTACHMENT B

United States Peanut Cost of Production

Stanley M. Fletcher, Professor of Policy
Center for Rural Prosperity and Innovation
Abraham Baldwin Agricultural College
Professor Emeritus, University of Georgia

The U.S. peanut representative farms development started in 2001 prior to the 2002 Farm Bill. These representative farms have been maintained for 20 years and have been extensively utilized for peanut policy in each Farm Bill. These representative farms cover all the peanut areas from Virginia to New Mexico based on production share as seen in the map. If a state production share equals to a partial representative farm, a whole farm was developed for that state. These farms were updated during the summer of 2021 with 2021 cost of production. Due to the recent peanut production in the Northeast Arkansas/Southeast Missouri, a new representative farm is planned to be developed during 2023.



A cash flow analysis is performed to indicate what the cash flow is required to produce a ton of peanuts. The cash flow costs are divided into 3 categories: TVIC (total variable input cost), QVIC (quasi variable input cost-whole farm cost allocated to a crop acre) and loan payments. A peanut farmer has 3 different loans during the crop season. They are the operating loan, an equipment loan, and a land loan. Over the years of updating the representative farms, it has been found that producers not able to cover all their cash flow cost have been rolling the deficit into their land loan and that percentage has been increasing over time.

Table 1. U.S. Peanut Cost of Production

	2021 U.S. Rep Farm COP	Potential 2022 COP
Expected Yield	2.38 tons/acre	2.38 tons/acre
TVIC (seed, fertilizer, micronutrients, lime & gypsum, inoculants, chemicals, wild hog, cover crop, growth regulators, custom application, consultants, irrigation fuel, tractor fuel, drying, cleaning, hauling, checkoffs, crop insurance, and interest on operating loan)	\$713.52/acre	\$952.41/acre
QVIC (taxes, accounting/legal, fleet liability insurance, repairs maintenance and supplies, truck fuel & lube, phone, utilities, DTN, GPS, apps, labor cost and land rent)	\$388.33/acre	\$439.30/acre
Total Variable Cost (TVC)= TVIC+QVIC	\$1,101.86/acre	\$1,391.71/acre
Loan payments (equipment and land notes)	\$198.91/acre	\$198.90/acre
Total Cost = TVC + Loan payments	\$1,300.76/acre	\$1,590.61/acre
Total Cost per Ton	\$546.54/ton	\$668.32/ton

Based on the U.S. representative peanut farms, the average total cash flow cost per ton for the 2021 peanut crop was \$546.54/ton. Given the significant increase in the 2022 cost of production, Texas A&M AFPC reported selected input cost increase and FAPRI's inflation factors for the other input costs were utilized to adjust the 2021 cash flow costs by the expected increase in input costs. The projected 2022 peanut total cash flow cost to produce a ton of peanuts is \$668.32/ton.

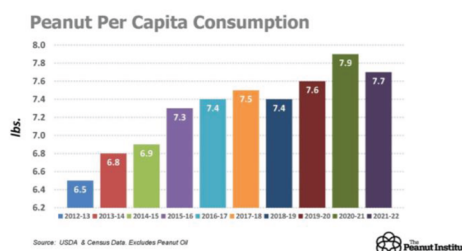
ATTACHMENT C



THE NUTRITIONAL VALUE OF PEANUTS

Background

Peanuts are botanically classified as a legume, being an edible seed enclosed in a pod [1]. However, because of its composition, peanuts are also described as nuts for nutritional purposes. According to the Agricultural Marketing Resource Center, the total U.S. peanut production in 2021 measured 6.4 billion pounds [2]. Of that, about 60% was used for peanut butter production, while about 15% was crushed for peanut oil [2]. Peanuts and peanut butter account for close to 2/3 of all nut consumption in the United States [1]. Dollar for dollar, peanuts and peanut butter are less expensive than almost all nut and meat



proteins. Pairing the affordability with a very long shelf life, peanuts and peanut butter are excellent staples for most pantries. Studies have consistently shown that peanut products, when eaten daily, can significantly decrease the risk of heart disease and diabetes [1, 3, 4]. They also satisfy hunger, help manage weight, and promote health [1]. Peanuts and peanut butter are nutritious, affordable, and sustainable. A serving of peanuts is one ounce, or a handful, and a serving of peanut butter is two tablespoons.

Nutritional Value

Peanuts contain a variety of compounds that promote health including protein, heart-healthy fats, fiber, micronutrients, and antioxidants.

Protein

A one-ounce serving of peanuts—about a handful—is considered a good source of protein based on the United States Department of Agriculture Standard Legacy. Peanuts and peanut butter provide 7 grams of high quality, plant-based protein [5]. Protein is vital for growing children and adults, being integral for muscle growth, immunity, and bone development [6, 7]. Since the protein in peanuts is plant-based, it carries with it additional components promoting positive health benefits like fiber and unique bioactives, unlike animal protein.

Heart-healthy fats

The *2020-2025 Dietary Guidelines for Americans* suggests cooking and purchasing products made with oils higher in polyunsaturated and monounsaturated fat rather than butter, shortening, or coconut or palm oils [8]. More than 80% of the fats in peanuts are from heart-healthy unsaturated fats [5]. The American Heart Association recommends replacing saturated fats for poly- and mono-unsaturated fats to lower risk of cardiovascular disease and inflammation [9].

ATTACHMENT D



Fiber

Peanuts are a good source of fiber, which promotes digestion, heart health, and blood sugar control [5]. Over a third of the carbohydrates in peanuts is fiber and according to the 2020-2025 *Dietary Guidelines*, more than 90 percent of women and 97 percent of men do not meet recommended intakes for dietary fiber [8].

19 vitamins and minerals

Peanuts and peanut butter contain more than 19 vitamins and minerals that are integral to growth, development, metabolic function, and immunity [5]. These micronutrients work by multiple mechanisms and are likely having synergistic effects on health status. Peanuts and peanut butter are excellent sources of niacin, molybdenum, and manganese and are also good sources of folate, copper, and vitamin E [5].

Antioxidants

Research has identified numerous types of bioactive compounds in peanuts and in their skins that may add functionality and health benefits beyond basic nutrition [1]. For example, antioxidants like resveratrol and p-coumaric acid have been associated with improved vascular function, better cognition, and lower stress and anxiety [10, 11]. These and other bioactive nutrients have been recognized for their disease-preventive properties and are also thought to promote longevity. Packaged together with vitamins, minerals, healthy fats, protein, and fiber, peanuts are a complex plant food that promote health and wellness.

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2023 Peanut Potential Base Increase Comparing 2019 Base

The sum of the Olympic average of 2018-2022 certified acres minus 2019 commodity base by county*

	Peanuts
Alabama	2,096.41
Arkansas	29,048.31
Colorado	0.08
Florida	21,136.11
Georgia	22,269.77
Indiana	0.93
Louisiana	1,271.54
Minnesota	0.62
Mississippi	6,085.41
Missouri	15,748.29
Nebraska	97.64
New Mexico	-
North Carolina	12,103.49
Oklahoma	-
South Carolina	2,867.58
Texas	70.87
Virginia	-
Grand Total	112,797.05

* Negative numbers are reported as 0 in the calculations.



Karla Baker Thompson is a farmer living in Georgia. An attorney by training, she previously practiced business and insurance law before moving to Southwest Georgia to work with her husband, Aaron, on his family's farms, JET Farms Georgia and Integrity Farms. In her role as Vice President, she is responsible for strategic planning, financial control and development, and regulatory compliance. On their farms in Georgia and Florida, the Thompson family grows peanuts, sweet corn, green beans, blueberries, and sugar cane. Karla is a member of the Southern Peanut Farmers Federation Peanut Leadership Academy Class XII and the Institute for Georgia Environmental Leadership Class of 2019. She currently serves as 2nd Vice President of the Georgia Fruit and Vegetable Growers Association. Karla holds a Bachelor of Science degree in Business Administration from Birmingham-Southern College and a J.D. from the College of William & Mary Marshall Wythe School of Law.



**Testimony of Harold Wolle
First Vice President
National Corn Growers Association**

**Before the U.S. Senate Committee on Agriculture, Nutrition and Forestry
Subcommittee on Commodities, Risk Management and Trade**

**Regarding
"Commodity Programs, Credit, and Crop Insurance - Part 1:
Producer Perspectives on the Farm Safety Net"**

**106 Dirksen Senate Office Building
Washington, DC**

May 2, 2023

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Chair Tina Smith, Ranking Member Cindy Hyde-Smith, and Members of the Senate Committee on Agriculture, Nutrition, and Forestry thank you for the invitation to testify today before the Subcommittee on Commodities, Risk Management and Trade.

My name is Harold Wolle. I am a family farmer in Madelia, Minnesota where I am transitioning the farm to my son, who raises corn and soybeans. I currently serve as First Vice President of the National Corn Growers Association (NCGA).

Founded in 1957, NCGA is a farmer-led trade association with nearly 40,000 dues-paying corn farmers nationwide and more than 300,000 corn growers who contribute to corn promotion programs in their states. The NCGA mission is to create and increase opportunities for corn growers and our vision is to sustainably feed and fuel a growing world.

Farmers across the country are busy today planting seeds and preparing for a strong crop and future harvest. The hearing today and the Committee's continued outreach is laying critical groundwork for a strong, bipartisan farm bill. Corn growers are as optimistic for this process as we are for this year's harvest. Thank you to all the members and staff for your tremendous work on behalf of the American farmer.

In terms of farm bill priorities, the consensus number one issue for corn growers continues to be protecting federal crop insurance. As users of the commodity programs, NCGA also supports improvements to strengthen both the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) commodity programs. Together, the crop insurance and commodity programs authorized through the farm bill are the most significant federal risk management tools for corn producers.

This morning I will focus my testimony on NCGA's approach to the farm bill and offer our top recommendations for the crop insurance and commodity titles.

2023 Farm Bill Approach

As a grassroots led association, NCGA and our affiliated state associations have worked with grower leaders from across the country to develop principles and prioritize policy recommendations for the farm bill. We are working closely together to ensure the next farm bill addresses the current and future needs of all corn growers.

The values, objectives, and areas of emphasis for corn growers in the 2023 farm bill are best summarized in our key principles:

- Protecting federal crop insurance
- Strengthening the producer safety net
- Bolstering U.S. international market development efforts
- Supporting voluntary conservation programs, and
- Championing initiatives important to rural America.

Our farm bill recommendations seek to make existing USDA programs more effective, efficient, and responsive through strategic investments and policy enhancements. The 2018, 2014 and earlier farm bills have all laid a great foundation for the modern producer safety net that Congress can continue to build upon.

Since the 2018 farm bill was signed into law, corn growers and stakeholders within the broader farm economy have faced and weathered a litany of difficulties and challenges outside of producers' control. Key risk management tools and USDA programs continue to be stress tested by natural disasters, economic challenges, and black swan events like COVID-19 and global conflicts. Corn growers appreciate efforts by Congress and the Administration to provide temporary and ad hoc assistance for these unusual risks and losses that were uncovered by existing federal programs. While recent programs outside the farm bill have benefited producers, the reauthorization of the farm bill is an opportunity to strengthen the effectiveness and responsiveness of these risk management tools for farmers.

After studying potential new programs and novel approaches to these challenges, we continue to find that most of our members are more supportive of improvements to existing crop insurance and commodity programs than creating entirely new, complex, and untested structures or schemes. NCGA has a track record of advocating for market-oriented farm policies that help growers manage their risks. Our focus for the safety net continues to be on accessible tools geared towards revenue, which factors in both yield and price risks that producers face throughout the growing and market seasons.

Corn growers appreciate the complicated budget environment in which the upcoming farm bill legislation will be developed. This March, NCGA and over twenty affiliated state associations joined a letter signed by 400 national, regional, and state agriculture associations, "to express our strong support for providing the Senate Committee on Agriculture, Nutrition, and Forestry and House Committee on Agriculture with sufficient budgetary resources to write a new bipartisan, multi-year, comprehensive, and meaningful piece of legislation."

With over ninety million acres of corn planted across the country most years, NCGA understands small improvements and changes to federal policies can potentially lead to large budgetary impacts. Given the nation's fiscal outlook, debt, and deficit, we recognize that hard choices will have to be made on federal priorities. Just as corn growers work to be good stewards of the land, we also strive to be good stewards of federal farm safety net resources.

Crop Insurance

Delivered through the successful public-private partnership model, federal crop insurance has a proven track record of helping producers quickly respond to natural disasters. Corn growers consistently rank crop insurance as the most important program and title of the farm bill.

To meet the growing list of challenges and demands of tomorrow, NCGA believes crop insurance must continue to be protected and strengthened as the cornerstone of the federal safety net. Throughout the development of the new farm bill, corn growers will strongly oppose any efforts to restrict producer access to crop insurance products and oppose harmful program cuts that would negatively impact crop insurance products, their delivery, or the sound structure of the program.

NCGA is a proud and active member of the Crop Insurance Coalition which is comprised of a diverse range of farmer, lending, input, conservation, and crop insurance organizations that work together to advocate on behalf of crop insurance.

Corn growers are grateful that leaders on the Agriculture Committees are committed to educating their peers on the benefits of this risk management tool and the critical role it plays in the agricultural value chain.

One area where crop insurance can be improved is the cost of coverage to producers. While inflation has made headlines for increased input costs including fuel, fertilizer, and land, the costs of purchasing crop insurance have also risen. Farmers paid \$6.55 billion in premium costs for 2022, a seventy-five percent increase from \$3.75 billion in 2020, before the onset of the recent high input cost environment. The higher costs for coverage have added pressure on growers already facing difficult decisions about managing rising costs.

NCGA broadly supports increasing the affordability of crop insurance for producers. Many corn growers are still able to purchase endorsement policies and higher levels of buy up coverage, but for others, the individual costs of purchasing coverage can discourage higher levels of coverage therefore leading to a higher risk profile.

Data published by the Risk Management Agency (RMA) demonstrates how federal crop insurance is a major pillar of risk management for the nation's corn growers. According to RMA's summary of business, in 2022, corn growers purchased federal crop insurance coverage on over 79.8 million acres of corn, of which 11.3 million acres had additional companion and endorsement policies. Nationwide, corn farmers insured \$66.5 billion in liabilities through the purchase of over 384,000 policies that earned premium.

Last year, in response to widespread drought and other natural disasters, total crop insurance indemnities for corn have so far totaled \$4.28 billion. Despite the large scale of indemnities, the nationwide loss ratio for corn is 0.68, far less than the statutory target of 1.0. A loss ratio below 1.0 means that crop insurance payments were less than the total premiums paid by producers and the federal government. Over the past twenty years, from 2003 to 2022, the national loss ratio for corn has averaged 0.72.

Most corn growers purchase revenue protection policies, which protect against loss of revenue due to a production loss, change in price, or a combination of both. In 2022, revenue protection policies alone covered over 73.8 million acres of corn. Built into these policies is harvest price protection, which is critical coverage for farmers who forward sell their corn and other crops, as well as livestock producers who produce their own grain. Yield protection policies covered an additional 4.9 million acres of corn in 2022.

Corn growers also have access to many endorsements and options including several area-wide policies. In 2022, 4.65 million acres had coverage through the Supplemental Coverage Option (SCO) and 3.19 million acres had coverage through the new Enhanced Coverage Option (ECO). The policies are optional endorsements where growers can pay for additional area-based coverage on top of their underlying crop insurance policy. Corn growers also purchase hurricane insurance protection-wind index (HIP-WI), margin protection policies, and whole-farm revenue protection (WFRP). In 2022, HIP- WI endorsement covered 1.5 million acres, representing \$256.8 million in liability for corn, and paid \$131.2 million in indemnities for all commodities with the top recipients in order by crop including corn, soybeans, and cotton.

NCGA and affiliated state organizations continue to partner with other entities for the study and creation of improved crop insurance endorsements and policies. Whether through federal research and development or private development for approval of federal policies by the Federal Crop Insurance Corporation (FCIC), NCGA and our state associations have been successful in developing policies that follow sound insurance principles and are actuarially appropriate. Examples of these successful efforts include the widely adopted Trend-Adjusted Yield Endorsement and the recent voluntary endorsement for corn producers who split apply nitrogen.

Agriculture Risk Coverage (ARC)

NCGA supports the continuation and improvement of the Agriculture Risk Coverage (ARC) program, which provides important counter-cyclical revenue coverage for farmers with base acres. After nearly a decade of experience with ARC, corn growers have identified two specific components within the existing formula where Congress can significantly improve the commodity program's effectiveness. These statutorily set factors are the maximum payment rate and the coverage level.

Despite higher-than-average commodity prices in recent years, the ARC County program has supported growers experiencing revenue losses when yields were reduced due by natural disasters. For example, in the 2020 crop year ARC county provided \$41.5 million in assistance to corn growers in yield impacted areas, while the price-based PLC program was not triggered nationally for corn growers.

Under current law, ARC county payment rates may not exceed ten percent of the ARC County benchmark revenue. In reviewing recent Farm Service Agency (FSA) county level data when ARC payments have been triggered, the maximum payment rate has often limited assistance provided to producers enrolled in the program. In practice, the maximum payment rate acts as an additional de facto payment limitation within the ARC program.

NCGA supports increasing the maximum payment rate above ten percent in order to provide increased assistance to growers who experience significant revenue losses. While our members remain supportive of the ARC County program, the maximum payment rate currently limits assistance and does not adequately address the true depth of the losses producers experience.

For example, in 2020, growers across Iowa and neighboring states suffered major losses due to the devastating derecho. The storm and accompanying damaging winds hit millions of acres of highly productive crop land in August before corn harvest could begin. The yield losses were widespread and deep enough in Iowa for ARC County to trigger payments in multiple counties, but the program's effectiveness in offsetting losses was restricted due to the ten percent benchmark revenue limitation.

NCGA also recommends increasing the coverage level for ARC County above the current eighty-six percent of the county revenue benchmark. This change would make the commodity program more responsive to growers facing revenue losses. Corn growers understand and agree that no federal program should be designed to cover one hundred percent of losses or make farmers entirely whole. However, the current coverage level was previously set during the 2014 farm bill and now deserves reconsideration.

The two proposed changes are simple, straightforward, and effective in strengthening the safety net. Increasing the maximum payment rate and the coverage level will allow producers to receive more responsive and more adequate assistance in times of revenue losses, particularly in areas experiencing disasters. The February 2023 CBO baseline projects average ARC County payments of \$21.10 per corn base acre. The two changes are expected to increase the average per base acre projected payments for corn growers.

Although ARC County and revenue-based federal crop insurance policies both offer forms of revenue protection, Congress designed the programs to offer complementary risk protection by covering different losses. For example, ARC County provides protection when prices are lower than a historical benchmark period. Crop insurance will not cover those situations because the prices used in crop insurance guarantees reset each year. ARC County provides useful protection in years in which prices have declined from a historically higher price period, while the crop insurance revenue policies provide price protection within a single year.

NCGA and our grower members also remain appreciative of the multiple policy improvements to the ARC County program in the 2018 farm bill including provisions incorporating trend adjusted yields; increasing the transitional yield, i.e., yield plug; and shifting the primary source of yield data for the ARC County program from the National Agricultural Statistical Service (NASS) to aggregated crop insurance data from RMA.

Price Loss Coverage (PLC)

NCGA supports the continuation and improvement of the Price Loss Coverage (PLC) program, which provides important price protection for farmers with base acres. Corn growers value having the PLC program as an option particularly during periods of deep and sustained lower than average commodity prices. For this farm bill, NCGA is focused primarily on improvements to the effective reference price escalator.

The current statutory reference price for corn is \$3.70 per bushel, which is well below current market prices and long-term historical average prices. From 2012 to 2021, the national marketing year average price for corn was \$4.31. The PLC reference price for corn was eighty-six percent of the average historical prices, translating to an eighty-six percent level of protection. Over the most recent five-year period of 2017 through 2021, the national marketing year average price is slightly lower at \$4.21, with the reference price representing protection at roughly eighty-eight percent. Notably, when the current marketing year for the 2022 crop finishes, these historical average prices will likely increase considerably.

NCGA supports strengthening the PLC effective reference price “escalator,” which was first included in the 2018 farm bill. The effective reference price allows the program to have more responsive levels of protection that can rise and fall in response to actual market prices. Under current law, the effective reference price for a crop year is the higher of the statutory reference price or eighty-five percent of the five-year Olympic average market price, capped at 115 percent of the statutory reference price. For corn the escalator is capped at \$4.26.

For corn growers, the effective reference price is expected to trigger higher levels of price protection starting with the 2024 crop year. In the February 2023 baseline, the Congressional Budget Office (CBO) projects that the effective reference price for corn will be \$4.01 per bushel for the 2024 crop year, at the current maximum of \$4.26 for the 2025 and 2026 crop years, \$4.25 for 2027, and \$3.71 for the 2028 crop year. According to these CBO projections, this mechanism will provide additional support for corn growers through at least four of the five crop years of the 2023 farm bill. However, the potential support is expected to be restricted by the 115 percent cap for at least two crop years.

Similarly, the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri estimates that the average effective reference price for corn over the next ten crop years (2024-2033) will be \$4.05 per bushel. According to FAPRI, this mechanism will provide additional support for corn growers through all five crop year years of the 2023 farm bill, including effective reference prices of \$4.01 for the 2024 crop year, \$4.24 for 2025, \$4.25 for 2026, \$4.24 for 2027 and \$4.14 for the 2028 crop year.

Both economic models and baselines demonstrate that the escalator will provide corn growers with an increased effective reference price through the majority of the crop years covered through the 2023 farm bill. These automatic increases in protection will provide meaningful support to corn growers through current law even if prices continue to be volatile or decline.

Corn growers recognize that improvements to the PLC effective reference price can also enhance risk protection for producers. NCGA supports strengthening this market-oriented mechanism by raising the 115 percent cap or otherwise modifying the effective reference price formula to be more responsive to changes in market prices. The February 2023 CBO baseline projects average PLC payments of \$26.13 per corn base acre. Improvements to the effective reference price formula are expected to increase the per base acre projected PLC payments for corn growers.

A major challenge for corn growers in evaluating and pursuing potential changes to farm programs is the most recent bearish projections by CBO for long-term commodity prices. CBO projects that marketing year average prices for corn will fall to \$3.90 for the 2028 marketing year, decreasing further to \$3.80 for the 2029 crop year, before increasing ten cents to \$3.90 for the 2030 and 2031 crop years.

These price projections and their proximity to current statutory reference prices practically means that any increase in the statutory reference prices will have large federal budgetary costs. More meaningful enhancements in recognition of recent prices and higher costs of production will have even greater federal costs.

Commodity Program Administration

NCGA is committed to ensuring farm programs work for producers. The farm bill provides an important opportunity to highlight areas where implementation of commodity and loan programs has gone well and where Congress can help improve upon the administration of farm programs.

In terms of program designs impacting both the PLC and ARC commodity programs, NCGA opposes lowering payment limits and adjusted gross income eligibility limits below current statutory levels. Corn growers also believe FSA should have more flexibility to accommodate the growing complexity of farm business structures and intergenerational family farms. We remain committed to the decoupled nature of commodity programs from current production in order to avoid government programs driving or distorting planting decisions. NCGA supports the voluntary update of base acres and program yields when applicable.

Implementation of the current farm bill has been fairly smooth, helped by familiarity of the programs, adequate sign-up periods, and increased transparency of the program components, as well as USDA fact sheets and additional resources on [farmers.gov](https://www.farmers.gov). We commend the Committee for continued support of web-based decision tools that help facilitate growers' education and evaluation of commodity programs and options.

Corn growers support continuing the annual opportunity to choose between commodity programs. We appreciate that commodity program sign-up periods are now similarly timed with crop insurance decisions, which allows coordinated risk management decisions to be based on current market conditions.

Corn growers continue to utilize the opportunity to elect programs on an annual basis as shown in FSA-published data. In the 2022 crop year over 91.7 million base acres of corn were enrolled in the commodity programs, including 54.7 million corn base acres in ARC-County, 35.6 million in PLC, and 1.3 million in ARC-Individual. For the 2021 crop year, producers enrolled 45 million corn base acres in ARC-County, 48.4 million in PLC, and 1.3 million in ARC-Individual. In terms of percentages, for the 2022 crop year, 59.7 percent of corn base acres were enrolled in ARC-County, 38.9 percent in PLC, and less than 2 percent in ARC-Individual. For the 2021 crop year, 47 percent of corn base acres were enrolled in ARC-County, 51 percent were in PLC, and less than 2 percent in ARC-Individual.

Corn growers appreciate the working relationships with the FSA local, state, and federal offices. NCGA encourages the continuation of the Acreage and Crop Reporting Streamlining Initiative (ACRSI) and similar efforts to improve the farmer customer experience and create greater efficiency throughout multiple USDA agencies. The agencies within the Farm Production and Conservation (FPAC) Mission Area are already working more closely together and should continue to share common data and best practices.

Building upon the lessons of the pandemic, we believe opportunities exist to further reduce the reporting burden on producers. USDA should continue to find more ways to either utilize data already submitted to the department or to allow for the submission of additional information electronically, which may reduce the number and length of in-person visits to county offices and save farmers both time and money.

While the use of marketing assistance loans (MALs) is small among corn growers, the program remains an important risk management tool, particularly for corn growers without base acres. According to FSA, for the 2022 crop year around 4,700 MAL loans have been issued covering over 360 million bushels of corn. For the 2021 crop year, 6,208 loans were issued on over 468 million bushels of corn. The national loan rate for corn is \$2.20 per bushel.

Additional Farm Bill Priorities

In addition to the crop insurance and commodity titles, the farm bill includes programs important to corn growers including trade, conservation, agricultural research, rural broadband, energy, and the biobased economy.

In the trade title, NCGA supports increasing Market Access Program (MAP) funding from \$200 million up to \$400 million annually and the Foreign Market Development (FMD) program funding from \$34.5 million up to \$69 million annually. These programs boost U.S. agricultural exports and help agriculture and related businesses in rural America. NCGA is supportive of S. 176, the Expanding Agricultural Exports Act introduced by Senators King and Ernst. An independent study showed that between 1977 and 2019 these programs resulted in a return of \$24.50 for every dollar invested and a 13.7 percent average annual increase in value of agricultural exports.

In the conservation title, NCGA supports three initiatives to make the existing working land programs more effective in combatting weed resistance, reducing nutrient losses through farmer-led collaborative watershed projects, and speeding the development and adoption of innovative conservation practices by strengthening the interim conservation practice standard program. Corn growers also encourage the committee to examine opportunities for increased flexibility within conservation programming.

Corn growers support legislation to enable producers to more easily adopt precision practices that will allow them to remain competitive in a rapidly modernizing industry. NCGA has endorsed both S. 719 the Precision Agriculture Loan (PAL) Act and S. 720 the Producing Responsible Energy and Conservation Incentives and Solutions for the Environment (PRECISE) introduced by Senators Fischer and Klobuchar.

NCGA also supports S. 691 introduced by Senators Ernst and Klobuchar which would clarify propane storage as an eligible use for funds under the storage facility loan program.

NCGA continues to engage in multiple broad-based coalitions and is supportive of farm bill recommendations from these collaborative entities. As a steering committee member of the Food and Agriculture Climate Alliance (FACA), NCGA was involved in FACA's farm bill working groups. NCGA also continues to be involved with the AGree Economic and Environmental Risk Coalition (E2 Coalition) that focuses on recommendations for agriculture data and reducing policy barriers to conservation practice adoption. NCGA is supportive of the Agriculture Innovation Act, S. 98, introduced by Senators Klobuchar and Thune, which would strengthen USDA's ability to confidentially aggregate data the department already collects and allow for potential research on topics important to producers.

Challenges in the Corn Economy

In 2022, U.S. corn farmers planted 88.6 million acres of corn, producing over 13.7 billion bushels with an estimated value \$91.7 billion. Corn farmers faced weather challenges last year that reduced planted acres and were detrimental to productivity in some regions. The USDA March Prospective Planting Report indicates farmers intend to plant 92 million acres of corn in 2023. Given an estimated planted-to-harvest-acres ratio and USDA forecast yield of 181.5 bushels per acre, 2023 has the potential to be a record production year surpassing 15.2 billion bushels. Corn planting progressed ahead of a five-year pace in the first half of April, but many acres remain to reach completion with continued possibility for weather delays. Plus, the full growing season and harvest period of weather and environmental uncertainty remain.

Widespread drought and intense heat impacted much of the corn belt during the 2021 and 2022 growing seasons. Unfortunately, growers across the great plains are still facing extreme (D3) and exceptional (D4) drought conditions, which could impact planting and productivity of corn this year. According to the U.S. Drought Monitor, approximately twenty-eight percent of corn production is located in areas experiencing drought as of April 18, 2023. The latest report shows that ninety-eight percent of corn production in the state of Nebraska is within areas with drought conditions along with seventy-eight percent in Kansas, sixty-three percent in Texas, and thirty-nine percent in Iowa.

In other parts of the country, corn growers are facing delays in corn planting due to late snow, excess moisture, and flooding. It remains too early to know if corn production will be as heavily impacted as it was in 2019 when wet weather conditions during planting season across the high plains and throughout the Missouri River Basin prevented many farmers from accessing flooded fields. Nationwide, 2019 set a record with over 19 million acres of cropland reported as prevented from being planted, including over 11 million acres of corn.

Inflation, particularly around farm input prices, continues to be a major concern. Inputs such as diesel, machinery, building materials, and labor all experienced notable increases in price during 2021 to 2022. The most significant input cost increase has been fertilizer. Historically fertilizer costs are about one-third of the operating costs for growing corn but are estimated at forty-six percent of corn operating costs for 2022 and 2023.

Although fertilizer costs have declined from 2022 peaks, fertilizer remains costly compared to prices over the past decade. Depending on the form of nitrogen, April 2023 farm prices were fifty percent to more than eighty percent higher than the 2009-2020 average price. Similarly, prices for phosphorus fertilizers were more than fifty percent higher and potash thirty percent higher. Fertilizer nutrients are especially critical in corn productivity and returning those nutrients is important in maintaining healthy soils.

Although production costs have been higher in recent years, corn prices have also seen volatility and large swings in prices over the last two years. As the economy transitions towards lower inflation, commodity prices tend to move down faster than costs. For the 2023 crop, USDA projects the average farm price of corn at \$5.60 per bushel, a full dollar lower than \$6.60 per bushel estimated average farm price for the 2022 crop year. If realized, corn growers will face a

17.9 percent drop in corn price from 2022 to 2023, compared to only 1.3 percent decline in projected cost of production for corn.

With average costs for 2023 mostly unchanged from 2022 and with corn prices notably lower, projected farm margins are expected to be much tighter in 2023. Average corn yield in 2023 is expected to be higher than the drought reduced 2022 yield, but even higher yields would be needed to maintain revenue levels given the expected lower corn price.

Market Demand and Sustainable Corn Production

Corn and corn byproducts are a valuable part of the U.S. economy, helping to meet food, feed, and energy demands. Nearly forty percent of the corn grown in the U.S. is used for livestock feed and over forty percent is used for food and industrial purposes, including ethanol production. NCGA continues to work with partners on developing and supporting new uses of corn, including through the biobased economy. The top three priorities for NCGA this year include passage of the farm bill and improving both foreign and domestic demand for corn.

Although most U.S. corn is used domestically, exports have comprised more than fifteen percent of total disappearance on average over the past five years. Mexico is the top U.S. corn export destination, accounting for twenty-seven percent of U.S. corn exports in the 2021/22 marketing year. We are extremely concerned with the implications of Mexico's recent decree banning imports of biotech corn will have on U.S. corn farmers and our nation's economy. Reaching a resolution on this issue is critical and necessary to reaffirm the precedent for the science-based-safety of biotech corn with our trading partners. NCGA supports the initiation of a dispute settlement under USMCA to reach a resolution.

Ethanol production represents thirty to forty percent of corn demand and results in valuable co-products, returning the equivalent of more than a billion bushels of corn as distillers grains for high-protein animal feeds, distillers corn oil for renewable diesel and biodiesel and CO₂ for beverage and food processing, as well as sequestration. Corn ethanol adds billions of gallons to our nation's fuel supply. Because today's ethanol cuts GHG emissions in half compared to gasoline, ethanol is a vital pathway for agriculture to help address climate change. Priced lower than gasoline, ethanol is available now to cut fuel prices, support domestic energy security and help build a clean energy future.

Use of new ethanol blends continues to grow including E15, often marketed as Unleaded 88, and E85, which is offered by a growing number of retailers. The ethanol blend rate hit a record high of 10.39 percent in 2022, supported by growing demand for these higher ethanol blends. Ethanol has and continues to be priced at a discount to unblended gasoline, resulting in greater consumer price savings with higher ethanol blends. For example, drivers in my home state of Minnesota saved an average of 17 cents per gallon in 2022 with Unleaded 88 compared to regular fuel, which is a 10 percent ethanol blend, and Minnesota drivers continue to save up to 20 cents per gallon with this low-cost, low-emission fuel choice. Corn growers support policies that maintain a level playing field for clean transportation solutions and take greater advantage of the ability for ethanol to further cut emissions and costs to consumers, including S. 944, the Next Generation Fuels Act introduced by Senators Grassley and Klobuchar as well as S. 785 the Consumer and Fuel Retailer Choice Act introduced by Senators Fischer and Klobuchar.

Corn farmers are committed to continuous improvement in the production of corn, a versatile crop providing abundant high-quality food, feed, renewable energy, biobased products, and ecosystem services. As stewards of the land, we understand the responsibility we have for creating a more environmentally and economically sustainable world for future generations with transparency and through continued advances and efficiencies in land, water and energy use. In June 2021, NCGA released the corn sustainability report and specific goals for 2030.

NCGA's Corn Sustainability Advisory Group (CSAG) has taken the lead in pursuing social sustainability within the corn industry. NCGA has been working towards ensuring our organization is inclusive and equitable, and finding ways to partner with other agriculture organizations to work towards the same goal. CSAG is in the process of developing a comprehensive plan to ensure we are working towards our best future.

Summary and Closing

Thank you for your consideration of NCGA's priorities for the 2023 farm bill. We appreciate the budget challenges and varied approaches to confronting current and emerging issues impacting the agricultural sector. Our shared goal is to make existing USDA programs more effective, efficient, and responsive through strategic investments and policy enhancements.

NCGA recommends Congress oppose efforts to cut crop insurance or to restrict producer access to crop insurance products. To improve crop insurance, the farm bill can address the affordability and costs for producers who chose to purchase coverage.

In the commodity title, NCGA has three specific recommendations for improvements including increasing the ARC County maximum payment rate above ten percent; increasing the ARC County coverage level above eighty-six percent; and strengthening the PLC effective reference price "escalator." Corn growers oppose lowering payment limits and adjusted gross income limits below current levels.

In closing, NCGA greatly appreciates your work in support of America's farmers, rural communities, and consumers. Corn growers stand ready to provide additional feedback, perspectives, and support as the legislative process moves forward towards a successful farm bill harvest this year.

**DOCUMENTS SUBMITTED FOR THE
RECORD**

MAY 2, 2023



May 1, 2023

The Honorable Debbie Stabenow
Chairwoman
U.S. Senate Committee on Agriculture
328A Russell Senate Office Building
Washington, DC 20510

The Honorable John Boozman
Ranking Member
U.S. Senate Committee on Agriculture
328A Russell Senate Office Building
Washington, DC 20510

Dear Chairwoman Stabenow and Ranking Member Boozman:

As you continue your important work crafting the 2023 Farm Bill, we strongly urge you to reject proposals to increase effective reference prices for covered commodities under the Price Loss Coverage (PLC) program.

As American farmers face record input costs and a shifting economic environment, we believe reference price increases are a misguided solution. The input industries responsible for high input costs are the very same ones who stand to benefit from this change. Our research shows these industries tie their input prices to commodity prices received by farmers with a disregard to basic supply and demand pricing fundamentals. Accordingly, any increase in reference prices will only funnel more taxpayer dollars into the profit margins of these corporations.

For all major input industries, just a handful of corporations currently control most of the market share due to rampant consolidation in recent decades.¹ This high level of concentration allows large corporations to closely align input price hikes with rising prices farmers receive for their grain harvests. In fact, in 2018, Yara, a top nitrogen supplier in the United States, wrote “[v]ariations in grain prices (corn or wheat) explain approximately 50% of the variations in the urea price, making grain prices one of the most important factors driving fertilizer prices.”²

In June 2022, Farm Action submitted comments to the U.S. Department of Agriculture’s Agricultural Marketing Service demonstrating that the fertilizer industry is highly consolidated and fertilizer corporations have used their market dominance to price-gouge farmers by tying fertilizer prices to commodity prices, instead of to natural market pressures.³

¹ Hendrickson, Mary K., et. al. 2020. “The Food System: Concentration and Its Impacts.” Available at: <https://farmaction.us/concentrationreport/>

² Yara International. 2018. “Yara Fertilizer Industry Handbook.” Available at: <https://www.yara.com/siteassets/investors/057-reports-and-presentations/other/2018/fertilizer-industry-handbook-2018-with-notes.pdf>

³ See <https://farmaction.us/wp-content/uploads/2022/06/Farm-Action-Fertilizer-Competition-Comments-6.10.22.pdf>

When the price of all major nutrients used in crop production — nitrogen, phosphorus, and potassium — hit record highs in 2021, fertilizer corporations attributed those increases to an array of factors including the war in Ukraine, global shortages, and rising costs of production. Yet, these fertilizer companies' own financial statements indicate otherwise and we note fertilizer prices were rising at alarming rates far before Russia invaded Ukraine.

Instead, we observe how grain prices have become the industry's standard way to signal pricing and avoid the appearance of collusion. In 2021, corn prices rose more than 24% and wheat prices rose around 15%.^{4,5} In effect, these corporations tie the price of their products to the farmer's ability to pay, rather than to supply and demand factors — which equates to an abuse of the market. Such abuses allow concentrated corporations to extract maximum profit out of the pockets of farmers, including increases in government payments.

While we support the Committee's efforts to improve and strengthen farm bill safety net programs for all farmers, we cannot support increases in PLC reference prices that will ultimately be captured by just a few large corporations. In this tight budgetary environment, we believe such available resources can, and must, be better targeted to best meet the needs of American agriculture, our farmers, and our consumers.

Sincerely,

Farm Action
Ohio Ecological Food and Farm Association
Oklahoma Black Historical Research Project, Inc.
Rural Coalition

cc: The Honorable Glenn "GT" Thompson, Chairman, House Committee on Agriculture; The Honorable David Scott, Ranking Member, House Committee on Agriculture

⁴ "Corn Prices - 59 Year Historical Chart." Macrotrends. Available at: <https://www.macrotrends.net/2532/corn-prices-historical-chart-data>

⁵ "Wheat Prices - 40 Year Historical Chart." Macrotrends. Available at: <https://www.macrotrends.net/2534/wheat-prices-historical-chart-data>

QUESTIONS AND ANSWERS

MAY 2, 2023

U.S. Senate Committee on Agriculture, Nutrition, and Forestry
 Subcommittee on Commodities, Risk Management, and Trade
*Commodity Programs, Credit, and Crop Insurance – Part 1:
 Producer Perspectives on the Farm Safety Net*
 May 2, 2023
 Questions for the Record
Mr. Zippy Duvall

Senator John Boozman

1. The same day you testified on the farm safety net in front of the Subcommittee on Commodities, Risk Management, and Trade, the [Washington Post's Editorial Board published an editorial](#) claiming “there’s no need for the United States to maintain its expensive agricultural safety net” and suggests several cuts to or elimination of farm safety net programs. How would these suggestions impact the agricultural landscape and your family’s operation particularly?

In light of global events, supply chain challenges and inflation, it is critical that the U.S. make it a top priority to protect our food supply for the well-being and security of our nation. Managing risk on the farm is critical to keeping food on our tables. We all depend on the success of American agriculture, so it's important for America's farmers and ranchers to be supported by strong farm programs as they face challenges such as weather disasters, high costs and inflationary pressures. The suggestions from the Washington Post would undermine the food security of our country and make farms and ranches like mine less resilient to all the challenges facing American agriculture.

2. How would further limiting producers’ ability to participate in the farm safety net programs through tightening payment limits or reducing the federal cost share for crop insurance impact your ability to manage risk and make investments in your operation as well as the operations the American Farm Bureau Federation represents?

Reducing participation from any group of farmers will change the premiums for all farmers because it will change the risk pool. Crop insurance is, by statute, an actuarially sound program, which means more participants and more acres in the program, the more the risk will be spread – keeping premiums and costs down for all participants.

Senator Charles Grassley

First, I want to say that my long held belief is that farm policy should provide a limited safety net that helps farmers weather the storm of natural disasters and unpredictable commodity markets. However, if commodity programs become a profit guarantee program then markets will become distorted and the agricultural community could be at risk at becoming dependent on farm subsidies rather than market forces. Additionally, if farm programs continue to encourage large farms over smaller farms, we will see more consolidation of family farms and continued loss of

population in rural communities. The biggest danger to the farm safety may be an American public who view farm subsidies as a handout to the wealthiest farmers.

This past week, USDA released updated data on Chapter 12 bankruptcies. The data showed that Chapter 12 bankruptcy reached the lowest level in nearly two decades. This data shows that the farm safety net is working. As the ranking member of the budget committee, I am deeply concerned about how we are saddling future generations with our debt. The fundamental problem we have in the federal budget is not one of under taxation, but of overspending.

The last time the federal budget was balanced in 2001, revenues were 18.9 percent of our gross domestic product. Last year, federal revenues amounted to 19.6 percent of GDP. Yet, we still managed to run a deficit of \$1.4 trillion. That's because even though tax collections have increased by \$2.9 trillion since 2001, spending has grown by \$4.4 trillion.

1. To that end, please share with me ways we can improve the farm safety net without increasing spending.

Farm Bureau shares your concerns as it relates to federal spending and supports efforts by the Senate Agriculture Committee to make meaningful improvements to critical risk management programs for farmers and ranchers in the most fiscally responsible way.

However, the fact remains that farm programs such as risk management tools and voluntary incentive-based conservation programs, are projected to represent roughly three-tenths of one percent of total federal government spending. In return for this investment, the farm bill supports the food and agriculture sectors, which in 2022 accounted for direct, indirect, and induced output of more than 46 million jobs, \$2.6 trillion in wages, \$948 billion in tax revenue, \$202 billion in exports, and \$8.6 trillion in economic activity.

2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?

Farm Bureau does not have policy in respect to a maximum amount and generally opposes anything that would limit the amount a producer would qualify for in regard to loss.

3. Should farm programs be subject to actively engaged in farming requirements?

Farm Bureau opposes any efforts that would complicate farm operation management and threaten business vitality by imposing unnecessary and burdensome restrictions upon farms. Anyone who bears risk in the operation ought to be considered actively engaged. Further restrictions have the potential to substantially impact the structure, capitalization, and risk management of farming operations.

Senator John Thune

1. I'm working to make the Conservation Reserve Program, or CRP, a more effective, working lands-oriented option for producers in the next farm bill, including through haying and grazing flexibility. Livestock grazing on CRP acres can be a particularly effective option because it can be done earlier in the year while maintaining wildlife habitat. My CRP Improvement Act with Senator Klobuchar would provide cost share for the establishment of grazing infrastructure on all CRP practices and contracts if grazing is included in approved conservation plan.

- a. What else can be done to better leverage the multiple-use benefits of CRP to support producers, soil health, and wildlife habitat?

Farm Bureau policy supports funding for federal conservation programs which maintain environmental benefits with a strong preference for working land programs over land retirement programs. Congress should consider common sense updates to CRP such as haying and grazing rules to better leverage the multiple-use benefits of the program and allow more flexibility for producers.

- b. Do you have any suggestions for better targeting the enrollment of marginal, environmentally sensitive acres into CRP?

Farm Bureau strongly supports efforts to bring prime farmland back into production while retaining the program for marginal acres (i.e. land that is highly erodible or non-productive). We support capping acreage enrollment along with rental rates to a percentage of county rental rates to ensure that farmers and ranchers, especially beginning farmers and ranchers, are not competing with the federal government for productive farmland.

**U.S. Senate Committee on Agriculture, Nutrition, and Forestry
Subcommittee on Commodities, Risk Management, and Trade
*Commodity Programs, Credit, and Crop Insurance – Part 1:
Producer Perspectives on the Farm Safety Net*
May 2, 2023**

Mr. Rob Larew

Senator John Fetterman

- 1. I've heard from Pennsylvania farmers about the need for more opportunities for small and medium livestock producers and processors. I'm committed to bipartisan solutions to issues affecting cattle producers like this. Your affiliate in Pennsylvania—the Pennsylvania Farmers Union—has talked to me about this as well. How can the Farm Bill ensure an adequate safety net exists for small operations like these?**

National Farmers Union's (NFU) grassroots policy includes clear directives for what farm policy ought to achieve: enable farmers to significantly increase net farm income; improve the quality of rural life; and increase the number of family farmers. In order to encourage more family farmers to get started in agriculture, we need a farm bill that includes a strong safety net to ensure that small operations – particularly livestock operations – are able to thrive.

Beyond programs that offer direct assistance or risk management, family farmers and ranchers all benefit from policies that encourage more choices in the marketplace. Legislation to bolster competition among agricultural input suppliers and buyers of agricultural products, as well as rules that prohibit anticompetitive practices by near-monopolies in meatpacking, will help to ensure a fair market is available for family farmers and ranchers. Furthermore, the Farm Bill can make sure that there are more opportunities for Farmers Union members in Pennsylvania and around the country by requiring the U.S. Department of Agriculture (USDA) through strategic procurement. USDA should purchase a significant portion of meat and poultry for agency programs from small- and medium-sized local processors and producers as well as through emerging markets that provide producers with new access to competitive prices for their livestock.

- 2. I have one more question for you, Mr. Larew. I've also heard from young farmers, people of color, and LGBTQ farmers on these issues. These groups often face difficulties accessing farm safety net programs. How can the Farm Bill address these inequities in operation access?**

All farmers and ranchers need equitable access to and distribution of services and farm safety net program benefits, and NFU looks forward to working with both the Administration and Congress to address this in the upcoming Farm Bill. NFU supports the work done thus far by

USDA's Equity Commission to build a more equitable USDA. In February of this year, the Commission released an Interim Report that provided recommendations to USDA. The objectives provided in the report look at how the Department works on a day-to-day basis with farmers, ranchers, and all producers; the need for department-wide change; re-evaluating other USDA programs; and publicly and emphatically renewing USDA's commitment to all family farmers, farmworkers, and their families. As Congress looks at ways to address inequities in access to assistance programs and services, NFU encourages cooperation with the Commission to codify and implement long-lasting solutions.

Senator Charles Grassley

First, I want to say that my long held belief is that farm policy should provide a limited safety net that helps farmers weather the storm of natural disasters and unpredictable commodity markets. However, if commodity programs become a profit guarantee program then markets will become distorted and the agricultural community could be at risk at becoming dependent on farm subsidies rather than market forces. Additionally, if farm programs continue to encourage large farms over smaller farms, we will see more consolidation of family farms and continued loss of population in rural communities. The biggest danger to the farm safety may be an American public who view farm subsidies as a handout to the wealthiest farmers.

This past week, USDA released updated data on Chapter 12 bankruptcies. The data showed that Chapter 12 bankruptcy reached the lowest level in nearly two decades. This data shows that the farm safety net is working. As the ranking member of the budget committee, I am deeply concerned about how we are saddling future generations with our debt. The fundamental problem we have in the federal budget is not one of under taxation, but of overspending.

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1. To that end, please share with me ways we can improve the farm safety net without increasing spending.

NFU stands for a national agricultural policy that is properly targeted to enable farmers to increase net farm income, improve the quality of life in rural areas, and keep family scale farmers on the land to provide a reliable and sustainable source of food, feed, fiber, and fuel to our nation.

To that end, we believe in farm safety net programs containing payment limits, and that program benefits are directed to family farmers actively engaged in production agriculture and personal management of the farm.

Moreover, to improve the profitability of family agriculture and ensure we have fair farm programs, we need to address corporate consolidation in our farm and food system and prevent anticompetitive conduct from occurring. We appreciate your dedication to these issues, such as through your sponsorship of the Cattle Price Discovery and Transparency Act, the Meat and Poultry Special Investigator Act, and the Livestock Consolidation Research Act. We look forward to working with you to ensure these bills are included in the next farm bill.

2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?

NFU defines a family farm as one that is owned and/or operated by a farm family, with the family providing the base of the labor needed for the farming operation, assuming the economic risk, making most of the management decisions, and depending substantially on agriculture for a livelihood.

Family farms are at economic risk as crop and livestock production and land ownership are being concentrated into the hands of non-family farms. The primary objectives of national agricultural policy should be to enable farmers to significantly increase net farm income, improve the quality of rural life, and increase the number of family farmers. Achieving these objectives will allow farmers to continue to provide a reliable supply of food and fiber while continuing to serve as good stewards of our nation's resources. Rural communities are richer and more viable with more farmers, even if there is the same amount of agricultural production.

Farmers Union policy calls for farm program benefits to be allocated in a way to be reflective of the production levels of family farm operators. This should be in such a way as to reduce government costs while furthering the sustainability and diversity of our family farms, our rural communities, and our natural resources. We also support farm policy which recognizes our geographical differences and provides for flexibility regardless of the type of agriculture operation.

3. Should farm programs be subject to actively engaged in farming requirements?

Yes. NFU policy calls for farm program assistance to be directed only to those farmers who are actively engaged in production agriculture or are contributing management to the operation of that farm or ranch.

Senator John Thune

1. **I'm working to make the Conservation Reserve Program, or CRP, a more effective, working lands-oriented option for producers in the next farm bill, including through haying and grazing flexibility. Livestock grazing on CRP acres can be a particularly effective option because it can be done earlier in the year while maintaining wildlife habitat. My CRP Improvement Act with Senator Klobuchar would provide cost share for the establishment of grazing infrastructure on all CRP practices and contracts if grazing is included in approved conservation plan.**

- a. **What else can be done to better leverage the multiple-use benefits of CRP to support producers, soil health, and wildlife habitat?**

NFU appreciates the work you are doing alongside Senator Klobuchar to improve CRP and make the program producer-friendly while ensuring benefits to soil health and wildlife habitat. In the CRP Improvement Act, we appreciate you proposing to address several cost-share related needs, such as for grazing infrastructure and to reinstate mid-contract management cost-share. An additional idea would be to make the program friendlier to beginning and socially disadvantaged farmers and ranchers by creating additional incentives, such as increased cost-share or rental rates, for participating in CRP.

- b. **Do you have any suggestions for better targeting the enrollment of marginal, environmentally sensitive acres into CRP?**

NFU policy supports targeting the enrollment of marginal, environmentally sensitive acres in CRP. For example, our policy states that the most environmentally sensitive land should be given priority opportunity for contracts in the program. While the structure of the program generally requires and promotes this targeting, we ought to find way to improve. For example, NFU supports the Soil Health Income Protection Program (SHIPP) Pilot you championed in the 2018 Farm Bill, and we would be interested in working with you to update and evolve that program. We encourage Congress to build upon SHIPP by authorizing a program that incentivizes farmers to voluntarily remove marginal or environmentally sensitive land from production on an annual basis in exchange for a higher crop insurance guarantee. We would also support USDA studying more precisely the nature of land enrolled in CRP to uncover additional opportunities for targeting to benefit farmers and ranchers, soil health, and wildlife habitat.

U.S. Senate Committee on Agriculture, Nutrition, and Forestry
 Subcommittee on Commodities, Risk Management, and Trade
*Commodity Programs, Credit, and Crop Insurance – Part 1:
 Producer Perspectives on the Farm Safety Net*
 May 2, 2023
 Questions for the Record
Mr. Greg Ackerman

Senator John Boozman

1. The same day you testified on the farm safety net in front of the Subcommittee on Commodities, Risk Management, and Trade, the [Washington Post's Editorial Board published an editorial](#) claiming “there’s no need for the United States to maintain its expensive agricultural safety net” and suggests several cuts to or elimination of farm safety net programs. How would these suggestions impact the agricultural landscape and your family’s operation particularly?

Senator Boozman: As you know, the risk that farmers face is nearly all caused by factors well beyond our control despite our effort and investment. For example, we have invested in field tile to manage excess water but we still have some damage nearly every year from those one or two odd rain events. Investing in expensive field tile is one, long term way we “self-insure” but other risk management options are few especially for specialty crops such as dry beans. Because dry beans aren’t eligible for the same programs as Title 1 crops, affordable, revenue crop insurance products that get us close to the cost of production in case of a disaster, gives growers like myself the confidence to accept this high risk year in and year out and continue to produce the safest, highest quality food at the most affordable price anywhere on earth. If crop insurance is removed, growers most likely would not accept that risk and would revert back to traditional crops. As I testified, these safety net programs need to be balanced, maintained and expanded, especially for specialty crops. Thank you.

Senator Charles Grassley

First, I want to say that my long held belief is that farm policy should provide a limited safety net that helps farmers weather the storm of natural disasters and unpredictable commodity markets. However, if commodity programs become a profit guarantee program then markets will become distorted and the agricultural community could be at risk at becoming dependent on farm subsidies rather than market forces. Additionally, if farm programs continue to encourage large farms over smaller farms, we will see more consolidation of family farms and continued loss of population in rural communities. The biggest danger to the farm safety may be an American public who view farm subsidies as a handout to the wealthiest farmers.

This past week, USDA released updated data on Chapter 12 bankruptcies. The data showed that Chapter 12 bankruptcy reached the lowest level in nearly two decades. This data shows that the farm safety net is working. As the ranking member of the budget committee, I am deeply

concerned about how we are saddling future generations with our debt. The fundamental problem we have in the federal budget is not one of under taxation, but of overspending.

The last time the federal budget was balanced in 2001, revenues were 18.9 percent of our gross domestic product. Last year, federal revenues amounted to 19.6 percent of GDP. Yet, we still managed to run a deficit of \$1.4 trillion. That's because even though tax collections have increased by \$2.9 trillion since 2001, spending has grown by \$4.4 trillion.

1. To that end, please share with me ways we can improve the farm safety net without increasing spending.
2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?
3. Should farm programs be subject to actively engaged in farming requirements?

Senator Grassley: I could not agree with you more on your comments. First off in ways to improve assistance. I believe all crops and commodities should be on a level playing field as far as safety net. I know some crops have insurance opportunities that get growers back to a profit when a disaster happens. I personally do not believe this should happen. The incentive gets taken away to do a good job when a grower is subsidized to a level of guaranteed profit. Growers need to share some risk and do the best job they can to minimize that risk. While other crops like Dry Beans for example end up way short of the cost of production when we have a bad year. I will attach a spread sheet to show that example. Please reach out if you would like to discuss further.

As far as maximum assistance for one family, that is a tough question. As farms face liquidation because there is no one to take over, which happens often, that farm goes to existing farms, and consolidation happens. It cannot be stopped no matter how much money is thrown at it. I say that because farming has to be in your blood and a way of living or it won't be successful. The work ethic and hours that is needed to operate and manage a farm to be successful is not friendly to the younger generations that we raise today. We also cannot put stress on kids that grow up on a farm to take over. They have to want to do it period, or it will not survive. I am a strong believer of that. I also feel that family farms take pride in what they produce and how their crops look. Quality of the grain we produce, taking care of the land and making it better for future generations, keeping roadsides mowed etc. When consolidation continues to a point where it becomes mostly corporate farms, it will be more about the bottom line than the pride we get from the crop we produce. Farmers are less than two percent of the population so take that into consideration when deciding on question two. Let's do our best to keep family farms in existence.

Lastly, I do believe actively engaged farming requirements need to be in place to qualify.

Dry Bean Revenue Insurance Example

Market Value: \$ 40.00 Yield: 21.39
 Select Coverage Level: 65%

Premium Subsidy	Coverage Level	RP - OU	Coverage / Acre	- / +
67%	50%	\$ 7.00	\$ 427.80	\$ (350.00)
64%	55%	\$ 9.35	\$ 470.58	\$ (307.22)
64%	60%	\$ 11.36	\$ 513.36	\$ (264.44)
59%	65%	\$ 15.94	\$ 556.14	\$ (221.66)
59%	70%	\$ 19.18	\$ 598.92	\$ (178.88)
54%	75%	\$ 26.64	\$ 641.70	\$ (136.10)
48%	80%	\$ 39.16	\$ 684.48	\$ (93.32)
38%	85%	\$ 54.32	\$ 727.26	\$ (50.54)

Black Bean Variable Expenses	Cost/Acre
Carting	\$ 8.00
Cover Crop	\$ 24.40
Crop Insurance	\$ 15.94
Cultivation/Roll	\$ 9.00
Drying, Handling	\$ -
Fertilizer	\$ 28.27
Fertilizer Application	\$ 4.75
Fungicides / Micros / Insecticide	\$ 27.56
Harvesting	\$ 45.00
Herbicides PPI/Post	\$ 57.01
Nitrogen	\$ 43.20
Seed	\$ 77.05
Spraying-Row, 28%, Aerial	\$ 35.00
Tillage, Planting, Ripping	\$ 92.50
Trucking	\$ 10.12
Total Variable Expenses	\$ 477.80
<u>Land Expense</u>	<u>\$ 300.00</u>
Total Expense	\$ 777.80

Michigan	
<u>Year</u>	<u>Avg Yield/Acre</u>
2022	24.00
2021	24.10
2020	23.40
2019	20.40
2018	24.00
2017	20.10
2016	19.20
2015	20.30
2014	19.40
2013	19.00
AVG	21.39

U.S. Senate Committee on Agriculture, Nutrition, and Forestry
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 Questions for the Record
Mr. Kody Carson

Senator John Boozman

1. The same day you testified on the farm safety net in front of the Subcommittee on Commodities, Risk Management, and Trade, the [Washington Post's Editorial Board published an editorial](#) claiming “there’s no need for the United States to maintain its expensive agricultural safety net” and suggests several cuts to or elimination of farm safety net programs. How would these suggestions impact the agricultural landscape and your family’s operation particularly?

National Sorghum Producers (NSP) believes timely investment into the farm safety net—which accounts for just a modest two-tenths of one percent of all federal spending—provides enormous economic returns for rural communities and our national economy. It is also fiscally responsible in order to plan and provide certainty to American farmers while helping avoid costly and unbudgeted ad hoc programs from having to fill gaps when disasters occur over a 10 year budget window. Nearly a century ago the Central U.S. faced cataclysmic weather events we know as the American Dust Bowl. Looking around my farm and throughout the Southern Plains the past 12 months I have witnessed a similar languishing drought, subsequent crop failures, and dust storms reminiscent of my grandparent's generation—our modern and responsible farm safety net remains as critical today as ever.

Lastly, we believe our nation's food security is tantamount to our national security, overall. It is increasingly clear over the past two decades that our nation has no shortage of adversaries who seek to capitalize on any means necessary to undermine our democracy and our freedoms. The farm safety net ensures hardworking American farmers continue to produce the food, feed, fuel, and fiber for our nation through unpredictable weather, market, and geopolitical volatility far outside our control in order to ensure the U.S. secures itself and meets the security needs of our allies around the world. Investing two-tenths of one percent of federal spending to help secure national security is exceedingly modest, to put it plainly.

2. The panel before you mentioned that if the Title I programs were left unchanged, many producers would be bankrupt before Title I would result in meaningful assistance. Can you each briefly touch on how an investment in reference prices today would impact your operations going forward?

While the farm safety net remains a critical tool, time and circumstance require it to be further enhanced this year. For example, current levels for statutory reference prices are based on far-outdated data from years leading up to 2012. Without a timely and meaningful investment in reference price increases for crops like sorghum, that safety net is unfortunately just six inches above the concrete in today's world of 2023. For my operation and for sorghum growers across the country whom NSP represents, investing in reference price increases allow us to effectively plan and manage for risks far outside of our control, leverage access to credit, and remain viable

from one tumultuous planting season to the next.

3. How would further limiting producers' ability to participate in the farm safety net programs through tightening payment limits or reducing the federal cost share for crop insurance impact your ability to manage risk and make investments in your operation? Farmers of all sizes need crop insurance to remain actuarially sound. We also utilize those insurance products to leverage additional cash flow resources for our operations. Imposing AGI and other limits risks the viability of the entire program for all farmers who utilize the critical crop insurance products we ourselves purchase. Without crop insurance in our arsenal backstopping our operations, access to credit through our community lenders for continued capital investments into our operations dries up; it simply becomes too risky for loan officers to underwrite what we do day to day without it. Simply put, this access to credit ensures we are able to grow, compete, and advance with new technology like satellite and cloud-linked precision ag equipment for the 21st Century that allows U.S. farmers to remain the most productive and efficient producers in the world.

Senator Charles Grassley

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We would not favor, nor have we ever seen a farm program that guarantees a profit for the fully committed farmers who are producing the vast majority of our nation's crops. We are also concerned with rhetoric suggesting that is the case, particularly from lawmakers representing prominent farm states. The fact is we put extraordinary amounts of capital at risk each year. Crop Insurance is our most reliable safety net, but in no case does it guarantee a profit especially in high-risk areas like the Great Plains where insurance is very expensive and buy-up levels tend to be much lower than in Iowa. Title I programs serve a very different purpose, providing some measure of assistance in the case of long-term price declines that occur in commodity markets. In this case, we believe it is right for our nation to stand by our family farms in a way that works for all sizes in all regions. With respect to the question of why farms have grown larger, we would point to basic economic forces that push industry and growth, and the fact that great and innovative implement and tractor companies have provided tools that allow a family or group of committed individuals to cover more ground than at any time in the past. That our nation's farmers are the most productive and efficient in the world should not be a mark of shame.

This past week, USDA released updated data on Chapter 12 bankruptcies. The data showed that Chapter 12 bankruptcy reached the lowest level in nearly two decades. This data shows that the farm safety net is working. As the ranking member of the budget committee, I am deeply concerned about how we are saddling future generations with our debt. The fundamental problem we have in the federal budget is not one of under taxation, but of overspending. We agree with this concern about our federal spending in general. Farm safety net spending in the baseline is a notable exception—spending less today than it has in the last 10 or 25 years. We support the

committee's attempt to secure additional funds which, wisely built into thoughtful agricultural policies, will avert the need to provide more costly ad hoc assistance.

The last time the federal budget was balanced in 2001, revenues were 18.9 percent of our gross domestic product. Last year, federal revenues amounted to 19.6 percent of GDP. Yet, we still managed to run a deficit of \$1.4 trillion. That's because even though tax collections have increased by \$2.9 trillion since 2001, spending has grown by \$4.4 trillion.

1. To that end, please share with me ways we can improve the farm safety net without increasing spending.

As mentioned above, investment in the farm safety net accounts for just two-tenths of one percent of federal spending and National Sorghum Producers (NSP) applauds both the Senate and House Committees on Agriculture for recognizing the enormous returns on that investment in their respective Budget Views and Estimates Letter earlier this year. Unfortunately, the current safety net has become so outdated that Congress has had to authorize costly and unbudgeted ad hoc assistance to fill the gaps from time to time. We do appreciate the additional assistance that resulted from some of the most intense drought conditions on the Southern High Plains in generations, such as Congressionally-authorized programs like ERP. ERP's Phase I was a responsive program which complemented crop insurance farmers already purchased. As referenced, that program was necessary because the current farm safety net has unfortunately become outdated. Meanwhile, the most meaningful farm safety net improvement to ensure fiscally sound budgeting remains investments in long term statutory reference price adjustments as well as creative crop insurance products that allow farmers to meet the market and agronomic needs of their farms.

2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?

This should be based on circumstance. If in a worst-case scenario all the ethanol plants were bombed by eco-terrorists, a massive weather event reduced access to markets, and the Chinese government dumped their excess stocks on the world market, we believe robust farm policy should be in place to preserve the agricultural infrastructure that blesses this nation each day with each meal served—the most important part of that infrastructure being the family farms where it all begins. The fact is that during COVID and in President Trump's trade war, the current Title I pay limits and policy were deemed to be insufficient, and the limits on payments were increased significantly for good reason. We believe farm bill policy should anticipate the unforeseen and Congress should build it in ways that help farm families manage through these difficult periods.

3. Should farm programs be subject to actively engaged in farming requirements?

We are not concerned about family farms growing and achieving scale, and believe actively engaged rules should be modified to better accommodate generational transfer of farms. We are also not concerned about partnerships and collective work among people who are attached to the land and involved in their rural communities. We are more concerned about corporate intervention in agriculture and the purchase of farm ground by entities that simply cash lease the ground and flip and trade it with little concern or care for the local communities that are affected by the way they choose to manage the land. Farm programs give farm families a little more power in this dynamic marketplace. Restrictive pay limits on family farms tend to diminish this power and make family farms more vulnerable.

U.S. Senate Committee on Agriculture, Nutrition, and Forestry
 Subcommittee on Commodities, Risk Management, and Trade
*Commodity Programs, Credit, and Crop Insurance – Part 1:
 Producer Perspectives on the Farm Safety Net*
 May 2, 2023
 Questions for the Record
Mr. Brent Cheyne

Senator John Boozman

1. The same day you testified on the farm safety net in front of the Subcommittee on Commodities, Risk Management, and Trade, the [Washington Post's Editorial Board published an editorial](#) claiming “there’s no need for the United States to maintain its expensive agricultural safety net” and suggests several cuts to or elimination of farm safety net programs. How would these suggestions impact the agricultural landscape and your family’s operation particularly?

Cutting farm programs would have a devastating impact on the agriculture industry. The farm safety net not only keeps farmers in business, but also keeps food supplies stable, food prices low, and keeps rural economies thriving.

Agriculture is a difficult industry where farmers are price takers. We have no control over the price we receive, often taking prices lower than the cost of production. The farm safety net helps us stay in business during those years when the price is lower than the cost of production. It also helps protect us in times of disaster. In years like this one, where we are expected to have the smallest winter wheat crop since the 1960’s, the farm safety net helps us stay in business, while also fulfilling obligations that we have to our creditors and suppliers. Without it, farmers wouldn’t be offered a line of credit from the bank, and in some years, we wouldn’t be able to pay back suppliers.

Cutting the farm safety net would be devastating. We’ve already seen what the world looks like with a lack of food on the shelves during the COVID-19 pandemic. This was a scary time for many people throughout the United States. The safety net helps keep small family farms in business and keeps them producing the most abundant, nutritious, and stable food supply in the history of the world.

2. The panel before you mentioned that if the Title I programs were left unchanged, many producers would be bankrupt before Title I would result in meaningful assistance. Can you each briefly touch on how an investment in reference prices today would impact your operations going forward?

Since 2013, total costs to produce wheat have increased by 38 percent and wheat farmers lost on average \$48.50 per acre. While many might balk at including overhead costs like unpaid labor and the opportunity cost of land, it’s important to understand the implications of operating losses when accounting for those costs. The unpaid labor cost is essentially the salary of the farmer and contributes greatly to the sustainability of the

operation. The opportunity cost of land includes how much that land is worth if the farmer were to exit the industry. It's important to understand these costs because they are often the costs that farmers and lending institutions consider when deciding if they want to continue farming or exit the industry.

Meanwhile, the statutory reference price for the Price Loss Coverage Program (PLC) has remained static at \$5.50 since its creation, covering only 74 percent of the per acre cost of production of wheat (\$7.42) since 2013. Meanwhile, the current wheat price would have to fall 38 percent before being caught by the safety net of PLC. When farmers have to fall that far, there's effectively no safety net at all.

3. How would further limiting producers' ability to participate in the farm safety net programs through tightening payment limits or reducing the federal cost share for crop insurance impact your ability to manage risk and make investments in your operation?

NAWG encourages Congress not to implement further limitations on payments or reduce the federal cost share for crop insurance. Many farmers take out large loans that allow them to operate their farms that in some instances are larger than the current payment limitations. Further tightening those limitations could seriously jeopardize many farms in the instance of a bad crop due to mother nature, or low prices. Neither of these factors are in the farmer's control.

Cutting the federal cost share of crop insurance would also be extremely detrimental to wheat farmers. My farm currently utilizes an 80 percent yield protection policy. While we would like to utilize 85 percent coverage, we cannot afford it as the increased coverage level is far exceeded by the increased premium costs. Further cutting the federal cost share means that my farm would be even less protected than we already are. Cutting the federal cost share could also decrease the overall number of farmers enrolled in the program. With the current rules that the Federal Crop Insurance Program be actuarially sound, fewer farmers paying premiums mean that all premiums for all farmers would increase.

Rather than cutting the federal cost share, NAWG encourages that Congress makes the program more affordable at higher levels of coverage.

Senator Charles Grassley

First, I want to say that my long held belief is that farm policy should provide a limited safety net that helps farmers weather the storm of natural disasters and unpredictable commodity markets. However, if commodity programs become a profit guarantee program then markets will become distorted and the agricultural community could be at risk at becoming dependent on farm subsidies rather than market forces. Additionally, if farm programs continue to encourage large farms over smaller farms, we will see more consolidation of family farms and continued loss of population in rural communities. The biggest danger to the farm safety may be an American public who view farm subsidies as a handout to the wealthiest farmers.

This past week, USDA released updated data on Chapter 12 bankruptcies. The data showed that Chapter 12 bankruptcy reached the lowest level in nearly two decades. This data shows that the farm safety net is working. As the ranking member of the budget committee, I am deeply concerned about how we are saddling future generations with our debt. The fundamental problem we have in the federal budget is not one of under taxation, but of overspending.

The last time the federal budget was balanced in 2001, revenues were 18.9 percent of our gross domestic product. Last year, federal revenues amounted to 19.6 percent of GDP. Yet, we still managed to run a deficit of \$1.4 trillion. That's because even though tax collections have increased by \$2.9 trillion since 2001, spending has grown by \$4.4 trillion.

1. To that end, please share with me ways we can improve the farm safety net without increasing spending.

It would be extremely difficult to make any form of meaningful improvements to the farm safety net without increasing spending. While farmers are indeed experiencing historically high net farm incomes, the cost of production is also increasing, and the USDA is projecting a decrease in net farm income for 2023 and into future years. This will be coupled with the lowest projected winter wheat crop since the 1960's. Even with high prices, it's difficult to make money when the weather destroys your crop entirely.

While NAWG understands the desire to be fiscally conservative and appreciates the desire of Congress to be responsible with federal taxpayer dollars, the new CBO projections from May 12 showed that the farming safety net made up only three tenths of one percent of federal spending. It is the view of NAWG that trying to fix the federal deficit using farm safety net dollars is a losing strategy.

However, one improvement that NAWG believes could have a large impact with small costs is separating Enterprise Units by fallow and continuous cropping systems in the Federal Crop Insurance program. The current law does not allow for this separation, hurting farmers that utilize fallow rotations. Farmers already have a fallow and continuous Average Production History's (APH) that are reported separately but must have a blended unit. Allowing for the separation would allow wheat farmers to have access to a more effective crop insurance policy.

2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?

The amount of government assistance required is highly dependent on a variety of factors and is not the same across farming operations. My own operation has a different set of costs than a corn farm in Iowa, which will be different than a rice farm in Arkansas. It is difficult to set a definitive maximum amount of government assistance that a family farm should receive.

The current farm safety net does not guarantee a farmer a profit, nor does it guarantee that they will not fail. I have friends that have still seen their farm go bankrupt or have sold the farm because they could not make ends meet with the current safety net. As it stands, wheat prices would have to fall 38 percent to be caught by the safety net, which only covers 74 percent of the cost of production. Likewise, my crop insurance policy only covers 80 percent of my production. NAWG is also not asking Congress to guarantee profits. We believe that the current safety net does not adequately reflect the current needs of farmers.

3. Should farm programs be subject to actively engaged in farming requirements?

The phrase “actively engaged in farming” can be highly subjective and depends on what the definition of that phrase means. Farms across the country look and operate differently. Should farm programs be subject to such a requirement, Congress needs to ensure that participants in the farming operation that have a stake in the operation are not left out of programs.

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Questions for the Record
Mr. Blake Gendebien

Senator John Boozman

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The farm safety net, including the Dairy Margin Coverage program, is an important food security and national security tool during difficult years. Rolling back the program would deprive producers of a critical lifeline that helps them weather challenging years so that they can continue providing a safe, abundant, and affordable food supply to households at home and abroad. A strong farm safety net is also vital to maintaining a strong local ag community and local rural economy, which is vital to the overall success of my farm.

2. How would further limiting producers’ ability to participate in the farm safety net programs through tightening payment limits or reducing the federal cost share for crop insurance impact your ability to manage risk and make investments in your operation?

The Dairy Margin Coverage program is already focused on supporting a targeted amount of milk volume on each farm, so the many family farms that produce the majority of the nation’s milk supply already only receive modest support under the program. Further restrictions would make the program function as less of a safety net when needed. Similarly, reducing the current federal cost share would erode participation in important risk management tools like the Dairy Revenue Protection program.

Senator Charles Grassley

First, I want to say that my long held belief is that farm policy should provide a limited safety net that helps farmers weather the storm of natural disasters and unpredictable commodity markets. However, if commodity programs become a profit guarantee program then markets will become distorted and the agricultural community could be at risk at becoming dependent on farm subsidies rather than market forces. Additionally, if farm programs continue to encourage large farms over smaller farms, we will see more consolidation of family farms and continued loss of

population in rural communities. The biggest danger to the farm safety may be an American public who view farm subsidies as a handout to the wealthiest farmers.

This past week, USDA released updated data on Chapter 12 bankruptcies. The data showed that Chapter 12 bankruptcy reached the lowest level in nearly two decades. This data shows that the farm safety net is working. As the ranking member of the budget committee, I am deeply concerned about how we are saddling future generations with our debt. The fundamental problem we have in the federal budget is not one of under taxation, but of overspending.

The last time the federal budget was balanced in 2001, revenues were 18.9 percent of our gross domestic product. Last year, federal revenues amounted to 19.6 percent of GDP. Yet, we still managed to run a deficit of \$1.4 trillion. That's because even though tax collections have increased by \$2.9 trillion since 2001, spending has grown by \$4.4 trillion.

1. To that end, please share with me ways we can improve the farm safety net without increasing spending.

The Dairy Margin Coverage program may be able to be adjusted by offsetting the cost of changes within the program's baseline. This approach would not require new spending.

2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?

I am not sure of the exact amount, but I believe assistance should be targeted toward helping farmers weather market volatility and endure natural disasters. Farm safety net and risk management tools should not become income supplements that guarantee profits.

3. Should farm programs be subject to actively engaged in farming requirements?

The Dairy Margin Coverage program contains specific requirements that program recipients be active in dairy production to receive payments. These rules should be maintained.

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 Questions for the Record
Mr. Rich Hillman

Senator John Boozman

1. The same day you testified on the farm safety net in front of the Subcommittee on Commodities, Risk Management, and Trade, the [Washington Post's Editorial Board published an editorial](#) claiming “there’s no need for the United States to maintain its expensive agricultural safety net” and suggests several cuts to or elimination of farm safety net programs. How would these suggestions impact the agricultural landscape and your family’s operation particularly?
 - The Washington Post’s proposal to eliminate the farm safety net would be catastrophic for farm and ranch families, rural communities, and the national economy as a whole. There would be no safety net to mitigate the impacts of high and rising foreign subsidies, tariffs, and non-tariff trade barriers. And there would be no insurance on crops or livestock. The Washington Post has never displayed a basic understanding or made even a serious inquiry into agricultural economics and has instead parroted misinformation passed on to it by special interest groups often posing as think tanks. In its latest contribution, the Post does not seem to have a very good grasp of the federal budget either. As a nation, we are spending very little of the total federal budget – 0.23% – to secure our food, feed, and fiber supply by supporting our nation’s farm and ranch families. Agriculture has yielded budget savings when called upon, including in the 2014 Farm Bill. These savings continue to carry over to today and beyond. However, recent experience with ad hoc spending in response to natural disasters, the pandemic, and Chinese and other countries’ retaliatory tariffs suggests that an ounce of prevention is worth a pound of cure. We strongly support your efforts and that of the Committee to secure adequate resources to write a strong 2023 farm bill to avoid the need for more ad hoc assistance in the future.
2. The panel before you mentioned that if the Title I programs were left unchanged, many producers would be bankrupt before Title I would result in meaningful assistance. Can you each briefly touch on how an investment in reference prices today would impact your operations going forward?
 - PLC is the most important and straightforward component of the farm safety net for rice producers. However, given the reference price was set based on 2012 costs of production and recent input costs have skyrocketed well above what could be made up for in productivity gains, we believe an increase to the rice reference price is critical. Even in 2022, prices for rice increased marginally – just enough to diminish PLC assistance but without accompanying strong market

returns. As such, with increased costs of fertilizer, wages, credit, fuel, etc. rice farms were actually in much worse shape than they had been in previous years. This is why we petitioned for supplemental assistance. We are very grateful to you and your colleagues for this vital support. This supplemental is a good indication of the need to bolster reference prices in the 2023 Farm Bill.

3. How would further limiting producers' ability to participate in the farm safety net programs through tightening payment limits or reducing the federal cost share for crop insurance impact your ability to manage risk and make investments in your operation?
 - Today's payment limitations, actively engaged rules, and AGI means testing squeeze full-time farm and ranch families. Rice farmers' operations are diverse, complex, and larger in order to better manage huge price swings, swings that tend to be greater for rice than for many other commodities. PLC is our primary safety net and arbitrary restrictions means limiting the effectiveness of the safety net for rice farm families. This strain on rice farm families adversely impacts the rest of the rice production and processing infrastructure and presents a real threat to the entire domestic rice industry. Especially in light of inflationary pressures, we believe pay limits should be updated and increased to reflect costs of production.

Senator Charles Grassley

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1. To that end, please share with me ways we can improve the farm safety net without increasing spending.
 - I think all producers share your view that the safety net should help producers weather natural disasters and unpredictable markets. I also believe that few if any producers want a profit guarantee. The danger of the "big" verses "small" debate

is that most in the debate view “big” as full-time farm and ranch families with dirt under the fingernails. It may be one of the biggest ironies that the “big” verses “small” debate actually works to benefit people who do not regard themselves as farmers or ranchers, do not depend on farm or ranch income for a living, or account for very little agricultural production. In fact, this debate is at cross purposes with efforts to further tighten actively engaged rules. In any event, the “big” verses “small” debate always hinges on USDA’s definition of a farmer – anyone who produces \$1,000 or more of agricultural goods in a year – and in conflating gross income with net income after all expenses are paid. Both confuse rather than clarify who produces the food, feed, and fiber in this country and who, therefore, is most at risk and in need of a safety net. In terms of Chapter 12 bankruptcies, we are grateful for the data. We would note that this is likely the function of ad hoc assistance outside of the farm bill, including in response to natural disasters, the pandemic, and Chinese and other countries’ retaliatory tariffs. We believe if the farm safety net is adequate, it will avoid the need for such ad hoc assistance. We believe the net result would be less spending in the short and long term, and a more level playing field for producers. To build an adequate safety net should be the goal of the 2023 Farm Bill. We stand ready to help the Committee toward this goal.

2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?
 - Farmers face risks like no other business, and it is different every year. If we get into another trade war far beyond the farmer’s control, we would hope payments (hopefully farm bill assistance rather than ad hoc) would be made to the extent needed to support family farms and ranches of all sizes in all regions. If in another year of swine flu wipes out all the hogs in states such as Iowa and we have an over-abundance of corn and soybean and prices sink to new lows, we believe payments should be provided to both the hog producer and the corn and soybean farmer to the extent needed to keep them on their feet. Similarly, as bad trade actors, such as India that controls 40% of the world’s rice trade, continue to subsidize their rice producers at exorbitant and egregious levels far beyond their WTO commitments, and then proceed to dump this rice on the world market, artificially driving down global rice prices to the point the U.S. cannot compete in long-established markets or build new markets, we look to a strong farm safety net to have our farmers’ backs so we can protect and maintain an industry that provides an affordable, nutritious and quality food product at home and abroad, and one that is critical to more than 125,000 American jobs and provides over \$34 billion in economic impact – keeping many rural communities afloat and hungry people fed. Given inflationary pressures on farms and the fact that the limits have not been updated since 2014 (though significant additional ad hoc aid with additional limits was paid over this time) we believe the limits need to be much higher than the current \$125,000, and a large, bipartisan group of Members of Congress have expressed similar concerns and needs to adjust that limit higher over the past few years. We firmly believe farm policy needs to address losses to the extent of the loss, rather than to the extent of an arbitrary pay limit.

3. Should farm programs be subject to actively engaged in farming requirements?
 - Farmers are subject to very strict actively engaged requirement rules. In some ways, the rules are too strict, diminishing the importance of active personal management which may well be one of the most important elements of successful farming and/or ranching operations today. There are other problems as well, which are symptomatic of situations where Washington saddles producers with one-size-fits-all regulations. We've seen proposals to further tighten such rules and note that they often come at the direct expense of 100% family owned and operated farms and ranches, which we believe would be a serious mistake.

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Questions for the Record
Mr. Patrick Johnson

Senator John Boozman

1. The same day you testified on the farm safety net in front of the Subcommittee on Commodities, Risk Management, and Trade, the [Washington Post's Editorial Board published an editorial](#) claiming “there’s no need for the United States to maintain its expensive agricultural safety net” and suggests several cuts to or elimination of farm safety net programs. How would these suggestions impact the agricultural landscape and your family’s operation particularly?

In Tunica, MS, where I farm, agriculture is the #1 industry in our area. Our community is reliant on agriculture to maintain our local economy as well as our tax base. If farm safety net programs were taken away, land values would plummet and many of our local retail outlets would collapse.

Elimination of farm programs would also lead to greater consolidation in agriculture. The safety net provided in the Commodity Title keeps many “family farm” operations economically viable giving them the wherewithal to pass their farm on to the next generation. There is a misconception that elimination of farm programs would put smaller producers on a more equitable playing field, when in fact, the opposite would occur. Removal of the safety net would actually lead to small and medium sized operations being merged with larger farms to maintain the economic scale necessary to survive.

2. The panel before you mentioned that if the Title I programs were left unchanged, many producers would be bankrupt before Title I would result in meaningful assistance. Can you each briefly touch on how an investment in reference prices today would impact your operations going forward?

The reference price for Seed Cotton is not relevant to current costs of production which have reached levels of between \$0.90-\$1.00 per pound with cotton futures having dipped to the upper 70s. Many growers will lose money producing this year’s crop, and it is critical that the Ag Committees reevaluate the current reference prices to bring them more in line with recent costs of production.

3. How can improvements to the marketing assistance loan program for cotton strengthen the safety net for producers while also improving U.S. cotton's ability to compete in international markets?

The current marketing loan rate for upland cotton has remained at \$0.52 since 2002 despite dramatic changes in costs production over the last 20 plus years. The loan rate should be increased to better reflect current costs of production.

Loan repayment provisions should also be modernized to better reflect the competitive landscape in the global market and the higher storage and logistics costs facing the industry.

Since 2006, storage credits, which are available when the Adjusted World Price (AWP) is below the level of the loan rate, have declined while actual storage charges have increased. Between 2006 and 2022, average storage charges across much of the Cotton Belt increased by 45 cents per bale per month, while the effective storage credit fell 8 cents per month. Currently, the effective storage credit is 78 cents below the average storage charge.

The AWP should also be based on the three lowest quotes in the international market, rather than following the current practice of using the five lowest quotes. The change will create more value for cotton during loan redemptions and prevent cotton from stagnating in the loan and accruing costs. This will in-turn make the cotton loan more effective in providing support for producers and ensuring fluid movement into the marketplace.

Establishing limitations on the annual decline in the costs-to-market calculation will also improve U.S. cotton's competitiveness by limiting large changes to the costs-to market, which can negatively affect cotton marketing decisions.

Increased flexibility should also be provided in AWP determinations by giving the producer the benefit to lower their costs to redeem cotton for thirty-day period following the redemption date should the AWP fall during that period. This provision would be another tool to help move cotton from the loan and into the marketplace. Similar flexibility should be provided to the determination of the LDP.

It is also important to note that Pima Cotton producers have experienced sharp increases in production costs. Deficiencies in the safety net provided to Pima cotton producers can be improved by increased the Pima loan rate to a more reflective level, but also adding a "marketing loan" functionality to the Pima loan. Of all the commodities eligible for Commodities Credit Corporation (CCC) loan, Pima is one of only two commodities with a non-recourse loan without an alternative repayment provision when market prices are lower than the statutory loan rate.

4. How would the ability to enroll in PLC and purchase STAX impact your ability to manage risk on your farm?

The PLC program provides price protection to a producer when there are prolonged periods of low prices. While STAX also has a feature that provides revenue protection, it also includes an important yield component that allows cotton growers an affordable option of area-wide shallow loss revenue protection.

While the industry is grateful for the ad hoc assistance received due to recent weather-related disasters, allowing a producer to enroll in PLC while purchasing STAX would give growers the necessary tools to manage their own risk while making them less reliant on ad hoc disaster programs.

5. How would further limiting producers' ability to participate in the farm safety net programs through tightening payment limits or reducing the federal cost share for crop insurance impact your ability to manage risk and make investments in your operation?

Modern agriculture has seen revolutionary change in the operational structure over recent decades. Due to tighter margin requirements for profitability, family operations are adopting cutting edge technologies to increase yields on similar acreage. Tighter payment limits only disincentivize growers from becoming more efficient and are no longer reflective of the structure of family farming operations in 2023.

Premium credits and federal cost share have afforded growers the option to tailor crop insurance to their own risk management needs. Each farm is heavily dependent on weather conditions and the price received for their crops, both of which are beyond the policyholder's control, to deliver a return. A storm, a drought, or a flood can wipe out a farmer's entire investment, sometimes in a single day. Removal of these premium credits will make crop insurance unaffordable for most producers.

Senator Charles Grassley

First, I want to say that my long held belief is that farm policy should provide a limited safety net that helps farmers weather the storm of natural disasters and unpredictable commodity markets. However, if commodity programs become a profit guarantee program then markets will become distorted and the agricultural community could be at risk at becoming dependent on farm subsidies rather than market forces. Additionally, if farm programs continue to encourage large farms over smaller farms, we will see more consolidation of family farms and continued loss of population in rural communities. The biggest danger to the farm safety may be an American public who view farm subsidies as a handout to the wealthiest farmers.

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concerned about how we are saddling future generations with our debt. The fundamental problem we have in the federal budget is not one of under taxation, but of overspending.

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1. To that end, please share with me ways we can improve the farm safety net without increasing spending.

The National Cotton Council (NCC) is concerned about the growing increase in the national debt and supports efforts to maintain a balanced federal budget and to adopt appropriate spending cuts as long as they are not disproportionate to the cotton industry.

However, as the Ag Committees develop the new farm bill, additional funding is necessary to address the on-farm and supply chain challenges that have impacted our industry since the authorization of the 2018 Farm Bill.

2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?

NCC believes that a farmer's benefits from federal payment programs should not be limited based on production size and management structure. We also oppose the application of any means test scheme to determine eligibility for USDA farm programs.

Our industry has always maintained that effective farm policy must maximize participation without regard to farm size or income. Artificially limiting benefits is a disincentive to economic efficiency and undermines the ability to compete with heavily subsidized foreign agricultural products. Artificially limited benefits are antagonistic with a market-oriented farm policy.

The current program limits already in place are incompatible with the cost structure and capital investments necessary for profitability in today's farming environment. We commend Congress for recognizing this reality in recent disaster assistance by including increased payment limit levels for producers who realize their majority of their income from their farming operation.

3. Should farm programs be subject to actively engaged in farming requirements?

NCC supports farm program benefits being tied to actively engaged participants of a farming operation. However, arbitrary restrictions regarding the contribution of management and labor through changes to the definition "actively engaged" are out of touch with today's farming operations. These policies also discourage the next

generation from returning to their rural communities. The 2023 Farm Bill should not include policies that seek to discourage the next generation of farmers.

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Mr. Caleb Ragland

Senator John Boozman

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The *Washington Post*’s editorial was very disappointing. As an owner and operator of a farm with only 25% base acres (up from approximately 10% due to a recent land purchase) protected by the farm safety net, I am not a “wealthy farmer,” nor do I “feed off the farm bill’s wasteful largesse.” I am a young farmer looking for help to improve accessibility and effectiveness of the Title I farm safety net and to protect crop insurance as a risk management tool.

Imposing tighter eligibility requirements, eliminating the farm safety net, making crop insurance protection more expensive and less effective would have a devastating effect on me and my family, rural communities, agribusinesses, lenders, and agriculture nationwide. It is challenging for any farmer to make significant investments and take on the enormous risks in agriculture with the current safety net—one that has already demonstrated deficiencies—in place.

I respectfully request that the committee strengthen the farm safety net and protect crop insurance in the next farm bill.

2. The panel before you mentioned that if the Title I programs were left unchanged, many producers would be bankrupt before Title I would result in meaningful assistance. Can you each briefly touch on how an investment in reference prices today would impact your operations going forward?

The statutory reference price for soybeans has only increased twice in over 20 years and needs to be adjusted. Although an effective reference price (ERP) mechanism exists that adapts to price increases, the cap undermines that flexibility. Removing the arbitrary ERP cap would allow Title I programs to adapt to price and cost inflation. Either this approach, a statutory reference price change, or a combination of these would provide a more effective safety net.

While adjusting the reference price is helpful, the impact on my farm is limited with the relatively low percentage of base acres that provides access to the farm safety net. As discussed in my testimony, there is a 34-million-acre gap nationwide when comparing recent soybean plantings with soybean base acres, on which specific Title I benefits are provided. Having the option (not requirement) to update base acres to reflect a more recent, defined period of time and allowing new acres to access the farm safety net, combined with an increase in the soybean reference price and other Agriculture Risk Coverage changes, would help young farmers like me access a more effective farm safety net.

During the trade war with China, ad hoc assistance kept my farm afloat—not the Title I safety net. Without the extra programs, I would not be farming today. Having already experienced economic hardship under the current farm bill, we can all reasonably expect that economic disruption will occur again in the future. Preparing for these rough spells proactively with a reliable safety net is a much better approach than relying on ad hoc assistance from USDA or Congress.

3. How would further limiting producers' ability to participate in the farm safety net programs through tightening payment limits or reducing the federal cost share for crop insurance impact your ability to manage risk and make investments in your operation?

Farming is expensive. Like all farmers, I have experienced higher input costs for several years. Those increased costs have, in turn, increased my borrowing needs. With higher interest rates, credit is also more expensive. Higher crop prices are also driving up my premium costs. I do not need crop insurance protection to become even more expensive as a result of a farm bill change. If that happened, it would likely have the impact of farmers buying down coverage to a more affordable level, reducing the level of protection for the crop, and increasing the need for ad hoc crop disaster assistance.

Ad hoc economic assistance has helped address the Title I farm safety net deficiencies throughout the life of the current farm bill. Improving Title I—rather than tightening limits on benefits or changing program eligibility—would give my family and me greater confidence in the farm safety net available during times of economic need.

Senator Charles Grassley

First, I want to say that my long held belief is that farm policy should provide a limited safety net that helps farmers weather the storm of natural disasters and unpredictable commodity markets. However, if commodity programs become a profit guarantee program then markets will become distorted and the agricultural community could be at risk at becoming dependent on farm subsidies rather than market forces. Additionally, if farm programs continue to encourage large farms over smaller farms, we will see more consolidation of family farms and continued loss of population in rural communities. The biggest danger to the farm safety may be an American public who view farm subsidies as a handout to the wealthiest farmers.

This past week, USDA released updated data on Chapter 12 bankruptcies. The data showed that Chapter 12 bankruptcy reached the lowest level in nearly two decades. This data shows that the farm safety net is working. As the ranking member of the budget committee, I am deeply concerned about how we are saddling future generations with our debt. The fundamental problem we have in the federal budget is not one of under taxation, but of overspending.

The last time the federal budget was balanced in 2001, revenues were 18.9 percent of our gross domestic product. Last year, federal revenues amounted to 19.6 percent of GDP. Yet, we still managed to run a deficit of \$1.4 trillion. That's because even though tax collections have increased by \$2.9 trillion since 2001, spending has grown by \$4.4 trillion.

1. To that end, please share with me ways we can improve the farm safety net without increasing spending.

I appreciate your leadership and service in the U.S. Senate, especially your firsthand expertise in agriculture and your efforts to navigate a very difficult budget environment. While I do not have specific suggestions on the budget front, I do want to share important perspective about ad hoc spending during the life of the current farm bill.

Between 2018-2021, ad hoc assistance made up approximately 70% of direct farm payments due to a variety of challenges: the trade war with China, COVID-19 and other supply chain disruptions, non-tariff trade barriers erected by multiple countries, devastating natural disasters, and significantly higher input costs. While ad hoc assistance is appreciated in times of need, it is not a timely, reliable, or predictable safety net for farmers. This farm bill reauthorization provides an opportunity to address very real needs in agriculture, including improving the farm safety net.

Soybean farmers experienced economic hardship under the current farm bill, especially during the China trade war. We can reasonably expect that economic disruption will occur again in the future. Preparing for these challenging situations with an improved, reliable safety net is a preferred approach over relying on ad hoc assistance from USDA or Congress.

2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?

Farming requires significant investment, and farmers incur significant expense and risk. I do not believe the Title I farm safety net should be diminished through tighter limits on benefits or restrictions on program eligibility. Farmers need greater confidence in the farm safety net available during times of economic need, not less.

3. Should farm programs be subject to actively engaged in farming requirements?

Actively engaged requirements are already in place for determining eligibility for Title I programs such as ARC and PLC. These requirements should not be expanded in the next farm bill or through administrative action. The farm safety net should not be made more

difficult for farmers to access, nor should farmers be burdened with additional reporting requirements.

U.S. Senate Committee on Agriculture, Nutrition, and Forestry
 Subcommittee on Commodities, Risk Management, and Trade
*Commodity Programs, Credit, and Crop Insurance – Part 1:
 Producer Perspectives on the Farm Safety Net*
 May 2, 2023
 Questions for the Record
Mr. Neil Rockstad

Senator John Boozman

1. Question: The same day you testified on the farm safety net in front of the Subcommittee on Commodities, Risk Management, and Trade, the [Washington Post's Editorial Board published an editorial](#) claiming “there’s no need for the United States to maintain its expensive agricultural safety net” and suggests several cuts to or elimination of farm safety net programs. How would these suggestions impact the agricultural landscape and your family’s operation particularly?

Answer: Congress should continue to ignore the Washington Post’s opinion on farm policy. It’s obvious there is a fundamental lack of understanding of the risks, costs, and structure of American agriculture. Weakening the current safety net, as the Post suggests, would have an immediate and direct impact on our growers. Our ability to borrow capital to grow our crops requires an adequate safety net that reflects production costs and risk. Without farm programs, we would not be able to sustain our farms, farmer-owned cooperatives, or transition our farms to the next generation. Thousands of good jobs in rural and urban areas would be lost and land values would plummet.

In fact, since the early 1980’s we have lost 68 processing facilities. We are saddened to see an additional sugarbeet processing facility in Northeastern Montana closing this year. If the safety net was as lavish as described in the editorial, this would not be happening. As the third largest sugar importer in the world, the U.S. food system without the sugar program would become much more vulnerable to supply chain disruptions for an essential ingredient in the production of the majority of packaged foods. Our customers wisely want more sugar produced at home to ensure a sustainable supply and because of the high labor and environmental standards that we achieve. The Post’s recommendations would undermine U.S. food security and reward unfair trade practices, prioritizing heavily-subsidized foreign producers over American family farmers.

2. Question: How would further limiting producers’ ability to participate in the farm safety net programs through tightening payment limits or reducing the federal cost share for crop insurance impact your ability to manage risk and make investments in your operation?

Answer:

- 1) Payment Limits: American sugarbeet and sugarcane farmers do not receive any government payments under title 1. All our revenue must be generated from the

marketplace. The loan program is designed and administered to run at no cost to the taxpayer which it has successfully done 18 of the past 19 years. The loans are needed for sugar farmers to pay their bills while their processor stores their sugar for the benefit of the customers. The loans are paid back with interest when the sugar is marketed.

- 2) Crop Insurance: Crop insurance is critically important to managing economic risk for our farmers and lenders. However, while our farmers do have some insurance products available, those tools are not as well developed or affordable as some other commodities. For sugarbeets, policies are limited to yield-based coverage and they do not benefit from a revenue-based product, nor from enterprise units. For sugarcane, the Hurricane Insurance Program (HIP) has been an invaluable addition, but a prevented planting provision is needed. We would encourage the committee to improve coverage options for smaller acreage crops that have less effective products that are relatively more expensive to purchase.

Senator Charles Grassley

First, I want to say that my long-held belief is that farm policy should provide a limited safety net that helps farmers weather the storm of natural disasters and unpredictable commodity markets. However, if commodity programs become a profit guarantee program then markets will become distorted and the agricultural community could be at risk at becoming dependent on farm subsidies rather than market forces. Additionally, if farm programs continue to encourage large farms over smaller farms, we will see more consolidation of family farms and continued loss of population in rural communities. The biggest danger to the farm safety may be an American public who view farm subsidies as a handout to the wealthiest farmers.

This past week, USDA released updated data on Chapter 12 bankruptcies. The data showed that Chapter 12 bankruptcy reached the lowest level in nearly two decades. This data shows that the farm safety net is working. As the ranking member of the budget committee, I am deeply concerned about how we are saddling future generations with our debt. The fundamental problem we have in the federal budget is not one of under taxation, but of overspending.

The last time the federal budget was balanced in 2001, revenues were 18.9 percent of our gross domestic product. Last year, federal revenues amounted to 19.6 percent of GDP. Yet, we still managed to run a deficit of \$1.4 trillion. That's because even though tax collections have increased by \$2.9 trillion since 2001, spending has grown by \$4.4 trillion.

1. To that end, please share with me ways we can improve the farm safety net without increasing spending.

The US sugar industry and market is unique among farm commodities and safety net programs. Our policy is designed and administered to operate at zero cost to the American taxpayer. For the last 18 of 19 years, it has done just that. The only time a cost was incurred was when Mexico illegally dumped sugar on the domestic market and collapsed it. That problem has since been resolved with antidumping and countervailing duty suspension agreements. We pay our loans back with interest to the US Government.

Today, our production costs have risen significantly relative to our safety net. Therefore, we need a stronger safety net for sugarbeets and sugar cane through the domestic sugar program. It's worth noting that government outlays have not been incurred for 18 of the last 19 years, and aren't projected to by USDA for the next 10 years, even though CBO continues to project a minimal cost for the program. It's our view that strengthening our sugar safety net can be achieved while not actually resulting in a cost to taxpayers.

2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?

The sugar program does not pay sugarbeet and sugarcane growers. We must get our income from the marketplace.

3. Should farm programs be subject to actively engaged in farming requirements?

Our farming entities are husband and wife, son/daughters, brothers and sisters, and cousins who actively own/rent and farm the land. As farmer-owned cooperatives, employee-owned companies or family-owned businesses, there are significant rules to keep cooperative shareholders as active farmers. Again, given that all of our income is derived from the marketplace, there are no absentee recipients of taxpayer dollars under the U.S. sugar policy.

American Crystal Sugar, of which I am a shareholder, requires significant and material involvement to maintain shares. To deal with various family operations, a shareholder must grow their own beets or can joint venture shares as far as a first cousin without running afoul with our policy.

U.S. Senate Committee on Agriculture, Nutrition, and Forestry
 Subcommittee on Commodities, Risk Management, and Trade
*Commodity Programs, Credit, and Crop Insurance – Part 1:
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 Questions for the Record
Ms. Karla Baker Thompson

Senator John Boozman

1. The same day you testified on the farm safety net in front of the Subcommittee on Commodities, Risk Management, and Trade, the [Washington Post's Editorial Board published an editorial](#) claiming “there’s no need for the United States to maintain its expensive agricultural safety net” and suggests several cuts to or elimination of farm safety net programs. How would these suggestions impact the agricultural landscape and your family’s operation particularly?

The Post article does not take into account the increased input costs that have occurred during the life of the 2018 Farm Bill. Market prices have not kept up with input costs as indicated in my testimony. In addition, farms are getting larger by necessity, causing increased equipment costs, increased labor costs and other farm inputs. Consumers are paying artificially low prices for peanut products. The farm safety net supports consumers too.

2. The panel before you mentioned that if the Title I programs were left unchanged, many producers would be bankrupt before Title I would result in meaningful assistance. Can you each briefly touch on how an investment in reference prices today would impact your operations going forward?

The reference price for peanuts, included in the 2018 Farm Bill, was established in the 2014 Farm Bill. It has not kept up with rising input costs. Without an increase in the reference price, the program does not function as a safety net for peanut growers.

3. How would further limiting producers’ ability to participate in the farm safety net programs through tightening payment limits or reducing the federal cost share for crop insurance impact your ability to manage risk and make investments in your operation?

Farms have to adhere to economies of scale to make a profit. Farms in the Southeast have increased in scale to survive. For peanuts, which requires significant, specialized equipment purchases, reducing the safety net by limiting farm program participation and reducing crop insurance only decreases the viability of farming operations.

Senator Charles Grassley

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1. To that end, please share with me ways we can improve the farm safety net without increasing spending.

As you are aware, the percentage of Farm Bill spending for the farm safety net is decreasing, not increasing. Commodity and farm organization testimony in the House and Senate, for the 2023 Farm Bill, have outlined how market prices have not kept up with commodity costs of production. Reference prices, across the board, have fallen short of the impact of rising farm input costs. In addition, formulae for these programs assure that there is no guaranteed profit outside of the marketplace.

I defer to the Committee to determine how various titles of the 2023 Farm Bill should be funded.

2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?

Regions and farm operations vary greatly. Southeastern agricultural farm structures differ from other regions of the country in diversity and scale. Payment limits and reference prices have not kept up with increased costs and economies of scale. The current payment limits should be increased along with reference prices if these programs are to function as a farm safety net.

3. Should farm programs be subject to actively engaged in farming requirements?

I support the current law on this issue.

U.S. Senate Committee on Agriculture, Nutrition, and Forestry
 Subcommittee on Commodities, Risk Management, and Trade
*Commodity Programs, Credit, and Crop Insurance – Part 1:
 Producer Perspectives on the Farm Safety Net*
 May 2, 2023
 Questions for the Record
Mr. Harold Wolle

Senator John Boozman

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Through previous farm bills, Congress has created and adjusted market-oriented farm policies to help growers across the country manage their risks. Corn growers are advocating for improvements to the farm safety net with a focus on accessible tools geared towards revenue, which factors in both yield and price risks that producers face throughout the growing and market seasons.

Fully eliminating the Farm Service Agency commodity programs, reducing the federal cost share for crop insurance, or reducing producers’ access to these risk management tools, could have far reaching unintended consequences for farmers and the federal government. The proposals outlined would vastly increase risks to individual producers and farms. When disasters strike or commodity markets change unexpectedly, the agriculture industry and food supply chain system would be further exposed to volatility and risks. These increased risks could translate into fewer farmers and farms and additional and larger calls for ad hoc disaster assistance.

2. The panel before you mentioned that if the Title I programs were left unchanged, many producers would be bankrupt before Title I would result in meaningful assistance. Can you each briefly touch on how an investment in reference prices today would impact your operations going forward?

Corn growers appreciate previous investments into both commodity title programs. The Price Loss Coverage (PLC) program provides assistance particularly during periods of deep and sustained lower than average commodity prices and the Agriculture Risk Coverage (ARC) county program provides important counter-cyclical revenue coverage.

The current statutory PLC reference price for corn is \$3.70 per bushel, which is well below current market prices and long-term historical average prices. From 2012 to

2021, the national marketing year average price for corn was \$4.31. The PLC reference price for corn was eighty-six percent of the average historical prices, translating to an eighty-six percent level of protection.

In terms of investments in reference prices, NCGA is focused primarily on improvements to the effective reference price “escalator,” which was first included in the 2018 farm bill and will likely trigger for corn for the first time in the 2024 crop year. NCGA supports strengthening this market-oriented mechanism by raising the 115 percent cap or otherwise modifying the effective reference price formula to be more responsive to changes in market prices. If enacted, these changes would provide greater price protection for corn growers and would increase the per base acre projected PLC payments for corn growers and other stakeholders over the five crop years covered through the next farm bill.

3. How would further limiting producers’ ability to participate in the farm safety net programs through tightening payment limits or reducing the federal cost share for crop insurance impact your ability to manage risk and make investments in your operation?

Corn growers consistently rank crop insurance as the most important program and title of the farm bill. Delivered through the successful public-private partnership model, federal crop insurance has a proven track record of helping producers quickly respond to natural disasters. Throughout development of the new farm bill, corn growers will strongly oppose any efforts to restrict producer access to crop insurance products and oppose harmful program cuts that would negatively impact crop insurance products, their delivery, or the sound structure of the program.

Eligibility limits and payment limits have historically not been part of the crop insurance title due to the potential negative impacts on grower participation and the overall risk pool. These proposals, along with reduced federal cost shares, would restrict credit to individual producers, potentially lead to areas of the country without access to affordable or meaningful risk management tools, all increasing risks to producers. Thankfully, Congress has instead found ways to encourage participation and increase coverage through new and improved products.

Senator Charles Grassley

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1. To that end, please share with me ways we can improve the farm safety net without increasing spending.

NCGA encourages the continuation of the Acreage and Crop Reporting Streamlining Initiative (ACRSI) and similar efforts to improve the farmer customer experience and create greater efficiency for farm bill programs throughout multiple USDA agencies. The agencies within the Farm Production and Conservation (FPAC) Mission Area are already working more closely together and should continue to share common data and best practices.

Building upon the lessons of the pandemic, we believe opportunities exist to further reduce the reporting burden on producers. USDA should continue to find more ways to either utilize data already submitted to the department or to allow for the submission of additional information electronically, which may reduce the number and length of in-person visits to county offices and save farmers both time and money.

2. What is the maximum amount of government assistance one family farm or legal entity should receive from the federal government in one year?

For the farm bill commodity programs, Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC), the combined annual statutory payment limit is \$125,000 per person or legal entity. Many of the federal conservation and disaster assistance programs have separate payment limits set at varying amounts. NCGA opposes lowering existing payment limits below current statutory levels.

3. Should farm programs be subject to actively engaged in farming requirements?

Yes. Since 1987, in order to be eligible for federal commodity programs, producers have been required by law to be actively engaged in farming. According to the Farm Service Agency, "to be eligible for FSA payments under specified programs, all program participants, either individuals or legal entities, must provide significant contributions to the farming operation to be considered actively engaged in farming."