Testimony of

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To Review U.S. Farm Policy in Advance of the 2012 Farm Bill

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Chairman Lincoln, Ranking Member Chambliss and members of the Committee, thank you for holding this important hearing to review U.S. farm policy in advance of the 2012 farm bill. I am honored to have the opportunity to offer testimony before the Committee on Agriculture, Nutrition and Forestry concerning my views on current farm policy and the development of the 2012 farm bill.

My name is Dow Brantley and I am a producer from Arkansas. I farm in partnership with my father, mother, two brothers and our families. Our farming operation is located in Central Arkansas near the community of England. We grow cotton, corn, rice, and soybeans. Due to the hard work of my grandparents and parents, our family farming operation has grown from just a few hundred acres in 1946 to around eight thousand five hundred (8,500) acres in row crop production today.

The Food, Conservation, and Energy Act of 2008 (the Farm Bill) provides a sound and stable farm policy that is essential for our farming operation. The current program had its origin with the Food Security Act of 1985 when the concept of the marketing assistance loan was introduced. Two of the lead sponsors for the legislation were Senators Thad Cochran of Mississippi and David Pryor of Arkansas. The 2008 farm bill continued the traditional mix of safety net features consisting of the non-recourse marketing loan,

loan deficiency payment program, and the Direct and Counter-Cyclical Payment (DCP) program. While the counter-cyclical payment and marketing loan programs have been helpful in the past, they have recently been overwhelmed by the costs of production. If crop prices drop sharply, most producers, including me, will be in dire financial straits by the time these programs make payments. While there has been much debate about the effectiveness of direct payments under the DCP program, I believe they are an integral part of our farm program delivery system and should be maintained.

The 2008 farm bill made very substantial changes to the payment eligibility provisions of the safety net, drastically lowering the adjusted gross income (AGI) means test and significantly tightening the “actively engaged in farming” requirements for eligibility. In my opinion, the USDA over-stepped the intent of Congress in key payment eligibility provisions and issued regulations that are unduly complicated and overly restrictive.

USDA is still in the process of implementing many of the provisions of the 2008 Farm Bill, and the final payment eligibility rules were only announced in January of this year. As a consequence, my family and many other producers across Arkansas are still adjusting to the many changes contained in the current farm bill, even as we begin the process of developing policy recommendations for the 2012 farm bill. These changes have not only been expensive and time consuming, but they have also required us to make changes in our day-to-day operations that do not make good business sense. The Farm Service Agency’s (FSA) overly restrictive financing rules, legally incorrect active personal management rules, and multiple sets of “actively engaged in farming” rules, which are inconsistent, when applied to different commodity and conservation programs within the same program year, are a few examples of the problems that we are facing. Sound farm policy provisions are of little value if commercial size farming operations are ineligible for benefits. While I oppose any artificial payment limitations, I advocate administering the current provisions within the intent of Congress and strongly oppose any further restrictions.

The existing safety net protection levels have simply not kept pace with the significant increases in production costs. It is for this reason that I believe strengthening the safety net would be helpful in ensuring that producers have the ability to adequately manage their risks and access needed credit. I believe the marketing loan program prices must be raised to meet the costs of today's production.

The 2008 farm bill also included the addition of the Average Crop Revenue Election (ACRE) as an alternative to counter-cyclical payments for producers who agree to a reduction in direct payments and marketing loan benefits. The bill also added the Supplemental Revenue Assurance Program (SURE) as a standing disaster assistance supplement to federal crop insurance.

The support mechanisms within ACRE do not provide an adequate safety net for cotton or rice producers when compared to the traditional DCP program. If a revenue-based approach is to find support among these producers, a more reasonable revenue target would have to be established.

As evidenced by the lack of recent sign-ups, the ACRE program has not been an attractive alternative for southern agriculture. In my home county, we have one thousand six hundred fifty (1,650) producers and no one has elected to participate in ACRE. In fact, only two (2) producers have enrolled in ACRE in the entire state. Specifically, in the first year of ACRE sign-up, only eight (8) rice farms representing less than nine hundred (900) acres were enrolled in the program nationwide. A one size fits all program will not work, where as a regional or crop based program could provide more protection.

The SURE program has provided little, if any, assistance to row crop producers, including those producers in the Mid South who last year suffered significant monetary losses due to heavy rains and flooding occurring prior to and during harvest. I recognize the challenge facing Congress to make improvements in this program. Without increased baseline spending authority, there will be no funds to even continue the program in the next farm bill, much less make the necessary improvements for it to be an effective disaster relief mechanism. However, I do not support reallocating existing spending authority from current farm programs to apply to SURE.

Crop insurance as a whole has not worked on our farm or many others like ours in Arkansas. Our farm is one hundred percent (100%) irrigated, and on average, our yields are very consistent. Our financial problems occur with higher production costs due to irrigation, or a weather event in the fall that disrupts our harvest and ultimately affects the quality of our crops. These circumstances cannot be hedged against. The real winner of crop insurance is the insurer, not the insured.

For example, the coverage available under the current mix of Federal Crop Insurance Program policies is not as well suited to rice or other Mid South crops as compared to producers of other crops in other regions. The amount of buy-up or additional coverage above CAT level coverage purchased by producers is strong evidence. For instance, buy-up coverage constitutes ninety-three (93%) of all insured corn acres, meaning only seven percent (7%) is covered at the CAT coverage level. Conversely, for rice, forty-eight percent (48%) of insured acres are protected under minimum CAT coverage level.

Since 2000, virtually all major field crops have seen a dramatic increase in the purchase of buy-up coverage at higher coverage levels. The percentage of acres covered by CAT coverage for corn and wheat, for example, has correspondingly dropped from nearly thirty percent (30%) in 1998 to less than ten percent (10%) since 2005. Rice, however, is the one very notable exception to this trend as CAT coverage in 2009, though improved, was still the dominant policy for rice producers, covering forty-eight (48%) percent of all insured acres. The unfortunate result is that rice producers have not benefited from the Agricultural Risk Protection Act like the producers of other crops have.

What rice producers need from federal crop insurance are products that will help protect against price risk and increased production and input costs, particularly for energy and energy-related inputs. For example, fuel, fertilizer, and other energy related inputs represent about seventy percent (70%) of total variable costs.

The rice industry has been working for over a year now to develop a new generation of crop insurance products that we hope will provide meaningful risk management tools for rice producers in protecting against sharp, upward spikes in input costs. There are two (2) new products that show great promise and we are optimistic that the Risk Management Agency (RMA) will approve these new products, which could be available to growers in time for the 2012 crop year. However, it is important to note that we do not envision these, or any other crop insurance products, serving as a replacement for the traditional safety net programs, but rather to help enhance the protections those programs provide.

My family has participated in several conservation programs over the years, and programs such as the Environmental Quality Incentives Program (EQIP), Wetlands Reserve Program (WRP), and Conservation Reserve Program (CRP) have helped us become better stewards of the land and better conserve our natural resources. Conservation programs, such as the new Conservation Stewardship Program (CSP), can lead to improved environmental and conservation practices. However, I believe that this program is not succeeding in the way that it could. Of all the conservation programs offered by USDA, CSP might have the most potential in terms of actually producing the desired environmental results that are beneficial to both the environment and producers. This program is a win-win for everyone. However, it has always been vastly underfunded. In addition, CSP has been hampered by overly restrictive payment limitations contrived by USDA regulators – restrictions that I do not believe are supported by statute. Because the

CSP regulations limit payments to an "agricultural operation" and because the payment limits are so low, most producers do not have the opportunity to receive CSP payments for all of their land, even if such land is eligible,. Again, this has to do with the level of funding for the program, but it would seem to me that a program that produces benefits to both the environment and the producer would warrant more funding. With that being said, conservation programs should not serve as the primary delivery mechanism for farm programs support and should not come at the expense of our farm safety net.

Let me also take this opportunity to thank you Chairman Lincoln for your efforts to secure ad hoc disaster payments for 2009 crop losses.

In summary, I appreciate the work of this Committee in crafting the 2008 Farm Bill. I know the next farm bill will present its own set of challenges especially due to inadequate budget authority and international trade obligations. Based on my experience in working with the USA Rice Federation, the National Cotton Council and the Farm Bureau, I know they will work closely with this Committee to ensure that we have an effective farm policy. It is critical that we maintain provisions that allow us to be competitive in world markets and provide support in times of low prices. Our industries will evaluate different program delivery systems if necessary to accomplish these goals.

Thank you for the opportunity to present my views today. I would be happy to respond to any questions.