

Testimony of Ken Wood
before the Senate Committee on Agriculture, Nutrition and Forestry
2018 Farm Bill Field Hearing in Manhattan, Kansas
February 23, 2017

Mr. Chairman, Ranking Member Stabenow, and Members of the Committee, thank you for the opportunity to address you today. My name is Ken Wood, and I farm about 2,500 acres here in central Kansas, just outside of Chapman, Kansas. I produce wheat, corn, soybeans and grain sorghum. I serve as President of the Kansas Association of Wheat Growers, and am honored to have the opportunity to submit comments regarding the future of our country's farm policy.

Wheat is an important crop for Kansas. On average, Kansas plants 9.2 million acres of wheat¹. For reference, that is 2,000 square miles larger than the state of Maryland.² In 2016 over 15 percent of all the land area in Kansas was covered with wheat³. In the fall of 2015, farmers planted eight and a half million acres of wheat and that 2016 crop yielded a record 57 bushels per acre, up 20 bushels per acre from the previous year.⁴ This resulted in Kansas wheat production of 467 million bushels, about 1.5 times as much as 2015 harvest, and nearly double the 2014 harvest.⁵

With these record yields, came stockpiles and bunkers of wheat on the ground. As of December 1, 2016, wheat stored in all positions totaled 420 million bushels, up 29 percent from a year ago and a record high.⁶ In fall 2016 Kansas farmers planted almost 1 million fewer acres of wheat than the previous year, just under seven and a half million acres.⁷ This represents the second lowest planted wheat acres in Kansas in over a century⁸. Many feel that low prices and a struggling farm economy have resulted in lower planted wheat acres. Although we were blessed with a bountiful harvest in 2016, 2017 is shaping up to be a tough year for Kansas wheat farmers. Farm income levels are at their lowest point since 1985. Between 2014 and 2015, net farm income dropped 95%, and net farm debt levels have increased 25% over the last three years⁹.

¹ <http://kswheat.com/producers/10-year-average-kansas-wheat-production>

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https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_00_SF1_GCTPH1.US01PR&prodType=table

³ *Id.*

⁴ https://www.nass.usda.gov/Statistics_by_State/Kansas/Publications/Crops/whthist.pdf

⁵ *Id.*

⁶ <http://usda.mannlib.cornell.edu/usda/nass/GraiStoc//2010s/2017/GraiStoc-01-12-2017.txt>

⁷ https://www.nass.usda.gov/Statistics_by_State/Kansas/Publications/Crops/whthist.pdf

⁸ *Id.*

⁹ <http://www.agmanager.info/kfma/state-summaries>

According to USDA, farming is still overwhelmingly comprised of family owned businesses. 99% of U.S. farms are family farms, and they account for 89% of farm production.¹⁰ Low prices, coupled with rising costs, are placing even more stress on the Kansas wheat farmer, forcing them to cut costs and find efficiencies in order to be profitable. This situation highlights the need for federal programs like crop insurance and illustrates the vital importance of a farm safety net.

Crop insurance, for me, is the most important segment of the “Farm Safety Net.” When a natural disaster looms on the horizon, whether it is a drought, flood, hail storm, or in my case, a tornado, we know that crop insurance will help keep us in business.

On May 25, 2016, at about 8:00 p.m., my farm, home, vehicles, most of my machinery, and approximately 300 acres of my crops were totally destroyed by an EF 4 tornado. The availability of crop insurance was not *the* deciding factor, but certainly a contributing factor in my decision to rebuild and re-establish my business. I honestly don’t think that I would have had the courage to start over without having the protection that crop insurance offers. I had buildings and machinery to invest in, and I certainly made sure that they were insured. Similarly, I had ongoing investments to make in seed, fertilizer, and crop protection products. I really didn’t want to leave that investment uninsured. For most of us, crop insurance will not guarantee a “good year,” but it offers the promise of “another year.”

I am old enough to remember vividly the circumstances that the ag community lived through during the decade of the 1980’s. I believe that if we would have had crop insurance available then, like it is now, the 1980’s wouldn’t have been nearly as devastating. We had a glut of grain, which drove down prices. Then we had 4 years of drought, which eventually helped the price situation, but in the meantime, we had little to sell at very low prices. While I think that having a stronger safety net back then wouldn’t have solved the problem, I have to think that it would have softened the blow.

Despite passage of a five year Farm Bill, some in Congress continue to come after Title 1 farm programs and the federal crop insurance program. Some say that we are giving handouts to farmers and that farm programs cost us too much money. However, 72% of all farms received no farm-related Government payments in 2015¹¹ and all together, agriculture spending makes up less than three tenths of one percent of overall federal spending.

A budget exercise in the fall of 2015 showed how crop insurance is continually under attack. It was only after heavy pushback from the ag community and our champions on the Hill when Congressional leadership agreed to reverse the cuts as part of a highway bill a couple of weeks later. We are always on notice that when Appropriations bills reach the floors of the House or Senate, it’s very possible that we’ll see anti-crop insurance

¹⁰ <https://www.ers.usda.gov/webdocs/publications/eib164/eib-164.pdf>

¹¹ <https://www.ers.usda.gov/webdocs/publications/eib164/eib-164.pdf>

amendments being offered. In the past, efforts to cut crop insurance have come after the federal share of premium support, either through hard caps or through establishing AGI limitations on eligibility. Such caps would limit participation and make crop insurance more expensive for all producers. As was evident in my story, crop insurance is vital to protecting farmers and is a resource to keep us farming. Without it, we would be vastly limited in who is able to afford to farm.

In addition to disaster insurance, Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs provide key support for farmers. The 2014 Farm Bill allowed producers a choice between revenue protection and price protection, programs which replaced the former direct payment program. One improvement to the current programs that we would like to see in the future would be to increase the reliability of the data collected. This has been specifically impactful in the administration of the ARC-County program. The ARC guarantee is based on county yields that use NASS data; however, many don't trust the accuracy of NASS data, particularly since returning surveys isn't specifically required, and the accuracy of the data isn't necessarily verified. Additionally, if NASS doesn't receive sufficient responses for a particular county, USDA has a cascade of other sources in place for determining county yield, which includes RMA and regional data. This process has led to situations with significant differences in payment rates between neighboring counties.

The last Farm Bill was written at a time when economic conditions were much different than what farmers are currently facing. Wheat prices have dropped below loan rates, which has only happened a couple of times in the last two decades. The low prices triggered the availability of Marketing Assistance Loans (MALs) and Loan Deficiency Payments (LDPs). These programs are critical to helping producers with short-term cash-flow needs. The fact that they were triggered at all is an indicator of the bad economic conditions in rural America.

The financial situation in the agricultural economy has changed considerably over the last two years, and we are in the beginning of what is going to be a tough stretch for Kansas agriculture. As I stated earlier, farm income levels are at their lowest point since 1985. Net farm income dropped 95% from 2014 to 2015, and net farm debt levels have increased 25% over the last 3 years.¹² This downturn has largely been caused by low commodity prices, which are due to record highs in both local and worldwide production over the past two years.¹³ These production levels have increased supply, while overall demand has waned, due to a strong U.S. dollar and decreasing exports.¹⁴ In short, we have a lot of product and nowhere to go with it. Another major factor is that while revenues have only gone down, the cost of production and expenses have gone up. From 2009 to 2015 the cost of production has increased almost 50%.¹⁵

¹² <http://www.agmanager.info/kfma/state-summaries>

¹³ <https://www.wsj.com/articles/whats-behind-the-glut-in-agricultural-commodities-1476670020>

¹⁴ <https://www.wsj.com/articles/the-next-american-farm-bust-is-upon-us-1486572488>

¹⁵ <http://www.agmanager.info/kfma/state-summaries/2015-state-summary-detailed-cost-summary>

As the situation continues to deteriorate in rural America, it is small and beginning farmers that are going to be affected the most. Small and beginning farmers are the most vulnerable to changes in the marketplace, because they do not have the ability to absorb losses or tough conditions like some of the more established producers do. The USDA estimates that small farms make up 90% of the farm count and operate nearly half of America's farmland.¹⁶ If conditions continue to worsen, we could see a lot of those farmers going out of business.

One way to help turn the agricultural economic situation around would be to help create demand for wheat products. This could be done by increasing food aid and supporting international trade.

Food aid has long been a point of pride for American farmers as we continue the more than 60-year tradition of Food for Peace. Lest we forget, the McGovern-Dole program was cofounded by one of Kansas' native sons. Last year we received reports from a trip to the Middle East and Africa examining the use of U.S. food aid. Members of that trip reviewed a dam project in Jordan being funded by the sale of donated U.S. wheat. We also heard about efforts being made about 130 miles from the Somalian border, in eastern Ethiopia, where U.S. wheat is being donated in response to the 50-year drought gripping the eastern part of the nation. It is programs like these that help farmers, through their bountiful harvests, to feed the world.

Last year the United States sent a total of 592,000 metric tons (21.8 million bushels) of Hard Red Winter wheat in food aid, which accounted for almost 10% of all Hard Red Winter wheat exports. Additionally, the only markets that purchased more Hard Red Winter wheat than the total of food aid donations were Nigeria, Japan, and Mexico.

Perhaps the easiest and most effective way to increase commodity prices and improve the rural economy is to increase trade. Wheat is one of the most heavily exported crops grown in America and is the 7th most valuable crop in terms of export value¹⁷. Kansas ranks as the 8th largest state in terms of exports of agricultural products.¹⁸ In 2015, Kansas wheat exports alone were valued at over 800 million dollars.¹⁹ When considering all export production in the state of Kansas, wheat is the 2nd largest export, falling behind only aircrafts in terms of value.²⁰

Because of our heavy dependence on exports the Kansas Association of Wheat Growers has been a major supporter of international trade deals such as NAFTA, CAFTA, and TPP. Although we were disappointed with how things ended with TPP, we would encourage Members of the Committee to help spread the message about how vital international trade

¹⁶ <https://www.ers.usda.gov/webdocs/publications/eib164/eib-164.pdf>

¹⁷ <https://www.ers.usda.gov/data-products/state-export-data/>

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ <https://www.census.gov/foreign-trade/statistics/state/data/ks.html>

is to the agricultural industry. On average, half of the wheat grown in Kansas is exported, and without trade, the Kansas farmer will continue to struggle.

For wheat, Mexico is a particularly important market. It was once a country that charged high tariffs on wheat. NAFTA instead created a duty-free wheat trade which moved Mexico into a top 5 export market for U.S. wheat. It is the largest consistent market and the largest total market over the past couple years. Kansas farmers certainly want to see good relationships maintained with our Mexican trading partners and obviously want to do no harm to wheat market access. If the U.S. decided to leave NAFTA or extract painful concessions, it is likely that Mexico will target the most sensitive sectors, and agriculture in particular. Mexico has alternatives when it comes to wheat. In 2010 the U.S. had over 80% of the wheat market there; last year it was only 55%. Russia, Ukraine, and EU in particular have all increased their market share.

We would also urge you to support ending the trade embargo with Cuba, or at the very least, support legislation in the House and Senate that would ease financing restrictions on the purchase of American agricultural products. Cuba's 11 million people consume close to one million metric tons (36.7 million bushels) of wheat each year. It is the largest wheat market in the Caribbean, but it currently purchases almost all of that wheat from the European Union and Canada. Cuba could import at least 500,000 metric tons (18.35 million bushels) of wheat from the United States each year but has not purchased U.S. wheat since 2011. Under the current embargo, the United States can export agricultural products to Cuba through the use of third-party banking institutions, which makes facilitating trade burdensome and often more expensive.

Finally, once we do have trade deals, we need to make sure we are taking action to enforce them. The National Association of Wheat Growers and U.S. Wheat Associates recently rolled out a study conducted by Iowa State University economist Dr. Dermot Hayes showing that the support system used by China has led to U.S. wheat farmers losing out on over \$650 million in lost revenue in one year. A study by DTB Associates last year demonstrated that China has been heavily exceeding the trade commitments it agreed to when it acceded to the WTO. Particularly given the low commodity prices farmers are receiving, there has been more and more attention paid to the fact that U.S. farmers aren't on a level playing field because of the subsidies employed by other countries.

As you know, nobody understands the need for good stewardship and conservation better than Kansas wheat farmers. This is what we do every day. We depend on clean water and healthy soils to make a living and feed the world. However, wheat farmers also need regulatory certainty so they know how to stay in compliance with the law. Costs of compliance have grown increasingly cumbersome over the last few years. Rules such as the EPA's Waters of the United States rule, duplicative environmental regulations, and ill-advised additions to the endangered species act, have made farming and ranching more difficult and more expensive for Kansans. I believe that reducing these burdens, and streamlining them into a reasonable, affordable, and manageable regulatory structure will help our bottom lines and keep farming profitable.

The agricultural economy is at a crossroads right now, with depressed prices, increased costs and many additional challenges. It is our duty, as stewards of the land, to leave the soil and environment in better shape for our next generation than it was when we received it. Along that same line, a strong safety net provides for the future of food production in the United States. We ask that you make decisions that will allow us the ability to sustain our livelihoods and provide for future generations of farmers. When a natural disaster looms on the horizon, whether it is a drought, flood, hail storm, or in my case, a tornado, we know that we have a safety net to help keep us in business.

I would like to thank you for coming to our state to hold this farm bill field hearing. Field hearings show your commitment to hearing firsthand from farmers and ranchers about the effects of farm legislation on individuals across the country. It has been an honor to submit testimony and speak on behalf of wheat producers. I look forward to any questions you may have.