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Senate Agriculture, Nutrition, and Forestry Committee

Hearing from the Heartland: Perspectives on the 2018 Farm Bill from Kansas

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Chairman Roberts, Ranking Member Stabenow, and members of the committee. It is an honor and privilege to sit before you today. My name is Amy France. I live near Marienthal, an unincorporated community in Wichita County, Kansas. While I am a first-generation agricultural producer, my husband Clint and his family have been farming in the High Plains of western Kansas for three generations. We understand the risk associated with farming and ranching in a region that averages less than 20 inches of rainfall annually. Add in the fact that only three percent of the ground the good Lord blessed us with is irrigated, I sit before you today without a doubt in my mind the necessity of the Farm Bill and the federal crop insurance program. Clint and I have five children. Our oldest son recently came back from school to help on the family farm. We pray they will continue the family farm and become the 4th generation to farm the rolling lands of western Kansas. Today our family operation consists of 6,000 acres where we grow wheat, corn, sorghum and soybeans. We also are blessed to graze our 300 head cattle operation on 4,000 acres of beautiful pasture. We treasure the land we are blessed with. We do all we can in preserving it so our children will have the opportunity to continue our passion and livelihood.

As congress begins to research, discuss and plan the next five-year Farm Bill, I encourage you to double down on what is working and to revamp or eliminate areas that need improvement or flat out just do not work. Without question, the most important USDA program is federal crop insurance; and I'm not alone in that belief. In Kansas, 84% of the soybean acreage, 88% of the grain sorghum, and 95% of both corn and wheat acreage are insured through USDA-Risk Management Agency (RMA) policies. For the

2015 crop year, that represented more than 18 million acres, specifically, high risk areas like where my family farms, to plan for next year's crop. If it were not for the federal crop insurance, the Livestock Forage Program (LFP) and similar safety net programs, many of my neighbors would no longer be in business. We're able to sign loan papers at the bank, consult with our agronomist, seed salesmen, equipment dealer or commodity broker, and even plan for increased crop diversity and rotation. Crop insurance offers risk protection to many agricultural commodities and when disaster strikes, the indemnity check is in our bank account much sooner than any other USDA program. As crop insurance continues to evolve and participation rates increase to historic levels, we need to make sure the Risk Management Agency continues to improve the program. For example, having a workable limited irrigation practice developed will help many areas of Kansas as scarce water becomes a more precious natural resource. As new seed traits and technologies continue to be developed, reviewing insured commodity planting dates and the benefits of cover crops to insured commodities will be key to ensure producers participate at the highest coverage levels possible. However, crop insurance is not without its shortcomings. Due to a prolonged drought in western Kansas, many of my neighbors' Actual Production History (APH) has declined. With commodity prices being as low as they are today, some producers have little to no revenue protection offered through crop insurance due to the APH and price calculation. Many are leaving the program to self-insure until prices rebound considerably or congress finds a solution to the eroded APH. Another contributor to reduced APH's is purely a procedural glitch in adjusting for losses. In a drought year, aflatoxins are sometimes present in corn, and spring rains occurring when wheat is pollinating can often contribute to the presence of vomitoxins in wheat. Both mycotoxins are poisonous to livestock and humans, reducing the crops value. Crop insurance adjusts for this by multiplying a Quality Adjustment Factor (QAF) by the bushels produced, resulting in "production to count" which is multiplied by the crop insurance price to obtain the revenue per acre determination. The problem is that this adjusted production to count also goes into the farmers' APH calculation for the next

10 years. A simple solution would be to multiply the QAF by the crop insurance price instead of bushels delivered.

Another concern with crop insurance is that while the Commodity Exchange Price Provisions (CEPP) that are used to set projected and harvest prices for revenue protection products truly provide a market determined price, they do not adequately account for differences in basis (cash price minus futures price) which can vary greatly across the state. For example, according to Kansas State University's AgManager website, the five-year average wheat basis in Garden City, near my home, is ($0.51), while in Salina, it is ($0.074); creating a nearly $0.44 per bushel gap in my safety net relative to central Kansas farmers. At 40 bushels per acre, that's a $17.60 gap in my crop insurance per acre safety net because I farm in a different part of the state.

Additionally, in years like 2016, when grain supplies exceed available storage capacity and Chicago Board of Trade (CBOT) Kansas City Hard Red Winter Wheat (KC HRW) futures are not converging at delivery points, an even greater gap in our wheat income safety net is created. This is because it is the July KC HRW futures contract that is used for the Revenue Protection (RP) crop insurance policies, and when July wheat futures are not accurately reflecting market fundamentals, our wheat income safety net is further adversely affected.

USDA commodity programs administered through FSA are also extremely vital to France Family Farms being able to pass the operation along to the next generation. Farming is inherently a risky business. Until we better understand (and control) Mother Nature, we are one hail storm away from going out of business. The 2014 Farm Bill injected additional, unnecessary risk to the producer by forcing producers to decide between signing up for a revenue program (Agricultural Risk Coverage), with a national price trigger and a county or individual yield trigger, or a counter-cyclical price program (Price Loss Coverage) which paid out only when prices for commodities grown in Kansas reached extreme lows. Farmers make decisions daily about their business operations but having the government force a decision between what is the greatest risk – price or yield – is a decision many wish they could change less than three years later. To make matters worse, whichever program a producer signed up for, USDA paid the producer more than a year after the financial strain of the revenue or price loss and long after the bank required payment on an operating line of credit. This is no better than the ad-hoc disaster programs congress used to pass every election year – it is too little, too late. And, in the case of ARC-County, Kansas producers farming in multiple counties received vastly different USDA payments due to the uncertainty and unpredictability surrounding which data sources (NASS vs. RMA vs. other) and the hit and miss approach of when they were used in calculating ARC-County benchmark yields and annual triggers. I understand congress has tough decisions to make, and often budget bean counters push you down a less desirable path, but there are real consequences of locking into a government-sponsored safety net program only to see that safety net offer little to no protection within a year or two of starting the five-year commitment. Unfortunately, in the case of ARC and PLC the federal government added additional risk to farmers rather than reducing it. As you begin the task of writing a new bill I urge you to look closely at these programs and find a better way to offset the risk of farming on the High Plains and elsewhere.

As a young producer USDA programs can be overwhelming and quite burdensome. While program sign up timelines seem to be relayed to us that "time is of the essence", after jumping through the hoops, you are often met with road blocks and delays out of our control. It is obvious that the individuals creating these government programs and national regulations have little "hands in the dirt" experience. Furthermore, farmers young and old, must rely on the understanding and expertise of the federal employees working in our local USDA service centers for information, a better understanding of how programs work in our part of the country, and what our legitimate chance of being selected for specific programs are.

Additionally, while USDA efforts to ensure that payments only go to eligible farmers is commendable, the complexity and required reporting that are part of the "actively engaged" rules create real hardships and unduly punish business operations in Kansas. I would hope that one of the goals of the Farm Bill is to assist farm families so they can remain a viable part of rural communities. Sometimes, to pull together the capital needed to form a viable farming operation, multiple family members from different local farm families is needed. Today's actively engaged rules penalizes these family farms and the way they structure their businesses. We encourage the committee to reassess the actively engaged rules and reporting requirements so these family farms are treated in the same manner as all other farms.

Another major title of the Farm Bill is conservation. This title has evolved over time and Kansans rely on the multitude of programs to ensure we continue to keep, build and restore the soil, water and air required to pass the farm on to the next generation. It seems over the more recent years we have had to utilize USDA conservation programs in order to keep the U.S. Fish and Wildlife Service (USFWS) at bay with their threatened listing under the Endangered Species Act (ESA) for the lesser prairie chicken (LPC). For example, in total in Kansas we have just over two million acres enrolled in the Conservation Reserve Program (CRP), but in the 39 western Kansas counties located within the LPC range, there are 1,349,648 acres enrolled in the CRP, broken down as:

- 476,986 acres and 4,110 contracts; CP2 - Native Grass Plantings
- 252,591 acres and 2,989 contracts; CP4D - Wildlife Habitat
- 483,764 acres and 4,819 contracts; CP25 - Rare and Declining Habitat
- 7,168 acres and 382 contracts; CP33 - Upland Bird Habitat Buffers
- 129,139 acres and 2,453 contracts; CP38 - State Acres for Wildlife

This is in addition to the acres enrolled in voluntary range-enhancement programs as part of NRCS's Lesser Prairie Chicken Initiative (LPCI).

It was also extremely concerning when the EPA and the U.S. Army Corps of Engineers proposed the Waters of the United States (WOTUS) rule a few years ago at the same time USDA proposed a rule that listed several agricultural practices that were offered protection from WOTUS regulations. Unfortunately, the USDA list did not cover all of the modern-day agricultural best management practices we implement today under the proposed protections. Even more concerning to me is the ongoing use of voluntary conservation practices, which come with limited cost share, being used to cover regulatory mandates from other federal agencies. As a producer, I feel like I'm being squeezed in the vice clamp between federal regulations that make no sense, were drafted by a bureaucrat sitting behind the computer screen, in a basement with no windows 1,000 miles away and a consuming public that has less and less of an understanding where their food, fiber and energy comes from with every passing year. Farmers and ranchers were the original conservationists because without keeping our soil in the field, our waterways usable and the air breathable there is no way we would be able to pass an operation down the family line; nor would we allow our young children to work in an environment that would put them in harm's way. It becomes increasingly frustrating to explain to an urban public the importance of cost share dollars being leveraged when putting conservation practices on the ground, and the societal benefit of such actions and programs. To that extent, Farm Bureau strongly supports working lands conservation programs such as the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP). Looking at the most recent year data available (2015), there were 594 Environmental Quality Incentive Program (EQIP) cost-share contracts awarded in Kansas, providing for additional conservation practices to be applied on more than125,000 acres; and there were 510 Conservation Stewardship Program (CSP) cost-share contracts awarded, covering an additional 1.03 million acres. We have been able to utilize the EQIP program several times on our farm with the rebuilding of terraces and drilling a well for our livestock. We understand how vital terraces are to our land and with the cost-share assistance available through EQIP we are now able to rebuild 35-year-old terraces. Another example of how EQIP is helping our farm is with the drilling of a water well for our cattle. Without programs like these, we would not be able to financially make these changes and updates that are key to caring for our soil, our livestock and our local economy. If anything, though, these programs could be streamlined and simplified through the regulatory process to get conservation practices started and completed in a timely manner. It would be helpful if NRCS reworked their requirements for the DUNS and SAMS numbers across all forms of business structures. Furthermore, producer friendly administration of programs and transparency of the ranking system for prioritizing conservation practices across states and regions would benefit all producers and USDA local employees, alleviate duplicative paperwork and minimize frustration from multiple trips to the local field office, and curtail administrative paperwork errors.

The Rural Development title of the farm bill receives much praise across the state and nation but is often out of sight, out of mind. In the 21st Century farmers and ranchers need access to precision agricultural tools, split second market information and technology data packages that allow for value-added sales and modern-day communication – at a competitive price point with reliable service. I sit before you today and tell you this is not the case in many areas of rural America, including the France home in Marienthal. In fact, while I was drafting this written testimony last week, I lost internet service four times in a single evening. Like it or not, the world continues to get smaller and spin faster. Unless government steps up like they did during the Rural Electrification Act in 1936, America will be split between the urban areas, connected along major transportation routes where urbanites require connection points, and truly rural or frontier regions, such as where I live, will continue to struggle with reliable and cost effective technology access. Technology connection is an absolute necessity to business survival not only on our farm but also along rural Main Street and among rural healthcare providers.

Another area where the Senate Agriculture, Nutrition, and Forestry Committee along with USDA could be a true champion of the American farmer is on the regulatory front. Due to overzealous regulators, we are being buried in compliance paperwork and restrictions and our international competitors continue to take an increasing amount of market access. While I could spend hours discussing the growing list of regulatory concerns, I am hopeful this committee will conduct at least one issue surfacing and oversight hearing on regulatory concerns within agriculture and rural America. Today I will discuss just a few of the many items that keep me and my husband up at night. First, the proposed WOTUS rule would put our operation out of business overnight should a citizen lawsuit or an EPA/Army Corps regulator determine one of the ephemeral streams on the land we farm is a Water of the United States. In an area that receives less than 20 inches of rainfall annually, the streams, creeks, and sloughs that "flow" across Wichita County and western Kansas don't contribute to any navigable flow. On those years where the good Lord blesses us with moisture, we are lucky to have flowing water in the road ditch or terrace channel once or twice a year. And when it happens, we want every drop to soak into the soil profile and recharge the underground Ogallala Aquifer. Second, EPA has been on a rampage the past few years revoking tolerances of many commonly used pesticides. These synthetic chemicals are necessary to produce the bushels we are capable of today and act to keep weeds, pests and funguses at bay. Without the ability to use EPA-restricted-label-use pesticides, our operation would return to a bygone era of increased tillage, increasing the risk of erosion and soil loss, increasing the amount of fuel needed to run the operation, and putting additional wear and tear on our equipment and employees. Again, I do not wish to put myself, my husband or our children in harm's way. If there is sound science presented that shows a need to use less or revoke a tolerance completely then I trust that science; but, constantly fighting activists who believe the smallest amount of every synthetic or natural chemical product means the end of the world does not compute with reality when farmers across the globe are required to produce more bushels of grain to meet the nutritional needs of more than seven billion people globally. Kansas farmers and ranchers desperately need the federal government to return to utilizing risk-based science, common sense and allow American ingenuity to once again flourish when it comes to producing agricultural commodities and animal protein.

Third, to start this year the EPA finalized their Worker Protection Standard (WPS). While not fully understood or implemented, this regulation will increase costs on our farm. It forces significant changes to the longstanding private pesticide applicator license the Kansas Department of Agriculture administers. Thanks to WPS, some private applicators, who have been licensed and conducted their pesticide application fully under state and national law, will choose not to reapply and instead will be forced to hire a professional pesticide applicator to apply registered pesticides. This additional cost, all due to a change EPA implemented beginning in January 2017, will increase a cost of production agriculture we could better control prior to the change.

Fourth and my final point on overregulation, the 2013 ammonium nitrate fertilizer explosion at the West Fertilizer Company in West, Texas, was a tragedy and our thoughts remain with those affected. However, anhydrous ammonia was not the cause of the explosion and has never been an explosive material. Yet, the Occupational Safety and Health Administration (OSHA) proposes to change the regulations pertaining to storing and transporting anhydrous ammonia. If this were to be fully implemented, it would limit our access to the most cost-effective source of nitrogen fertilizer available. Also, depending on how businesses who sell the fertilizer comply with the rules, the proposed rule change could force producers to travel farther, taking on additional risks, in finding a business to supply their farming operation with a necessary nutrient to grow grain commodities. Thankfully, congress continues to put language in appropriations bills to prohibit OSHA from severely limiting our access to anhydrous and I strongly encourage this committee to be a champion for the farmer on this issue.

Due to the regulations listed above along with many others, my husband and I are continuing to diversify our farming practices and operation. We know on the France Farm we are not the only ones experiencing tough economic times. Although we know conventional farming is the only way to truly feed the world, and I would add we strongly believe conventional farming is safe and effective, we have begun the process of converting 1/3 or our wheat fields to certified organic. The regulations on chemicals that truly work are becoming so burdensome that the costs involved are more than our farm can handle. In addition to diversifying our input costs, we are able to market our grain and negotiate for better prices at different delivery locations than where we take conventional grains we raise on 2/3 of our acres. Furthermore, last year, while looking for ways to supplement our income, we tried our hand at raising pumpkins. With just a 1/2 acre utilized, we were able to supply our area communities with pumpkins. Although it was hard work, it was an opportunity for us as a family to work together on something new and found we were able to make a significant profit by identifying a need and being willing to take a chance and further diversify. Will we convert our entire 6,000 tillable acres to pumpkins? No but on small acreage, when our family labor resources allow, we will continue to look for ways to add profit to our operation.

In closing, it is an honor to sit before you today and testify on behalf of Kansas Farm Bureau and our more than 30,000 farm and ranch family members across Kansas as you begin to plan for the next farm bill. In summary, crop insurance is without question the number one program we rely on to keep our business operating year to year. The commodity, conservation, and rural development titles are also extremely important. Many of the programs USDA administers have benefited our operation and we are thankful for the opportunity to utilize technical assistance and program experts when we sign up for various USDA programs. Without question, technology continues to advance, the business and structure of agriculture evolves, and risk associated with farming only increases. Some of this is due to market structures and global demands, while some of it can directly be tied to how USDA programs are executed. In more recent years, attacks have come from other federal agencies with little understanding and appreciation for what farmers and ranchers do every day to put food on the table, fuel in the tank, and clothes on the backs of Americans. I look forward to continuing the discussion, watching how agricultural policies will be altered, and seeking out how my fellow producers will be relieved of many regulatory burdens over the next two years by discussing how the next Farm Bill will be written.