REVIEWING THE STATE OF THE FARM ECONOMY

HEARING

BEFORE THE

SUBCOMMITTEE ON GENERAL FARM COMMODITIES AND RISK MANAGEMENT

OF THE

COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

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REVIEWING THE STATE OF THE FARM ECONOMY

THURSDAY, MAY 9, 2019

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GENERAL FARM COMMODITIES AND RISK MANAGEMENT,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 1300 of the Longworth House Office Building, Hon. Filemon Vela [Chairman of the Subcommittee] presiding.

Members present: Representatives Vela, Craig, David Scott of Georgia, Carbajal, Peterson (*ex officio*), Thompson, Austin Scott of Georgia, Crawford, Allen, and Conaway (*ex officio*).

Staff present: Carlton Bridgeforth, Emily German, Isabel Rosa, Mike Stranz, Bart Fischer, Ricki Schroeder, Patricia Straughn, Trevor White, Dana Sandman, and Jennifer Yezak.

OPENING STATEMENT OF HON. FILEMON VELA, A REPRESENTATIVE IN CONGRESS FROM TEXAS

The CHAIRMAN. This hearing of the Subcommittee on General Farm Commodities and Risk Management entitled, *Reviewing the State of the Farm Economy,* will come to order.

Good morning and thank you for joining us as we look into this critical aspect of our economy. Every one of us seated up here has heard from farmers in our districts about the bad farm economy. Commodity prices are low, input costs are rising, and financial pressure is mounting on farmers across this country.

While we hear so much about the booming state of the overall economy, our rural and farm economy continues to struggle. We cannot have a successful national economy when such a vital component hurts the way our farmers are currently.

The numbers paint a rough picture. USDA forecasts net farming income level for 2019 to be only 77 percent of the annual average for 2000 through 2017. It is down 50 percent from 2013 alone.

Inflation-adjusted farm debt is the highest it has been since 1980, and the debt-to-asset ratio for farmers is rising steadily.

This hearing offers a glimpse into how the economy has affected four particular farms in different parts of the country. These are four stories about what the downturn in the farm economy means to them.

The 2018 Farm Bill provided certainty for farmers by reauthorizing commodity programs and continuing crop insurance. The farm economy is better off because the farm bill passed, but is that enough to fix the downturn in the agricultural economy?

In agriculture policy circles, we are always hearing about the 1980s. Is the farm economy just as bad as the 1980s? That is what we are here to find out.

We should not stand down just because economic indicators today don't look exactly like the run up to the 1980s. We are here to consider what can still be done to help struggling farmers and truly make this an economy that works for everyone.

Thank you to all of our witnesses today for sharing your perspectives, and I look forward to your testimony.

[The prepared statement of Mr. Vela follows:]

PREPARED STATEMENT OF HON. FILEMON VELA, A REPRESENTATIVE IN CONGRESS FROM TEXAS

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The CHAIRMAN. I recognize Ranking Member Thompson for his opening statement.

OPENING STATEMENT OF HON. GLENN THOMPSON, A REPRESENTATIVE IN CONGRESS FROM PENNSYLVANIA

Mr. THOMPSON. Chairman, thank you very much. And thank you for holding this important hearing to highlight the state of the farm economy.

It doesn't seem like all that long ago we were in the midst of the great recession, but the agricultural economy was booming then. Unfortunately, as those involved in agriculture know all too well, markets are cyclical and Mother Nature is unpredictable.

Now the rest of the economy is booming, but for our farmers, prices have fallen lower and have stayed there longer than anyone could have predicted.

To add insult to injury, over the past couple of years, almost every region of the country has seen its share of widespread devastation of natural resources, including hurricanes, floods, fires, droughts, and even volcanic eruptions, just to name a few.

It was against this backdrop, and in the face of the extraordinary budget challenges, that we wrote the 2018 Farm Bill. One of those challenges came in the form of our friends in the United States Senate who proposed to spend $700 million less on farm safety net than proposed by the House, and I was proud of the work House Republicans did to finalize a conference report that not only protected the farm safety net but actually made improvements to farm policy.

Despite these successes, the current recession in the agriculture economy is a sobering reminder that farm policy, while incredibly helpful, does not make our farmers and ranchers whole.

In talking to many folks in my district, there are a lot of farmers who are either already getting out of the business or one bad crop away from being forced to call it quits.

Now, while there are many factors plaguing our producers that are well outside of Congress's control, there are some things that we could do now that might provide a modicum of relief.

For example, our friends in the Southeast who were impacted by hurricanes and other disasters in 2018, including one of our witnesses here today, anxiously await a sign that assistance might be on the horizon.

Congress needs to quickly act to reach a compromise to help address the devastating losses so many experienced last year.

Also, this Congress needs to ratify USMCA, the United States-Mexico-Canada Trade Agreement, which would provide some certainty for our farmers that are neighbors to the North and South who remain the two largest customers of our agricultural products. It is now up to Speaker Pelosi to allow ratification to move forward, and time is of the essence.

And finally I want to say a sincere thanks to the witnesses who are here today. I know this is a busy time back home for all of you, but it is invaluable for Members of this Subcommittee to be able to hear your perspectives as we consider policies that directly impact you, your farm, your families.

Mr. Chairman, I very much look forward to working with you this Congress as we use this Subcommittee to highlight the issues that are of vital importance to farmers and ranchers across the country. And thank you again for convening this hearing, and I yield back.

The CHAIRMAN. Thank you. The chair would request that other Members submit their opening statements for the record so the witnesses may begin their testimony and to ensure that there is ample time for questions.

I would like to welcome our witnesses. Thank you for being here today.

At this time I will introduce our first witness, Mr. Matt Huie, owner of Huie Farms in Beeville, Texas.

Mr. Matt Huie is the owner of Huie Farms in Beeville, Texas, and is my constituent from the 34th District of Texas. Mr. Huie farms cotton, corn, and sorghum, and raises livestock. He has a degree in agricultural development from Texas A&M University, and currently serves as the President of the Southwest Council of Agribusiness. Mr. Huie is also an active member of the South Texas

Cotton and Grain Association. Thank you for making time to testify about this very important topic.

I would now like to recognize Mrs. Craig for an introduction of our second witness.

Mrs. CRAIG. Thank you, Mr. Chairman. I would like to introduce to everyone Mike Peterson, a farmer from my district in Northfield, Minnesota.

Mike farms about 800 acres of corn and soybeans with his wife Kay and his two sons Blake and Shane. They also finish 1,200 hogs a year.

In addition to their farming operations, the Petersons also have a welding and fabrication business and a golf driving range on their farm.

Each year, Mike and his family play host to the Dakota Rice Corn and Soybean Growers Annual Plot Tour, giving area farmers a chance to learn more about new corn hybrids and soybean varieties.

He is helping his son, Shane, start out his own operation with a focus on growing corn and soybeans at the highest levels of environmental stewardship.

Mike is a proud fourth-generation farmer and has previously been recognized as a Rice County Farm Family of the Year. Mike is an alum of Randolph FFA, is a past President of Rice County Farmers Union, and is a member of Minnesota Corn Growers.

Mike, thank you so much for being here.

The CHAIRMAN. Now I would like to recognize Mr. Carbajal for an introduction of our third witness.

Mr. CARBAJAL. Thank you, Mr. Chairman. It is my pleasure to introduce Dan Sutton.

Dan is the General Manager of Pismo Oceano Vegetable Exchange, POVE, located in Oceano, California. He is my constituent from my California district, the 24th Congressional District.

Dan has worked for POVE for the past 18 years. As General Manager, Mr. Sutton oversees the day-to-day operations of POVE, including sales, marketing, accounting, operations, and food safety.

Currently he is the board member and past President of the San Luis Obispo County Farm Bureau. He has currently been selected as Chairman of the California Leafy Greens Marketing Agreement Advisory Board.

As you can see from his past and current experience, Mr. Sutton has played an extraordinary role in our local economy by working to represent our Central Coast growers and producers.

I am glad to welcome Dan to Washington, D.C. Welcome, Dan.

The CHAIRMAN. I now recognize Mr. Austin Scott for an introduction of our fourth and final witness.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman. It is my honor to introduce a friend and farmer from my district, Mr. Bart Davis. He grew up in Doerun, Georgia, in Colquitt County, home of the Sunbelt Ag Expo, North America's premiere farm show.

He attended high school in Worth County. When he was 18, he and his sister, Vickie, lost their mother and father. They decided to stay in the family home, and while Vickie took care of the house, Bart took over the 500 acre farming operation that produced cotton, peanuts, wheat, soybeans, hogs, and beef cattle.

Today, still in Doerun, they farm over 5,000 acres. Approximately 3,100 acres of cotton, 1,600 acres of peanuts, 300 acres of corn, along with hay and cattle.

Bart has the pleasure of working alongside his family daily. The family farm today consists of Bart and his wife, Paula, their sons Trey and Jed, and their daughter, Lakin.

Bart is part owner in Doerun Peanut Buying Point. He has served on the Georgia Cotton Commission Board of Directors, serving as Chairman since 2017. He is the Director of the Southern Cotton Growers, and he also serves on the county committee for the local Farm Services Agency Office in Moultrie, Georgia.

He has a tremendous amount of knowledge about agriculture and I look forward to his testimony.

The CHAIRMAN. Thank you all for introducing our witnesses.

Before we begin testimony I would like to thank the Chairman of our Full Committee, Mr. Peterson, for being with us today.

Each witness will have 5 minutes. When 1 minute is left, the green light will turn yellow as a signal for you to start wrapping up your testimony.

Mr. Huie, please begin when you are ready.

STATEMENT OF MATTHEW R. HUIE, OWNER, HUIE FARMS, BEEVILLE, TX

Mr. HUIE. Chairman Vela, Ranking Member Thompson, Members of this Subcommittee, thank you for this opportunity to be here.

As Mr. Vela so aptly said, I am a farmer and rancher, and together with my wife Shambryn and our three children, we live near Beeville, Texas, and farm and ranch in five counties of the Coastal Bend.

I am honored to be Mr. Vela's guest. He so ably represents the 34th District where I live, and I appreciate him being the Chairman of this Subcommittee.

I am honored and humbled to be in this room and with you as the ag leaders following such great traditions, and I know what ag policy does and I appreciate the opportunity to be here.

Along those lines, I would be remiss if I didn't recognize the extraordinary leadership of Chairman Peterson, who I have known a long time and appreciate everything that he has done and continues to do for agriculture, and also Mr. Conaway and the work they did in completing the 2018 Farm Bill which serves as the groundwork for policy and production agriculture.

Mr. Chairman, this hearing is timed so well because of all the things that you talked about in your opening statement.

I have written testimony that is long and drawn out. I am going to try to shorten that to three things here to be quick.

One is, the farm economy in the Coastal Bend of Texas is lousy. It is bad; 2018 was not a good production year. That was compounded by the fact that despite a great MFP Program by the Administration, it only paid on production, so if you didn't have production it did not pay. I am hopeful that that can be addressed here.

The 2018 issues followed tariff issues from trade disputes which drove the price of crop insurance down, and therefore, erodes the safety net as we work toward what our ability is to borrow and other things.

For 2019, we look here at likely negative cash flows again, unless we make an extraordinarily large crop, because we don't have a price market where we can get that done and we have enormous exposure based on the value dropping in crop insurance. Despite the crop insurance being a great tool, when you have a systemic decline in price, we have a systemic decline in what we are able to insure.

The stakes have never been higher than they are right now. I didn't farm through the 1980s. I did but I was a very young man.

I did live through the 1990s. That was when I started farming. It was miserable, but I was so young I didn't know better, and my wife and I, she worked in town as a banker and we managed to sneak by those first few years starting in 1998 and making it through 2002.

As for 2002, we barely got by. We had to move banks. We had to do a lot of different things. As part of the reason I am here today, I understand how important farm policy is and I appreciate Washington stepping in, in those times and helping us, because that is how we survive.

Historically when we have seen moves like we have now where you have a decline in price, you also have a decline, although slower, in input costs. That has not been the case in this current environment. Input costs have continued to rise. The rest of the economy is doing well, so as our input costs have risen due to tariffs, due to industry consolidation, due to all other things in the economy booming, we are still trying to sell stuff for the same price we sold stuff for 30 or 40 years ago. None of our input costs reflect that.

Third, I want to be clear that I think additional action will be required from this Committee, from this Congress, and from this Administration. If the tariff war, trade war, ends tomorrow, this dispute will not be resolved.

These prices, the bins are full, the warehouses are full, there is not a system in place to move that stuff out. We have a world glut of grain. Everything about history would tell us that this will not be resolved tomorrow. There are things that are on the table right now in terms of disaster talk, about making some corrections to MFP. That language exists here in the Committee. We are hopeful that that can move forward, and we need to be talking loudly about another MFP type program, whether it is done through the Administration or through this Committee, but there are some things about that program that need to be made more equitable as we move forward.

Mr. Chairman, again, the farm economy is complex. Trade policy, labor, ultimately this comes down to farm profitability, and that is where this Committee has excelled in the past.

I appreciate the opportunity to be here and I appreciate the opportunity to visit with you about this. Thank you.

[The prepared statement of Mr. Huie follows:]

PREPARED STATEMENT OF MATTHEW R. HUIE, OWNER, HUIE FARMS, BEEVILLE, TX

Chairman Vela, Ranking Member Thompson, Members of the Subcommittee, thank you for this opportunity to testify concerning the state of the rural economy.

My name is Matt Huie and together with my wife Shambryn and three children, we farm and ranch near Beeville, Texas in the 34th Congressional District of Texas which is so ably represented by the distinguished Chairman of this Subcommittee. We raise cattle, cotton, corn, sorghum, wheat, and sesame on our family owned operation.

I am involved and a part of the leadership in a number of farm organizations at the Federal, regional, state, and local levels but today I am appearing simply as a relatively young farmer, rancher, and rural agri-businessman trying to pass on to my children a tradition and way of life that was passed on to me by my grandfather.

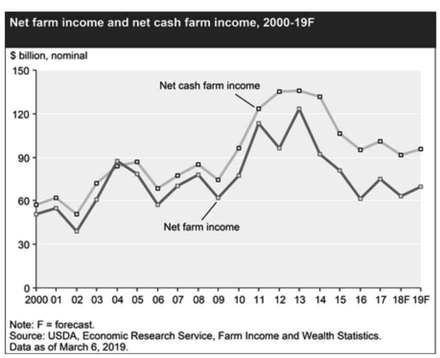
State of the Farm Economy in the Southwest and Nationally

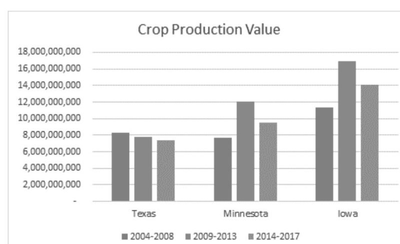
Mr. Chairman, this hearing could not be better timed if the goal is to highlight the high stakes and immense challenges of farming because the health of the rural economy is, as you know, under a great deal of stress.

This year, we entered into the sixth straight year of recession for agriculture, encountering a roughly 50 percent drop in net farm income over this period, the largest drop since the Great Depression. This long, ongoing recession is taking its toll across the country and across all commodities. In South Texas, the stress in the air is like the humidity: so thick you can feel it. Few in agriculture are immune.

However, that is not to say that all of us entered into this prolonged recession in the same financial shape. Some farmers were blessed with especially strong prices and solid production between 2008 and 2013—a period heralded by some as a sort of second Gilded Age of American agriculture. This helped many producers build up equity and cash reserves to better weather tough times ahead. But, this was not the case in places like Texas and other states in the southwest region of the U.S. where an extraordinary D4 drought gripped virtually all parts for some or all of the 3 year period from 2011 to 2013.

Evidence for this can be found in USDA ERS numbers concerning crop production value. I have attached the ERS chart showing the devastating slide in net farm income nationally since 2013. Next to it, I go into the underlying data to show the gross value of crop sales in three of our largest row crop states over three periods: (1) the pre-drought and pre-downturn years of 2004–2008; (2) the drought period in Texas from 2009–2013; and (3) the post-drought downturn that we have experienced since 2014. All states show the significant downturn in the most recent period due to lower prices, but Texas did not have the big gain in the 2009 to 2013 period due to the extraordinary drought.





I know it will not come as news to the Members of this Subcommittee that we as farmers have to deal with extreme weather events—I suppose this is part of our job description. But the point is, for farmers in this situation, we went into the current recession at a decided disadvantage. We had not had opportunity to build up equity or a rainy-day fund to help see us through to better times.

In short, while the tremendously adverse impacts of a 6 year recession on agriculture, where net farm income collapsed by half, are easy to understand, it does not tell the whole story. In fact, it actually understates how precarious the agriculture economy is right now.

That said, I want to underscore that the current downturn in the farm economy is in no way isolated to a few regions. This is a national economic recession for agriculture. For instance, I read recently that Minnesota's chapter 12 farm bankruptcies have risen sharply even though corn and soybeans experienced a rally in prices prior to the recession and our friends in the North Star State have been generally blessed with strong production. Despite all of this, our good friends in the Great State of Minnesota are also struggling.

The Members of this Subcommittee are no doubt familiar with the excellent work of the Agriculture and Food Policy Center (AFPC) at Texas A&M University which analyzes the impacts of Federal policies on representative farms located across the country. These are real farms that open up their financial books to AFPC so AFPC is able to truly gauge the health of individual farms and, thus, the overall health of the sector. By doing this, AFPC may not only inform Congress of actual conditions on the farm but can also offer analysis concerning the likely impacts of policies Congress may consider.

Early last year, AFPC projected that ⅔ of its representative farms were in marginal or poor health, meaning these farms have a significant chance of going under water should current conditions persist. A year later, AFPC updated its analysis, concluding that fully half of the ⅔ of farms in question are now in poor financial condition, downgraded from marginal, with a 50 percent or greater chance of going under water should current conditions continue unabated.

According to the U.S. Department of Agriculture's Economic Research Service, "As farm sector debt is forecast to continue to increase in 2019 and outpace growth in farm assets, the farm sector's risk of insolvency is forecast to be at its highest level since 2002. Likewise, liquidity measures that rely solely on the balance sheet are worsening, reflecting the same dynamic of debt growth outpacing asset growth."

In view of all of this, it should come then as little surprise that we read *Wall Street Journal* reports earlier this year concerning a wave of chapter 12 bankruptcies sweeping across rural America, with farm bankruptcies in major farm states rising to their highest in at least 10 years, or CBS News stories such as the one entitled, *Farmers in America are facing an economic and mental health crisis.*

Historical Comparisons to our Current State of the Farm Economy

I was very young during the 1980s farm financial crisis, and since my parents did not farm but raised me in town what I know of this period is mainly what I have read and what my grandfather and others who farmed at the time told me. A cousin and great uncle of mine did not make it through this crisis and this fact left an indelible mark on me as a young child. However, I remember well when the bottom collapsed on the farm economy in 1998 because I was a farmer in my early 20s and just getting started. Fortunately, my wife, Shambryn, worked as a banker during the early years of our farming career so we were able to survive off her salary. The worst for us was the summer of 2002 where the combination of drought and prolonged low prices were not going to allow us to get refinanced. We are grateful that Washington responded to the emerging crisis quickly and effectively and we along with many other farm families managed to recover.

Mr. Chairman, I recollect these two periods in relatively recent history in the context of this hearing because today's conditions may not be exactly on all fours with the conditions we knew back then, but absent some turn-around in the current farm economy I am deeply concerned that there is the real potential for the same kind of economic fallout for rural America in the days ahead as there were in the mid-1980s and late 1990s. This result would not be good for rural America nor would it be good for the national economy and it certainly would not be good for farm and ranch families like mine. I fear the young, beginning farmers and older farmers trying to make it to retirement would be the ones who would suffer most.

It is worth noting that all three major economic recessions in agriculture that I mention—in the 1980s, 1990s, and now—all resulted in good part due to a downturn in exports. In the 1970s, farmers were told to plant fencerow to fencerow to meet rising export demands only to see exports collapse, in part as the result of the Soviet Grain Embargo. In the 1990s, exports dove after the Asian Flu depressed rising economies of countries that promised to be emerging export markets for the United States. And, of course, we know lost exports are impacting the agriculture economy today as well.

While this Subcommittee, the full Committee, and Congress cannot control market forces, you can establish policies to provide farmers and ranchers with the tools we need to survive the current storm. The strong, bipartisan responses to the farm financial crisis of the mid-1980s and to the collapse in the farm economy in the late 1990s helped ensure that U.S. agriculture got back on a road to recovery, helping boost the overall economy. Both of these efforts were led by fellow Texans, including Chairman Kika de la Garza, Ranking Member Charlie Stenholm, and Chairman Larry Combest.

Current Policy Gains in the Face of Down Economy

In this vein, I would be remiss if I did not express my very real gratitude for what has been accomplished and provided in the face of these economically challenging times.

First and foremost, I would like to sincerely thank each Member of this Subcommittee for completing your work on the 2018 Farm Bill. While it is not a panacea for all that ails American agriculture today, with its anticipated investment in the safety net projected to be very modest by historical standards, the new farm bill does provide a modicum of a safety net and the certainty that goes with it. I am grateful that Congress was able to pass this measure by the most decisive margins ever obtained in either chamber. As a cotton farmer, I am especially grateful that the new farm bill honored the inclusion of seed cotton in the commodity title. And for all farmers of all commodities, I am grateful that Federal crop insurance was protected—we simply could not farm without this critical tool in today's high stakes environment.

As Congress considers budget resolutions, appropriations bills, 2 year spending agreements, debt ceiling increases, and other matters involving Federal outlays, I would implore this Subcommittee to jealously protect the 2018 Farm Bill because the farm bill and Federal crop insurance represent the bulwark of policies designed to help struggling farmers and ranchers hang on.

Second, I think it is very important to acknowledge what was done even prior to the 2018 Farm Bill to supplement the 2014 Farm Bill. For cotton in 2015, Secretary Tom Vilsack recognized the absence of a real safety net for cotton and instituted a ginning assistance program that was critical to maintaining cotton infrastructure in rural communities throughout the Cotton Belt. Secretary Perdue also recognized the problem and continued this vital program in 2017, relative to the 2016 crop, as a bridge to the 2018 Bipartisan Budget Agreement where this Committee was able to create a new seed cotton program beginning with the 2018 crop year. Had these actions not been taken, I am not sure how many of us would still be farming today.

Third, it is important to note the disaster bill passed for 2017 wildfire and hurricane losses, and also the package that is in the works right now that will address certain losses in 2018 and 2019. Given the devastation caused by hurricanes, wildfires, and flooding, and the general state of the agriculture economy, these are very important measures and I hope the Agriculture Committee will continue to play an active role in their development.

Finally, I want to extend my gratitude to Secretary Perdue for establishing the Market Facilitation Program (MFP) to help farmers and ranchers most affected by unjustified retaliation by our trading partners. Farmers from my region were first to feel the pain in February of 2018 when China levied its bogus AD/CVD case and 179 percent tariffs against U.S. sorghum. Unfortunately, we had a short sorghum crop in 2018 so we did not realize the full benefit of this program. This, and some inequities in the distribution of aid among crops, is why many of us have suggested needed improvements to the MFP model (which are best articulated in an October 29, 2018 letter from the Southwest Council of Agribusiness). Nonetheless, we still want to express real gratitude as roughly $9 billion injected into the rural economy could not have come at a more crucial time.

However, as vitally important as these efforts have been, I remain very concerned that it may not fully address the problem of depressed prices and increased costs of production for the 2019 crop year and beyond. Based on my conversations with lenders, there has already been an uptick in the denial of credit to farmers seeking financing to produce a crop and this is expected to significantly increase in time for the next planting season unless conditions improve.

Some Members of this Subcommittee were not here for the writing of the 2014 Farm Bill, but it is important to remember that the Agriculture Committees at that time were called upon to achieve $23 billion in savings over 10 years. According to the Congressional Budget Office (CBO), this goal would be achieved by the 2014 law. However, in subsequent budget baseline updates, CBO now estimates 10 year budgets savings to be achieved by the 2014 Farm Bill, and now the 2018 Farm Bill, are on the order of more than $100 billion. This is the diminished baseline to which the 2018 Farm Bill was written and it helps tell the story of why more resources may well be necessary. According to the CBO May budget baseline update, for the current Fiscal Year (FY 2019), payments to crop farmers are expected to be $15.26 billion, with virtually all of this already having been paid and the majority ($9.56 billion) from the MFP. However, for FY 2020, CBO projects that this number will drop to $4.96 billion if nothing is done to supplement the 2018 Farm Bill. This amount would compete for the lowest amount of assistance since 1995, a year when prices were very high relative to the times. In short, unless prices recover rapidly, I am concerned that this budget reality will spell economic disaster in the countryside.

While all of these statistics may sound academic, the consequences on the ground are very real. And this has a very dramatic impact on the local economy. Perhaps the best way to show this is through enterprise budgets published by Extension as benchmarks to help farmers plan for the year. I have attached the same for corn and cotton in South Texas for this crop year, and would note a couple of things. First, you will see that both would expect to cover variable costs (*i.e.,* seed, fuel, labor, *etc.*) assuming normal yields, but both would lose money again this year once fixed costs, such as machinery and land, are added in. This is the sixth year where we see red in these numbers, and this has taken an enormous toll on our personal finances even as we have continued to produce an abundant supply of food and fiber that the world needs.

But the other thing I really want Members of the Subcommittee to appreciate is what we as farmers spend each year. This is a very high stakes business. For corn, this enterprise budget estimates $491.09 per acre, and for cotton it is $639.18 per acre. For a 4,000 acre farm going half and half in Texas (and this is not a large operation in Texas—where everything is bigger), that would amount to $2.26 million the farmer is spending and turning over in the local economy. I earnestly believe this type of economic activity across some 300 million crop acres across our land is vital to our national economy. But I can tell you for certain that without it towns like Beeville, Texas, where I live, would no longer exist.

Therefore, given current economic conditions in rural America, the proven cost-effectiveness of the current and previous farm bills, the critical importance of the work farmers do, and the extraordinarily tight margins that we operate on, I urge you to stand fast in defense of the farm bill and Federal crop insurance and to monitor prices and disaster carefully and step in and do what is necessary to fill what is wanting. Farmers and ranchers and their lenders have made long-term decisions based on the promises made by Washington under these policies.

Other Factors of Concern to Farmers and the Rural Economy

Beyond this, I know that farmers and ranchers across the country remain extremely nervous but also very hopeful that Congress will ratify the new U.S.-Mexico-Canada (USMCA) trade agreement and the Administration will successfully conclude U.S.-China trade negotiations and vitiate retaliatory tariffs that have exacerbated already bad conditions resulting from the grip of a multiple year recession.

It is impossible to overstate the vital importance of the markets made available for our farmers and ranchers under the North American Free Trade Agreement and its successor agreement, USMCA, and under an agreement with China that reopens the flow of U.S. agriculture exports. These agreements do not just affect our ability to export agriculture products to these markets. They also affect our ability to import input items necessary for production. The effects of ongoing trade disputes are not only further depressed commodity prices and lost markets but the increased cost of those inputs that are subject to import.

I would note that there are unique regional impacts to all of this as well. For example, we in south Texas usually begin planting grain crops in February, with harvest following in mid-June. The ongoing trade dispute has, of course, resulted in carryover of crops in storage. With the current crop already in progress, there is genuine concern that there will not be adequate storage space available to receive this year's crop when harvest begins come June.

I am also encouraged by what I read concerning the House's interest in moving forward with legislation which is in part designed to help farmers and ranchers deal with a labor crisis. Legislation that would adjust the status of existing undocumented workers and their families and that would address the multiple shortcomings of the current H–2A guest worker program would be extremely meaningful to farmers and ranchers who have long sought a solution to this growing problem.

Continued discussion centering on infrastructure legislation is also encouraging. President Kennedy once observed that the farmer is the only one in the economy who buys everything he buys at retail and sells everything he sells at wholesale and pays the freight both ways. Good infrastructure is critical in keeping our costs down and helping us earn more from what we sell. It is also one of the few areas where the American farmer and rancher enjoys a competitive edge despite foreign competition which is awash in high subsidies, tariffs, and non-tariff trade barriers. Ensuring that rural America shares in any new investment in infrastructure should be another priority of this Subcommittee.

One dimension to the infrastructure discussion that might be overlooked is the issue of competition at our ports. As you know, Mr. Chairman, we have long had two grain terminals at the Port of Corpus Christi but we are about to be down to just a single terminal after this year. Lack of competition, I fear, is going to hurt farmers in our area who depend on this key port. Concentration in the marketplace is not, of course, limited to ports. Consolidation in seed and chemical companies, as well as equipment manufacturers and retail outlets, have left farmers with fewer choices and less bargaining power when purchasing inputs. Even as this Subcommittee continues to do the work of safeguarding policies that provide an essential safety net for farmers and ranchers, the full Committee on Agriculture should continue to examine areas where farm and ranch income suffers due to escalating costs resulting from a want of competition in the marketplace. Although input costs in agriculture have always been sticky, slow to decline even as commodity prices decline, the specter of a continuing rise in input costs against a backdrop of a long period of depressed crop prices underscores a problem that appears to be getting worse.

Conclusion

To be sure, all of these goals that I have outlined would be important wins for rural America where good news has been hard to come by lately. However, I remain concerned that even these victories for rural America will not prove sufficient under the strain of the ongoing recession. To his great credit, Secretary Sonny Perdue recognized the stress farmers and ranchers are under when he authorized the Market Facilitation Program. The alarm I am sounding today would be much louder had the Secretary not shown this kind of leadership. The question now, however, is how will the economic health of rural America look were the exact same conditions to continue but this time without another MFP or a similar program enacted by Congress? Short of a significant recovery in prices farmers receive, which would also improve the value of the protection farmers can purchase in crop insurance, I believe an additional and improved version of MFP or some similar package crafted by Congress will be needed. Frankly, I do not see a turn-around in current conditions any time soon.

Mr. Chairman, I strongly urge this Subcommittee to very carefully continue to monitor conditions and take action to stave off the kinds of economic havoc that really left rural America in tatters in the mid-1980s and late 1990s.

In closing, Mr. Chairman, thank you once again for holding this extremely important hearing and for your leadership and the leadership of the Members of this panel on matters affecting America's farm and ranch families. We are certainly grateful to you.

Projections for Planning Purposes Only

2019 Estimated Costs and Returns per Acre

Corn—GMO Seed, Conventional Till—12 Row, Dryland, 100 bu. Yield Goal

Coastal Bend Extension District 11

Crop Acres 500

Revenue	Quantity	Units	$/Unit	Total	Enterprise Total
Corn	100.00	Bushel	$3.80	$380.00	$190,000.00
Total Revenue				$380.00	$190,000.00
Variable Costs	Quantity	Units	$/Unit	Total	Enterprise Total
Production Costs:					
Herbicide:					
Glyphosate (Generic)	2	Quart	$3.38	$6.76	$3,380.00
2, 4D Amine	1	Pint	$2.07	$2.07	$1,035.00
Atrazine 4L	2	Quart	$3.00	$6.00	$3,000.00
Corn PreEmerge Herbicide	2.1	Quart	$9.62	$20.20	$10,101.00
Corn PostEmerge Herbicide	1	Quart	$16.24	$16.24	$8,120.00
Seed:					
Corn	25	Thousand	$3.20	$80.00	$40,000.00
Fertilizer:					
24-8-0	0.25	Ton	$264.00	$66.00	$33,000.00
Custom:					
Custom Grain Haul	57	CWT	$0.35	$19.95	$9,975.00
Miscellaneous:					
Crop Insurance—Corn	1	Acre	$8.39	$8.39	$4,195.00
G&A Overhead	1	Acre	$10.50	$10.50	$5,250.00
Insecticide:					
Cutworm Control	1.25	Ounce	$0.70	$0.88	$437.50
Other Chemicals:					
Crop Oil	0.5	Pint	$1.85	$0.93	$462.50
Other Labor:					
Hand Labor	0.21	Hour	$16.00	$3.36	$1,680.00

Projections for Planning Purposes Only—Continued
2019 Estimated Costs and Returns per Acre
Corn—GMO Seed, Conventional Till—12 Row, Dryland, 100 bu. Yield Goal
Coastal Bend Extension District 11
Crop Acres 500

Machinery Labor:					
Tractrors/Self-Propelled	0.67	Hour	$19.50	$13.07	$6,532.50
Diesel Fuel:					
Tractrors/Self-Propelled	8.09	Gallon	$2.46	$19.90	$9,950.70
Repairs & Maintenance:					
Tractrors/Self-Propelled	1	Acre	$23.42	$23.42	$11,707.91
Implements	1	Acre	$16.14	$16.14	$8,071.48
Interest on Credit Line			6.75%	$11.06	$5,530.30
Total Variable Costs				$324.86	$162,428.89
Planned Returns Above Variable Costs:				$55.14	$27,571.11
Breakeven Price to Cover Variable Costs	$3.25	Bushel			
Fixed Costs	Quantity	Units	$/Unit	Total	Enterprise Total
Machinery Depreciation:					
Tractrors/Self-Propelled	1	Acre	$25.34	$25.34	$12,669.09
Implements	1	Acre	$18.80	$18.80	$9,399.74
Equipment Investment:					
Tractrors/Self-Propelled	$193.73	Dollars	6.00%	$11.62	$5,811.87
Implements	$107.85	Dollars	6.00%	$6.47	$3,235.47
Management Fee, Owner/Operator Labor	1	Acre	$19.00	$19.00	$9,500.00
UCB—Land Charge	1	Acre	$85.00	$85.00	$42,500.00
Total Fixed Costs				$166.23	$83,116.17
Total Specified Costs				$491.09	$245,545.06
Returns Above Specified Costs				($111.09)	($55,545.06)
Breakeven Price to Cover Total Costs	$4.91	Bushel			

		Example Breakeven Prices	
Example Yield Percent	Example Yield Bushel	To Cover Variable Costs	To Cover Total Costs
75%	75.00	**$4.33**	**$6.55**
90%	90.00	**$3.61**	**$5.46**
100%	100.00	**$3.25**	**$4.91**
110%	110.00	**$2.95**	**$4.46**
125%	125.00	**$2.60**	**$3.93**

Developed by Extension Economists, Texas A&M AgriLife Extension Service, *budgets@tamu.edu*.
Information presented is prepared solely as a general guide and not intended to recognize or predict the costs and returns from any one operation. Brand names are mentioned only as examples and imply no endorsement.

Projections for Planning Purposes Only
2019 Estimated Costs and Returns per Acre
Cotton—Genetically Modified Seed, Conv. Till—24 Row, Dryland, 800 lb. Yield Goal—Lower Coast
Coastal Bend Extension District 11
Crop Acres 500

Revenue	Quantity	Units	$/Unit	Total	Enterprise Total
Cotton Lint	800.00	Pound	$0.66	$528.00	$264,000.00
Cottonseed	0.58	Ton	$125.00	$72.50	$36,250.00
Total Revenue				$600.50	$300,250.00
Variable Costs	Quantity	Units	$/Unit	Total	Enterprise Total
Production Costs:					
Custom:					
Fertilizer Application	1	Ounce	$0.15	$0.15	$75.00
Pick and Module	800	Pound	$0.14	$112.00	$56,000.00
Ginning—Picker	800	Pound	$0.13	$100.00	$50,000.00
Fertilizer:					
24-8-0	0.1665	Ton	$266.00	$44.29	$22,144.50
Herbicide:					

Projections for Planning Purposes Only—Continued
2019 Estimated Costs and Returns per Acre
Cotton—Genetically Modified Seed, Conv. Till—24 Row, Dryland, 800 lb. Yield Goal—Lower Coast
Coastal Bend Extension District 11
Crop Acres 500

Glyphosate	1	Quart	$5.50	$5.50	$2,750.00
Trifiuralin	32	Ounce	$0.19	$6.08	$3,040.00
2, 4D Amino	2	Pint	$2.07	$4.14	$2,070.00
Cotton Early Season Herbicide	2	Quart	$16.24	$32.48	$16,240.00
Insecticide:					
Fleahopper, Control LC	1.6	Ounce	$1.08	$1.73	$864.00
Miscellaneous:					
Boll Weevil Program LC	1.6	Bale	$3.50	$5.60	$2,800.00
Crop Insurance—Cotton LC	1	Acre	$12.08	$12.08	$6,040.00
Pickup Mileage Charge	1	Acre	$3.88	$3.88	$1,940.00
Seed:					
Cotton Seed—B2RF	40	Thousand	$1.84	$73.60	$36,800.00
Cotton Seed—Insect Treatment	40	Thousand	$0.17	$6.80	$3,400.00
Tech Fee—B2RF	1	Acre	$0.00	$0.00	$0.00
Other Chemicals:					
Generic PIX	32	Ounce	$0.06	$1.92	$960.00
Defoliants—Picker	4	Ounce	$1.05	$4.20	$2,100.00
Ethephon	1.6	Ounce	$0.15	$0.24	$120.00
Other Labor:					
Hand Labor	0.08	Hour	$16.00	$1.28	$640.00
Machinery Labor:					
Tractrors/Self-Propelled	0.51	Hour	$19.50	$9.95	$4,972.50
Diesel Fuel:					
Tractrors/Self-Propelled	6.49	Gallon	$2.46	$15.97	$7,982.70
Repairs & Maintenance:					
Tractrors/Self-Propelled	1	Acre	$16.36	$16.36	$8,179.501
Implements	1	Acre	$13.96	$13.96	$6,979.24
Interest on Credit Line			6.75%	$10.93	$5,466.19
Total Variable Costs				$483.13	$241,563.63
Planned Returns Above Variable Costs:				$117.37	$58,666.37
Breakeven Price to Cover Variable Costs	$0.51	Pound			
Fixed Costs	Quantity	Units	$/Unit	Total	Enterprise Total
Machinery Depreciation:					
Tractrors/Self-Propelled	1	Acre	$22.22	$22.22	$11,110.45
Implements	1	Acre	$18.71	$18.71	$9,356.08
Equipment Investment:					
Tractrors/Self-Propelled	$170.64	Dollars	6.00%	$10.24	$5,119.13
Implements	$80.88	Dollars	6.00%	$4.85	$2,426.34
Management Fee, Owner/Operator Labor	1	Acre	$30.03	$30.03	$15,012.50
LCB—Land Charge	1	Acre	$70.00	$70.00	$35,000.00
Total Fixed Costs				$156.05	$78,024.49
Total Specified Costs				$639.18	$319,588.12
Returns Above Specified Costs				($38.68)	($19,338.12)
Breakeven Price to Cover Total Costs	$0.71	Pound			

		Example Breakeven Prices	
Example Yield Percent	Example Yield Pound	To Cover Variable Costs	To Cover Total Costs
75%	600.00	**$0.68**	**$0.94**
90%	720.00	**$0.57**	**$0.79**
100%	800.00	**$0.51**	**$0.71**
110%	880.00	**$0.47**	**$0.64**
125%	1,000.00	**$0.41**	**$0.57**

Developed by Extension Economists, Texas A&M AgriLife Extension Service, *budgets@tamu.edu*.
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STATEMENT OF MIKE PETERSON, OWNER AND OPERATOR, TWIN OAKS FARMS, NORTHFIELD, MN

Mr. PETERSON. Thank you, Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee. Thank you for the opportunity to testify here today.

The last 5 years have been incredibly challenging on our farm and on farms across the country.

In 2018, median net farm income in Minnesota was at its lowest level in the past 23 years. In southern Minnesota we are entering our sixth consecutive year of growing corn at or below the cost of production.

Strong soybean yields and fair prices had kept many farmers profitable until the trade disputes with China took its toll on the markets last year. Now our problem with oversupply is only getting worse.

With the continuing slump in commodity prices, financial stress continues to grow. Farm debt is at an all-time high and most farmers I know have burnt through their equity that they built up in the good years leading up to 2014.

We are now seeing a big increase in the number of Chapter 12 bankruptcies in Minnesota. Unless we get our markets back and the prices rebound, I feel many more farmers will be forced out of business.

In addition to our current challenges with low prices, market consolidation and the increase of monopolies on the supply side has caused input costs to rise dramatically. The cost of seed corn, soybean seed, and fertilizer, even when adjusted for inflation, have each doubled since I started farming full time in 1996.

While we are more productive now than we have ever been, the increased input costs has outpaced the gains we have made in productivity. On our farm we have adopted methods to cut our input costs usage to levels that puts us on par with the most efficient operations. We plant cover crops, use no-till and zone-tillage practices which reduce weed pressure and cut down chemical costs and usage. We pair that with precision fertilizer application which helps further reduce fertilizer costs and cuts down on fuel usage. We also don't grow late-season hybrids to keep our drying costs low on our corn herb—or corn hybrids. Excuse me.

Altogether, these practices reduce our carbon footprint and put us in a better position to survive in this tough farm economy. However, we simply don't have the cash flow we need to install practices that will further improve our productivity, efficiency, and stewardship.

The reality is, despite all we have done to adjust to tight margins and low prices, there is just no way to be profitable with the market scenarios facing the American farmer today.

I am currently enrolled in a farm business management course at South Central College. Our advisor provides us data and management assistance so we can find the best economic scenarios. Even with his guidance and expertise, we are faced with an economic scenario that is hard to present to a lender.

Like most farmers, I prefer a fair price in the market, but during periods of low prices, I am grateful that we have a farm safety net to fall back on. For the last 5 years I have been enrolled in the ARC-County program which at least offsets some of our losses.

I am not only at the mercy of the markets, but I am at the mercy of the weather. The Federal Crop Insurance Program is critical in helping me manage risk on our operation.

Last year a tornado and strong straight-line winds came through and knocked down about 85 percent of our corn crop. Without crop insurance indemnity, that loss would have been devastating to our operation.

As farmers we can handle a slump in commodity prices and volatile weather, but we can't prepare for the situation that was brought on by our trade disputes last year. I will be the first to admit that I originally supported the effort to secure better trade agreements and to hold bad actors accountable, but the approach to these trade disputes has caused damage that I am afraid will take us decades to overcome.

The Market Facilitation Program payments helped last year, but I feel if policy makers are going to continue to affect our markets, we may need to look at some sort of supply management.

We have just started our spring planting without any assurance that we are going to have an opportunity to lock in a feasible price for our production. If our markets don't come back and we don't have any additional support, we would be better off not producing.

The bottom line is there is no way to make a profit if we don't have markets for our product.

I want to close by saying that I have a 23 year old son who is purchasing his own 80 acre farm a few acres from ours. I am doing everything I can to prepare him for the challenges I have discussed here today, but it is hard to be optimistic about the future.

Rural America embodies the character and skill sets that have always made America the greatest country in the world to live in. I want my son to have a reason to apply his energy and skills into the family farming tradition. If we want the next generation to get into farming, we have to at least give them a fighting chance. If it is not his generation, maybe we can all try to tell ourselves, or you can tell me, who we think will be running these farms next.

Thank you again for the opportunity to testify, and I look forward to your questions. I really appreciate it.

[The prepared statement of Mr. Peterson follows:]

PREPARED STATEMENT OF MIKE PETERSON, OWNER AND OPERATOR, TWIN OAKS FARMS, NORTHFIELD, MN

Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee, thank you for the opportunity to testify today. My name is Mike Peterson. Along with my wife and two sons, I farm about 800 acres of corn and soybeans near Northfield, Minnesota. I am also a member of Minnesota Farmers Union, which represents 13,000 family farmers, ranchers and rural members across Minnesota.

In addition to our corn and soybean production, my family also operates a number of entrepreneurial enterprises. We finish about 1,200 hogs a year and do some custom work for other farmers in our area. We also have a golf driving range and a welding and fabrication business. To help make ends meet, my wife also works a part-time off-farm job.

Overview of Financial Stress

The last 5 years have been incredibly challenging on my farm and on farms across Minnesota. In 2018, median net farm income in the state was at its lowest level in the past 23 years.[1] In southern Minnesota, corn prices have been at or below the

[1] University of Minnesota. *Minnesota farm income hits historic low.* (March 25, 2019). Retrieved from: *https://twin-cities.umn.edu/news-events/minnesota-farm-income-hits-historic-low*.

cost of production for 5 consecutive years.[2] Strong soybean yields and fair prices had kept many farmers profitable until the trade dispute with China took its toll on the market last year.

With the sustained slump in commodity prices, financial stress continues to grow. In the fourth quarter of 2018, the Federal Reserve Bank of Minneapolis reported lower repayment rates across the Ninth District, indicating growing financial stress.[3] In real terms, national farm debt is at its highest level since the 1980s,[4] and many farmers continue to burn through the equity they built up in the profitable years leading up to 2014. These financial challenges contributed to a significant increase in Chapter 12 Farm Bankruptcy filings in Minnesota last year.[5]

The financial challenges we face are due to a number of factors. Market consolidation and the increase of monopoly power has caused our input costs to rise dramatically. Overproduction has driven commodity prices low—a situation that is further exacerbated by the impacts of ongoing trade disputes. Our current environment is unsustainable. Unless we get our markets back and prices rebound, I'm worried that many more farmers will be forced out of business.

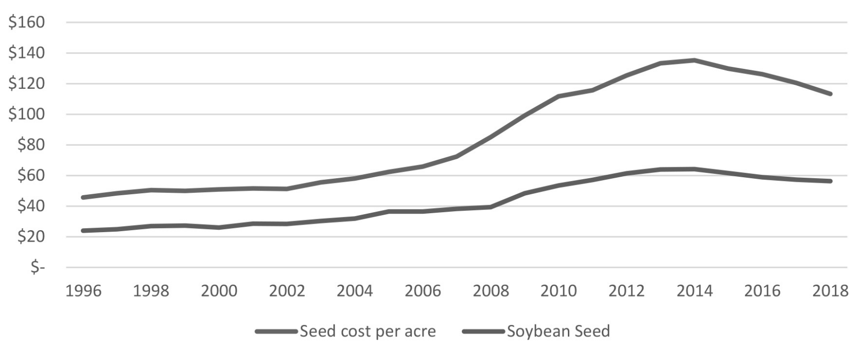
Market Consolidation and Input Costs

Over the last 30 years, major agribusiness companies have been acquiring small companies, consolidating the marketplace and increasing their market share. From 2000 to 2015, the market share of the four largest companies increased from 60 percent to 85 percent for U.S. corn seed.[6] Over the same time period, the CR4 for soybean seed sales increased from 51 to 76 percent.[7]

Diminished competition has left farmers with few options when purchasing seeds, allowing suppliers to charge higher prices. When I began farming in 1996, the average cost of corn seed per acre was $28.53 and the average cost of soybean seed per acre was $14.98. Today, those costs have increased to $113.31 and $56.28 respectively. Even when adjusted for inflation, the cost for both corn seed and soybean seed has more than doubled since 1996.

Seed Cost Per Acre

Southern Minnesota Corn and Soybeans



The fertilizer market is also highly concentrated with two companies controlling 93% of the world potash market and significant concentration in the phosphorous and nitrogen markets.[8] This has caused the average farm price of fertilizer to in-

[2] FINBIN (2019). Center for Farm Financial Management: University of Minnesota. Retrieved from *http://finbin.umn.edu* (originally created May 5, 2019).

[3] Federal Reserve Bank of Minneapolis. *"Throwing in the towel": Another high production-low price year.* (February 14, 2019). Retrieved from: *https://www.minneapolisfed.org/publications/agricultural-credit-conditions-survey/another-high-production-low-price-year-for-farmers.*

[4] United States Department of Agriculture, Economic Research Service. *Farm Income and Wealth Statistics.* Data as of March 6, 2019.

[5] *https://www.fb.org/market-intel/farm-bankruptcies-in-2018-the-truth-is-out-there.*

[6] MacDonald, J.M. (2016) *Mergers and competition in seed and agricultural chemical markets.* Retrieved from: *https://www.ers.usda.gov/amber-waves/2017/april/mergers-and-competition-in-seed-and-agricultural-chemical-markets/.*

[7] *Id.*

[8] Taylor, C.R., & Moss, D.L. (2013) *The fertilizer oligopoly: The case for global antitrust enforcement.*

crease significantly.[9] Since 1996, the amount an average farm in southern Minnesota spends on fertilizer for each acre of corn produced has nearly doubled.[10]

The advances made in the agricultural input industries have helped farmers become far more productive. However, the increase in input costs has outpaced gains in productivity. The real total direct expense per bushel produced has increased by $.40 for corn and $1.05 for soybeans in southern Minnesota.[11]

Improving Operational Efficiency

To improve our ability to operate on tight margins, we've adopted a number of conservation practices and production methods that reduce our input costs and usage to levels that put us on par with the most efficient operations. We plant cover crops and use no-till and zone tillage practices that reduce weed pressure and improve soil health. Together these practices help reduce chemical and fertilizer costs. We couple those practices with precision fertilizer application, which helps further reduce fertilizer costs and cuts down on fuel usage. We also don't grow late season hybrids, which helps keep our drying costs low.

Altogether, the practices we have adopted reduce our carbon footprint and put us in a better position to survive in a period of low prices. However, with commodity prices as low as they are currently, it is still a challenge to break even. Because we have so little cash flow, we are not able to afford the costs of installing practices that will improve our position in the long term.

Despite all I have done to adjust to tight margins and low prices, there's just no way to be profitable with the market scenarios facing the American farmer today. I'm currently enrolled in a Farm Business Management course at South Central College. Our advisor provides us data and management assistance, so we can identify the scenarios that will maximize our profitability. Even with his guidance and expertise, we're faced with a financial situation that is hard to present to a lender.

Farm Safety Net

Like most farmers, I would prefer to get a fair price from the market. However, during prolonged periods of low prices, I am extremely grateful that I have a farm safety net to fall back on. For the last 5 years, I've been enrolled in the Agricultural Risk Coverage (ARC) County program, which has at least offset some of my losses.

While ARC-County has been helpful to me, we have also experienced challenges with the program. I'm grateful that the 2018 Farm Bill includes improvements that will smooth disparities in payment rates between counties. We are also grateful for the opportunity to make a new election between ARC and the Price Loss Coverage program for 2019 and 2020 and on an annual basis starting in 2021. While we have not yet determined which program I will enroll in for the next 2 crop years, the increased flexibility will help me better respond to my operation's needs as the economic situation evolves.

Crop insurance has also been an essential risk management tool on our operation. Last year, a tornado struck our operation, knocking down about 85 percent of our corn crop. While we were able to salvage some of the crop, the damage was significant. Without our crop insurance indemnity, the losses would have been devastating to our operation.

Trade Disruptions

With the support of the programs mentioned above, we can handle a slump in commodity prices and volatile weather. However, we had no way to prepare for the significant disruption to our markets that was brought on by trade disputes last year. While I originally supported the goals of securing better trade agreements and holding bad actors accountable, the approach to these trade disputes has caused damage that I'm afraid will take us decades to overcome.

The Market Facilitation Program (MFP) payments provided last year helped but didn't make up for what we lost. The program also contained a number of flaws, including wide disparities in payments for each commodity. The MFP also failed to provide payments for several commodities, such as canola and other minor oilseeds, that have been impacted by decreased overseas demand.

We just began spring planting without any assurances that we are going to have markets to sell to when harvest comes around. Without markets to sell into, the only way to keep farmers afloat is to provide them with an additional round of pay-

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[9] USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service, *Agricultural Prices.* Retrieved from: *https://www.ers.usda.gov/data-products/fertilizer-use-and-price.aspx.*

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ments. The bottom line is, there's no way to make a profit if we don't have markets for our product. If our markets don't come back, and we don't have any additional support, then we would be better off shutting our farm down for the year.

Conclusion

I want to close by saying that I have a 23 year old son who is just starting out on 80 acres a few miles from our farm. I'm proud to say that he's the fifth generation to carry on our family's farming tradition. I'm doing everything I can to prepare him for the challenges I've discussed here today, but it's hard to be optimistic about what the future holds. If we want to get the next generation into farming, we have to at least give them a fighting chance.

Thank you for the opportunity to testify. I look forward to your questions.

The CHAIRMAN. Thank you. Mr. Sutton.

STATEMENT OF DANIEL J. SUTTON, GENERAL MANAGER, PISMO OCEANO VEGETABLE EXCHANGE, OCEANO, CA

Mr. SUTTON. I would like to start by thanking Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee for having this hearing today. I would also like to thank my Congressman, Congressman Carbajal, for representing our district and our industry of specialty crops in Congress.

Our business is a cooperative located on the Central Coast of California. We are comprised of five family farms that collectively market our products through the co-op. We have been in existence since the early 1920s and we currently have our fourth generation of growers coming back into the co-op.

Much like the others that have testified before me, there are significant management decisions that we have to make, and things that we have to manage day to day to keep our cooperative continuing for the next generation.

To give you a little bit about what we grow, we grow napa cabbage, bok choy, baby bok choy, leafy greens comprising of iceberg lettuce, romaine, green leaf, endive, escarole, red cabbage, and green cabbage.

Our crops are very timely. We need to harvest our crops and get them out to market usually within 3 to 5 days of harvest, as they are perishable.

Seventy-five percent of the nation's leafy greens comes from the Central Coast of California, which is also known as the Salad Bowl.

There are three major things that I would like to talk about today that make our production on the Central Coast challenging. The first is water. We have two main water systems in California. There is the state water system and private wells.

Our farms are on private wells, but in order to get that water from our aquifers to our crops, it takes electricity to do that. The electricity costs over the years have increased the cost of our water to get to our crops.

For those in our state that use the California Water System, they have seen allocations reduced and our infrastructure for storing water in California is outdated.

The second is labor. We are very dependent on labor in our industry, and as you all know, immigration reform is something that is extremely important to agriculture and something that we are watching very closely.

A lot of people say, "How come you just don't raise wages?" Well, we have. Our employees are currently earning anywhere from $14 to $16 an hour on the farm, and much like the prices we are getting today are not that much different from the prices we were getting back in the early 1990s. And the labor shortage continues to increase, and yet we are still unable to get employees to work on our farms.

We are needing to utilize the only option available to us, and that is the H–2A program. The H–2A program is very costly, but it is an opportunity for us to get the labor we need to get out crops to market.

The only thing I would like to discuss really quick is in our industry we are very concerned about food safety. As you may be aware, last November in 2018, the romaine industry was shut down, and there was no romaine on the shelves. I doubt that you found romaine here, and we were impacted by that in that we had romaine in the ground but we could not get it to market because of the advisory.

All of us in the specialty crop production in California take food safety very seriously. It is something that we have to do day to day. It is an investment we make in our crops. Through programs like the California Leafy Greens Marketing Agreement, we are placing upon leafy greens growers in California some of the most vigorous and strict food safety rules that we have to comply with, with production of our crops.

I have a rule in our house that if I grow it on the farm, my wife is not allowed to buy the same products in the store. Now, she understands that rule, but I get in trouble a lot because I forget to bring it home. But the point I want to make here is that the products we grow I feed to my family, I feed to my three young children. The products we grow go to your families. They go to our consumers and the people in the nation, and food safety will be something that we continue to address, moving forward.

I would like to thank the Committee again for having this hearing. The issues facing agriculture, not only in California but across the nation, are significant and the fact that you are here allowing us to speak today is very much appreciated and I am grateful for this opportunity.

Thank you.

[The prepared statement of Mr. Sutton follows:]

PREPARED STATEMENT OF DANIEL J. SUTTON, GENERAL MANAGER, PISMO OCEANO VEGETABLE EXCHANGE, OCEANO, CA

I would like to start by thanking Chairman Vela, Ranking Member Thompson, and Members of the Committee for hosting this important hearing. I also want to thank my Congressman, Congressman Carbajal for inviting me to testify before the Subcommittee, and for making sure our specialty crop producers are represented in Congress. I serve as General Manager of the Pismo-Oceano Vegetable Exchange, a multi-generation grower-shipper family business going back to the 1920s.

We are located along the Central Coast of California. We farm 5,000 acres annually specializing in the production of Asian vegetables, leafy greens, and herbs. Our production line up consist of Napa Cabbage, Bok Choy, Shanghai Bok Choy, Broccoli, Romaine and Iceburg Lettuce, Green Leaf, Endive, Escarole, Kale, Cilantro, Parsley, and Italian Parsley.

I have recently been selected as Chairman of the California Leafy Greens Marketing Agreement Advisory Board. The California leafy Greens Marketing Agreement (LGMA) is a food safety program representing 99% of the leafy greens growers in California. The LGMA requirements meet or exceed the Produce Rule requirements within the Food Safety Modernization Act (FSMA). Members of the LGMA have met PSR requirements for 11 years now.

I have also been extensively involved with Farm Bureau. Farm Bureau represents more than half of growers and producers within California amongst all agricultural commodities. I have served as Past-President of San Luis Obispo County Farm Bureau, and still am on the Board of Directors. I have also served the California State Farm Bureau Federation as an alternate delegate to national conferences, as a delegate to the state conferences, and as Chairman of the Federal Poly Issues Advisory Committee (IAC).

So that we're all on the same page, specialty crops are defined under Federal law as "fruits, vegetables, tree nuts, dried fruits, horticulture, and nursery crops." All types of agriculture are important, but specialty crops account for more than 25 percent of the value of U.S. crop production and do so on a relatively small amount of land (USDA).

The issues I want to discuss today will not be a surprise to many of you. The three greatest challenges that specialty crop producers face are water, labor and food safety.

Before we dive into these, I need to explain how significant specialty crops are to our local community, to the State of California, and to the United States.

- Of the $924 million annual agriculture sales in San Luis Obispo County, $860 million comes from specialty crops (SLO County).
- 75 percent of America's lettuce and leafy greens are grown in California, and the vast majority come from the six counties that comprise California's Central Coast region (LGMA).
- California is the top producer of nearly every specialty crop commodity in the nation (USDA).
- California has more specialty crop farmers than the next four largest states—Florida, Texas, Washington, and Pennsylvania—combined (USDA).
- California alone accounts for $30 billion of the $83 billion U.S. specialty crop market (USDA).

These statistics are even more impressive when you consider the daunting challenges our farmers face to supply the three most essential inputs in specialty crop production—water, labor, and food safety.

Water

California actually has enough water to meet the needs of its people, for wildlife habitat, and for agriculture, but we refuse to make balanced, reasonable policy decisions to let farmers access it. Even as we make investments to grow crops "drop by drop" in the most sustainable way in human history, misguided regulations and demands of a growing population have forced more farmers to fallow their fields and cut back production.

Climate change is a very real factor in California agriculture, and we know our water crisis has no easy solution. But if we continue to reduce agricultural water sources, specialty crop production will largely disappear from California, and from the United States. Ask yourselves this question: Do we want to depend on foreign nations to grow all of our food?

In California, there are two major water systems. Water that is provided and allocated through the State of California and water that growers have "rights" to from underground sources. California's water infrastructure is old and outdated. As we look for ways to improve the state water system, difficulty lies in finding a solution that is acceptable to all parties. Water storage is imperative in our state water system to get our state through years of drought. Rehabilitating old reservoirs and dams is difficult through our state policies. Creating new opportunities with reservoirs and dams is even more difficult. Being smart with our state's water infrastructure will allow for the continued success of the abundance of specialty crops our state grows.

This past winter we were pleased and grateful that we had above average rainfall. When our creeks flow, we re-charge our aquifers where private water sources are used. Above average rainfall does not occur every year. In an effort to manage our private water supply, the best technology and practices are used. Our water supply is so important to the success and production of our specialty crops. Several current pieces of regulation within California are limiting the ability of producers to effectively manage their valuable resource.

Labor

Even if we are lucky to get enough water for our crops in a given year, chances are we can't find enough workers. Just last month, a study conducted by the University of California, Davis and the California Farm Bureau Federation found that 56 percent of farmers were unable to hire enough workers at some point during the past 5 years (CFBF). And things are getting worse; of the farmers reporting employee shortages, 70 percent had more trouble hiring people in 2017 and 2018.

We're often asked in agriculture, "Why don't you just pay higher wages?". Well, we have been. 86 percent of farmers with labor shortages increased wages, but to no avail. Our employees currently earn at least $2 above our state's minimum wage requirement. Even while increasing wages, we are still not able to achieve our workforce needs. In California, our minimum wage will be $15.00/hour in 2022. While our minimum wage increases by a $1.00/hour every year, our AG overtime is decreasing by 30 minutes per year or 25%. In California, agriculture in the past has had an overtime exemption where farm workers are allowed to work for 10 hours prior to receiving overtime. In our peak seasons, these workers depend on the fact that they would work 60 hours per week. With wages increasing and overtime going down, we are having to make very difficult business decisions that reduce the number of hours worked by our employees.

In many California communities like San Luis Obispo, the local cost of housing is so expensive, that the H–2A Guest Worker Program's requirement for employers to provide housing makes using the program unpractical. Our broken immigration system is well known to everyone here, but I doubt you can appreciate the frustration farmers feel when we have a willing workforce in neighboring countries, but a Federal Government that can't figure out how to get them here.

The H–2A program continues to be the only option we have to fulfill our labor requirements. This year, our company will utilize the H–2A program more heavily than ever before. Our produce still requires a "personal touch" when harvested. This year 85% of our harvest labor needs will fall under the H–2A program. As part of the H–2A program, the Adverse Effect Wage Rate (AEWR) wage, currently at $13.92/hr., transportation, and housing must be paid by the holder of the contract. With all of these costs factored in, the rough cost per H–2A employee is $16.24/hr.

With the H–2A program being costly, but our only option at this time, we are looking very intently into mechanization for our harvest and other processes involved in our growing program. This is a very rapidly expanding area in our industry that is quite costly. The cost of this equipment provides us with a barrier into this area. I imagine that the price point will eventually come down for this technology, but how long will it take? Can we wait that long?

Food Safety

We know too well that a food safety incident on a single farm can shut down an entire commodity. In December of 2018, the discovery of *E. coli* on Romaine lettuce effectively shut down all Romaine lettuce sales in the nation. In time, the economic impact of the Food and Drug Administration's (FDA) Romaine advisory in November of 2018 will be estimated. Without an exact dollar amount available the impacts were significant. Many farms in California that had to cease operations. Harvest crews were not working, investments in the crop were lost, trucks were not carrying our products to markets, processors of these products were not operating, rural communities suffered, and ultimately our nation was not seeing the healthy consumer choice of romaine on the store shelves. California produces 90% of the nation's romaine. In another way of explaining the significance of that statistic, there are 130 million servings of leafy greens coming out of California every day to the nation.

Recently, our leafy greens community in California came together to update more stringent water standards for the growing of leafy greens. After the two outbreaks related to romaine in 2018, we realized that reviewing and revising the use of our water was the place to start. After discussions with FDA, FDA's investigation reports, the academic community, and growers, the most stringent water standards have been approved and will be in use shortly. I mention this because I am so proud to be part of a farming community that puts the safety of our products at the forefront. Through the LGMA, we able to update the food safety requirements as new science becomes available. We are also able to do this very quickly. Other food safety programs are unable to change as quickly as the LGMA.

As growers of specialty products, especially leafy greens, we realize the importance and necessity of producing and providing a safe food to our nation and consumers. My family consumes the produce we grow at home. I want what I bring home to be safe for my family, I also want the same products I'm consuming to be safe for every family in our nation. Most companies now employ food safety staff who help that ensure that best practices are followed from germination to the shipment of our product distributed to our customers. Food safety programs like the LGMA have raised the standard in regards to food safety. Under the LGMA, we undergo 5–6 government audits each year to ensure we are adhering to the science based requirements of the program. In addition, the LGMA requires a traceback program requiring all of its members be able to track their produce back to the farm level.

As a grower of leafy greens, I am subject to third party private audits, customer audits, government audits, and now FSMA inspections. Recently, FDA has recognized the LGMA inspections as demonstrating compliance with Produce Rule requirements. This is a start, but finding solutions to relieving the audit fatigue of our specialty crop producers, will become increasingly more important in the future.

Food safety, labor and water are not just issues faced by large farming businesses. Our community is blessed with a variety of farming operations, both big and small. I hope you understand that these challenges are shared by specialty crop producers who farm on 5 acres as well as for those with 5,000 acres. We accept that our farms are held to a higher standard because of the number of families we feed, we know the stakes are high. But please respect the essential role larger farming businesses like ours play in the vitality of local economies and in preserving the food security we are blessed with in this nation.

Thank you for the opportunity to submit this testimony. I am honored to testify and hope my comments have raised awareness of the significance and challenges the specialty crop industry faces in California.

Regards,

DAN SUTTON,
General Manager,
Pismo Oceano Vegetable Exchange.

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The CHAIRMAN. Thank you, Mr. Sutton.

Mr. Davis.

STATEMENT OF H. BART DAVIS, JR., OWNER AND OPERATOR, DAVIS FAMILY FARMS, DOERUN, GA

Mr. DAVIS. Good morning, Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee.

Thank you for the opportunity to provide a perspective on the current economic condition for farmers in southwest Georgia. I believe this situation reflects what crop producers across the Southeast are currently experiencing.

Our family farm raises cotton, peanuts, corn, along with hay and beef cattle in Doerun, Georgia.

South Georgia is one of the leading regions for both cotton and peanut production. The price outlook for these commodities is bleak and the economic climate in agriculture makes it difficult for crop producers to remain viable.

This economic situation is the result of multiple factors that have combined to create almost a perfect storm for farmers in most parts of the country.

First, commodity prices have generally been flat and trended downward due to global supply-demand situation, trade policy uncertainties, and strong crop yields and large production in other countries.

Second, most major crop producer regions in the U.S. have been hit with severe natural disasters in the past 2 years, hurricanes in the Southeast, drought in the Southwest, and flooding in the Midwest.

Third, the trade uncertainty and export market disruptions caused by tariffs are harming exports which are critically important for most commodities.

Last year's hurricane caused $600 million in cotton and seed cotton losses in Georgia alone, plus $74 million in indirect losses. Across the Southeast Region, estimates range between $700 and $850 million in cotton and cottonseed losses. While some of last year's crops were salvaged, production was down 40 percent statewide, and many fields suffered a complete loss.

Since the hurricane struck the Southeast last fall, my fellow producers and I, along with our lenders, thought Federal assistance would be made available to help offset this historical loss we experienced.

Beyond traditional lenders, most of our seed chemical fertilizer equipment lenders have also extended credit where repayment could be dependent on getting a disaster bill passed. We never anticipated that 7 months post-hurricane we would still be left waiting and wondering what will happen.

I am very grateful for the House passing disaster assistance. I want to recognize the leadership and support on this issue by Representative Austin Scott, David Scott, Rick Allen on this Committee, and Chairman Bishop on the Agricultural Appropriations Subcommittee.

On behalf of my fellow producers, our families, and the rural communities across the Southeast where agriculture is the backbone of the local economies, I implore Congress and Administration to resolve their remaining differences to ensure a disaster bill is passed this month.

The 2018 Farm Bill provides a strong foundation for farm safety net, but these policies are not equipped to adequately respond to the losses when catastrophic natural disasters hit. Coupled with the lost exports due to ongoing trade disputes, it is clear that supplemental assistance is needed across the agricultural sector for producers to withstand the economic pressures we are facing.

The China trade dispute with tariffs on cotton are increasingly harming our industry. U.S. cotton market share in China is down 75 percent, while Brazil has quadrupled its market share. Farmers cannot continue to withstand the economic impact of the trade dispute on our bottom line.

The MFP provided by the Administration last year has helped partially offset our market losses. Those of us that suffered crop losses due to last year's natural disasters were unable to fully benefit from the MFP.

For prospects for increased production this year, U.S. cotton must have increased access and market share in China. The cotton industry also strongly supports approval of the U.S.-Mexico-Canada Agreement.

I believe it is critical for the House Agriculture Committee and Congress to take action by providing the much-needed assistance that will help producers withstand the economic downturn occurring in our sector.

Thank you for supporting U.S. agriculture, and I would be pleased to respond to any questions.

[The prepared statement of Mr. Davis follows:]

PREPARED STATEMENT OF H. BART DAVIS, JR., OWNER AND OPERATOR, DAVIS FAMILY FARMS, DOERUN, GA

Introduction

Good morning, Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee. Thank you for holding this hearing and for the opportunity to provide a perspective on the current economic conditions for farmers in southwest Georgia that I believe are reflective of what crop producers across the Southeast are currently experiencing. I especially want to thank Congressman Austin Scott, who represents the district I live and farm in, for the invitation to be here today.

My name is Bart Davis and my family, and I farm in Doerun, Georgia, where I was born and raised. Our family farm began with 500 acres producing cotton, peanuts, wheat, soybeans, hogs, and beef cattle. Today, Davis Family Farms includes my wife Paula, our sons Trey and Jedd, and daughter Lakyn. We farm approximately 3,100 acres of cotton, 1,600 acres of peanuts, 300 acres of corn, along with hay and beef cattle.

We all know and appreciate that agriculture is a highly cyclical business, more so than most other industries, due to the impact of Mother Nature on our productivity and the global commodity markets where we sell our products. It is this cyclical nature of farming that has driven the evolution of farm policy over the decades and the need for Congress to maintain an effective safety net for family farms through the farm bill and crop insurance. I would like to thank you and the other leaders and Members of the House Agriculture Committee for the work done over the past 3 years to address the immediate policy needs of cotton producers by bringing cotton more fully into the safety net for 2018 under the previous farm bill and then protecting that policy as part of the new farm bill for the next 5 years.

Economic Conditions

South Georgia is one of the leading regions for both cotton and peanut production. The current price outlook for these commodities is bleak, just as is the case with many major crops including corn, rice, sorghum, soybeans and wheat. The current economic climate in agriculture makes it difficult for crop producers to remain viable and service our debt, much less earn a positive margin. This economic situation is the result of multiple factors that have combined to create almost the perfect storm for crop producers in most parts of the country.

First, commodity prices have generally been flat to trending downward due to multiple factors including the global supply/demand situation, trade policy uncertainties, strong crop yields and large production volumes in other major producing countries. Cotton prices are projected to decline for the 2019 crop year back to the average level observed for the 2014 through 2017 crops. In addition, cottonseed prices are continuing to decline, averaging less than $150 per ton in most areas. Lower cottonseed prices reduce revenue for producers, and at these price levels, likely result in out of pocket costs for ginning expenses paid by the grower. Second, most major crop producing regions of the U.S. have been hit with severe natural disasters the past 2 years—ranging from the hurricanes in the Southeast and south Texas to drought in the Southwest to wildfires in the West and flooding in the Midwest. Third, the trade uncertainty and export market disruptions caused by retaliatory tariffs are stifling exports, which are critically important for most commodities.

Natural Disasters and Disaster Assistance

As you know, portions of Alabama, Florida, Georgia, North and South Carolina were struck by devastating hurricanes and flooding last fall. Hurricane Florence hit the Carolinas followed by Hurricane Michael that hit south Alabama, the Florida panhandle, and my region of Southwest Georgia, which was in the heart of the devastation.

The magnitude of these storms was so severe that we had wind speeds never experienced before as far inland from the coast. The timing of the hurricanes could not have been worse, striking just as most of our crops were ready to harvest and the most exposed to damage and loss. This was especially true for our cotton, which was expected to be one of the best yielding cotton crops in the history of Georgia. The University of Georgia, Georgia Department of Agriculture, National Cotton Council, American Farm Bureau Federation, and others have developed estimates of the crop losses of approximately $600 million in cotton and cottonseed losses in Georgia alone, plus $74 million in indirect losses. Across the Southeast region, estimates range between $700 and $850 million in cotton and cottonseed losses.

Since the hurricanes struck the Southeast last fall, producers and their lenders across the region have been agonizing over how to move forward with the 2019 crop. While some of last year's crops were salvaged, production was down 40% statewide, and many fields suffered a complete loss. Some of what was salvaged was such poor quality that the cotton could not be ginned, or if it was ginned, the poor lint quality resulted in heavy price discounts. For months my fellow producers and I, along with our lenders, thought Federal disaster assistance would be made available to partially offset the historic losses we experienced. We never anticipated that now, 7 months post-hurricanes, we would still be waiting and wondering what will happen.

I am encouraged by the recent reports of progress toward resolving the disagreements that have held up Congressional passage of a disaster bill that can be signed by the President and enacted into law. I am very grateful for the House passing several disaster assistance packages and want to recognize the leadership and support on this issue by both Representative Scott and Chairman Bishop on the Agriculture Appropriations Subcommittee.

Given the uncertainty around an agriculture disaster assistance package, some lenders have not provided operating loans and credit lines to producers to put in a crop this year. Other producers have been forced to seek alternative or more expensive financing options. Producers and lenders were counting on a Federal response, just like we have always seen by Congress any time a natural disaster of this magnitude has struck any part of our country. On behalf of my fellow producers, our families, and the rural communities across the Southeast where agriculture is the backbone of the local economies, I implore Congress and the Administration to resolve the remaining differences to ensure a disaster bill with agriculture assistance is enacted in the coming days. Otherwise, many producers will likely not be able to remain in business.

Farm Bill and Crop Insurance

The Agriculture Improvement Act of 2018 (2018 Farm Bill) and Federal crop insurance provide a strong foundation for the farm safety net and risk management. The 2018 Farm Bill included important updates and refinements to the policies included in the 2014 Farm Bill. These include an optional yield update beginning in 2020, greater flexibility to select between ARC and PLC coverage during the years covered by the farm bill, enhancements to crop insurance, and greater customization of risk management tools for cotton by selecting between ARC/PLC, STAX, and SCO coverage.

However, these policy tools are not equipped to adequately respond to the losses producers suffer when catastrophic natural disasters hit. Coupled with the lost export markets from the ongoing trade disputes, it is clear that supplemental assistance is needed across the agriculture sector for producers to withstand the economic pressures they are currently facing.

Trade Policies and Negotiations

U.S. agriculture generally, and the cotton industry specifically, are heavily reliant on robust export levels. For cotton, more than 80% of the crop is exported as baled cotton lint and most of the remainder is exported as cotton yarn and other textile products produced by the U.S. textile industry. The industry's top export markets are Vietnam, China, Indonesia, Pakistan, Turkey, and Mexico.

The cotton industry strongly supports Congressional passage of the U.S.-Mexico-Canada Agreement (USMCA). The agreement continues duty free access for U.S. cotton and cotton products and maintains a yarn-forward rule of origin for textile/apparel products. USMCA also includes a specific textile chapter that helps close existing loopholes in the rules of origin while improving customs enforcement to address transshipment of apparel goods that do not qualify for preferential access to the U.S. market.

The current trade dispute with China and the resulting retaliatory tariffs on U.S. cotton and cotton yarn are increasingly harming the U.S. cotton industry and our long-term market share in China. The immediate impact has been roughly a 75%

decline in market share in China, while Brazil has quadrupled its market share in the market. This lost market share has reduced overall export sales and shipments, further depressing U.S. cotton prices. While it is important to act to address China's policy abuses and the impacts on our trading relationship, U.S. farmers cannot continue to withstand the economic impact of the trade dispute on our bottom-line. The Market Facilitation Program (MFP) provided by the Administration for cotton and other commodities produced in 2018 has helped partially offset our market losses. However, those of us that suffered either total or partial crop losses due to last year's natural disasters were not able to fully benefit, or some not at all, from the MFP.

Our industry urgently needs a resolution to the trade uncertainties with China. With prospects for increased production in 2019, U.S. cotton must have improved access and increased market share in China. Otherwise, we are likely to experience further declines in market prices and increased economic pressure on cotton producers. Among agricultural commodities, cotton is unique since the only markets for the crop are in countries where a textile industry exists, so finding and opening new markets is relatively limited for cotton compared to most other commodities that are either food and/or feed crops.

Conclusion

As the agriculture industry continues to struggle with depressed commodity prices; trade disputes, retaliatory tariffs, and lost market share; and crop losses and infrastructure damage from hurricanes and other natural disasters, I believe it is critical for the House Agriculture Committee and other Members in Congress to take action by providing the much-needed assistance that will help producers in the near term withstand the economic downturn occurring in our sector.

While the farm bill and crop insurance continue to serve as the foundation of agriculture's safety net, these policies are not designed to adequately respond to the losses created by historic natural disasters, trade disputes, and punitive tariffs in multiple, top markets critical to U.S. agriculture exports.

Thank you for taking the time to examine the state of the farm economy and to hear directly from producers being impacted across the country. I also want to thank you for being advocates of U.S. agriculture. I would be pleased to respond to any questions.

The CHAIRMAN. Thank all of you for your testimony.

Members will be recognized for questioning in the order of seniority for Members who were here at the start of the hearing. After that, Members will be recognized in order of arrival.

I recognize myself for 5 minutes.

Mr. Davis, thank you for your testimony regarding the disaster relief. I am hopeful that our next hearing in June will be focused on that issue and we will do a much deeper dive into it. I am hopeful that by then we will have the disaster relief that we so sorely need in Florida, Georgia, and along the Missouri-Mississippi River.

Most of us on this Subcommittee represent pretty large swaths of land, and I can't go to any farmer in the 270 mile stretch of south Texas that I represent without hearing about how difficult it is for farmers to get loans and financing and things like that.

What I would like to hear from each of you is, given the geographic diversity that is represented here today, what you are seeing and what your fellow farmers are seeing on that front.

Mr. Huie?

Mr. HUIE. Thank you, Mr. Chairman. As you said, credit is a challenge right now. A couple of fundamental reasons that that is a problem relate directly to the market.

The first is that most credit in our area is calculated based on your historical production times a given price, and that is what the beginnings of loans are built out of, and as those prices decrease, so does your ability to finance up to that level.

Second, as crop insurance values decrease and the ability to collateralize crop insurance therefore decreases, that changes your ability to borrow, and so both of those have put a squeeze on.

And the third, which is the one I guess I didn't anticipate individually, is that I am grateful that thus far my lender has been supportive, although we have had to refinance some things, I have some fellow peers who have not been as fortunate as I have. And in scenarios where they owe money that is unsecured, for example, I picked cotton for a neighbor last year who could not afford his own $¾ million cotton picker, I moved across the road and picked his cotton with the expectation that he would pay me. He has not been able to get refinanced and so he owes me about $100,000, and I guess I am not going to see that again, so there is a third tail to that thing that I did not anticipate. We have sort of three different issues there in my mind related to just sort of the total shrink in what has been able to be borrowed from credit.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Peterson.

Mr. PETERSON. Yes. The current lending situation, we bank at the Main Street Bank in Northfield. Happens to be the same one Jessie James tried to get money out of, but anyhow, they have been supportive and they are a small-town lender. As I said, we have been there forever. It is basically on equity of past generations, our diversification in our livelihood, and their ability to believe in us. We can't present them with favorable numbers. We are trusted friends, I guess, because the numbers aren't working and in years past there has been a little bit of a—my wife does a lot of the marketing and there has been a little bit of a burp in the market or a positive where we could forward contract.

We are an older established farm and we have on-farm storage, so we can bridge into carrying the market and things like that, but as we plant our crop this year, I don't see a lot of positive frontiers in the markets. It is really hard to price a commodity that we are growing, and it is hard to ask this of our trusted lenders, so I guess what I am trying to say is, is if we were across the desk, we would either have to believe in the individual or we would have to make the decision from some other means, because we just don't have the numbers before us to present positive cash flow.

The CHAIRMAN. Well, thank you.

And in the interest of time, I will go ahead and move on to my colleagues.

I recognize the gentleman from Pennsylvania, Ranking Member Thompson, for 5 minutes.

Mr. THOMPSON. Mr. Chairman, thank you so much.

Thank you to each of you gentlemen for being here taking time away from your farms and your families. I hope you know how incredibly valuable that is to us. We recognize your sacrifice to come here, but giving us your personal experiences is so important.

Mr. Davis, good to see you again.

Mr. Davis, you mentioned the need for Congress to pass disaster assistance. I certainly agree with you. It is unfortunate that it has taken this long, but given what is being considered legislatively is very similar to what Congress passed to address the 2017 losses, also caused by hurricanes in the Southeast, would there be any changes in how the WHIP program (Wildfires and Hurricanes Indemnity Program) is designed either legislatively or administratively that would help the program operate better for producers?

Mr. DAVIS. Yes, sir. In 2017 one of our challenges with the WHIP program was the signup process was very time consuming. They had to manually calculate all the math due to software issues, and one thing was when the producer signed up he could only get 50 percent of his eligible payment at that time and he had to wait until the end of the signup to get the remaining 50 percent, and that sort of hurts.

And another thing we have asked, to increase the coverage from a 70 percent to a 90 percent loss so you would trigger payment quicker, and a lot of people that had losses in 2017 in my area did not qualify. Even on my farm, we had a loss but it was a shallow loss and we didn't qualify.

We would also ask that we would like to just, instead of deducting the gross indemnities from your payment, just to deduct net indemnities. And what I am saying there is, on gross indemnity they consider your insurance premium in there, so that way a guy would be getting benefit from what he has paid for insurance, if you follow what I am saying.

Mr. THOMPSON. Yes, thank you. Thanks for the concrete recommendations.

This question is really for anybody on the panel that would like to address it.

I know when I visit my producers in my area, crop insurance really is critical, and for the most part lenders require farmers to carry insurance and generally it works well most years.

Could each of you briefly comment on your experience with crop insurance, what type of policy you typically carry, and are there any changes or improvements that we could be working with the Administration on to better provide risk protection?

Mr. Huie.

Mr. HUIE. Yes, sir, and thank you for letting me speak to that.

I was also part of the WHIP program after Hurricane Harvey and the way crop insurance interacted with the WHIP program was not particularly positive. He hit on a couple of those things already.

As far as improvements to crop insurance, my recommendation would be to have a discussion about what happened in our area during Harvey was that we had a giant crop in the field, much larger than what our historical production was, and if any portion of that was harvested, then it ruled out crop insurance, and therefore, ruled out the WHIP program. There was no system in place to get any assistance, as evidenced by the fact that it didn't spend any money. I mean, it was appropriated at $2.6 billion and spent $1 billion. All that money, still it didn't go out into the countryside in my part of the world.

Mr. DAVIS. I would like to make a comment on crop insurance.

As you all know, crop insurance on our crops, it is unlike homeowners or car insurance. With crop insurance, the highest coverage we can normally afford to purchase is 80 to 85 percent, so we are left to incur significant deductible ourselves before crop insurance coverage triggers to help offset our losses.

With the losses from the hurricane last year, crop insurance would not cover the magnitude of losses we experienced, and it does not take into account the crop potential before the storm hits.

Where insurance is based on historical yields, it don't always keep up with the pace of production due to improved practices and farming technology. What I am saying is, we had to work off of APH, which is a 10 year average, and that always is not really fair because we are continuously making better and more production as time goes by.

You can spend whatever you want. You can spend from $15 to $60 a acre. If you insure to the max on irrigated which your premium is based on how much revenue you can collect. In other words, the higher the yield you have and the higher the price is set, the more it costs us. Therefore, you have to use good management to decide getting more bang for your buck. You are going to have a 20 percent, normally, risk out there if you collected the full insurance. You can still lose $100 to $200 per acre on irrigated cotton.

Mr. THOMPSON. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. And I recognize the gentlewoman from Minnesota, Mrs. Craig.

Mrs. CRAIG. Thank you.

The CHAIRMAN. Five minutes.

Mrs. CRAIG. Thank you, Mr. Chairman.

I would like to start by submitting for the record a written testimony from the National Association of Wheat Growers, please.

[The document referred to is located on p. 43.]

Mrs. CRAIG. First of all, I really want to start my comments by saying that I am going to focus on the effect of the Administration's efforts on trade for most of my questions.

To me it is just undeniable that this Administration has continuously used our family farmers as political bargaining chips in a senseless trade war.

When I talk to farmers in my district, the notion that this is short-term pain for long-term gain is getting old. As our farmers are planning for the year ahead, the threat of withdrawing from NAFTA continues to loom and there is still no resolution with China.

Just this week we saw the impact of the Administration's trade actions play out in real-time. Ahead of negotiations with China, the President in a Tweet threatened a new round of tariffs on China, going as far as to say that these tariffs are, "Partially responsible for our great economic results." This Tweet sent soybean futures plunging to record lows, all part of a sustained period of market volatility and sharp decline of soybean prices over the last year.

Even if the Administration reached a deal tomorrow, we may never regain our international market share for U.S. crops.

If we don't reach an agreement quickly, stocks will continue to grow and prices will continue to fall. This market volatility is threatening to change the makeup of rural America for years to come.

Farmers are resilient and hardworking people who just want a fair shot at a market and a fair price.

So with that, I do want to start with you, Mr. Peterson.

You mentioned in your testimony that you originally supported the goals of securing better trade agreements to hold China accountable. I, too, supported that.

Do you feel our rural communities, places like Northfield and those surrounding Rice County towns and townships, have received the great economic results that the President claims? And how has the Administration's trade war impacted your life, Mr. Peterson?

Mr. PETERSON. Just to be kind of humorous, the trade war impacted steel, aluminum, and soybeans. Well, we run a welding and fabrication shop that deals in steel and aluminum and we also grow soybeans, so it really didn't affect me much, right?

Anyhow, on a serious note, it all comes down to markets, and you mentioned our community. Our community is pretty diversified and resilient, kind of its own economic engine.

But if we go farther out into rural America, there is my concern. It is about the communities. It is about the farmers that can spend money in those communities. That keeps schools open. That keeps the medical industry open. That keeps infrastructure, even fire departments and things like that open. It keeps up roads and bridges. It is just commerce.

And rural communities, smaller towns, are so vital to our whole demographic and our ability to keep family farmers on farms and keep our cropland from being owned by corporations, which in turn I feel would turn into a foreign investment in farmland and eventually possibly some of the loss of our own food supply or control of our food supply, excuse me.

To answer your question, and put it into numbers, I am not going to speculate or guess, when farmers don't have money they can't spend it in town and not having the markets that are checkoff dollars and all of our negotiations in the past have negotiated for, we need to get ships tied up to docks in foreign countries. That is just the way it is and I don't think we can accomplish that by telling our customers how to act.

Mrs. CRAIG. Thank you.

I just want to follow up on one other topic real quick, and that really is climate change. There is a lot of talk here in this town about climate change, and I believe our farmers are really on the frontlines of conservation in this country.

What role do you believe farmers can play here in addressing climate change and what should the Agriculture Committee do to continue to promote conservation practices?

Mr. PETERSON. I believe that on our farm I want to be proactive. The soil carbon sequestration thing is intriguing to me, and I am going to morph, further morph our production practices into building healthier soils, primarily from a me-first standpoint.

I want to create healthy soil, reduce inputs, and keep the thin layer of topsoil we have in place. That is what I feel a lot of farmers can do on climate change, and it would be a cooperative venture, whether it is through supply management and we do a short-term, set aside program where we could amend soils.

We are in the northern portion of the Corn Belt and it is really hard for us to get a window to grow cover crops or anything outside of corn and soybeans. Those two production crops take 100 percent of our growing season.

If we need to answer to some sort of a climate change initiative, I would appreciate the ability to move a portion of my production acres into soil stewardship applications.

Mrs. CRAIG. Thank you, Mr. Peterson.

I yield back.

The CHAIRMAN. I now recognize the gentleman from Georgia, Mr. Scott, for 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman.

And just briefly, while Texas and Georgia were both hit with hurricanes, what happened in Texas is the crop was already harvested. It was just still sitting in the field because you didn't have time to get it out of the field before the storm came in. Sir? Both? But a lot of your crop was harvested?

Where in Georgia our crop was still on the stalk and that is where the difference when crop insurance pays and doesn't pay makes such a big difference.

The storm hit us mid-October and I was at the Sunbelt Ag Expo, as I know Bart Davis was. Others in this room may have been there. I know some of the other people in this room were there.

The Vice President, who I know and I like, flew in there and gave a speech, and I would like to read part of his speech. He says, "Let me say to all the farmers gathered here today in the wake of Hurricane Michael, we are with you and we will stay with you until we rebuild and recover better than ever before." There was as big an applause as I have seen in a long, long time when he said that.

And he talked about Decatur County, which is in Congressman Bishop's district, not in my district. Georgia farmers and producers lost up to 75 percent of their fall vegetables, 90 percent of their sweet corn, 95 percent of the unharvested cotton crop, 95 percent of poultry, 100 percent of the pecan crop, and in fact many of them lost the whole pecan orchard.

Those of us in the House worked pretty hard in putting a disaster package together, and we were able to move up to $3 billion, the number available for crop losses. The losses in Georgia alone are better than $2 billion, and we are talking about $3 billion for the whole country for all of the 2018 storms, not just Hurricane Michael. The $3 billion number is still short.

But, I want to read the Statement of Administrative Policy that the Office of Management and Budget put out, "*Crop and Livestock Losses.* The Administration does not support the $1.1 billion," again, we through work in the House got it moved to a more reasonable number, "provided for crop and livestock losses. Existing USDA safety net programs including crop insurance can provide this assistance to producers."

I appreciate the Vice President's comments and I appreciate the President's favorable comments about agriculture and the agriculture community.

But when things were then handed off to people at Office of Management and Budget, who consider the American farmer and the American farm family nothing but subsidy-sucking freeloaders, then there is a disconnect in what is actually coming out of the Administration and what the Administration is telling us they are going to do.

Mr. Davis, can you explain to us why existing crop insurance programs just won't do it in the case of an event like Hurricane Michael?

Mr. DAVIS. Yes. Like I said a while ago, 80 to 85 percent is the most you can insure your crops for.

When I started farming in 1982, Austin, you could take $100,000 and work a lot of land. I borrowed hundreds of thousands of dollars. Now we borrow millions of dollars.

Virtually, our operation has to feed three families. I don't really like having to farm 5,000 acres. That is what it takes. The profit margin is so thin, that is the acres it takes for us to make a living for three families.

And with insurance like it is, it is costing so much to, the cost of production has gone up so dramatically the last several years, it is costing me on my farm between $900 and $1,000 an acre to grow an irrigated acre of peanuts or irrigated acre of cotton, so you see the risk there. And when you see there that 80 to 85 percent is the most I can insure for, you do the math. You see what is left.

That is what happened to me last year. We had the maximum insurance and I am not going to say the figure here, but it was several hundred thousand we still lost on our farming operation last year.

Mr. AUSTIN SCOTT of Georgia. I appreciate all of you being here.

I will tell you one of the things; and this is true in Colquitt County. If you go into the northwest portion of Colquitt County, the loss is totally different than the losses in the southeastern portion of the county, the way that storm came through. And as this Committee looks into crop insurance and how we handle the losses, it is very clear to me we are going to have to figure out what happens in the event of these catastrophic losses where you have a 100 percent loss and how that is calculated into base figures and other things, going forward.

Mr. Chairman, I know my time has expired, but I appreciate the Members of this Committee helping to pass disaster relief.

My colleague David Scott has been a big help in that as well, and I sure hope we get something done before Memorial Day.

The CHAIRMAN. And I recognize the gentleman from California, Mr. Carbajal, for 5 minutes.

Mr. CARBAJAL. Thank you, Mr. Chairman.

First, a question for Mr. Sutton. As you stated in your testimony, access to labor is one of the most essential inputs in specialty crop insurance. Labor shortages continue to challenge your Central Coast operations due to impracticalities of our current immigration system.

Can you please explain the challenges Central Coast farmers are seeing due to the lack of access to a sustainable workforce? What do you predict your industry will face if the ongoing labor issue is not resolved?

Mr. SUTTON. Thank you, Congressman Carbajal.

Yes. Labor is one of the most concerning issues that we are facing day to day, 10 years ago we had the ability to access domestic labor and pay those folks that worked on our farms the current wage.

What has happened here in recent years is that domestic labor pool has gone away, and please understand our operation is one of several hundred in California that are working in the specialty crop industry. And our labor needs are pretty intensive because no one likes a head of romaine that doesn't arrive to your refrigerator that doesn't look good, and so our crops take that personal touch. It takes hand labor to get that crop as it is out on our farm to your dinner table.

Because of the shortage of labor, we have had to start using the H–2A program more extensively. I will estimate this year that with all of our harvesting crews, 85 percent of the labor that we need is coming from the H–2A program.

The H–2A program gives us the labor we need to get our crops out of the ground, but it is extremely expensive. It is not only the adverse effect wage rate, the A word, that has to be complied with, it is also the California laws with minimum wage increasing, ag overtime decreasing. We have to provide housing for these H–2A workers, we have to provide transportation, and all those costs that go in, and we look at things at a per-box rate. When we factor all the costs that go into that one box of production, at times that doesn't pencil out, and then we have to make the decision of do we harvest this crop or not.

Without consistent and eventual stability in our labor force, the H–2A program will continue to be used, but we are also being looked to go in—we are trying to look to go into mechanization, and there are barriers to going into mechanization. One of them being the pure cost. If there was a machine that could do what 12 farmworkers do, we would definitely be interested in looking at that and then we would have to look at the price tag to see if we could make that happen.

Having a stable workforce for our industry is extremely important to us.

Mr. CARBAJAL. Thank you, Mr. Sutton.

To all the witnesses, in addition to the pressure felt by the farmers during NAFTA renegotiations, the President has stated that he might fully close the southern border for an unspecified period of time.

Can you describe the impact that such a closure would have on your operations?

Starting with Mr. Sutton, if we could?

Mr. SUTTON. Thank you, Congressman. Our southern neighbors to our southern border are one of the largest recipients of our products, and not only that but in the specialty crop industry our market is a global market, and Mexico is definitely part of that global market.

One of the effects, one, it is not good for U.S. farmers, it is not good for U.S. businesses, and it is not good for the U.S. economy.

Immediately after the announcement was made that that may happen, the price of an avocado went up 34 percent. That is how significant our neighbors are to the South and to part of the global economy. Closing the border to the South of us would have drastic effects on the ag economy.

Mr. HUIE. Thank you, Mr. Carbajal.

I am in a close proximity and Mr. Vela's district goes all the way to the Mexican border, and for years that has been an incredibly important part of our trade. In fact, all of my sorghum last year was shipped across the border and into Mexico.

The importance of that has been further compounded by other trade barrier issues that are currently in play, so it has made NAFTA even more important, and therefore, passage of USMCA even more important, those concerns for us all over the country but especially in proximity to the Mexican border and the Canadian border where we need a home for those products.

We in America think we are and believe with all our hearts that we are the best producers and most efficient producers and safest producers in the world, and we need trade for that, for those markets, for those products. We need stability in that system.

And I appreciate your——

Mr. CARBAJAL. Thank you. My time has run out.

I yield back, Mr. Chairman.

The CHAIRMAN. I now recognize the gentleman from Arkansas, Mr. Crawford, for 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman.

Mr. Davis, you made the comments about consolidation. I am not sure which one of you addressed this. But how consolidation is impacting input costs and so on. You want to weigh in on that, how that is affecting your operation?

Mr. DAVIS. Okay. What is the question again?

Mr. CRAWFORD. Consolidation and how that is affecting your input costs.

Mr. DAVIS. It is affecting our input costs. It causes things to go up. I guess the question you asked is about the tariffs?

Mr. CRAWFORD. No. I am talking about, and I may need to direct this question to Mr. Huie. Maybe you are the one that might have addressed that.

Mr. HUIE. Yes, sir. I will take a run at that.

Part of the free market economy that we believe is necessary in agriculture is competition, and as competition has shrunk in the marketplace both where we buy and where we sell, our ability to both sell products and buy products at a reasonable cost has changed. This has been further exacerbated with tariffs from China which have again shrunk our ability to bring things in from other companies.

There have been some major consolidations recently, the Bayer-Monsanto merger and a couple of others, that have just taken competition out of the marketplace for things like technology and seed. They are all selling the same products and that is part of what has held our input costs high because there isn't really a great option out there in competition to lower our input costs.

There are a bunch of different things related to that that are holding input costs up, even as our ability to sell declines, but consolidation is certainly a component of that in the major companies.

Mr. CRAWFORD. Thanks.

Mr. Davis, I am going to go back to you because disaster relief is, obviously, front and center for you right now.

I have been working on this particular issue, what I would consider probably like an HSA account for farmers, that is to allow farmers to essentially fund their own disaster relief while they await either a crop insurance payment or a supplemental appropriation or whatever. In many cases it could make the difference in folks being in business today and making it another year or not.

Let me ask you this: If you had such an account, if you had access to a tax-deferred account that you could deposit with up to $50,000 a year and be able to draw on for operational use in the time of a disaster, is that something you find would be beneficial to you?

Mr. DAVIS. Yes, sir, it could be beneficial if the farmers have the money, can make enough profit to put that money in there every year.

Mr. CRAWFORD. It is really kind of a tough scenario right now because now is the time you need it.

Mr. DAVIS. Right.

Mr. CRAWFORD. Congress is historically not proactive. Sometimes you could say the ag industry in general, and I have been in the ag industry most of my adult life, is sometimes not proactive and we don't go where we need to be, but rather wait until circumstances dictate that we act a certain way. We can't turn back the clock; but, if 5 years ago we had an account like this, you would be fully funded right now, potentially.

Mr. DAVIS. Yes.

Mr. CRAWFORD. And could mitigate the losses you are suffering right now.

My point is this, that we have limited authorities here in the Agriculture Committee. We have wrestled with this, because there is obviously a tax component here, so we have to rely on people outside of the Agriculture Committee who really kind of lack the understanding of why that is important.

We are asking folks in committees like Ways and Means who may not have the same understanding of agriculture to understand why we are making these suggestions for you.

Can you kind of envision an account like that being beneficial to keep you in business another year while you are waiting on a disaster supplemental or possibly a crop insurance adjustment?

Mr. DAVIS. Yes. I mean, it would be according to the way this thing is set up. I mean, would this be something that we would get a tax credit for?

Mr. CRAWFORD. Certainly that is, yes?

Mr. DAVIS. Instead of paying taxes, put a certain amount of your tax money, if you made money, put that money in there, because you are going to have to make a profit before you are able to fund that account.

Mr. CRAWFORD. That is exactly the point, and rather than when you have a good year go out and invest in another combine because you are trying to reduce your tax liability, you put that same amount into an account that can be used to mitigate disaster on your farm.

Mr. DAVIS. But, we work toward disaster to try to prevent disasters, we put money in center pivots for drought and we put money in crop insurance for other losses that we just have. I mean, I have been paying crop insurance for several years and hardly ever collected.

Mr. CRAWFORD. Yes.

Mr. DAVIS. I got a lot of my money back this year. I mean, if you look at it in certain ways, that sort of works sort of like what you are saying, but it wasn't enough to fully get me out.

Mr. CRAWFORD. Right.

Mr. DAVIS. But I paid premiums for years and never collected. It paid off when Hurricane Michael come.

Mr. CRAWFORD. I appreciate that.

Mr. DAVIS. I guess that is a possibility. I mean, that is the first I have heard about that. I mean, that is something we would have to—the cotton industry would have to look at and talk about and see how it would work for us.

Mr. CRAWFORD. I appreciate it. I apologize for going over.

The CHAIRMAN. I now recognize the gentleman from Georgia, Mr. Scott, for 5 minutes.

Mr. DAVID SCOTT of Georgia. Thank you very much, Chairman Vela. I really appreciate you holding this hearing. It is very timely. The state of our nation's farming and agricultural economy has to be and should be and must be the number one agenda that we in Congress get forward to and resolve.

Foremost is the fact that we have not treated our farmers right. I mean, we have had time after time needs expressed to us from our farmers. They have suffered through hurricanes after hurricanes, wildfires after wildfires, lava spewing up. I mean, the damage is there and yet not one dime has this Congress given down to help our farmers.

Many of our farms are hanging on by their fingernails. They are losing their farms. The suicide rate of farmers is second only to our veterans, which is both shameful.

Now we have a bill. We are supposed to vote it in today or tomorrow and I just hope that this House will stand up and unanimously pass this, get it over to the Senate, and then let us hope that our Republican colleagues who have a problem with our Puerto Rican fellow Americans put it behind them and put the interests of our farmers foremost.

Agriculture is the single-most important industry we have. You can do without a lot of things, but you cannot do without food, you cannot do without clothing, and we cannot do without shelter, but yet we are treating our farmers like second-class citizens.

I hope the message goes out and I also hope, and I want to get y'all's opinion on this, we have to figure out a way that this will never happen again.

I have farmers in Georgia who haven't had a crop since 2015, and if we can learn from this inability of Congress to be able to appropriate and get money down through the normal appropriations way in the time of these great damaging natural disasters, then we may have to look at another way. Because if every time we get a bill going, my colleagues on this Committee and Congressman Austin Scott and I, Sanford Bishop in Georgia, Senator

Perdue and so many of us have been working, working trying to get it done through the appropriations processes there.

But maybe we need to examine another way where we can have money set aside that doesn't have to go to the rigors and the give and take of politics. It is absolutely shameful that we have not responded to our own farmers because of some disagreements or differences or disdain even for our Puerto Rican citizens.

I want to ask you, I have a question here. Given the current market conditions, has it been difficult to access credit? Would you all answer that for me?

Mr. DAVIS. Yes, sir, Mr. Scott.

Not only with it being a bad year and losing part of your crop, but when you go to borrow money to make an operating loan every year, the cheaper the prices the harder it is to borrow the money.

I mean, you got to do a cash flow.

Mr. DAVID SCOTT of Georgia. And why is that? Why is that?

Mr. DAVIS. Because a bank, which to start off with, to borrow money to farm you got to have an ag bank or ag lending institution. A lot of banks don't even understand farming. They look at it and say, "This ain't going to work," from the get-go. I mean, they got to be sort of willing to help like they have.

A lot of banks and lenders have stuck their neck out to help keep farmers in business now because they know rural economies are important, but they have done it banking on this disaster is coming. If this disaster don't come, we are going to have more problems. But when you do a cash flow every year you figure your average yields times what you think you are going to get for that crop or what you got contracted, or whatever the market price is, to figure your income *versus* your expenses. The cheaper the prices every year on cotton the harder it is to make your cash flow.

Mr. DAVID SCOTT of Georgia. Do we have any idea, any of you have any figures or numbers on how many farms have closed down as a result of our inability to get aid to them?

Mr. DAVIS. I don't. I know there are some out there still open. If this disaster bill would get passed, there are some that bankers are still holding up. They would go ahead with it even though they know the money is going to be a month or so getting there. I think they would go ahead and pull the trigger and help the people out.

But as far as a number, I do not know.

Mr. DAVID SCOTT of Georgia. That is good. God Bless our farmers for sticking in there.

Thank you, Mr. Chairman.

The CHAIRMAN. I now recognize the gentleman from Georgia, Mr. Allen, for 5 minutes.

Mr. ALLEN. Thank you, Mr. Chairman, and I want to thank all of you for being here today and sharing a little bit.

I just wanted to thank you, Congressman Scott, to kind of piggyback on some of the things that he was talking about. But obviously because of the fiasco in 2008, the banks have been heavily regulated. That had a huge impact on farm credit now.

I can tell you, I had a meeting with lenders the other day. They are all still being stared down by the Federal Government, but they have said and promised me that they are going to do their best to fund a crop, obviously with the disaster issue, and it needs to be solved and it needed to be solved yesterday.

When I came to Congress in 2014, in my first term ag income was already down 55 percent from the farm bill that was written. That was in 2014.

In 2016, Secretary Perdue sat right there where you all are and I asked him, I said, "What do we do about commodity prices," and his response was, terrible trade policy. We are getting killed on trade because we are a so-called developed nation and our competition is called undeveloped, so WTO, we lose everything with those folks. And so I said, "Well, we need to fix that."

Since being in Congress I have voted for multiple disaster relief for Louisiana, Texas, North Carolina, just to mention a few, within a week of the disaster.

Since 2018, we have been sitting here for what, almost 6 months, and people say why is this place so dysfunctional, that we can't do what is right for the American people, particularly for our farmers that are so critical. Not only is it the largest industry in the State of Georgia, it is the largest industry in my district. It is sad, truly sad. And hopefully we can fix that this week, but then of course we got to get it through the Senate, but, it is——

And then on the labor issue we were 20 votes short of true immigration reform, of fixing our labor problems in agriculture. Twenty votes would have fixed everything, and that is what is sad, and this place has to get its act together or we are going to have problems with our entire economy.

As far as the farm bill goes, I think you covered all the questions I was going to ask.

If we can get the disaster thing done, and of course the farm bill is the hardest thing that I have ever worked on in my life. I mean, I couldn't convince colleagues on both sides of the aisle. I mean, I am an investment return. I believe in you can't operate with an empty wagon. I was taught that early in life. My dad was a farmer. You got to invest money to make money.

I see the farm bill as an investment so that we can have a robust agricultural economy, which the payback is enormous. And then you have the national security interest. I mean, 42 days your grocery stores are empty. That is not going to be pretty.

The bottom line is we get through disaster, and I just open this up for comments. As far as the farm bill, how is it going to work as far as with commodity issues like we have and how do we fix this?

And I will just start. You all, we have a minute, I am sorry you only have a minute to answer this, so you have to be quick.

Mr. HUIE. First I want to say thank you and say for the farm bill, that provides the baseline, the underpinning. We understand that.

I don't believe the farm bill was designed to address how much prices have fallen and this idea that there is not any real light at the end of the tunnel right now.

The tension in the farm community because you can't look out and see a profit a year or 2 or 3 from now is palpable, and so the question becomes—the Administration saw that last year. Secretary Perdue did MFP. There are some ways to do that that would be much better, but we are grateful that it was done.

There is something along those lines. We have this sort of fiscal cliff that we have looked at from Fiscal Year 2019. We are including MFP. Agricultural outlays are more than $15 billion. And for 2020 the CBO projection is $5. That is a huge change that this Committee has some jurisdiction over, and there are some things that we need in production ag to address that.

Mr. ALLEN. Well, I am out of time and I hope that, like I said, people here, your Representatives, can come together and end this dysfunction and do what is right for the American people, particularly as far as national security and ag is concerned.

Thank you very much and I yield back.

The CHAIRMAN. I would like to first of all thank the Ranking Member of the full Committee, Mr. Conaway, who with Mr. Peterson helped steer this Congress towards a successful 2018 Farm Bill, and recognize him for 5 minutes.

OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM TEXAS

Mr. CONAWAY. Well, I thank my fellow Texan for those kind remarks. It was a group effort and I appreciate us getting that done.

And I just want to thank you for coming up again.

I just have a couple of this and that, to ask because most everything else has been covered.

You were talking about the impact of having fellow farmers around you go out of business or whatever, actually made a poor credit decision on your own with the neighbor across the street, but what impact does that have on land values and equipment values and others in terms of collateral value for against your loans and your banker?

What is the impact there?

Mr. HUIE. Thank you, Mr. Conaway.

The impact, we haven't seen a dramatic fall in land values yet for which we are incredibly grateful, because ultimately that is part of what we use as collateral. And in this environment there is no liquidity without some of those pieces of collateral.

The problem is equipment costs continue to go up and used equipment prices continue to go down and we are in this scenario.

I chuckle about this. I was fighting sand Easter morning, so for those of you who know what fighting sand means, we had cotton up and a whole group of us that are having a text chain, we are fighting sand on Easter morning, and one of my fellow friends chuckled to another one. He said, "Well, my farm is for sale for $15." He farms about 10,000 acres. He said, "My farm is for sale for $15. I am tired of this." And the other one responds, "You would have to pay me to take it." And that, what that does in the long-term is none of those things have, other than land, have value, right? I mean, you have a farm auction or two and you saturate the market with equipment and all of this stuff will disintegrate.

It is going to be a snowball effect and I think that is what the bankers are trying to figure out how to mitigate when they look at how they are going to do loans now, because they are already starting to shrink the value of equipment that is sitting on your asset list in order to deal with those discussions.

Mr. CONAWAY. Secretary Perdue and I were in your part of the world relatively soon after Harvey hit and still remember the rotting cotton which doesn't smell very good.

Mr. HUIE. No, sir.

Mr. CONAWAY. It leaves a lasting impression on you.

There was a question at that time as to you had cotton that had not been harvested yet, you had others that had been harvested and it was in modules, had tarps on it, destroyed in the field, and then you had modules that had been moved to the gin.

At that point in time there was a question as to who owned the cotton and whose insurance would pay for it. Has that been cleared up as a result of actually having to live that experience?

Mr. HUIE. It has somewhat been cleared up, but in terms of financially how it was all rectified, some of those answers are still out there.

As you know, because you saw it, the cotton that was harvested, once it has a tarp on it, theoretically is owned by the gin or is part of the gin's insurance so long as the gin has insurance, which is a whole other issue for hurricanes.

However, if you have cotton sitting out in the field that is part of the field is harvested and part of it belongs to the gin and the rest of it still belongs to the farmer and part of it goes against crop insurance and part of it doesn't go against crop insurance, those are where you run into all these issues with WHIP and it is why WHIP under-performed so badly.

And any of that cotton that didn't get harvested, or didn't get ginned, didn't turn into production whether it was because it was on the plant or whether it was because it rotted in the module and you weren't able to get it through a gin, none of that is eligible for stuff like MFP because it doesn't turn into production. It is another reason why this MFP fix is so important.

In terms of who owns what, there were probably some answers that everybody worked through as best they could.

In terms of getting made whole by WHIP, that didn't happen, and I think that as we go forward with this disaster package to address other places, we need to understand that; first, it doesn't matter what kind of disaster it is, whether it is a hurricane or a wildfire or a drought, it is still a disaster; and second, crop insurance in this environment is not going to make you whole.

Best case scenario in Texas is you buy 70 percent crop insurance and if your breakeven is 110 percent of your actual production history and you buy 70 percent crop insurance and you collect on it, then you have a 40 percent loss, and that is a pretty tough pill to swallow.

Mr. CONAWAY. All right. Again, thank you, gentlemen, for coming up and testifying today. I appreciate that.

And, Mr. Chairman, I yield back.

The CHAIRMAN. Mr. Huie, since you are my constituent, I don't think I would remind you of that decision quite the same way, but before we adjourn I would like to invite the Ranking Member, Mr. Thompson, to make any closing remarks he might have.

Mr. THOMPSON. Well, Mr. Chairman, first of all, thanks to you. Thank you for this, for your leadership with this hearing.

Looking at our farm operations, our commodities, how we mitigate and manage risks, there is, I mean, every, all parts of life have risks, but agriculture is one of the more difficult places to manage risk because of what we deal with.

And I thought the issues that were touched on, gentlemen, thank you for bringing your life experiences, your expertise to the table.

The trade issues we know. Every day that the Chinese are at the trade table, when I see that in the morning, that is a good day for me because I know conversations are going forward. I certainly support that tariffs were a tool, but it has gone on long enough. It is time to get this done.

Disaster relief, which is long overdue, I thought that was a solid message here about people waiting for disaster relief. They have been waiting way too long, and we need everybody onboard.

Agriculture needs a lot of farm hands, House, Senate, and the White House, and it is time for everybody to come together.

There were some great insights on crop insurance, some pearls of wisdom as we go forward, the labor issues touched on, and I just appreciate your hosting this hearing.

There are things that, hopefully, we can in the future continue to talk about.

I notice there is some stuff that is impacting our soybeans, how we look at this African Swine Virus that the Chinese aren't real forthcoming on how many hogs they have lost, 10, 20. Some people think it may be up to 60 percent by the end of the year. Well, that has implications for obviously hog production here but also for markets for soybeans, and the sooner we can figure that out, probably the better. We figure out where those hogs that will replace that market will need to be fed by soybeans.

And so just a lot of moving parts here and I appreciate your leadership on this.

The CHAIRMAN. Well, thank you.

Last week we were in Kansas City and had the privilege of talking to farmers from Iowa, Missouri, and Nebraska, and heard what they are going through with respect to the flooding.

Mr. Davis, rest assured, hopefully by the time we have our next hearing on disaster relief we will have fixed it. But this Subcommittee will certainly take a very close look at that in June.

And with that, I may say under the Rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material, and supplementary written responses from the witnesses to any questions posed by a Member.

This hearing of the Subcommittee on General Farm Commodities and Risk Management is adjourned. Thank you for your time.

[Whereupon, at 11:28 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED STATEMENT BY HON. ANGIE CRAIG, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA; ON BEHALF OF BEN SCHOLZ, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Chairman Vela, Ranking Member Thompson, and Committee Members, I am Ben Scholz, a wheat farmer from Lavon, Texas and President of the National Association of Wheat Growers (NAWG). NAWG represents wheat growers across the nation and works with a team of 21 state wheat grower organizations to advocate for the wheat industry. Thank you for the opportunity to submit testimony regarding the current state of the farm economy.

Wheat growers across the country have experienced a multitude of challenges the past couple of years. U.S. wheat export markets are in turmoil due to uncertainty and unfair trading practices. Countries like China have support systems for their farmers that distort trade, and uncertainty in current and new trade agreements with top destinations for U.S. wheat like Mexico and Japan have caused strain on an already low-price wheat environment. The continued years of low prices have placed significant stress on wheat farmers. Programs authorized in the 2018 Farm Bill have and will continue to play a critical role in helping farmers make it through the low-price environments.

U.S. farmers aren't competing on a level playing field, with major wheat producing countries like China violating WTO trade commitments in how they support their farmers and not fulfilling their tariff-rate quota (TRQ) commitments. We recently secured two big victories at the WTO on these issues, and continued engagement will be necessary as China may appeal those decisions. In addition, since last March there have been almost zero purchases of U.S. wheat to China due to the retaliatory 25% tariffs on wheat and wheat products.

More so, two top markets for U.S. wheat have instability in as trade agreements linger. The United States-Mexico-Canada Agreement (USMCA) would enhance our already strong trading relationship with Mexico and Canada while also maintaining duty-free access for U.S. wheat that began with NAFTA. The United States also faces uncertainty with Japan, another top market for U.S. wheat. With the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) moving forward, top competitors like Australia and Canada have a growing price advantage in the Japanese market, while the U.S. just beings bilateral negotiations with Japan. A stable and predictable international marketplace is critical to helping grow demand for U.S. wheat, especially given that 50% of what is grown is exported.

Wheat farmers have seen several years of continuous low commodity prices. The drop in commodity prices have been much faster than the change in cost of production. The expectation of continued low prices has contributed to some of the lowest wheat acreage in U.S. history, with only 39.61 million acres of harvested wheat expected in the 2018/2019 marketing year, a drop from 47.32 million acres just 4 years prior during the 2015/2016 marketing year.[1] Additionally, with a wet fall last year impacting winter wheat seedings and difficult weather conditions impacting spring wheat seedings this year, we anticipate there could be further reductions in production. The market year average price for wheat continues to trend downward, having fallen to a low price of just $3.89 per bushel in 2016. While the price has come up to $5.15 per bushel in the 2018 marketing year, the average price over a 10 year period is still trending down significantly.

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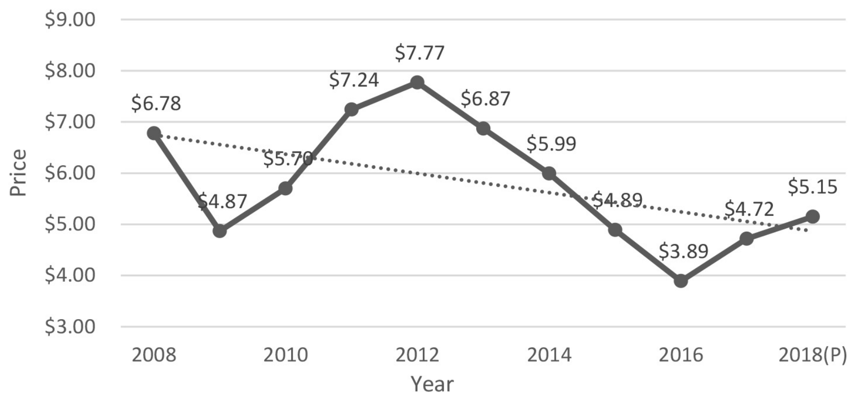
[1] Source: USDA, National Agricultural Statistics Service, Crop Production, Agricultural Prices, and unpublished data; and USDA, World Agricultural Outlook Board, World Agricultural Supply and Demand Estimates.

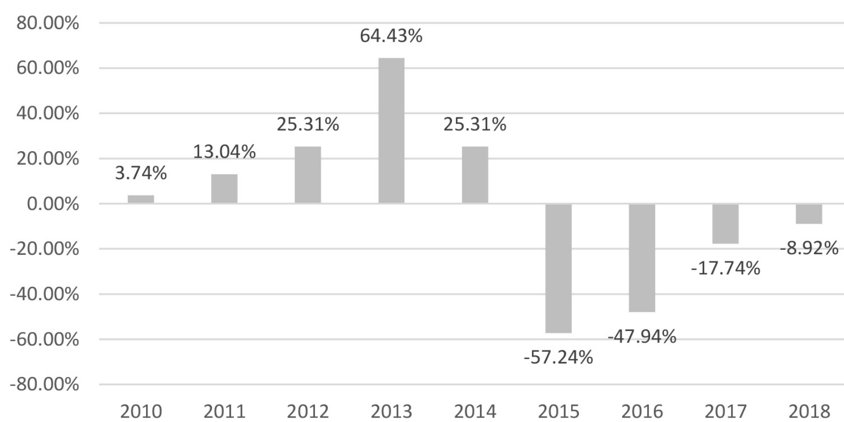
Wheat Market Year Average Price



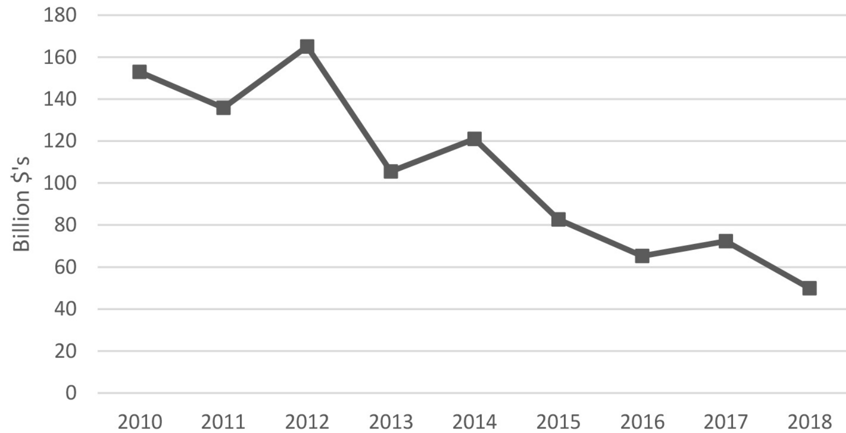
https://quickstats.nass.usda.gov/, *(P)= projected value by USDA.

Another indicator showing the tough economic conditions faced by wheat farmers across the nation is a decline in net farm cash income. Net farm cash income is the cash available to farmers to draw down debt, pay taxes, cover family living expenses, and to invest. According to USDA Economic Research Service (ERS) data, net farm cash income has been down nearly 70% since 2013 for wheat farmers. Working capital in the U.S. Farm Sector has also been on the decline, falling more than $100 billion dollars in just 5 years. As farmers income has dropped, liquid cash capital reserves have been depleted. Loss of capital reserve leads to question as to how to keep the current generation of younger or beginning farmers for the future?

Percent Change from 9 year Average of Farm Business Net Cash Income



Working Capital, U.S. Farm Sector 2010–2018



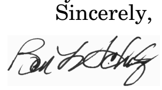
Source: *https://data.ers.usda.gov/reports.aspx?ID=17840.*

As the tough economic conditions continue to face farmers, we are glad to have a farm safety net in place that was reauthorized by the 2018 Farm Bill. The Federal Crop Insurance Program has served as a critical part in the farm safety net, helping farmers to make it to the next year of farming. NAWG will continue to work closely with the USDA to fully implement the 2018 Farm Bill and ensure its programs are able to deliver the farm safety net effectively.

Wheat farmers across the nation are experiencing some of the toughest economic conditions they have faced in decades and many future projections don't show a quick upturn in the farm economy. Experience of the 1980s was a good lesson of a long period of low prices due an oversupply of commodities caused by embargo. Ensuring fair trade with other countries along with maintaining and expanding our current international markets will help our U.S. farmers. Additionally, ensuring the quick and efficient implementation of programs authorized in the 2018 Farm Bill will equip farmers with a strong safety net and risk management system.

We look forward to continuing to work with you to ensure a strong U.S. farm economy.

Sincerely,



BEN SCHOLZ,
President,
NAWG.

SUBMITTED QUESTIONS

Questions Submitted by Hon. Jefferson Van Drew, a Representative in Congress from New Jersey

Response from Matthew R. Huie, Owner, Huie Farms *

Question. We all know farming is more than a job, it's a way of life. In South Jersey many of our farms are multi-generational, for example Nardelli Produce has been operated by the same family for over 100 years.

How many generations have your families been farming? And looking 20 years into the future, do you still think farming is a viable option for you and your family?

Answer.

Response from Mike Peterson, Owner and Operator, Twin Oaks Farms

Question. We all know farming is more than a job, it's a way of life. In South Jersey many of our farms are multi-generational, for example Nardelli Produce has been operated by the same family for over 100 years.

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* There was no response from the witness by the time this hearing was published.

How many generations have your families been farming? And looking 20 years into the future, do you still think farming is a viable option for you and your family?

Answer. My [son] is the fourth gen[eration] on our farm and started in as part of the operation 2 years ago he is 23, corporate greed and antitrust policies that do nothing have taken all our margins away in input costs, we will have to try and produce in a different way to stay solvent. I graduated from high school in 1981 so [I] know what a farm crisis does to rural neighborhoods! The families in production agriculture are a class of people that contribute to this country on the highest levels and are unjustly exploited and monopolized by the companies and government that they support! were the best in the world at what we do and are willing to do what ever is asked of us in exchange for the ability to make a living with our equities and labor. It looks to me that Mother Nature is trying to fix our over production problem in the short-term but it seems that in normal years the supply, processing and distribution chains hold all the margins in the food supply. in my opinion in less than 20 years the family farmers will be run off the land, the land will be owned by mega banks and corporation that will merge with foreign investment companies which will lead to the loss of control of our food supply. I think at that point the government and the [American] consumer will wonder what the hell just happened!

MIKE PETERSON,
Owner,
Twin Oaks Farms.

Response from Daniel J. Sutton, General Manager, Pismo Oceano Vegetable Exchange, Oceano, CA

Question 1. I have heard from local farmers from my district, such as Tuckahoe Turf Farm, and they expressed their concern with hiring farm labor, especially skilled help.

Mr. Sutton, in your testimony you spoke to this issue and of the impracticalities of the guest worker programs. You mentioned considering additional harvest mechanization, which sounds like a large investment. Given these barriers, what do you see as a best-case scenario for fixing these issues related to labor?

Answer. In order to move us closer to a solution to meet our agriculture workforce needs, we must consider a two-prong legislative packaged approach, which addresses the domestic workforce and guest worker's needs.

Farmers continue to express the opinion that agricultural workforce reform needs to provide existing employees with a legal status and allow entry for future guest workers who desire to work in U.S. agriculture.

The current H–2A Visa program must be improved. A reformed program must resemble the current labor market by providing portability. This would give employers options when hiring guest workers, and not tie them into a contractual agreement like the current H–2A program currently does.

Additionally, any action to reform immigration must include a smooth transition for existing workers to a legal status and work authorization, while removing any vulnerabilities for their immediate family members.

In a recent 2019 Agriculture Labor Scarcity survey conducted by the California Farm Bureau, 56 percent of participating farmers reported they had been unable to hire all the employees they needed for production of their main crop at some point during the past 5 years. A survey conducted in summer 2017 showed 55 percent of farmers had experienced employee shortages. The 2019 findings show that farming operations continue to see a negative trend in employee availability, resulting in more challenges and the likelihood of tough business decisions in the very near future.

Farmers have been patiently waiting for solutions. We seek help from our congressional members to act on legislation that provides us with a secure, flexible, market-based agricultural immigration program. That is our best-case scenario.

Question 2. We all know farming is more than a job, it's a way of life. In South Jersey many of our farms are multi-generational, for example Nardelli Produce has been operated by the same family for over 100 years.

How many generations have your families been farming? And looking 20 years into the future, do you still think farming is a viable option for you and your family?

Answer. Our families have been farming since the early 1900's. We are currently in our fourth generation of farmers. I'm glad you asked the question of the direction I see farming going in the next twenty years. Looking twenty years into the future isn't something I think of every now and then, it is built into the way I manage the farm day-to-day. I dare say that looking to the future is deeply embedded in the DNA of all multi-generational farmers. We want to continue ensuring that the soil is properly cared for in order to produce the highest quality food to feed the world. We want to ensure a clean water supply for ourselves and those at the next farm downstream. We want to produce safe food for consumers that depend on that fruit, vegetable, or leafy green to maintain a healthy and safe diet.

The importance of doing all of the above requires that we have a long-term plan, a short-term plan, and that we are flexible enough to withstand the curveballs farmers are thrown. Not only is the uncertainty of weather events an ever-changing issue for us, but the regulations imposed by state, local and federal agencies can also be helpful or sometimes harmful. The competition in the international marketplace coupled with the new norm of tariffs is another curveball that will continue to be a factor in the success of farming in the future.

There is no question that agriculture and the way of life on a farm will change and evolve over the next twenty years, just as farming over the last twenty years has changed significantly. It's impossible to ignore the pressures of these real-world events the reduction in farming, in farm acreage, and producers of certain commodities, like dairy, who are suffering so much that they are losing their very farms and production. Farmers know that there is an especially delicate balance between many factors that all must be in place in order for production to continue into the future. This is what makes the discussion around sustainability of farming so critical, because not only are the environmental concerns vital for the sustainability of the farm with respect to the environment, but also the business, market and regulatory factors are important. Should one of those factors change, a farm could go under very quickly.

As I stated previously, I think of the long-term future of our farming operation every day. What will the future bring in the next 5 years, 10 years, twenty years, or even a century from now? That question is what drives me to work harder, work smarter, and educate myself on the best of farming practices. It also inspires me to take time to educate my children of what I do so that they can carry the baton themselves and to future generations, if they so choose. It is an honor to be a farmer in this day and age and I hope to be part of the vast network of farmers who are able to address the many challenges we face today in order to take farming into the future.

Respectfully submitted,

DAN SUTTON.

Response from H. Bart Davis, Jr., Owner and Operator, Davis Family Farms *

Question. We all know farming is more than a job, it's a way of life. In South Jersey many of our farms are multi-generational, for example Nardelli Produce has been operated by the same family for over 100 years.

How many generations have your families been farming? And looking 20 years into the future, do you still think farming is a viable option for you and your family?

Answer.

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