PRODUCER PERSPECTIVES ON THE 2023 FARM BILL

HEARING

BEFORE THE

SUBCOMMITTEE ON GENERAL FARM COMMODITIES, RISK MANAGEMENT, AND CREDIT

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

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CONTENTS

WITNESSES

PRODUCER PERSPECTIVES ON THE 2023 FARM BILL

WEDNESDAY, APRIL 26, 2023

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GENERAL FARM COMMODITIES, RISK MANAGEMENT, AND CREDIT,
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. Austin Scott of Georgia [Chairman of the Subcommittee] presiding.

Members present: Austin Scott of Georgia, Crawford, LaMalfa, Rouzer, Johnson, Miller of Illinois, Moore, Finstad, Rose, Jackson of Texas, De La Cruz, Duarte, Nunn, Alford, Thompson (*ex officio*), Bost, Mann, Brown, Davids of Kansas, Davis of North Carolina, Crockett, Budzinski, Carbajal, Craig, Adams, and Bishop.

Staff present: Harlea Hoelscher, Patricia Straughn, Trevor White, John Konya, Rodney Brooks, Kate Fink, Amar Nair, Ashley Smith, Michael Stein, and Dana Sandman.

OPENING STATEMENT OF HON. AUSTIN SCOTT, A REPRESENTATIVE IN CONGRESS FROM GEORGIA

The CHAIRMAN. The Committee will come to order. Welcome, and thank you for joining today's hearing entitled, *Producer Perspectives on the 2023 Farm Bill.* After brief opening remarks, Members will receive testimony from our witnesses today, and the hearing will be open to questions. In consultation with the Ranking Member and pursuant to Rule XI(e), I want to make Members of the Subcommittee aware that other Members of the full Committee may be joining us today.

So over the course of today, Members of the Subcommittee will hear testimony from producers and leaders of ten national commodity organizations. These witnesses represent a broad segment of American agriculture and know firsthand the challenges facing farmers in rural American. Since the 2018 Farm Bill was enacted into law, the agriculture sector has experienced numerous shifts in Federal policy outside of our standard farm bill programs. This includes trade aid to respond to illegal retaliatory actions by China, a variety of programs enacted in response to the coronavirus pandemic, and numerous iterations of disaster assistance responding to extreme weather events. All told, over $90 billion in *ad hoc* assistance has been provided over the past 6 years. While this assistance was much needed at the time and has allowed many of our farmers to survive economic conditions they might not have otherwise, it is not predictable, reliable, or fiscally responsible to expect such assistance in the future.

That is why making improvements to the 2023 Farm Bill is so critical. Farmers need assurance that over the next 5 years a safety net will be in place that can stand the test of changing markets and extreme weather events. Title I programs, specifically Agriculture Risk Coverage and Price Loss Coverage, otherwise known as ARC and PLC, were established in the 2014 Farm Bill, and the reference price used to determine assistance were set using 2012 cost-of-production data.

Meanwhile, inflation has gone up significantly since 2012, and the price of most inputs has doubled or even tripled since 2021 alone. Farm sector debt is at record high levels, and net farm income is expected to fall 16 percent from 2022 to 2023. These warning signs underscore the importance of our work on the 2023 Farm Bill. As the risk challenges of farming continue to mount, I think it is safe to say that if you are not farming today, you are likely not going to be farming tomorrow.

As we deliberate, we must make sure we are doing everything we can to help all beginning, young, and small farmers and taking care of future generations. One thing I want to point out is that approximately 90 percent of our nation's food comes from approximately 12 percent of our producers. I want to say that again. Ninety percent of the food supply inside the United States comes from approximately 12 percent of our producers. There is no question that food security is national security, and that 12 percent does considerable work in making sure that we have the abundant, affordable food supply that we depend on.

The testimony we will hear today will shed light on what improvements will be necessary to ensure we get the policy right and can craft a 5 year farm bill that meets the needs of producers across the country. I look forward to hearing proposals on how we can ensure the safety net is being appropriately targeted to acres in production and the farmers bearing the financial risk of growing the food and fiber to feed and clothe not just this nation, but consumers across the world.

I want to thank the first panel of witnesses appearing here today and preemptively say thank you to the witnesses appearing on the second panel later this afternoon. Your testimony is a vital part of the information-gathering process that will guide our Committee in the farm bill reauthorization process.

[The prepared statement of Mr. Austin Scott follows:]

PREPARED STATEMENT OF HON. AUSTIN SCOTT, A REPRESENTATIVE IN CONGRESS FROM GEORGIA

This hearing of the General Farm Commodities, Risk Management, and Credit Subcommittee will come to order. Over the course of today, Members of the Subcommittee will hear testimony from producer leaders of ten national commodity organizations. These witnesses represent a broad segment of American agriculture and know first-hand the challenges facing farmers and rural America.

Since the 2018 Farm Bill was enacted into law, the agriculture sector has experienced numerous shifts in Federal policy outside of our standing farm bill programs. This includes trade aid to respond to illegal retaliatory actions by China, a variety of programs enacted in response to the coronavirus pandemic, and numerous iterations of disaster assistance responding to extreme weather events. All told, over $90 billion in *ad hoc* assistance has been provided over the past 6 years.

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I want to thank the first panel of witnesses appearing here today and preemptively say thank you to the witnesses appearing on the second panel later this afternoon. Your testimony is a vital part of the information gathering process that will guide our Committee in the farm bill reauthorization process.

With that, I will yield to the Ranking Member of the Subcommittee, Congresswoman Shontel Brown, for any opening remarks she would like to make.

The CHAIRMAN. With that, I yield to the Ranking Member of the Subcommittee, Congresswoman Shontel Brown, for any opening remarks that she would like to make.

OPENING STATEMENT OF HON. SHONTEL M. BROWN, A REPRESENTATIVE IN CONGRESS FROM OHIO

Ms. BROWN. Thank you. Good morning. I would like to begin by thanking Chairman Scott for gathering us together today for this hearing. It is a distinct honor and privilege to serve as the Ranking Member of the General Farm Commodities, Risk Management, and Credit Subcommittee. In the American spirit of collaboration and bipartisanship, I look forward to working with you, Chairman Scott, to ensure that fundamental safety net programs and risk management tools that our farmers and ranchers rely on to feed America's families are buttressed and bolstered. These issues represent an intersection of the most important issues impacting our farmers and ranchers and, subsequently, American families. As we begin to work in earnest to craft the 2023 Farm Bill, it is my sincere hope to work effectively together with a collective goal of providing our nation's farmers and families within our Subcommittee's jurisdiction.

However, Mr. Chairman, what is crucial to achieving that goal is ensuring that diverse perspectives are represented at the table and here in our committee room. Yet, as I look at our panel this morning, and as I will again later this afternoon, I would be remiss if I did not draw attention to the stark lack of diversity represented here today in terms of farm size, gender, and race. Our nation's strength in agriculture and as a people is our diversity. We must acknowledge that this farm bill is for everyone, no matter what you look like, what you grow, or where you grow it.

Mr. Chairman, I hope it is easy for you to agree that a critical component of writing a farm bill that works for all is ensuring that everyone is invited to sit at the table. I would like to enter into the record a letter formally requesting an official opportunity for us to hear from minority and disadvantaged farmers and stakeholders on farm bill issues pertaining to the Subcommittee.

The CHAIRMAN. Without objection.

[The letter referred to is located on p. 123.]

Ms. BROWN. Thank you.

Today's hearing gives us the opportunity to hear directly from our major commodity groups' leaderships to share their perspectives on how the existing farm bill Title I and Title XI programs have served their commodities. I also look forward to hearing insights regarding our direction for the upcoming 2023 Farm Bill.

The uptick in production costs over the last few years, coupled with the increased frequency of natural disasters, make it imperative that we ensure the protection and resiliency of our farm safety net programs and risk management tools. Over the last 6 years, we have seen nearly $70 billion in *ad hoc* payments to producers. This is $70 billion in addition to our existing farm bill safety net and disaster mitigation programs. These dollars, although welcomed by those who received them, have been distributed in an inequitable manner, favoring certain producers over others, as has been confirmed by the Government Accountability Office. We have also heard in the case of *ad hoc* disaster aid that these payments are often incredibly delayed, sometimes not reaching eligible producers until months after the disasters occurred.

This is the bottom line. These *ad hoc* payments are unpredictable, unreliable, and inefficient. It is our duty to ensure that the upcoming farm bill includes a strong, up-front investment in the farm safety net to provide our producers with timely assistance when disaster strikes.

When it comes to ensuring that producers of all backgrounds, including specialty crop growers, urban farmers, socially disadvantaged, and beginning farmers, have the tools they need to succeed and meaningfully contribute to our nation's food supply chain. I am always willing to collaborate with colleagues across the aisle whenever and wherever possible because our producers come before politics.

I am eager to hear from our witnesses today and those we have in the future to get firsthand and frank insight into what is working well within the various program areas and where there is room for improvement.

And with that, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you, Ranking Member Brown.

And I now recognize Chairman Thompson for any opening comments he would like to make.

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

Mr. THOMPSON. Well, thank you, Mr. Chairman and Ranking Member Brown, for holding this important hearing.

As you all are aware, over the last 4 months, the Agriculture Committee has been working overtime to hear the input of stakeholders, not just through hearings in Washington, D.C., but at field listening sessions across the country, several of us just returning from one of these listening sessions in Gainesville, Florida, and others who attended events in New York, Texas, California, and my home State of Pennsylvania. We had a roundtable actually on Friday in North Carolina. And in addition, I have traveled to over 40 states since initially becoming the Republican leader of the House Committee on Agriculture. And I have done this because I know that to get the policy right, we need to hear directly from the folks in the countryside instead of voices within the beltway.

Today, the countryside is coming to us, and I am very pleased that we will hear directly from producers about the priorities of ten national commodity groups. To have them gathered in one room in one place in one day is pretty incredible, and so thank you to both the Chairman and the Ranking Member for making that happen.

These policies were developed through grassroots efforts of the members of those associations and will provide valuable insight to the Committee as we work to craft a strong, on-time, and effective 2023 Farm Bill. Through the listening sessions and my travels, I have heard loud and clear that the farm safety net, both commodity policy and crop insurance, needs improvements. These improvements will come with a price tag, which is why it was so critical that Ranking Member Scott, David Scott and myself, were able to craft a strong budget views and estimates letter that was unanimously adopted by the Committee. This letter to the Budget Committee clearly articulated the needs and justifications for additional resources to write a meaningful farm bill.

To maximize the impact of any additional funding that may come, we will need valuable feedback from stakeholders about where those dollars can go the furthest to assist our farmers and ranchers and foresters, which I will ultimately benefit consumers and rural communities.

The insight from today's hearing is an important part of ensuring Members of this Committee have a clear understanding of the right policy. Then it will be incumbent upon us to navigate the policies to get the best possible farm bill to the President's desk. This is no small undertaking, and it will require all of us, stakeholders and Members alike, to pull on our work boots. But if there is any sector that knows the value of hard work, it is agriculture.

So I want to thank all the witnesses for being here today for their participation and throughout this process, and I yield back.

[The prepared statement of Mr. Thompson follows:]

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

Thank you, Mr. Chairman and Ranking Member Brown for holding this important hearing. As you all are aware, over the last 4 months, the Agriculture Committee has been working overtime to hear the input of stakeholders, not just through hearings in Washington, D.C., but at field listening sessions across the country.

Several of us are just returning from one of these listening sessions in Gainesville, Florida and others have attended events in New York, Texas, California, and my home State of Pennsylvania. In addition, I have traveled to over 40 states since becoming Republican leader of the House Committee on Agriculture. I have done this because I know that to get the policy right, we need to hear directly from the folks in the countryside instead of voices within the beltway.

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So, I want to thank all of the witnesses again for their participation today and throughout this process, and I yield back.

The CHAIRMAN. Thank you, Mr. Chairman.

And before I give a very brief introduction of the people that are testifying before us today, I want to remind all of the Members that we will have a second panel that will begin at 2:00 today. And so once the first panel is completed, we will break, and then we will have a second panel at 2:00.

Our first witness today is Mr. Tom Haag, President of the National Corn Growers Association. The next witness on this panel is Mr. Shawn Holladay, Chairman of the National Cotton Council. Our third witness today is Mr. Aaron Flansburg, Chairman of USA Dry Pea and Lentil Council. Our next witness is Mr. Kirk Satterfield, Chairman of USA Rice. Our fifth and final witness for this panel is Mr. Andrew Moore, President of the U.S. Canola Association.

Thank you all for being here today. We are now going to proceed with the testimony. You will each have 5 minutes. The timer in front of you will count down to 0, at which point the time has expired, so please begin to wrap your comments up as you see it approaching zero.

Mr. Haag, please begin when you are ready.

STATEMENT OF TOM HAAG, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION, EDEN VALLEY, MN

Mr. HAAG. Thank you, Chairman Scott, Ranking Member Brown, and the rest of the Members, for this opportunity here to testify today.

My name is Tom Haag. I am a fourth generation family farmer from south central Minnesota, where my son and I grow 1,700 acres of corn and soybeans. And I am currently the President of the National Corn Growers Association.

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

This morning, I will focus my testimony on NCGA's top farm bill recommendations for the crop insurance and commodity prices. The areas of emphasis for corn growers are summarized in our key principles: protecting the Federal crop insurance, strengthening the producers' safety net, bolstering U.S. international market development, and supporting voluntary conservation programs.

Our farm bill recommendations seek to make USDA programs more effective and responsive through strategic investments and policy enhancements. Federal crop insurance has a proven track record for helping producers quickly respond to natural disasters. Corn growers consistently ranked crop insurance as the most important program and title of the farm bill. We strongly oppose any efforts to restrict producers' access to crop insurance products and oppose harmful programs cuts that would negatively impact crop insurance products, their delivery, or the sound structure of the program.

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

In the commodity title, ARC Program provides important countercyclical revenue coverage for farmers. Corn growers have identified two places to improve the program's effectiveness. Currently, our county payment's rate may not exceed ten percent of the county benchmark revenue. This maximum payment rate has limited assistance provided to producers. NCGA supports increasing the maximum rate above ten percent in order to provide increased assistance to growers who experience significant revenue losses. For example, in the year 2020, growers across Iowa suffered major losses due to the duration. The yield losses were widespread and deep enough for our county to trigger payments to multiple counties. But the program's effectiveness was restricted due to the limitations.

NCGA also recommends increasing the coverage level for our county above the current 86 percent of the county's revenue benchmark to make programs more responsive to revenue losses.

The PLC Program provides important price protection for farmers. Corn growers value the PLC Program as optional, particularly during the periods of sustained lower average prices. The current statutory reference price for corn is $3.70 per bushel, well below the current market price and long-term historical average prices.

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

NCGA supports funding the Market Access Program and the Foreign Market Development Program. NCGA also supports three initiatives to make the existing working land conservation programs more effective. We appreciate the budget challenges and varied approaches to current issues impacting the agriculture sector. Corn growers stand ready to provide additional feedback and support as the legislative process moves forward towards a successful farm bill harvest this year.

The CHAIRMAN. Mr. Haag, we are approaching beyond the 5 minutes. We are having problems with the clock, but if you could just finish up, I would appreciate it. Are you done?

Mr. HAAG. I am sorry?

The CHAIRMAN. We are obviously having problems with the timer, so——

Mr. HAAG. Okay. I am through anyway, though. Thank you, Mr. Chairman.

[The prepared statement of Mr. Haag follows:]

PREPARED STATEMENT OF TOM HAAG, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION, EDEN VALLEY, MN

Chairman Austin Scott, Ranking Member Shontel Brown, and Members of the House Agriculture Committee, thank you for the invitation to testify today before the General Farm Commodities[, Risk Management, and Credit] Subcommittee.

My name is Tom Haag. I am a fourth-generation family farmer in south-central Minnesota where my son and I grow more than 1,700 acres of corn and soybeans. I currently serve as President of the National Corn Growers Association (NCGA).

Founded in 1957, NCGA is a farmer-led trade association with nearly 40,000 dues-paying corn farmers nationwide and more than 300,000 corn growers who contribute to corn promotion programs in their states. The NCGA mission is to create and increase opportunities for corn growers and our vision is to sustainably feed and fuel a growing world.

Farmers across the country are busy today planting seeds and preparing for a strong crop and future harvest. The hearing today and the Committee's continued outreach is laying critical groundwork for a strong, bipartisan farm bill. Corn growers are as optimistic for this process as we are for this year's harvest. Thank you to all the Members and staff for your tremendous work on behalf of the American farmer.

In terms of farm bill priorities, the consensus number one issue for corn growers continues to be protecting Federal crop insurance. As users of the commodity programs, NCGA also supports improvements to strengthen both the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) commodity programs. Together, the crop insurance and commodity programs authorized through the farm bill are the most significant Federal risk management tools for corn producers.

This morning I will focus my testimony on NCGA's approach to the farm bill and offer our top recommendations for the crop insurance and commodity titles.

2023 Farm Bill Approach

As a grassroots led association, NCGA and our affiliated state associations have worked with grower leaders from across the country to develop principles and prioritize policy recommendations for the farm bill. We are working closely together to ensure the next farm bill addresses the current and future needs of all corn growers.

The values, objectives, and areas of emphasis for corn growers in the 2023 Farm Bill are best summarized in our key principles:

- Protecting Federal crop insurance
- Strengthening the producer safety net

- Bolstering U.S. international market development efforts
- Supporting voluntary conservation programs, and
- Championing initiatives important to rural America.

Our farm bill recommendations seek to make existing USDA programs more effective, efficient, and responsive through strategic investments and policy enhancements. The 2018, 2014 and earlier farm bills have all laid a great foundation for the modern producer safety net that Congress can continue to build upon.

Since the 2018 Farm Bill was signed into law, corn growers and stakeholders within the broader farm economy have faced and weathered a litany of difficulties and challenges outside of producers' control. Key risk management tools and USDA programs continue to be stress tested by natural disasters, economic challenges, and black swan events like COVID–19 and global conflicts. Corn growers appreciate efforts by Congress and the Administration to provide temporary and *ad hoc* assistance for these unusual risks and losses that were uncovered by existing Federal programs. While recent programs outside the farm bill have benefited producers, the reauthorization of the farm bill is an opportunity to strengthen the effectiveness and responsiveness of these risk management tools for farmers.

After studying potential new programs and novel approaches to these challenges, we continue to find that most of our members are more supportive of improvements to existing crop insurance and commodity programs than creating entirely new, complex, and untested structures or schemes. NCGA has a track record of advocating for market-oriented farm policies that help growers manage their risks. Our focus for the safety net continues to be on accessible tools geared towards revenue, which factors in both yield and price risks that producers face throughout the growing and market seasons.

Corn growers appreciate the complicated budget environment in which the upcoming farm bill legislation will be developed. This March, NCGA and over twenty affiliated state associations joined a letter signed by 400 national, regional, and state agriculture associations, "to express our strong support for providing the Senate Committee on Agriculture, Nutrition, and Forestry and House Committee on Agriculture with sufficient budgetary resources to write a new bipartisan, multi-year, comprehensive, and meaningful piece of legislation."

With over ninety million acres of corn planted across the country most years, NCGA understands small improvements and changes to Federal policies can potentially lead to large budgetary impacts. Given the nation's fiscal outlook, debt, and deficit, we recognize that hard choices will have to be made on Federal priorities. Just as corn growers work to be good stewards of the land, we also strive to be good stewards of Federal farm safety net resources.

Crop Insurance

Delivered through the successful public-private partnership model, Federal crop insurance has a proven track record of helping producers quickly respond to natural disasters. Corn growers consistently rank crop insurance as the most important program and title of the farm bill.

To meet the growing list of challenges and demands of tomorrow, NCGA believes crop insurance must continue to be protected and strengthened as the cornerstone of the Federal safety net. Throughout the development of the new farm bill, corn growers will strongly oppose any efforts to restrict producer access to crop insurance products and oppose harmful program cuts that would negatively impact crop insurance products, their delivery, or the sound structure of the program.

NCGA is a proud and active member of the Crop Insurance Coalition which is comprised of a diverse range of farmer, lending, input, conservation, and crop insurance organizations that work together to advocate on behalf of crop insurance.

Corn growers are grateful that leaders on the Agriculture Committees are committed to educating their peers on the benefits of this risk management tool and the critical role it plays in the agricultural value chain.

One area where crop insurance can be improved is the cost of coverage to producers. While inflation has made headlines for increased input costs including fuel, fertilizer, and land, the costs of purchasing crop insurance have also risen. Farmers paid $6.55 billion in premium costs for 2022, a seventy-five percent increase from $3.75 billion in 2020, before the onset of the recent high input cost environment. The higher costs for coverage have added pressure on growers already facing difficult decisions about managing rising costs.

NCGA broadly supports increasing the affordability of crop insurance for producers. Many corn growers are still able to purchase endorsement policies and higher levels of buy up coverage, but for others, the individual costs of purchasing coverage can discourage higher levels of coverage therefore leading to a higher risk profile.

Data published by the Risk Management Agency (RMA) demonstrates how Federal crop insurance is a major pillar of risk management for the nation's corn growers. According to RMA's summary of business, in 2022, corn growers purchased Federal crop insurance coverage on over 79.8 million acres of corn, of which 11.3 million acres had additional companion and endorsement policies. Nationwide, corn farmers insured $66.5 billion in liabilities through the purchase of over 384,000 policies that earned premium.

Last year, in response to widespread drought and other natural disasters, total crop insurance indemnities for corn have so far totaled $4.28 billion. Despite the large scale of indemnities, the nationwide loss ratio for corn is 0.68, far less than the statutory target of 1.0. A loss ratio below 1.0 means that crop insurance payments were less than the total premiums paid by producers and the Federal Government. Over the past twenty years, from 2003 to 2022, the national loss ratio for corn has averaged 0.72.

Most corn growers purchase revenue protection policies, which protect against loss of revenue due to a production loss, change in price, or a combination of both. In 2022, revenue protection policies alone covered over 73.8 million acres of corn. Built into these policies is harvest price protection, which is critical coverage for farmers who forward sell their corn and other crops, as well as livestock producers who produce their own grain. Yield protection policies covered an additional 4.9 million acres of corn in 2022.

Corn growers also have access to many endorsements and options including several area-wide policies. In 2022, 4.65 million acres had coverage through the Supplemental Coverage Option (SCO) and 3.19 million acres had coverage through the new Enhanced Coverage Option (ECO). The policies are optional endorsements where growers can pay for additional area-based coverage on top of their underlying crop insurance policy. Corn growers also purchase hurricane insurance protection-wind index (HIP–WI), margin protection policies, and whole-farm revenue protection (WFRP). In 2022, HIP–WI endorsement covered 1.5 million acres, representing $256.8 million in liability for corn, and paid $131.2 million in indemnities for all commodities with the top recipients in order by crop including corn, soybeans, and cotton.

NCGA and affiliated state organizations continue to partner with other entities for the study and creation of improved crop insurance endorsements and policies. Whether through Federal research and development or private development for approval of Federal policies by the Federal Crop Insurance Corporation (FCIC), NCGA and our state associations have been successful in developing policies that follow sound insurance principles and are actuarially appropriate. Examples of these successful efforts include the widely adopted Trend-Adjusted Yield Endorsement and the recent voluntary endorsement for corn producers who split-apply nitrogen.

Agriculture Risk Coverage (ARC)

NCGA supports the continuation and improvement of the Agriculture Risk Coverage (ARC) program, which provides important counter-cyclical revenue coverage for farmers with base acres. After nearly a decade of experience with ARC, corn growers have identified two specific components within the existing formula where Congress can significantly improve the commodity program's effectiveness. These statutorily set factors are the maximum payment rate and the coverage level.

Despite higher-than-average commodity prices in recent years, the ARC-County program has supported growers experiencing revenue losses when yields were reduced due by natural disasters. For example, in the 2020 crop year ARC-County provided $41.5 million in assistance to corn growers in yield impacted areas, while the price-based PLC program was not triggered nationally for corn growers.

Under current law, ARC county payment rates may not exceed ten percent of the ARC-County benchmark revenue. In reviewing recent Farm Service Agency (FSA) county level data when ARC payments have been triggered, the maximum payment rate has often limited assistance provided to producers enrolled in the program. In practice, the maximum payment rate acts as an additional de facto payment limitation within the ARC program.

NCGA supports increasing the maximum payment rate above ten percent in order to provide increased assistance to growers who experience significant revenue losses. While our members remain supportive of the ARC-County program, the maximum payment rate currently limits assistance and does not adequately address the true depth of the losses producers experience.

For example, in 2020, growers across Iowa and neighboring states suffered major losses due to the devastating derecho. The storm and accompanying damaging winds hit millions of acres of highly productive crop land in August before corn harvest could begin. The yield losses were widespread and deep enough in Iowa for ARC-County to trigger payments in multiple counties, but the program's effectiveness in offsetting losses was restricted due to the ten percent benchmark revenue limitation.

NCGA also recommends increasing the coverage level for ARC-County above the current eighty-six percent of the county revenue benchmark. This change would make the commodity program more responsive to growers facing revenue losses. Corn growers understand and agree that no Federal program should be designed to cover one hundred percent of losses or make farmers entirely whole. However, the current coverage level was previously set during the 2014 Farm Bill and now deserves reconsideration.

The two proposed changes are simple, straightforward, and effective in strengthening the safety net. Increasing the maximum payment rate and the coverage level will allow producers to receive more responsive and more adequate assistance in times of revenue losses, particularly in areas experiencing disasters. The February 2023 CBO baseline projects average ARC-County payments of $21.10 per corn base acre. The two changes are expected to increase the average per base acre projected payments for corn growers.

Although ARC-County and revenue-based Federal crop insurance policies both offer forms of revenue protection, Congress designed the programs to offer complementary risk protection by covering different losses. For example, ARC-County provides protection when prices are lower than a historical benchmark period. Crop insurance will not cover those situations because the prices used in crop insurance guarantees reset each year. ARC-County provides useful protection in years in which prices have declined from a historically higher price period, while the crop insurance revenue policies provide price protection within a single year.

NCGA and our grower members also remain appreciative of the multiple policy improvements to the ARC-County program in the 2018 Farm Bill including provisions incorporating trend adjusted yields; increasing the transitional yield, *i.e.,* yield plug; and shifting the primary source of yield data for the ARC-County program from the National Agricultural Statistical Service (NASS) to aggregated crop insurance data from RMA.

Price Loss Coverage (PLC)

NCGA supports the continuation and improvement of the Price Loss Coverage (PLC) program, which provides important price protection for farmers with base acres. Corn growers value having the PLC program as an option particularly during periods of deep and sustained lower than average commodity prices. For this farm bill, NCGA is focused primarily on improvements to the effective reference price escalator.

The current statutory reference price for corn is $3.70 per bushel, which is well below current market prices and long-term historical average prices. From 2012 to 2021, the national marketing year average price for corn was $4.31. The PLC reference price for corn was eighty-six percent of the average historical prices, translating to an eighty-six percent level of protection.

Over the most recent 5 year period of 2017 through 2021, the national marketing year average price is slightly lower at $4.21, with the reference price representing protection at roughly eighty-eight percent. Notably, when the current marketing year for the 2022 crop finishes, these historical average prices will likely increase considerably.

NCGA supports strengthening the PLC effective reference price "escalator," which was first included in the 2018 Farm Bill. The effective reference price allows the program to have more responsive levels of protection that can rise and fall in response to actual market prices. Under current law, the effective reference price for a crop year is the higher of the statutory reference price or eighty-five percent of the 5 year Olympic average market price, capped at 115 percent of the statutory reference price. For corn the escalator is capped at $4.26.

For corn growers, the effective reference price is expected to trigger higher levels of price protection starting with the 2024 crop year. In the February 2023 baseline, the Congressional Budget Office (CBO) projects that the effective reference price for corn will be $4.01 per bushel for the 2024 crop year, at the current maximum of $4.26 for the 2025 and 2026 crop years, $4.25 for 2027, and $3.71 for the 2028 crop year. According to these CBO projections, this mechanism will provide additional support for corn growers through at least 4 of the 5 crop years of the 2023 Farm Bill. However, the potential support is expected to be restricted by the 115 percent cap for at least 2 crop years.

Similarly, the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri estimates that the average effective reference price for corn over the next 10 crop years (2024–2033) will be $4.05 per bushel. According to FAPRI, this mechanism will provide additional support for corn growers through all 5 crop year years of the 2023 Farm Bill, including effective reference prices of $4.01 for the 2024 crop year, $4.24 for 2025, $4.25 for 2026, $4.24 for 2027 and $4.14 for the 2028 crop year.

Both economic models and baselines demonstrate that the escalator will provide corn growers with an increased effective reference price through the majority of the crop years covered through the 2023 Farm Bill. These automatic increases in protection will provide meaningful support to corn growers through current law even if prices continue to be volatile or decline.

Corn growers recognize that improvements to the PLC effective reference price can also enhance risk protection for producers. NCGA supports strengthening this market-oriented mechanism by raising the 115 percent cap or otherwise modifying the effective reference price formula to be more responsive to changes in market prices. The February 2023 CBO baseline projects average PLC payments of $26.13 per corn base acre. Improvements to the effective reference price formula are expected to increase the per base acre projected PLC payments for corn growers.

A major challenge for corn growers in evaluating and pursuing potential changes to farm programs is the most recent bearish projections by CBO for long-term commodity prices. CBO projects that marketing year average prices for corn will fall to $3.90 for the 2028 marketing year, decreasing further to $3.80 for the 2029 crop year, before increasing 10¢ to $3.90 for the 2030 and 2031 crop years.

These price projections and their proximity to current statutory reference prices practically means that any increase in the statutory reference prices will have large Federal budgetary costs. More meaningful enhancements in recognition of recent prices and higher costs of production will have even greater Federal costs.

Commodity Program Administration

NCGA is committed to ensuring farm programs work for producers. The farm bill provides an important opportunity to highlight areas where implementation of commodity and loan programs has gone well and where Congress can help improve upon the administration of farm programs.

In terms of program designs impacting both the PLC and ARC commodity programs, NCGA opposes lowering payment limits and adjusted gross income eligibility limits below current statutory levels. Corn growers also believe FSA should have more flexibility to accommodate the growing complexity of farm business structures and intergenerational family farms. We remain committed to the decoupled nature of commodity programs from current production in order to avoid government programs driving or distorting planting decisions. NCGA supports the voluntary update of base acres and program yields when applicable.

Implementation of the current farm bill has been fairly smooth, helped by familiarity of the programs, adequate sign-up periods, and increased transparency of the program components, as well as USDA fact sheets and additional resources on *farmers.gov*. We commend the Committee for continued support of web-based decision tools that help facilitate growers' education and evaluation of commodity programs and options.

Corn growers support continuing the annual opportunity to choose between commodity programs. We appreciate that commodity program sign-up periods are now similarly timed with crop insurance decisions, which allows coordinated risk management decisions to be based on current market conditions.

Corn growers continue to utilize the opportunity to elect programs on an annual basis as shown in FSA-published data. In the 2022 crop year over 91.7 million base acres of corn were enrolled in the commodity programs, including 54.7 million corn base acres in ARC-County, 35.6 million in PLC, and 1.3 million in ARC-Individual. For the 2021 crop year, producers enrolled 45 million corn base acres in ARC-County, 48.4 million in PLC, and 1.3 million in ARC-Individual. In terms of percentages, for the 2022 crop year, 59.7 percent of corn base acres were enrolled in ARC-County, 38.9 percent in PLC, and less than two percent in ARC-Individual. For the 2021 crop year, 47 percent of corn base acres were enrolled in ARC-County, 51 percent were in PLC, and less than two percent in ARC-Individual.

Corn growers appreciate the working relationships with the FSA local, state, and Federal offices. NCGA encourages the continuation of the Acreage and Crop Reporting Streamlining Initiative (ACRSI) and similar efforts to improve the farmer customer experience and create greater efficiency throughout multiple USDA agencies. The agencies within the Farm Production and Conservation (FPAC) Mission Area are already working more closely together and should continue to share common data and best practices.

Building upon the lessons of the pandemic, we believe opportunities exist to further reduce the reporting burden on producers. USDA should continue to find more ways to either utilize data already submitted to the Department or to allow for the submission of additional information electronically, which may reduce the number and length of in-person visits to county offices and save farmers both time and money.

While the use of marketing assistance loans (MALs) is small among corn growers, the program remains an important risk management tool, particularly for corn growers without base acres. According to FSA, for the 2022 crop year around 4,700 MAL loans have been issued covering over 360 million bushels of corn. For the 2021 crop year, 6,208 loans were issued on over 468 million bushels of corn. The national loan rate for corn is $2.20 per bushel.

Additional Farm Bill Priorities

In addition to the crop insurance and commodity titles, the farm bill includes programs important to corn growers including trade, conservation, agricultural research, rural broadband, energy, and the biobased economy.

In the trade title, NCGA supports increasing Market Access Program (MAP) funding from $200 million up to $400 million annually and the Foreign Market Development (FMD) program funding from $34.5 million up to $69 million annually. These programs boost U.S. agricultural exports and help agriculture and related businesses in rural America. NCGA is supportive of H.R. 648, the Agriculture Export Promotion Act introduced by Representatives Newhouse, Panetta, and many more Members. An independent study showed that between 1977 and 2019 these programs resulted in a return of $24.50 for every dollar invested and a 13.7 percent average annual increase in value of agricultural exports.

In the conservation title, NCGA supports three initiatives to make the existing working land programs more effective in combating weed resistance, reducing nutrient losses through farmer-led collaborative watershed projects, and speeding the development and adoption of innovative conservation practices by strengthening the interim conservation practice standard program. Corn growers also encourage the Committee to examine opportunities for increased flexibility within conservation programming.

Corn growers support legislation to enable producers to more easily adopt precision practices that will allow them to remain competitive in a rapidly modernizing industry. NCGA has endorsed H.R. 1459 the Producing Responsible Energy and Conservation Incentives and Solutions for the Environment (PRECISE) Act as introduced by Representatives Hinson, Panetta Finstad, and Craig. NCGA also supports H.R. 1495 the Precision Agriculture Loan (PAL) Act introduced by Representatives Feenstra, Panetta, Tokuda, Thompson, and Guest.

NCGA supports H.R. 1290 introduced by Representatives Finstad and Costa which would clarify propane storage as an eligible use for funds under the storage facility loan program. Corn growers are also supportive of H.R. 1219 the Food and Agriculture Industry Cybersecurity Act led by Rep. Pfluger. This bill will take necessary steps to protect farmers across the country from growing cyber threats.

NCGA continues to engage in multiple broad-based coalitions and is supportive of farm bill recommendations from these collaborative entities. As a steering committee member of the Food and Agriculture Climate Alliance (FACA), NCGA was involved in FACA's farm bill working groups. NCGA also continues to be involved with the AGree Economic and Environmental Risk Coalition (E2 Coalition) that focuses on recommendations for agriculture data and reducing policy barriers to conservation practice adoption. NCGA is supportive of the Agriculture Innovation Act, S. 98, introduced by Senators Klobuchar and Thune, which would strengthen USDA's ability to confidentially aggregate data the department already collects and allow for potential research on topics important to producers.

Challenges in the Corn Economy

In 2022, U.S. corn farmers planted 88.6 million acres of corn, producing over 13.7 billion bushels with an estimated value $91.7 billion. Corn farmers faced weather challenges last year that reduced planted acres and were detrimental to productivity in some regions. The USDA March Prospective Planting Report indicates farmers intend to plant 92 million acres of corn in 2023. Given an estimated planted-to-harvest-acres ratio and USDA forecast yield of 181.5 bushels per acre, 2023 has the potential to be a record production year surpassing 15.2 billion bushels. Corn planting progressed ahead of a 5 year pace in the first half of April, but many acres remain to reach completion with continued possibility for weather delays. Plus, the full growing season and harvest period of weather and environmental uncertainty remain.

Widespread drought and intense heat impacted much of the corn belt during the 2021 and 2022 growing seasons. Unfortunately, growers across the great plains are still facing extreme (D3) and exceptional (D4) drought conditions, which could impact planting and productivity of corn this year. According to the U.S. Drought Monitor, approximately twenty-eight percent of corn production is located in areas experiencing drought as of April 18, 2023. The latest report shows that ninety-eight percent of corn production in the State of Nebraska is within areas with drought conditions along with seventy-eight percent in Kansas, sixty-three percent in Texas, and thirty-nine percent in Iowa.

In other parts of the country, corn growers are facing delays in corn planting due to late snow, excess moisture, and flooding. It remains too early to know if corn production will be as heavily impacted as it was in 2019 when wet weather conditions during planting season across the high plains and throughout the Missouri River Basin prevented many farmers from accessing flooded fields. Nationwide, 2019 set a record with over 19 million acres of cropland reported as prevented from being planted, including over 11 million acres of corn.

Inflation, particularly around farm input prices, continues to be a major concern. Inputs such as diesel, machinery, building materials, and labor all experienced notable increases in price during 2021 to 2022. The most significant input cost increase has been fertilizer. Historically fertilizer costs are about ⅓ of the operating costs for growing corn but are estimated at forty-six percent of corn operating costs for 2022 and 2023.

Although fertilizer costs have declined from 2022 peaks, fertilizer remains costly compared to prices over the past decade. Depending on the form of nitrogen, April 2023 farm prices were fifty percent to more than eighty percent higher than the 2009–2020 average price.

Similarly, prices for phosphorus fertilizers were more than fifty percent higher and potash thirty percent higher. Fertilizer nutrients are especially critical in corn productivity and returning those nutrients is important in maintaining healthy soils.

Although production costs have been higher in recent years, corn prices have also seen volatility and large swings in prices over the last 2 years. As the economy transitions towards lower inflation, commodity prices tend to move down faster than costs. For the 2023 crop, USDA projects the average farm price of corn at $5.60 per bushel, a full dollar lower than $6.60 per bushel estimated average farm price for the 2022 crop year. If realized, corn growers will face a 17.9 percent drop in corn price from 2022 to 2023, compared to only 1.3 percent decline in projected cost of production for corn.

With average costs for 2023 mostly unchanged from 2022 and with corn prices notably lower, projected farm margins are expected to be much tighter in 2023. Average corn yield in 2023 is expected to be higher than the drought reduced 2022 yield, but even higher yields would be needed to maintain revenue levels given the expected lower corn price.

Market Demand and Sustainable Corn Production

Corn and corn byproducts are a valuable part of the U.S. economy, helping to meet food, feed, and energy demands. Nearly forty percent of the corn grown in the U.S. is used for livestock feed and over forty percent is used for food and industrial purposes, including ethanol production. NCGA continues to work with partners on developing and supporting new uses of corn, including through the biobased economy. The top three priorities for NCGA this year include passage of the farm bill and improving both foreign and domestic demand for corn.

Although most U.S. corn is used domestically, exports have comprised more than fifteen percent of total disappearance on average over the past 5 years. Mexico is the top U.S. corn export destination, accounting for twenty-seven percent of U.S. corn exports in the 2021/22 marketing year. We are extremely concerned with the implications of Mexico's recent decree banning imports of biotech corn will have on U.S. corn farmers and our nation's economy. Reaching a resolution on this issue is critical and necessary to reaffirm the precedent for the science-based-safety of biotech corn with our trading partners. NCGA supports the initiation of a dispute settlement under USMCA to reach a resolution.

Ethanol production represents thirty to forty percent of corn demand and results in valuable co-products, returning the equivalent of more than a billion bushels of corn as distillers grains for high-protein animal feeds, distillers corn oil for renewable diesel and biodiesel and CO_2 for beverage and food processing, as well as sequestration. Corn ethanol adds billions of gallons to our nation's fuel supply. Because today's ethanol cuts GHG emissions in half compared to gasoline, ethanol is a vital pathway for agriculture to help address climate change. Priced lower than gasoline, ethanol is available now to cut fuel prices, support domestic energy security and help build a clean energy future.

Use of new ethanol blends continues to grow including E15, often marketed as Unleaded 88, and E85, which is offered by a growing number of retailers. The ethanol blend rate hit a record high of 10.39 percent in 2022, supported by growing demand for these higher ethanol blends.

Ethanol has and continues to be priced at a discount to unblended gasoline, resulting in greater consumer price savings with higher ethanol blends. For example, drivers in my home state of Minnesota saved an average of 17¢ per gallon in 2022 with Unleaded 88 compared to regular fuel, which is a ten percent ethanol blend, and Minnesota drivers continue to save up to 20¢ per gallon with this low-cost, low-emission fuel choice. Corn growers support policies that maintain a level playing field for clean transportation solutions and take greater advantage of the ability for ethanol to further cut emissions and costs to consumers, including H.R. 2434 the Next Generation Fuels Act and H.R. 1608 the Consumer and Fuel Retailer Choice Act.

Corn farmers are committed to continuous improvement in the production of corn, a versatile crop providing abundant high-quality food, feed, renewable energy, biobased products, and ecosystem services. As stewards of the land, we understand the responsibility we have for creating a more environmentally and economically sustainable world for future generations with transparency and through continued advances and efficiencies in land, water and energy use. In June 2021, NCGA released the corn sustainability report and specific goals for 2030.

NCGA's Corn Sustainability Advisory Group (CSAG) has taken the lead in pursuing social sustainability within the corn industry. NCGA has been working towards ensuring our organization is inclusive and equitable, and finding ways to partner with other agriculture organizations to work towards the same goal. CSAG is in the process of developing a comprehensive plan to ensure we are working towards our best future.

Summary and Closing

Thank you for your consideration of NCGA's priorities for the 2023 Farm Bill. We appreciate the budget challenges and varied approaches to confronting current and emerging issues impacting the agricultural sector. Our shared goal is to make existing USDA programs more effective, efficient, and responsive through strategic investments and policy enhancements.

NCGA recommends Congress oppose efforts to cut crop insurance or to restrict producer access to crop insurance products. To improve crop insurance, the farm bill can address the affordability and costs for producers who chose to purchase coverage.

In the commodity title, NCGA has three specific recommendations for improvements including increasing the ARC-County maximum payment rate above ten percent; increasing the ARC-County coverage level above eighty-six percent; and strengthening the PLC effective reference price "escalator." Corn growers oppose lowering payment limits and adjusted gross income limits below current levels.

In closing, NCGA greatly appreciates your work in support of America's farmers, rural communities, and consumers. Corn growers stand ready to provide additional feedback, perspectives, and support as the legislative process moves forward towards a successful farm bill harvest this year.

The CHAIRMAN. Okay. Thank you.

What do we need to do on the timer? Do you all need to just do a 5 minute clock? All right. We are going to run a 5 minute clock, and I will raise my hand when you have 1 minute. Fair enough? All right.

Mr. Holladay, please begin when you are ready.

STATEMENT OF SHAWN HOLLADAY, CHAIRMAN, NATIONAL COTTON COUNCIL, LUBBOCK, TX

Mr. HOLLADAY. Chairman Scott and Ranking Member Brown, thank you for this opportunity. My name is Shawn——

The CHAIRMAN. I am sorry, could you move the microphone a little closer?

Mr. HOLLADAY. How is that? Okay.

Chairman Scott and Ranking Member Brown, thank you for this opportunity. My name is Shawn Holladay, and I am a fourth generation cotton farmer from west Texas. I also currently serve as the National Cotton Council as Chairman for 2023.

The general structure of the 20—along with my wife Julie and daughter Katy. I better mention them because they are at home farming. Our family owns and operates H2H Farms. I am also a partner in a cotton gin there south of Lamesa.

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

Supply chain disruptions and geopolitical challenges have led to a dramatic increase in production costs, leading to tighter margins and decreased profitability. Total production costs now range between 90¢ and $1 per pound, which is well above the futures prices in the mid-1980s. But when calculated based on seed cotton, the cost of production is almost 48¢, far above the PLC reference price of 36.7¢ per pound. Today's production costs are diminishing the effectiveness of the current reference price, which should be increased.

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

On the topic of financing, the Non-Recourse Marketing Loan Program for upland cotton remains vital for the U.S. cotton industry. However, despite higher production costs, the maximum level of the loan rate has remained at 52¢ since 2002. It should be increased to better reflect the cost of production and recent market prices. Furthermore, various loan repayment provisions should be modernized to better reflect the global market and higher storage and logistics costs. These improvements include allowing storage credits to better reflect actual storage charges, determining a globally competitive adjusted world price based on three lowest international prices, limiting the amount of the annual decline in cost of market values, creating a 30 day window for finalizing the AWP.

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

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

Trade is vital to our industry, which is why the Market Access Program and Foreign Market Development Program are so important. Our industry supports the coalition to promote U.S. agriculture exports proposal to double funding for both MAP and FMD.

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

In closing, I encourage the Committee to write a farm bill that provides long-term stability for the future and addresses the challenges that continue to be faced by our industry. Thank you for this opportunity, and I would be pleased to respond to any of your questions.

[The prepared statement of Mr. Holladay follows:]

PREPARED STATEMENT OF SHAWN HOLLADAY, CHAIRMAN, NATIONAL COTTON COUNCIL, LUBBOCK, TX

Introduction

I am Shawn Holladay, a fourth-generation west Texas cotton producer residing in Lubbock, and I currently serve as Chairman of the National Cotton Council (NCC). I also served as Chairman of the American Cotton Producers (ACP) in 2018 and 2019 and previously chaired the ACP's Farm Policy Task Force for multiple years, working closely with Congress on the creation and implementation of the seed cotton program for U.S. cotton producers.

Along with my wife, Julie, and daughter, Katy, our family owns and operates H2H Farms. Our operation includes land in Dawson and Martin Counties of West Texas, primarily producing cotton. I am also a partner in United Gin Corporation, located south of Lamesa, Texas.

The National Cotton Council (NCC) is the central organization of the United States cotton industry. Its members include producers, ginners, cottonseed processors and merchandizers, merchants, cooperatives, warehousers, and textile manufacturers. A majority of the industry is concentrated in 17 cotton-producing states stretching from California to Virginia. U.S. cotton producers cultivate between 10 and 14 million acres of cotton, with production ranging from 12 to 20 million 480 lb bales annually. The downstream manufacturers of cotton apparel and home furnishings are in virtually every state. Farms and businesses directly involved in the production, distribution, and processing of cotton employ more than 115,000 workers and produce direct business revenue of more than $22 billion. Annual cotton production is valued at more than $5.5 billion at the farm gate, the point at which the producer markets the crop. Accounting for the ripple effect of cotton through the broader economy, direct and indirect employment surpasses 265,000 workers with economic activity of almost $75 billion. In addition to the cotton fiber, cottonseed products are used for livestock feed and cottonseed oil is used as an ingredient in food products as well as being a premium cooking oil.

Economic Overview

The U.S. cotton industry continues to navigate an environment characterized by increased production costs, sluggish consumer demand, and supply chain disruptions. For the current 2022/23 marketing year, the U.S. Department of Agriculture (USDA) estimates world cotton consumption at approximately 110 million bales, down 5% from the previous year and down 11% from 2020/21. The decline in global demand stems from several factors. First, continued price inflation, especially for energy and food products, is putting additional pressure on consumer purchasing power, thus limiting demand for apparel and textile products. Second, events such as the foreign currency crisis in Pakistan and the devastating earthquake in Turkey are limiting the demand for U.S. cotton by those two textile industries. Third, global supply chains are continuing to adjust to China's slow post-COVID economic reopening and the implications of the Uyghur Forced Labor Prevention Act. Projections for the upcoming 2023/24 marketing year call for a modest recovery in world cotton consumption, but those estimates hinge on a continued recovery in the global economy and moderation in overall inflation.

In 2022, U.S. growers planted 13.8 million acres of cotton, as higher prices encouraged a 23% increase in area. However, due to extreme drought conditions in the Southwest, harvested acreage of 7.4 million acres was at the lowest level since 1983. U.S. production of 14.7 million bales was 2.8 million bales lower than in 2021.

Looking ahead to the 2023/24 marketing year, production costs remain elevated and are only slightly lower than year-ago levels. According to USDA's Economic Research Service, U.S. cotton production costs increased by $161 per acre between 2018 and 2022—an increase of 20¢ per pound based on an average yield of 800 pounds per acre. Cotton harvest-time futures prices in mid-April 2023 are 19% lower than a year ago, while the prices of competing commodities are just 7–8% lower than year-ago levels. Cotton producers will face difficult economic conditions in 2023 with lower cotton prices and high production costs.

The current economic signals are reflected in the latest acreage expectations with USDA calling for 11.3 million acres planted in 2023, a drop of 18%. Given current drought conditions in the southwestern United States, there remains much uncertainty regarding cotton production for the 2023/24 marketing year. To estimate U.S. production for 2023/24, the NCC applies the 5 year average (2018–2022) abandonment rate and yield for most cotton-producing states. In the Southwest, adjustments were applied to the 5 year average values to account for current drought conditions. For 2023/24, U.S. harvested area is estimated to be 8.7 million acres with an overall abandonment rate of 22.6%. 2023/24 U.S. production is estimated to be 15.5 million bales with an average yield of 853 pounds per acre.

Additional Budget Resources

The general program structure authorized by the 2018 Farm Bill has served the industry well and should be maintained in the new farm law. However, as Congress charts the path for the 2023 Farm Bill, additional funding is necessary to address challenges both on the farm and throughout the supply chain.

Since the implementation of the 2018 Farm Bill, ongoing trade tensions and geopolitical disputes have caused major disruptions in cotton exports, revealing gaps in cotton's safety net. A major disruption in the global demand for cotton fiber also occurred due to the worldwide COVID–19 pandemic, leading to increased storage, supply chain disruptions, and an overall reduction in global cotton consumption. Since passage of the 2018 Farm Bill, cotton growers have also been impacted by record droughts across the Southwest and western portions of the Cotton Belt as well as devastating hurricanes across south Texas and the Southeast.

Thankfully, Congress and USDA responded to the needs of the cotton and agricultural industries by authorizing several *ad hoc* assistance programs. Since 2017, Congress has provided more than $90 billion in *ad hoc* assistance to agriculture, and between 2018 and 2021, *ad hoc* assistance comprised approximately 70% of all direct farm payments, which includes traditional farm bill support provided through the commodity and crop insurance titles. Although the U.S. cotton industry continues to face a challenging economic environment, Congressional budget procedures do not allow this past funding to be captured in the new farm bill without additional dollars being allocated by the House and Senate Budget Committees. We must ensure the House Agriculture Committee has the necessary resources to draft a farm bill that addresses the current needs facing the cotton industry.

Producer Safety Net

The cotton safety net must consist of two key components: (1) an effective commodity policy that provides either price or revenue protection to address prolonged periods of low prices and depressed market conditions that span multiple years; and (2) a strong and fully accessible suite of crop insurance products that producers can purchase to tailor their risk management to address yield and price volatility within the growing season.

The annual producer election of either Agriculture Risk Coverage (ARC) or Price Loss Coverage (PLC) included in the 2018 Farm Bill has worked well for growers and should continue in the new farm bill. Cotton producers have overwhelmingly selected the PLC program, with more than 90% of seed cotton base acres enrolled under that option. Agricultural markets are cyclical, and an effective safety net is imperative for the inevitable times of low prices. The combination of commodity program options and crop insurance provides farmers as well as their lenders the confidence entering the planting season that downside risk is mitigated in periods of steep price decline or a significant loss of production.

Supply chain disruptions and geopolitical crises in nations that provide a substantial portion of critical production inputs have led to a dramatic increase in cotton production costs, leading to tighter profit margins and decreased profitability. Since 2018, cotton costs of production have increased by 20¢ per pound, based on average yields of 800 pounds per acre. For many producers, total production costs now range between 90¢ and $1.00 per pound, which exceed current futures prices trading in the mid-1980s. When calculated based on seed cotton, the total costs to produce a pound of seed cotton have risen nearly 9¢ since the 2018 Farm Bill, with current costs of production of almost 48¢, far above the seed cotton reference price of 36.7¢ per pound (*Exhibit 1*). The current costs facing producers are diminishing the effectiveness of the current PLC reference price.

In addition, growers enrolled in the ARC/PLC programs are currently limited in their access to crop insurance due to a prohibition on the purchase of the Stacked Income Protection Plan (STAX) on their enrolled farms. STAX is a crop insurance product for upland cotton that provides coverage for a portion of a producer's revenue based on the county, or area-wide experience. In 2018, when seed cotton became eligible for the ARC/PLC under the commodity title, Congress prohibited the purchase of STAX on ARC/PLC-enrolled farms, beginning with the 2019 crop. At the beginning of the prohibition, most growers chose to enroll their base acres in PLC. However, with higher cotton futures prices for the 2021 and 2022 crops and limited effectiveness of the current seed cotton reference price, STAX has become a more attractive option.

Cotton producers should not be limited on their crop insurance options and should be able to manage risk based on the needs of their operation. Eliminating the prohibition on simultaneous enrollment in PLC and STAX, as well as boosting the top coverage level of STAX for those farms with no seed cotton base or who forego enrollment in ARC/PLC, would allow a grower to tailor their risk management options according to the needs of their operation while also decreasing their reliance on *ad hoc* programs, putting producers in charge of their own production risks.

Upland Cotton Marketing Assistance Loan

The non-recourse marketing assistance loan program for upland cotton remains a cornerstone of farm policy for the U.S. cotton industry. While current prices are well above the loan rate, we know that will not always be the case. During times of low cotton prices, the marketing loan program is an essential tool for multiple segments of the cotton industry to effectively market cotton and provide cash flow for producers to meet financial obligations. Even in times of higher market prices, the marketing loan is utilized by the cotton industry to provide cash flow for producers and flexibility in marketing to encourage orderly movement of the crop throughout the year. In recent years, over 50% of the upland cotton crop enters the loan, and use of the loan approaches 80% in times of low prices. Also, in periods of low prices, if growers choose to forgo the marketing loan, they may receive a Loan Deficiency Payment (LDP) representing the difference between the loan rate and the market price. This is an important component of the marketing loan program that should be retained.

Despite higher production costs, the maximum level of the loan rate has remained at 52¢ since 2002. The level of the loan rate should be increased to better reflect current costs of production and recent market prices. In addition, loan repayment provisions should be modernized to better reflect the competitive landscape in the global market and the higher storage and logistics costs facing the industry by: (1) allowing storage credits to better reflect actual storage charges; and (2) determining a globally competitive Adjusted World Price (AWP) based on the three lowest international prices, limiting the amount of the annual decline in the costs-to-market values, and a 30 day window for finalizing the AWP (*Exhibit 2*).

Since being implemented in 2006, maximum storage credits have declined, while actual storage charges have increased. Between 2006 and 2022, average storage charges across much of the Cotton Belt increased by 45¢ per bale per month, while the effective storage credit fell 8¢ per month. Currently, the effective storage credit is 78¢ below the average storage charge.

Basing the AWP on an average of the three lowest quotes in the international market, rather than following the current practice of using the five lowest quotes, would create more value for cotton during loan redemptions and prevent cotton from stagnating in the loan and accruing costs. This will in-turn make the cotton loan more effective in providing support for producers and ensuring fluid movement into the marketplace. Moving to the three lowest quotes is also consistent with other provisions of the marketing loan program that are already based on three quotes.

Establishing limitations on the annual decline in the costs-to-market calculation is imperative. USDA currently conducts an annual survey of costs-to-market, and in recent years the industry has witnessed large changes in this calculation, which can negatively affect marketing decisions. While USDA would continue to conduct the annual survey of costs, this provision would establish limitations on the annual decline from the previous year to mitigate negative impacts on the competitiveness of U.S. cotton.

Providing increased flexibility in AWP determinations during loan redemptions would allow producers to realize a more optimum AWP from the day of the loan redemption or the locking in of a LDP. Growers would then have the benefit to lower their costs to redeem cotton for a thirty-day period following the redemption date. This provision would be another tool to help move cotton from the loan and into the marketplace. Similar flexibility should also be provided to the determination of the LDP.

Complete automation of the marketing loan program should also be addressed in the next farm bill. During the December 2018 lapse in government funding, these programs were severely impacted due to the need for direct personnel involvement in processing the entry and redemption of cotton in the marketing loan program. During this period, some growers were not able to enter cotton into the loan and access those funds, while others could not market their cotton because they could not redeem the loan. We urge this Committee to work with USDA to provide the necessary support to ensure that any future lapse in government funding does not negatively impact the marketing loan program.

Extra Long Staple (ELS) Cotton Policies

There are important policies in place for ELS, or Pima, cotton. ELS cotton is grown in California, Arizona, New Mexico, and parts of Texas. The 2018 Farm Bill continued the ELS cotton loan program as well as a provision to ensure U.S. Pima cotton remains competitive in international markets. The balance between the upland and Pima programs is important to ensure that acreage is allocated in response to market signals instead of support levels.

ELS producers, like their upland counterparts, have experienced sharp increases in production costs in recent years, with current costs exceeding the safety net provided by the loan program. While ensuring that market signals remain the driver of planting decisions, the 2023 Farm Bill can address deficiencies in the safety net provided to ELS cotton producers by increasing the ELS loan rate to a more reflective level of pricing and costs of production.

The next farm bill should also add "marketing loan" functionality to the ELS loan. Of all the commodities eligible for Commodities Credit Corporation (CCC) loan, ELS is one of only two commodities with a non-recourse loan that lacks the provisions of an alternative repayment provision during periods when market prices are lower than the statutory loan rate. The new farm law should also maintain the ELS Cotton Competitiveness Payment Program and the Pima Cotton Trust Fund.

Economic Adjustment Assistance for Textile Mills

After a decade of experiencing a precipitous decline in the amount of cotton used by U.S. textile mills, U.S. mill consumption has stabilized since 2008 due to ongoing assistance provided in the farm bill. The recent years of stability and expected future growth can be attributed to the continued benefits of the Economic Adjustment Assistance for Textile Mills (EAATM) program, originally authorized in the 2008 Farm Bill. Recipients must agree to invest EAATM proceeds in equipment and manufacturing plants, including construction of new facilities as well as modernization and expansion of existing facilities.

EAATM funds have allowed investments in new equipment and technology, thereby reducing costs, increasing efficiency, and allowing domestic mills to be more competitive with foreign mills. This was shown to be prophetic during the COVID–19 pandemic as the U.S. textile industry was able to quickly shift their manufacturing facilities to the production of personal protection equipment (PPE). In addition, the industry continues to be a critical supplier of products to our defense industry. The yarns and fabrics produced by the U.S. textile industry are also integral products in the two—trade occurring with the Dominican Republic-Central American Free Trade Agreement (CAFTA–DR) and the United States-Mexico-Canada Agreement (USMCA) countries.When EAATM was initially implemented in 2008, the support level provided was set at 4¢ per pound of cotton consumption by the U.S. textile industry. Yet, budget pressures reduced that number to 3¢ in 2012. We urge Congress to restore EAATM support to the original 4¢ level in order to further support this critical employment and manufacturing base.

Payment Limits and Program Eligibility

Our industry is opposed to any further tightening of payment limits and program eligibility requirements, as we believe these policies are already too burdensome and restrictive considering the size and scale of production agriculture necessary to be competitive and viable in today's global market. The NCC has always maintained that effective farm policy must maximize participation without regard to farm size or income. Artificially limiting benefits is a disincentive to economic efficiency and undermines the ability to compete with heavily subsidized foreign agricultural products. Artificially limited benefits are antagonistic with a market-oriented farm policy. In fact, the current program limits are incompatible with the cost structure and capital investments necessary for today's family farms.

We are encouraged that Congress recognized this reality in recent disaster assistance by including increased payment limit levels for producers who realize the majority of their income from their farming operation. This same consideration should be given to Title I program limits in the next farm bill. Other proposed arbitrary restrictions regarding the contribution of management and labor through changes to the definition of "actively engaged" are out of touch with today's farming operations and would only contribute to inefficiencies. These policies also discourage the next generation from returning to their rural communities. Under these proposals a son or daughter who wants to return to the farm and utilize their accounting degree to market the crop and keep the books would not be considered as "actively engaged" in the operation. The 2023 Farm Bill should not include policies that seek to discourage the next generation of farmers.

Conservation

A strong conservation title benefits the environment and is an important tool for producers across the United States. Voluntary conservation programs reward producers for implementing sensible environmental practices on working lands and provide a means to devote marginal production acres into long-term use.

Working lands conservation programs are of utmost importance to most producers. Going forward, the application of conservation funds, both provided by the 2023 Farm Bill and the 2022 Inflation Reduction Act, should (1) recognize the diversity of production practices by rejecting a one-size-fits-all approach; and (2) reward—not penalize—the environmental contributions of early adopters.

International Programs

The Market Access Program (MAP) and Foreign Market Development Program (FMD) are extremely important tools that support U.S. exports. Cotton Council International, the foreign market promotion arm of the U.S. cotton industry, utilizes both programs and the industry has seen clear benefits from these programs. Our industry supports the Coalition to Promote U.S. Agriculture Exports proposal to double funding for both MAP and FMD. MAP has not been increased since 2006 and ⅓ of funding has been lost to sequestration, inflation, and program administration. FMD has not been increased in almost 20 years. With market volatility and economic disruptions causing greater risks and uncertainties, the new farm bill can provide the additional resources necessary for U.S. agricultural exports to remain competitive.

Conclusion

In closing, I encourage the Committee to write a farm bill that provides long term stability for the future. There will be price declines from current levels, there will be natural disasters with losses more severe than the essential assistance that commodity programs and crop insurance can respond to, and there will be trade disputes and geopolitical turmoil that will wreak havoc on our export markets. However, it is critical that the 2023 Farm Bill provide an economic safety net to address the challenges that will continue to be faced by our industry.

The NCC looks forward to working with the Committee and all commodity and farm organizations and other stakeholders to develop and pass a new farm bill that effectively addresses the needs of all commodities and all producers in all regions of the country.

Thank you for this opportunity, and I would be pleased to respond to any questions.

EXHIBIT 1. COSTS OF PRODUCTION PER POUND OF SEED COTTON

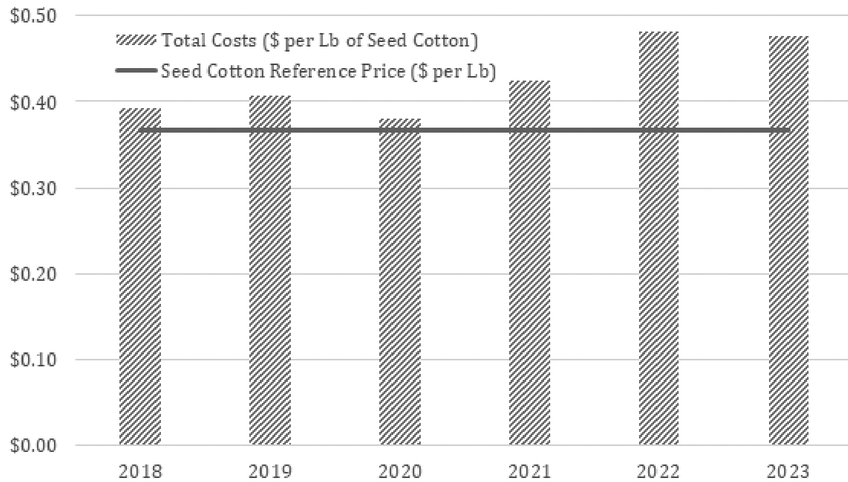
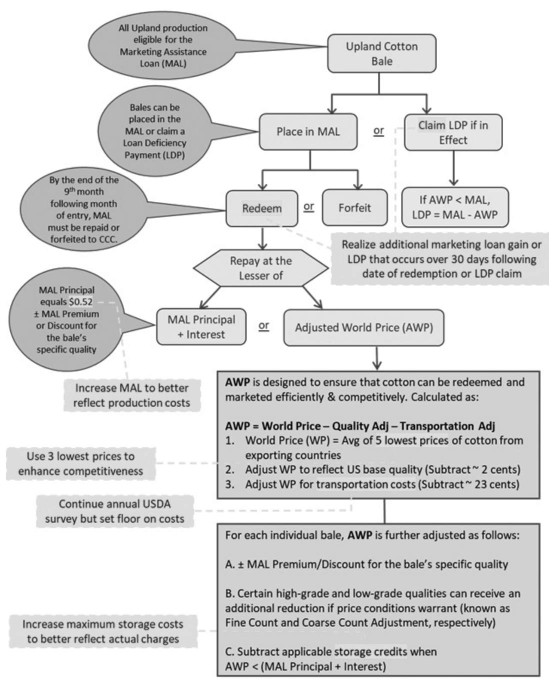


EXHIBIT 2. STRUCTURE OF THE UPLAND COTTON MARKETING LOAN PROGRAM

Farm Bill Recommendations Highlighted in [Medium Gray]



The CHAIRMAN. Thank you, Mr. Holladay.

Mr. Flansburg, please begin when you are ready.

STATEMENT OF AARON FLANSBURG, CHAIRMAN, USA DRY PEA AND LENTIL COUNCIL, PALOUSE, WA

Mr. FLANSBURG. Thank you, Chairman Scott, Ranking Member Brown—and the microphone, hello—and Members of the Subcommittee. I am Aaron Flansburg. I am a fifth generation farmer from Palouse, and that is a farm in eastern Washington State. I currently am also the Chairman of the USA Dry Pea and Lentil Council, and I still have the privilege of farming with my parents and my wife, and my three kids are all on the farm as well. We grow pulses, of course. We also grow wheat, barley, canola, and alfalfa, and I am working towards organic certification on part of our farm as well.

On behalf of the USA Dry Pea and Lentil Council, I would like to thank you all for having this opportunity to testify today and provide some of our perspectives on the 2023 Farm Bill.

USA Dry Pea and Lentil Council represents farmers, processors, exporters, food manufacturers of U.S. peas, lentils, and chickpeas, which are part of a larger family of crops called pulses. And these also include dry beans. Pulses are nutrient-dense, healthy, affordable, and agronomically and environmentally friendly. Pulses have a low water footprint and don't require much or any nitrogen fertilizer to be grown, and they are able to pull nitrogen out of the air to help the plant to grow. This makes pulses one of the most efficient sources of protein of any food available and one of the lowest greenhouse gas emitters per gram of protein produced of any food source.

Pulses are grown throughout the United States with most of the production in the northern tier States of Washington, Idaho, Montana, North Dakota, South Dakota, and Minnesota. We also have farmers in Nebraska who are part of our coalition and beyond.

Dry peas, lentils, and chickpeas are Title I program crops, and these programs, along with crop insurance, are serving our growers well, providing a safety net and the risk management needed to allow producers to get financing for their annual production costs. We support the passage of a new farm bill and an increase to the budget baseline as an investment in food security for our nation and around the world.

As you write the next farm bill, we support continuation and enhancement of Title I and crop insurance programs. First and foremost, funding must be maintained for Federal Crop Insurance Program that provide essential risk management for farmers. Farm insurance provides a critical role in maintaining access for growers to get credit on their farms and the financial stability of my own farm.

The Agriculture Risk Coverage, ARC, and Price Loss Coverage, PLC, program should be continued with additional streamlining and flexibility. In place at the annual choice and sign up for ARC and PLC, we support a new idea of providing producers with the better-of option for these two programs in any given year. For farmers with landlords, the current ability to switch between the ARC and PLC programs is made burdensome by a requirement for each landowner signing off on changes of enrollment. We would like to see an allowance for farmers to use power of attorney to switch between options, and that would alleviate some of these administrative difficulties and encourage flexibilities when farm needs shift.

In addition, we believe that the crop insurance Supplemental Coverage Option should be available for both PLC and ARC programs. If reference prices are adjusted, we would be in favor of reference prices for dry peas, lentils, large chickpeas, and small chickpeas to be adjusted proportionately with other crops.

The current CBO projections show prices declining significantly for all of our products from current levels, and there is a great concern that producers will suffer operational losses without triggering support intended from Title I programs. We would like to point out that the current CBO price projected for dry peas, lentils, and chickpeas seems to be low. The current prices for 2023 are significantly higher than CBO estimated for this year. And based on that and the historical average prices, we believe CBO projections over the next 5 to 10 years are low, and that could impact the price of this farm bill and estimates for any changes to reference prices.

Our organization also represents U.S. fava bean producers and we request that fava beans be added to the list of crops exempt from the base acre reduction requirements when planting fruits and vegetables. We also support a voluntary update to base acres on farms. We also have a few other priorities I would like to talk about, increased support for ag research and pulse crop health initiative. We urge Congress to increase authorization for the School Pulse Crops Products Program. We also support doubling the funding for both the Market Access Program and the Foreign Market Development Programs. We support increased funding for food aid programs in the 2023 Farm Bill.

And finally, the U.S. pulse processors have faced challenges due to natural disasters and supply chain and market disruptions. Like farmers, small processors need risk management programs.

Thanks so much for your time. I appreciate the chance to speak to your Committee.

[The prepared statement of Mr. Flansburg follows:]

PREPARED STATEMENT OF AARON FLANSBURG, CHAIRMAN, USA DRY PEA AND LENTIL COUNCIL, PALOUSE, WA

Chairman Scott, Ranking Member Brown, and Members of the Subcommittee:

I am Aaron Flansburg a farmer from Palouse, WA and current Chairman of the USA Dry Pea and Lentil Council. I am a fifth generation farmer in eastern Washington. I am lucky to still work with my mom and dad. We raise pulse crops, wheat, barley, canola, alfalfa, and are working toward organic certification on part of my farm. On behalf of the USA Dry Pea & Lentil Council, thank you for the opportunity to testify today and provide our perspectives on the 2023 Farm Bill.

The USA Dry Pea & Lentil Council represents the farmers, processors, exporters and food manufacturers of U.S. dry peas, lentils and chickpeas which are part of a larger family called pulse crops, also including dry beans. Pulses are nutrient dense, healthy, affordable, and agronomically and environmentally friendly. Pulses have a low water footprint and don't require much or any nitrogen fertilizers to be productive. They are one of the few crops that pull nitrogen from the air to help the plant grow. This makes pulses one of the most efficient sources of protein and lowest greenhouse gas emitters, per gram of protein produced, of any food source.

Pulses are grown throughout the U.S., with production primarily in the northern tier states of Washington, Idaho, Montana, North Dakota, South Dakota, and Minnesota. Dry peas, lentils and chickpeas are Title I program crops and these programs, along with crop insurance, are serving growers well, providing a safety net and the risk management needed to allow producers to get financing for their annual production costs.

We support the passage of a new farm bill and an increase in its budget baseline as an investment in food security at home and around the world.

As you write the next farm bill, we support continuation and enhancement of the Title I and Crop Insurance programs.

First and foremost, funding must be maintained for the Federal Crop Insurance Programs that provide essential risk management for farmers. Crop insurance plays a critical role in maintaining grower access to credit and the financial stability of my farm.

The current Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs should be continued with additional streamlining and flexibility. In place of the annual choice and sign-up for ARC and PLC, we support providing producers with the "better of" the two support programs for that year. This would remove a significant burden on producers that requires them to try to predict weather and markets and to get approvals from landlords. For many producers this is challenging and time consuming. This change could also reduce the workload on FSA offices. For farms with landlords, the current ability to switch between the ARC and PLC programs is made burdensome by a requirement for each landowner to sign off on changes in enrollment. An allowance for farmers to use Power of Attorney to switch between options would alleviate these administrative difficulties and encourage flexibility as on-farm needs shift.

In addition, we believe that the crop insurance Supplemental Coverage Option (SCO) should be available for both the PLC and ARC programs.

If Reference Prices are adjusted, the Reference Prices for dry peas, lentils, large chickpeas, and small chickpeas should be adjusted proportionately to other crops.

The current Congressional Budget Office (CBO) projections show prices declining significantly for all of the pulse crops from their current levels, however, the price declines are not projected to trigger support payments. There is a great concern that producers will suffer operational losses without triggering support intended from the Title I Farm Programs. We would point out that the current CBO price projections for dry peas, lentils and chickpeas seem to be low. The current prices in 2023 are significantly higher than CBO estimated for this year. Based on CBO's underestimation for 2023 and the historical average for pulse prices, we believe the CBO price projections over the next 5 to 10 years are low and that could impact the cost estimates for any changes to Reference Prices.

Our organization also represents U.S. fava bean producers. We request that fava beans be added to the list of crops exempt from the base acre reduction requirements when planting fruits and vegetables.

The USA Dry Pea and Lentil Council also supports a voluntary update to base acres.

Beyond crop insurance and Title I farm programs, the other farm bill priorities for the pulse crop industry include:

Ag Research and the Pulse Crop Health Initiative—Transforming and maximizing food production requires a long-term investment in research and research infrastructure for all of agriculture. Historically, pulse crops have received very little Federal research support despite being one of the most nutritious and environmentally efficient crops in the food system. We continue to work for increased appropriations for the Pulse Crop Health Initiative that was first authorized in the 2014 Farm Bill.

School Food Programs—We have been working to remove barriers to utilization of pulse products in school lunch programs. It has been a slow and difficult process, but we are making progress with recent USDA proposals to allow pulses to count toward certain category requirements. To help move forward faster, we urge Congress to increase the authorization for the School Pulse Crops Products Program (PCPP) to $4 million per year.

MAP/FMD—Strong market promotion programs are critical to increasing the demand for our commodities around the world. The pulse industry supports doubling Market Access Program (MAP) funding from $200 million to $400 million and the Foreign Market Development (FMD) program from $34.5 million to $69 million in the new farm bill.

Food Aid—The war in Ukraine has exacerbated food security concerns around the world and we support increased funding for the P.L. 83–480, McGovern Dole and Section 32 food aid programs in the 2023 Farm Bill.

Rural Processor Disaster/Risk Management Tools—U.S. pulse processors have faced challenges due to natural disasters and supply chain and market disruptions. Like farmers, small processors need risk management programs to maintain employees and processing infrastructure during severe and prolonged disruptions. Our industry is seeking options, both private-sector and public, to help small processors survive unforeseen and prolonged disruptions to their operations.

Thank you again for the opportunity to testify and provide perspectives on the 2023 Farm Bill.

Sincerely,

AARON FLANSBURG,
Chairman,
USA Dry Pea & Lentil Council.

The CHAIRMAN. Are our lights working now down front? Okay. So when you get to 1 minute, the yellow light will come on, and then the red light will come on when you reach your time.

Mr. Flansburg, thanks for your testimony.

Mr. Satterfield, you are recognized. Please begin when you are ready.

STATEMENT OF KIRK SATTERFIELD, CHAIRMAN, USA RICE, BENOIT, MS

Mr. SATTERFIELD. Thank you, and good morning, Chairman Scott, Ranking Member Brown, and Members of the Subcommittee. Thank you for the opportunity to testify today. I am Kirk Satterfield, a third generation family rice farmer from Bolivar County in the Mississippi Delta. I am the current Chairman of USA Rice, the national trade association representing all rice farmers and segments of the rice industry.

Rice is grown on about 3 million acres across the U.S. Half of our rice is consumed domestically, while the other half is exported to more than 120 countries globally. Our industry has its challenges as the global rice market is among the most distorted of any sector, a factor that underscores the vital importance of the U.S. farm safety net for farmers like me.

On average, each rice farmer contributes $1 million to their local economy and employs six people. The broader $34 billion rice industry supports more than 125,000 jobs nationwide. Rice fields provide critical life-sustaining habitat for migratory waterfowl and other wildlife and also contribute substantially to biodiversity, raising crawfish in the South and salmon nurseries in California.

Rice did not experience a large run-up in market prices in 2020 and 2021, and the current PLC program could not adapt to the dramatic increases in cost of production. This led to the need for additional assistance for rice farmers for the 2022 crop year. Thank you for providing the critical funding for the Fiscal Year 2023 omnibus appropriations bill.

Rice prices remained very close to the reference price calculated using 2012 cost of production and established in the 2014 Farm Bill, rendering the program unworkable for rice at its current level since the current cost of production is nowhere near the 2012 levels. Texas A&M conducted a study in 2022 that show ⅔ of rice farms are predicted to have negative net cash farm income for the 2022 crop year. USDA also reports a 30 percent increase in operating costs in 2022.

As a high cost input crop subject to severe global market distortion thanks to predatory trade practices of foreign countries, U.S. rice farmers are more vulnerable to the impacts of inflation and other global events that have caused increases to the cost of fuel, fertilizer, labor, as well as facing the highest interest rates many farmers today have ever experienced. We need a permanent fix to the rice farm safety net in the 2023 Farm Bill to ensure the long-term viability of the rice industry.

Recent years have seen new obstacles that the 2018 Farm Bill could never have anticipated. In response to each of these events, supplemental assistance was authorized by the Administration or Congress to support agriculture. We believe it is important to recognize that there were needs that the current bill simply could not handle. A strengthened safety net would ultimately be more cost-effective for farmers and taxpayers than continued *ad hoc* programs.

We appreciated this Committee's budget views and estimates letter emphasizing the need to increase the baseline so the policy can be crafted to better anticipate and address the needs of family farms in volatile times. The PLC Program has traditionally been our real true safety net. It is allowed us to better compete on a lopsided global playing field impacted by foreign subsidies, tariffs, and non-tariff barriers. For example, India subsidizes its rice producers by upwards of 90 percent and injected billions to offset escalating input costs. This is only one example of many predatory trade practices used by foreign competitors, and we continue to call for the U.S. to address this blatant WTO violation by India and others.

USA Rice strongly believes reference prices under PLC need to be meaningfully increased and indexed in order to provide a safety net that remains relevant over the long haul. Payment limitations, AGI, and actively engaged rules are outdated, and we hope that Congress will take steps in the next farm bill to better reflect the risk for full-time farm families. This is a remedy that is long overdue.

Planting flexibility has been a longstanding commitment to farmers by Congress to ensure that farmers are planting for the market and for the soil and not for the government programs. Any updates or reallocations to base acres should be voluntary and the farmer's decision.

In sum, the work you do is extremely important to the farm families that I represent, and I am truly grateful to have this opportunity to testify before you today. Thank you.

[The prepared statement of Mr. Satterfield follows:]

PREPARED STATEMENT OF KIRK SATTERFIELD, CHAIRMAN, USA RICE, BENOIT, MS

Thank you for the opportunity to testify before you today concerning the current conditions in agriculture and our priorities for the upcoming farm bill.

I am Kirk Satterfield, a third-generation rice farmer from Bolivar County in the Mississippi Delta where I farm along with my wife, Bridget, my parents, brother and sister-in-law, a niece and a nephew and a great crew. We farm the land, along with its expansion, that my father began with when he started his own farming endeavor in 1969.

I have the honor of serving as the current Chairman of USA Rice, the global advocate for the U.S. rice industry, a $34 billion industry representing farmers, millers, merchants, and allied businesses. I am also President of the Mississippi Rice Council.

Rice farmers in the United States produce 20 billion pounds of rice annually, which is grown on approximately 3 million acres of farmland that is highly managed for sustainability. About half of our rice is consumed here at home while the other ½ is exported to more than 120 countries around the globe. Nearly ¾ of the rice consumed in the U.S. is produced and processed domestically. However, our industry has its challenges as the global rice market is among the most distorted of any sector, a factor that underscores the vital importance of the U.S. farm safety net for rice farmers like me.

This rice is produced on family farms across six major rice producing states—Arkansas, California, Louisiana, Mississippi, Missouri, and Texas—as well as a handful of other states, including Florida, Illinois, Kentucky, South Carolina, and Tennessee, with positive economic impacts in nearly every other state. On average, each rice farmer in the U.S. contributes $1 million to his or her local economy and employs six people. This equates to more than $5.6 billion in positive economic impact on the U.S. economy and a total of 31,710 jobs directly supported by rice production. Also, rice farmers have an additional $5.5 billion impact on the U.S. economy in value-added and labor income generated by their operations. The broader rice industry supports more than 125,000 jobs nationwide.

In addition to putting rice on grocery shelves, in restaurants, on the dinner table, and as an essential ingredient for beverages and other products, such as pet food, U.S. rice farmers have long been committed to environmental stewardship which dates back generations—well before sustainability became a buzzword.

Rice was not as fortunate as many other commodities that saw a large run up in market prices in 2020 and 2021. We have had more recent, relatively modest rises in price but much of the gains we have seen have been offset by the erosion of the Price Loss Coverage program's (PLC) effectiveness to adapt with the times and unprecedented increases in costs of production. This led to the need for additional assistance for rice farmers for the 2022 crop year.

I want to thank you all for providing this vital assistance to rice farmers. The additional funding provided through the FY 2023 Omnibus Appropriations bill was truly critical for a great many rice farmers, including myself, as well as thousands of rural and urban communities and businesses that are dependent on rice production and processing.

Many Title I commodities had marketing year average prices that were well over their PLC reference prices for the 2021 program year and are projected to be well over their reference prices for the 2022 program year. Unfortunately, rice market prices remain very close to the reference price—a reference price that was calculated using 2012 costs of production and established in the 2014 Farm Bill, rendering the program unworkable for rice at its current level.

The current cost of production is nowhere near 2012 levels. The Agricultural and Food Policy Center at Texas A&M University conducted a study in 2022 to examine the impacts of the rise in costs of production on its representative farms and rice farms were most negatively impacted. The rise in cost of production equated to an $880,000 loss in net cash farm income from 2021 to 2022 per rice farm. According to the study, ⅔ of rice farms were predicted to have negative net cash farm income for the 2022 crop year. USDA also shows a dramatic increase in operating costs—a more than 30 percent increase in 2022—compared to 5 years earlier.

As an especially high input crop that is particularly subject to severe global market distortions due to the predatory trade practices of foreign countries, like India, U.S. rice farmers are much more vulnerable to the impacts of skyrocketing inflation and other global events that have caused increases to the costs of fuel, fertilizer, labor, and other crop inputs, as well as to the highest interest rates many farmers today have ever experienced. As a capital-intensive business, rice farmers put everything on the line each year to grow a crop. So, the net result of the 2022 crop year would have been a sea of red ink had it not been for the additional assistance that Congress provided.

I should also note the challenge this is creating for our rice industry infrastructure. Last year, the extraordinary increase in input costs without a corresponding rise in rice prices created the perfect storm resulting in the lowest rice acres being planted in the U.S. in 40 years. And, even with our tremendous increases in efficiency and yields, we had the lowest rice production in 30 years. This threatens not only rice farms but the entire U.S. rice infrastructure, including mills and elevators, pesticide applicators and farm suppliers, and many other rural businesses and economies that rice farmer's support.

Although input prices remain high, we are anticipating a rebound in rice acres planted in the U.S. to normal levels in the near future. In 2022, a mere 2.2 million acres was planted. However, USDA forecasts this year that the U.S. will plant 2.6 million acres of rice. This is at least one encouraging sign.

We know that demand for rice by consumers in the U.S. and abroad only continues to grow. Rice is the staple food for more than half of the world's population and highly efficient rice farmers in the United States want to continue to lead the way in feeding a hungry world, especially at times when there is such a high potential for food shortages.

Looking ahead, we need a permanent fix to the rice farm safety net in the 2023 Farm Bill to ensure the long-term viability of the U.S. rice industry.

The purpose of any farm bill should be to provide a foundation or measure of stability for farmers to keep them on the farm despite distorted global markets, often unforgiving weather, and other challenges thrown at producers that are totally beyond their control.

Recent years have seen new obstacles that the 2018 Farm Bill could never have anticipated, including a trade war, a global pandemic, unprecedented subsidization of farmers in other rice producing countries, and a string of especially severe and chronic natural disasters. In response to each of these events, supplemental assistance was provided by the Administration or Congress to support our vital critical infrastructure industry—agriculture—in order to see farm and ranch families through these volatile times which continue to reverberate through today.

This has meant that a significant additional investment in agriculture, above and beyond what the farm bill provides, has had to be authorized to support farmers on top of the baseline funding of the 2018 Farm Bill. While we understand this is not captured in the Congressional Budget Office's (CBO) baseline for the farm bill, going forward, we still believe it is important to recognize that there were needs that the current farm bill simply could not handle. And, as such, we believe that the safety net under the 2023 Farm Bill must be strengthened. A stronger safety net for farmers in the farm bill would be more cost effective for farmers and taxpayers than continued *ad hoc* programs.

Given this, USA Rice believes the forward looking 2023 Farm Bill baseline must be increased so that policy can be crafted to better anticipate and address the needs of family farms in these volatile times. I want to thank you for the budget views and estimates letter that the Committee sent outlining the importance of increased funding for the farm safety net. We want the 2023 Farm Bill to be for farmers and the only way to do that is by strengthening the farm safety net.

We think standing by our nation's critical rice industry is a worthy investment. The pandemic taught us, among other things, that food security as a national security issue is not a clever slogan. It is a reality. We cannot afford to lose the domestic rice industry or other commodities vital to the nation's food, fiber, feed, and fuel supply.

Title I of the farm bill, specifically the PLC program, has traditionally been our true safety net. It's what has allowed us to better compete on a lopsided global playing field distorted by high and rising foreign subsidies, tariffs, and non-tariff trade barriers.

For example, China was found to have illegally over-subsidized just three crops—including rice—by $100 billion in a single year. For its part, India subsidizes its rice producers by upwards of 90 percent and injected even more financial support for its farmers facing escalating input costs. This results in India dumping rice across global markets at prices below the cost of production, causing India to gain market share steadily and unfairly. In fact, in the past 10 years, India has become the largest rice exporter in the world, controlling over 40 percent of the world market. This was made possible through India's trade distorting practices and egregious violations of its World Trade Organization commitments. These are just two examples of a litany of predatory trade practices used by foreign competitors.

In the face of these and other challenges, USA Rice strongly believes reference prices under PLC need to be meaningfully updated and indexed in order to provide a relevant safety net that remains relevant over the long haul.

Payment limitations also need to be adjusted to reflect the growing risks undertaken by family farms. Just as lenders have had to adjust how much they are willing to lend and what they will require as collateral to keep up with current conditions, so too must the farm bill's safety net adjust. This includes payment limitations, adjusted gross income (AGI), and actively engaged rules that simply have not kept pace with the times. They are outdated, as evidenced by the hundreds of Members of Congress on both sides of the political aisle who not long ago wrote to the Department of Agriculture expressing concerns that the limitations applied to pandemic and trade war relief, the same limitations long imposed on Title I programs, simply did not cover the enormous losses suffered by producers. This reality also led Members of Congress to pass more realistic program parameters in the context of natural disaster assistance, the Emergency Relief Program, for 2020 and 2021. We hope that Congress will take similar steps in the context of the next farm bill. For full time farm families, this is a remedy that is long overdue.

Further, we believe that Title I programs should be exempt from budget sequestration. These programs are already designed to ensure that the farmer is not made whole when suffering losses, but rather deliver a modicum of help to remain in business, hopefully until conditions improve. Sequestration has further limited assistance to farmers during the times they need it most. At present, for those few farmers who will receive a small amount of assistance under PLC or ARC for losses last year, the assistance will be further reduced by 5.7 percent due to sequestration.

Promised producer planting flexibility has been a longstanding commitment to farmers by Congress to ensure that farmers are planting for the market and for the soil and not due to government programs. Any updates or reallocations to base acres should be voluntary and the farmer's decision.

In sum, the work you do on this Committee is extremely important to the farm families I represent, and I am grateful to have this chance to testify before you.

Farming has been an honor of a lifetime for me, and it means a lot that you would place such a value on the work that I love.

Again, thank you for the opportunity to visit with you about these issues of critical importance to farm families like mine.

The CHAIRMAN. Mr. Satterfield, that was just right. You had 10 seconds to go.

Mr. Moore, please begin when you are ready.

STATEMENT OF ANDREW MOORE, PRESIDENT, U.S. CANOLA ASSOCIATION, DALTON, GA

Mr. MOORE. Thank you, Chairman Scott, Ranking Member Brown, and Members of the Subcommittee, and Chairman Thompson. As President of the U.S. Canola Association, I want to thank you for this opportunity to present the views of canola growers. I am Andrew Moore. My family has been operating Moore Seed and Grain Farms since 1955 in the beautiful mountains and river bottoms of northwest Georgia. During the winter, we grow canola, wheat, barley, and Cosaque black oats, and during the summer, corn, full season, and double crop soybeans, sunflowers, and grain sorghum. To help manage and utilize the products we grow on our farm, my family vertically integrated our business by commencing an expeller press oil mill in 2008 and a livestock feed mill in 2011.

Canola production in the U.S. has been slowly but steadily growing but is not keeping pace with demand. The U.S. has planted an average of over 2 million acres of canola per year over the last 5 years. In 2022, the U.S. produced a record 3.8 billion pounds of canola seed, but this will only supply roughly 27 percent of expected U.S. canola oil and mill consumption.

While the Northern Plains accounts for the majority of U.S. canola production, production has been increasing in the Pacific Northwest, and winter canola has been successfully introduced in the Southern Great Plains and the Southeast. In the Southeast specifically, the winter canola acreage supports double cropping of soybeans and other spring seeded crops. Recently, several processors and seed companies have announced investments that could spur significant expansion of canola production. These investments are driven largely by the potential for winter and double cropping canola that results in more vegetable oil and protein meal from the same acreage. In my region, we can produce three crops in 2 years or five crops in 4 years on our existing acreage. Our farm has experienced an eight to ten percent yield increase in our double crop soybeans following winter canola *versus* following wheat.

Like many other row crop producers, canola growers rely on the Federal Crop Insurance Program. In December, our farm experienced unusual 8° temperatures with 20 to 30 mile per hour winds that killed our canola crop. Luckily, we had Federal crop insurance that helped us cover planting and fertilizer cost. Policymakers should look to strengthen and expand crop insurance, encourage broader participation among producers of all commodities, and expand coverage to provide more protection for farms.

USCA also supports the continuation of ARC and PLC programs with support payments tied to historical crop bases. We have strongly supported tying Title I program payments to the farm's crop acreage basis rather than to the crops planted in the current year. Tying payments to crops planted in the current year led to major production and price distortions in the 1980s and early 1990s as farmers made their planning decisions based on higher government payments for crops with higher supports. Decoupling payments from current year plantings allows farmers to respond to market signals rather than planting the highest government payment. Decoupling has been a key policy in every farm bill since 1996 and should be preserved in the next farm bill.

The USCA has worked through previous farm bills to establish equal footing for canola in U.S. farm programs so the crop can compete for acreage. These efforts have included achieving competitive marketing loan rates, target prices, and reference prices. From our perspective, the reference price of $20.15 per hundredweight for other oil seeds, including canola, that was established in 2018 Farm Bill, has been effective and keeps canola and minor oilseed crops competitive with soybeans. If reference prices are increased in the 2023 Farm Bill, it is important to ensure that the new levels reflect their respective market values and parity is maintained for competing crops.

As it does for most crops, the current CBO projections show prices declining for canola over the next 10 years. We would note, however, that the CBO price projections for canola are approximately 25 percent lower for most years than price projections from the other entities such as FAPRI.

The USCA supports a couple of improvements of ARC and PLC programs. We support a change in providing producers the better-of option between ARC and PLC rather than requiring them to annually choose between two programs. In addition, the crop insurance Supplemental Coverage Option, SCO, should be available for both PLC and ARC.

Finally, outside of crop insurance and farm programs, I would like to take this opportunity to urge support for robust funding for agricultural research in this farm bill. Transforming and maximizing food production requires a long-term investment in research and research infrastructure for all of agriculture.

The USCA joined a group of over 60 organizations, including commodity groups and other stakeholders, urging Congress to prioritize robust investments in food and agricultural research facilities and extension services in the farm bill. Funding in the research title is needed to spur scientific breakthroughs, keep pace with our global competitors, modernize facilities, and ensure nutrition security. Despite growing challenges in our food system, funding for public food and agricultural research in the U.S. has declined over the past 2 decades, while other countries are increasing research and surpassing the U.S. investments.

Thank you again for the opportunity to testify today and for considering the perspectives of U.S. canola growers, and Go Dogs.

[The prepared statement of Mr. Moore follows:]

PREPARED STATEMENT OF ANDREW MOORE, PRESIDENT, U.S. CANOLA ASSOCIATION, DALTON, GA

Chairman Scott, Ranking Member Brown, and Members of the Subcommittee:

On behalf of the U.S. Canola Association, I want to thank the Chairman and Ranking Member as well as the Subcommittee for this opportunity to represent the views of U. S. canola growers. I am Andrew Moore, President of the U.S. Canola Association. Moore's Seed and Grain Farms, Inc. has been operating since 1955 in the beautiful mountains and river bottoms of northwest Georgia near Resaca, growing during the winter: canola, wheat, barley, Cosaque black oats. Then during the summer: corn, full season and double crop soybeans, sunflowers, and grain sorghum. To manage production and market risks by utilizing the products we grow on our farm, my family vertically integrated our business by commencing an Expeller press oil mill in 2008 and a livestock feed mill in 2011.

The U.S. has planted an average of over 2 million acres of canola per year over the last 5 years. While the Northern Plains account for the majority of U.S. canola production, production has been increasing in the Pacific Northwest and winter canola varieties have been successfully introduced in the Southern Great Plains and the Southeast. In the Southeast, the winter canola acreage supports double cropping of soybeans or other spring-seeded crops. In 2022, the U.S. produced a record 3.8 billion pounds of canola seed, but this will only supply roughly 27 percent of expected U.S. canola oil and meal consumption.

Recently, several processors and seed companies have announced substantial investments that could spur significant expansion of canola production. These investments are driven largely by the potential for winter and double cropping canola that results in more vegetable oil and protein meal on the same acreage. In my region, we can produce three crops in 2 years or five crops in 4 years on our existing acreage. For example, our farm has experienced an eight to ten percent increase in yield in our double crop soybeans following winter canola *versus* following wheat. Then the following year, our winter wheat consistently achieved higher yields in fields that were planted behind the canola/soybean rotation than fields that were produced behind full season soybeans. This benefits growers, consumers, and the regional economy.

Like many other row crop producers, canola growers rely on crop insurance and the Federal Crop Insurance Program is the most vital component. On December 26, 2022, and lasting a few days, our farm experienced unusual 8° temperatures with twenty to thirty mile per hour wind. Our canola was frozen and died. Luckily, we had Federal crop insurance that helped us cover our planting and fertilizer cost. Policymakers should look to strengthen and expand crop insurance to encourage broader participation among producers of all commodities and expand coverage to provide more protection for farms.

USCA also supports the continuation of the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs, with support payments tied to historical crop bases.

Importantly, we have strongly supported tying Title I program payments to a farm's program crop acreage bases rather than to the crops planted in the current year. Tying payments to crops planted in the current year led to major production and price distortions in the 1980's and early 1990's as farmers made their planting decisions based on the potential for receiving higher government payments for crops with higher supports. "Decoupling" payments from current year plantings allows farmers to respond to market signals rather than planting for the highest crop payment and has been a key policy in every farm bill since 1996. Market-based planting flexibility is the cornerstone for income support in Title I and must be preserved in the next farm bill.

The USCA has worked through previous farm bills to establish equal footing for canola in U.S. farm programs so the crop can compete for acreage. These efforts have included achieving competitive marketing loan rates, target prices and, under the last two farm bills, the reference prices that are used to determine income support payments under the PLC and ARC Programs.

From our perspective, the reference price established in the 2018 Farm Bill for "Other Oilseeds", including canola, of $20.15 per hundredweight ($0.2015 per pound) has been effective and keeps canola and the minor oilseeds competitive with soybeans. If reference prices are increased in the 2023 Farm Bill, it is important to ensure that the new levels reflect their respective market values and parity is maintained for competing crops.

As it does for most crops, the current Congressional Budget Office (CBO) projections show prices declining significantly for canola over the next 10 years, relative to prices of the past few years. We would note, however, that the CBO price projections for canola are approximately 25% lower for most years than the price projections from other entities such as the Food and Agricultural Policy Research Institute (FAPRI).

The USCA supports a couple of improvements to the Title I Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs. We support a change to provide producers the "better of" between ARC and PLC, rather than requiring them to annually choose between the two programs. This would provide growers the support they actually need instead of trying to predict the weather and the market.

In addition, the crop insurance Supplemental Coverage Option (SCO) should be available for both PLC and ARC. SCO is a crop insurance product providing county coverage above farm-level coverage. There is no clear reason why the SCO is not available with ARC, as it is with PLC, and this restriction should be dropped.

Outside of crop insurance and farm programs, I would also like to take this opportunity to urge support for robust funding for agricultural research in this farm bill. Transforming and maximizing food production requires a long-term investment in research and research infrastructure for all of agriculture. The USCA joined a diverse group of over 60 organizations, including commodity groups and other stakeholders urging Congress to prioritize robust investments in food and agriculture research, facilities, and Extension services in the farm bill.

Funding in the research title is needed to spur scientific breakthroughs, keep pace with our global competitors, modernize facilities, and ensure nutrition security. Food and agricultural advancements rely on innovations to increase productivity, adapt to new pests and diseases, and lower food prices. Despite growing challenges to our food system, funding for public food and agricultural research in the U.S. has declined over the past 2 decades while other countries are increasing research and surpassing the U.S. investments.

Thank you again for the opportunity to testify today and for considering the perspectives of U.S. canola growers.

ANDREW MOORE,
President,
U.S. Canola Association.

The CHAIRMAN. Amen.

At this time, Members will be recognized for questions in order of seniority, alternating between Majority and Minority Members in order of arrival for those who joined us after the hearing convened. As you know, the Members will be recognized for 5 minutes each in order to allow us to get to as many questions as possible. And we can see their lights, so I think it would be helpful for the Members up here if we could to do as we were before where the lights were showing so we would know when we get to 1 minute if possible.

I now recognize myself for 5 minutes.

I think pretty much each of you referenced in your testimony the current reference prices that were set in the 2014 Farm Bill using 2012 cost-of-production data, obviously, that is extremely old. It would be old if it were only 3 years based on what has happened to input prices.

To help provide some context, I want to just go down the line, and could each of you give an approximate estimate of where the break-even price is on your farm for the commodity that you are currently representing and what the current reference price, and if you know what the current loan rate is for your commodity? Mr. Haag, we will start with you.

Mr. HAAG. Thank you, Mr. Chairman. One thing with—corn has started out with the reference price, and corn is the most expensive part in the farm bill when it comes down to adding on to what the reference price is. On the PLC, it is $3.70. You start adding that up and up, it takes a lot of money to get that up to—where we were today.

The CHAIRMAN. If I may, but what is break-even on corn? On corn right now, the reference price is $3.70 a bushel, as you said. I believe the loan rate is $2.20 a bushel. What is the average break-even price for producers?

Mr. HAAG. For a producer, it depends on the farm, right now, I would say we are right around $5 a bushel for break-even as a corn farmer, but it all depends upon how much land you rent or how much debt you have, if you are an experienced farmer or a young farmer bringing it up. But $5 is pretty close right now to the break-even point.

The CHAIRMAN. Mr. Holladay, how about you?

Mr. HOLLADAY. On cotton, the latest estimates are 90¢ a lint pound, so when you go back to our seed cotton program, which when we developed it, we used seed and cotton lint together in the matrix of the support program because they have two identifiable products that come out of cotton all the time, and they are combined. And that is what is seed cotton. So when you look at the seed cotton, our reference price is, what, 36.7¢.

The CHAIRMAN. 36.7¢ a pound is what I show.

Mr. HOLLADAY. Yes, and it is going to—about 48¢. If you did the calculation, it would be around 48¢. And, that is on an average producer. It runs the gamut. It could be 85¢, it could be 95¢ depending on where they sit and their production and all that as far as break-even.

The CHAIRMAN. Mr. Flansburg?

Mr. FLANSBURG. Yes, so as I look at our crops, one of the advantages we have is that the cost of production is actually fairly low, so, we have higher chemical costs, higher fuel costs, but in terms of having fertilizer needs, that hasn't driven problems for our crops specifically. So, our reference prices are definitely lower than what our current values are. I think 24¢ for big beans is a number for our garbanzos. And so large chickpeas are what I think about because it is what I grow the most. And, the current price is over that. So, that would be a point where I would have trouble selling them and making money.

The CHAIRMAN. Okay. So I am showing that chickpeas are at $21.54 on the reference price. I am showing a loan of $14. Does that sound right?

Mr. FLANSBURG. Yes, that sounds right.

The CHAIRMAN. And what do you think your cost of production is approximately?

Mr. FLANSBURG. Well, I have had to grow them for $14 before, and I know that that doesn't work very well. So an exact number I would have to get back to you on that.

The CHAIRMAN. Okay. Mr. Satterfield?

Mr. SATTERFIELD. So currently, the reference price on rice is $14 hundredweight. Where I am in the mid-South with long grain, I would say that number should be between anywhere between $17 and $18.

The CHAIRMAN. Okay. And loan is half of that at $7?

Mr. SATTERFIELD. Yes, loan of $7. That is correct.

The CHAIRMAN. Okay. Mr. Moore?

Mr. MOORE. Yes, sir, thank you. The reference price per hundredweight $20.15, which turns out to be about $10 a bushel. And that is the reference price for canola. And the loan rate is $10.09 per hundredweight.

The CHAIRMAN. What is your cost of production?

Mr. MOORE. So that is the deal with canola is that we grow it from North Dakota all the way down to Georgia, so we double crop our canola. So ours is a little bit different than North Dakota. So it can be a range. I don't have that specific number because our farm is a little bit unique in how we process our canola.

The CHAIRMAN. Okay. Thank you.

Mr. Holladay, in your testimony, you mentioned how important the Marketing Assistance Loan is for your industry. And you note that despite the higher production costs, the maximum level of loan rate has remained the same since 2002. Can you speak more on how raising loan rates to reflect current market prices would be an effective tool for farmers?

Mr. HOLLADAY. We use marketing loan quite a lot in cotton simply because most of our cotton goes to export, and we have different shipping and storage issues and marketing issues, and we have the same volatile markets everybody else has. What we are looking at is it would be forward-looking to raise that base loan rate. Simply because it is so low, we are only going to be using a portion of—it is a portion of the value of that crop most of the time, but if you move it up, it is not a large cost item, and it has a significant impact on the amount of money that the producers can get when they put cotton in the loan when prices have dipped below break-even or farther.

The CHAIRMAN. All right. Thank you. My time has expired. I did not see the light down there. I apologize. And I look forward to continued discussion on the loan and reference prices.

With that, I recognize the Ranking Member, Ms. Brown, for 5 minutes.

Ms. BROWN. Thank you, Chairman Scott.

I am going to start off by asking a big-picture question. Based on your testimonies, I think we would all agree that our farm safety net programs are an essential tool to help farmers and ranchers literally weather any downturns in the market beyond their control. However, I also think that we would all agree that certain programs are easier to navigate than others. So I would like to hear from each of you. Do you have any suggestions for the sort of criteria we should use in understanding how our farm safety net programs are functioning? And I will start with you, Mr. Haag.

Mr. HAAG. I had a little hard time understanding who the—Representative Brown? Could you kind of repeat that a little bit for me, please?

Ms. BROWN. Yes. So, I am just curious about any suggestions you may have as it relates to the criteria we should use and understanding how our farm safety net programs are functioning.

Mr. HAAG. With the farm safety net, it is the major tool in our toolbox for the farmers, especially at the younger age because he does not have the experience or the mandatory existing land paid for or buildings—or not buildings, but machinery. So with the crop insurance at the high level or where we are at right now is important to keep it there, and anything to help take it down would be hurting our younger farmers more than the other farmers.

And the other big thing with crop insurance is that we need everybody to be participating like we are now because if we start having less people involved in crop insurance, the more expensive it is going to get for the next generation of farmers coming up.

Ms. BROWN. Mr. Holladay?

Mr. HOLLADAY. Yes, thank you very much for the question. One way that we can look at how successful programs are is looking at how much *ad hoc* disaster has to be spent as basically a safety net procedure. And one way to implement them better would be that we have to have easier access and better education on getting into these programs and make it equal access and make it a very identifiable procedure for everybody that could participate on any given commodity and expand the insurance coverage for those that might be not able to get insurance in different plantings.

Ms. BROWN. Thank you. Mr. Flansburg?

Mr. FLANSBURG. Yes, so a big-picture measurement of how the farm programs are working is how many farmers are going out of business in any given year and how many farms are sticking around and able to make it. And, having farmers have the ability to choose what they plant is important and to enable them to navigate these programs is also important. So an interface with the FSA office, that is a good first point of contact for farmers to understand these programs, so all that should be supported. And, really, for me, the insurance program works well in the way that I navigate that with my own insurance agent. So on the farm, that is a very useful tool.

Ms. BROWN. Mr. Satterfield?

Mr. SATTERFIELD. So, as has been referenced earlier today, the cost of production being so much higher than 2012, it is just a completely different world that we live in now as far as pricing and input costs, and it really needs to be relevant for the PLC to work. Last year, as a good example, the PLC triggered very, very little, a negligible amount and on a year when it was so needed when the costs were just so high and you had exponential increases in all of your input costs. So again, Texas A&M had a projection that ⅔ of rice farms will be in the negative, an $880,000 loss per farm. And I can tell you that that is a pretty accurate number because there are some people that are hurting out there in the rice business.

Ms. BROWN. Mr. Moore?

Mr. MOORE. Yes, ma'am. Thank you. I can back up the things that these other people have been saying. FSA numbers for us, I mean, big picture, our FSA numbers are very large. We have a lot of FSA numbers on different land that we have, and so consolidating that would be helpful. Market choices, the producer always wants to have a market choice that they have that they can grow per acre. I mean, we can do eight crops per year on our farm, and so we would like to have that choice on what works best for us. And then the PLC and the ARC program, it is difficult to navigate through that every year on which one we do. We have a lot of counties that we farm in.

Ms. BROWN. Thank you. And I see my time has expired.

The CHAIRMAN. The chair now recognizes Mr. Crawford.

Mr. CRAWFORD. Thank you, Mr. Chairman.

Mr. Holladay, I want to start with you. And, we share some commonalities with regard to cotton production. Obviously, in east Arkansas, we grow a lot of cotton, and I am very familiar with the challenges that our growers there face, including drought, high production costs, inadequate demand, supply chain disruptions, and so on. Agriculture is inherently risky, but for those who are less familiar with the day-to-day operations and challenges of production agriculture, that suggests, well, maybe you can just grow some different crops. How realistic of an option is that for you as a cotton producer?

Mr. HOLLADAY. Well, I live in the middle of the biggest cotton patch in the world, and we grow cotton out there for a reason. It is a very arid environment. It is best suited for that environment. It takes less water for that cotton. So cotton is very specific to that region. We have different cover cropping technologies we use, but we don't have really a true rotation that we rotate out of.

Mr. CRAWFORD. This has been something that is been alluded to by several of the members of the panel, but crop insurance as an example, I think we ought to be expanding eligibility for crop insurance, not shrinking it. And if we really want to reduce cost to producers, if we really want to enhance the uptake for young and beginning farmers so that we start to bend that curve on the aging farming population and change trajectory, I think we ought to be expanding acres and not creating instability with safety net program eligibility. But to what extent do you think producers should be in charge of their own production risk? And how do you think this would impact *ad hoc* disaster assistance?

Mr. HOLLADAY. Well, I think increasing the safety net, we need to get *ad hoc* disasters back to disasters. It does not need to be a safety net policy. It needs to be for a disaster, something. We have such a distance between, we have to be in a negative cash flow so long before we ever hit this safety net. It is going to be unsustainable. And, the crop insurance is a tool that it is easily identifiable. You know exactly what is going to happen when this happens. The expansion of that product, making it more affordable at higher levels, anything we can do to enhance that makes it a lot easier for especially a young farmer to bank and have something identifiable. So not only do we need to keep crop insurance sound, we need to be looking at ways to expand it.

Mr. CRAWFORD. Yes, I agree with that. And I am going to tell you—and I am going to ask for y'all's input on this on an ongoing basis. Everything that Congress has done over the years to improve opportunities for young and beginning farmers has failed miserably. And if that is not true, why are we not seeing more young people in agriculture? Why are we seeing that age continue to rise instead of going the other direction? So I am going to ask you to really come up with some outside-the-box ideas because I have a few myself. But we really need some input because what we have done thus far has not worked. And so we need to work on that.

Let me shift gears just a little bit. Mr. Holladay and Mr. Satterfield, I would like to direct this to you as well. Let me just go to Mr. Satterfield on this one. Congressman Mann and myself, we have led multiple efforts, including a current one, to call upon the Administration to formally open a dispute settlement case with the WTO over India's over-subsidization of rice and wheat. Can you explain how these trade-distorting practices by India are affecting rice producers and wheat producers?

Mr. SATTERFIELD. Sure. With these trade practices, India is dumping this rice in places that are so cheap just because of the over-subsidization of their growers that places that used to be some of our biggest markets we can't sell to anymore because we are growing a great product, but they are getting the rice so much cheaper because of the over-subsidization of fertilizer and everything down the line from India. They can take it and ship it around the world to places where we used to go and just really robbing the market share. So it is really just directly affecting us and our sales to these countries.

Mr. CRAWFORD. So if I understand this right, we get wrapped around the axle about the actual subsidization of a crop that we forget about the subsidization of the inputs of the crop that make it cheaper for them to produce. Is that fair to say?

Mr. SATTERFIELD. Absolutely.

Mr. CRAWFORD. All right.

Mr. SATTERFIELD. Sure. Yes. And the amount of rice that they keep, you hear stories of rice that they keep for their people and somehow ends up in other countries as well, so I think that right from the subsidization of the fertilizer and the input costs and everything down the line, it just is a very unlevel playing field for us for sure.

Mr. CRAWFORD. Thank you. I appreciate you being here today. And, gentlemen, I yield back.

The CHAIRMAN. The chair now recognizes Ms. Adams for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chairman.

And thank you for your testimony today and for being here. Your insights as producers are informative and certainly important to the work that we are doing as a Committee, especially on the farm bill.

Mr. Moore, I was happy to hear you talk about the agricultural research and the facilities' needs. I am a graduate of North Carolina A&T State University, the largest public HBCU, but also an 1890s institution, and so we always talk about the need for research, so I appreciate you raising that.

As many of you may know, the number of Black farmers in the United States has decreased precipitously over the last century. In 1950, there were over 500,000 Black farmers. Yet, by 1997, that number fell to 20,000. And over the course of the 20th century, Black farmers have lost over $300 billion worth of farmland and acreage. And while this outcome is the result of many different processes stacked against Black farmers, some farmers have identified that role, that discrimination by FSA staff and county committee members have played, including mishandling paperwork like applications and poor customer service.

So to all of you, quickly, what are your thoughts on the FSA county committee system, and is there a role for county committees to play and if you can speak to issues with the office staffing and customer service that you may have encountered? So we will start with you, Mr. Moore.

Mr. MOORE. Thank you so much, Ms. Adams. Yes, so our FSA office is in our county seat, and we have small counties in Georgia and so there are a lot of counties that we have to work through. Luckily for us, Glenn has been a great man for us, for our county and our county area. He supports us in the ways that we need to ask, and his office open to us, and we go in there often.

Ms. ADAMS. Okay. Great. So if we can move to Mr. Shawn Holladay?

Mr. HOLLADAY. Yes. I would say that the county committees are very, very important, and they serve their role very well. And, we have to have a—from an FSA employee to a county committee to even a state committee, we have to have very good people in those positions. We have been involved as the cotton industry, as many other commodities do. We help service candidates for those. We help USDA service underrepresented candidates for the state committee this year. I was involved in some of that. We have a lot of stuff going on. But all of that system works very well, but we have to be very careful to keep those seats intact because we have had a difficult time getting those seats filled sometimes.

Ms. ADAMS. Okay. Great. Okay. So we can move on to Mr. Haag.

Mr. HAAG. With the FSA, it is amazing how they have improved, maybe that COVID was one of the things that harmed American farmers during that time, but the FSA office, they improved themselves by working more and having more work done over the internet so you don't have to show up at the office as much as you did before where you can email to get that information. And with having your local people in your counties like we have in Minnesota, it is important because they know the operations that go on in our counties, so that is why it is important to have that committee. So with the FSA is they made huge programs, or, I mean, made it a lot easier to work with the FSA than it had than in the past.

Ms. ADAMS. Well, thank you. Let me just move on quickly if I can. USDA in recent years has undertaken efforts to enhance the online experience for producers. Have producers of your commodity had positive experiences with online tools, Mr. Haag?

Mr. HAAG. I am sorry. I didn't hear what you said, Representative.

Ms. ADAMS. Have producers of your commodity had positive experiences with the online tools? Online, online.

Mr. HAAG. The online tools, actually, my daughter has a lot better experience than I do with it.

Ms. ADAMS. Okay.

Mr. HAAG. She keeps all IT things running on our farm. But yes, I mean, I think we are adopting those. Anything that we can do online—we can't do everything, but anything we can do online, we are adopting those technologies, and we were finding them very useful.

Ms. ADAMS. Thank you. I think that red means I am out of time, is that right? Thank you very much. Thank you, gentlemen.

The CHAIRMAN. Before I recognize Mr. LaMalfa, I am going to have a roster update. Unless somebody comes in on the Democratic side, we will be going to Mr. Bishop and then Mr. Davis. And on our side, I have LaMalfa, Duarte, Johnson.

Mr. LaMalfa, you are now recognized for 5 minutes.

Mr. LAMALFA. Thank you, Mr. Chairman.

Let me kind of pick up where Mr. Crawford left off with Mr. Satterfield on the situation with India and the blatant violations with the WTO and such and rice, as well as other commodities, suffering some of the similar issues. Can you share what you are hearing? What have you received from the Administration, from USDA or USTR, on what they are doing to address this issue?

Mr. SATTERFIELD. Sorry about that. That is a good question. We have taken cases that have gone to a certain degree and have not gone any further. I would say that there is definitely work to do there. It seems to get to a stopping point, and it doesn't seem to go any further, so we still are battling that.

Mr. LAMALFA. How could Congress be helping bring more awareness to the——

Mr. SATTERFIELD. Yes. And there are things we are working on. We have formulated a few plans to do that. I think just an overall education about how it is truly affecting the American rice farmers, I think there is maybe a disconnect on how really hard it is, hard hit the rice industry is because of this.

Mr. LAMALFA. You mentioned the $17 price needed for rice. What number would you put on for California?

Mr. SATTERFIELD. Well, that is another thing we are working on. And I know that is near and dear to your heart, as a rice man yourself. With a little bit of a different reference price in California and that is a number that should be a good bit higher than what it is now.

Mr. LAMALFA. Yes, definitely. We grow that medium grain out there it is a little different but——

Mr. SATTERFIELD. Right. The good stuff.

Mr. LAMALFA. Thank you.

Mr. Holladay, you were talking about in the conservation programs that they must reward, not penalize, the good contributions that have been made across the board, but especially by those that have done them early on, before the programs were up to speed. Can you talk about that situation where the early adopters of conservation have not really been rewarded or even noticed, maybe even penalized?

Mr. HOLLADAY. Yes, I appreciate that question very much. When we look at these conservation programs and plans, they seem to always want to be scaled. And when you look at those scales, the people that have adopted a lot of these things early on and people who are using these conservation tools and practices already rather than using the program, we want to ensure that those early adopters are getting supported for that early adoption rather than having someone who had not adopted and have the entire scale that they could be supported as they move up the ladder. Basically, it is in retrospect after moving backwards, you are punishing the ones that have been doing the things that are more climate-smart to begin with.

Mr. LAMALFA. Yes, I appreciate that. We have been bailing rice straw for probably nearly 30 years, and that is just one small example. There is not a lot of credit on that.

Mr. Satterfield, various natural disasters have hit a lot operations and a lot of commodities here. In my own home state, again, we had several years of drought, some of it manmade and some of it caused by water delivery cuts and misuse of water, for example, of California's little over 500,000 acres of rice typically grown last year, that was lopped in about ½, unbelievable what I was seeing on the west side of the valley I represent there, the dry fields and the resulting effects on wildlife and habitat and whole works. So what would you be able to share with the Committee to enhance and support our food systems where our producers would be able to get through these hurdles? And I would just say quick, we need more water storage. We need smarter allocation of water and not so much environmental water running out. But what would you look at a bigger picture we could be doing more?

Mr. SATTERFIELD. Yes, I mean, I think you are exactly right. There are a lot of great rice farmers in California, a lot of good friends of mine. I was out in Sacramento in January, saw the influx of all the water in the Sacramento River and all of that area. So I think just an understanding of the needs. The surface water, like you were talking about, enhancing the size or whatever. Like you said, I could probably defer to a few of my California friends for some specifics on that. But they have definitely gone through the years with the drought and then now with too much water, it is certainly a complicated situation.

Mr. LAMALFA. Yes, certainly. And that goes with all of our commodities here. We used to have so much cotton in California, and that was one of the first things hit by water misallocation. And, California grows—there are many, many crops grown—they are 90 percent of what the U.S. consumes is grown there, so we have to do better.

Mr. Chairman, I yield back. Thank you.

The CHAIRMAN. The chair now recognizes Mr. Bishop.

Mr. BISHOP. Thank you very much. Thank you, Chairman Scott and Ranking Member Brown, for having this important hearing for us to get an update from our commodity stakeholders on their priorities for the 2023 Farm Bill.

The 2018 Farm Bill enabled producers starting with the 2021 crop year to pick between the Agriculture Risk Coverage Program and the Price Loss Coverage Program on an annual basis. Do you think that this ability to annually elect which program in which to participate has been beneficial to producers? If you could each address that briefly.

Mr. HOLLADAY. Yes, I think that is a really good aspect of the program. I think anytime you have versatility, you have risk management. When you have different tools to use at different times, anytime you can keep those elections, you are better off.

Mr. FLANSBURG. Thank you for the question. I enjoyed the ability to change between these programs, but it is difficult to change between these programs as a producer, too. So, I may be in a somewhat unique position among farmers that I have probably only six distinct landowners that I farm for. And, there are people with 70, 80, 90+ landowners that they have to negotiate between these programs with. So getting all those signatures, getting everybody to agree on those programs is difficult. So while it is nice to be able to choose between one newer idea that we would advocate for is an automatic default to the better of a given program in a given year, whichever is more beneficial based on conditions on the ground.

Mr. BISHOP. But you have sufficient tools for the producers to really—do they have sufficient information upon which to make their decision on but which one of the programs to choose?

Mr. FLANSBURG. Probably. In a given year, there is guidance that comes from grower organizations and FSA. But sometimes, the hassle of changing between them is not worth the benefit of trying to predict what the given year is going to do price-wise and weather-wise.

Mr. BISHOP. Okay. Let me ask, given the level of expected commodity prices this year compared to previous years, along with the higher input prices, do you anticipate that there will be higher levels of interest among farmers electing the Price Loss Coverage in order to be able to also purchase the Supplemental Coverage Option in crop insurance? Or have producers opted more into the ARC since the PLC seems unlikely to trigger for most traps again?

Mr. SATTERFIELD. Well, I think that is exactly right. I would concur with what they have said. I think when you get the choice between the two, the PLC program that seems to work better with rice, specifically, and then maybe in the ARC in the soybeans, just concerning what I have on my own farm. But yes, I think the option for the supplemental coverage will work in there as well.

Mr. MOORE. In U.S. canola—sorry, excuse me.

Mr. BISHOP. Go ahead, Mr. Moore.

Mr. MOORE. U.S. canola, it supports definitely adding the Supplemental Coverage Option for ARC and PLC for both of them. Right now, it is currently, I believe, just for PLC. I would have to check that data, but it is one or the other. I can't remember. There is not a clear guideline on why that is not available for both. For our farm, it is difficult to navigate through that because of the different counties that we have within Georgia and how that works. And so we have certain counties that are going to do certain things.

Mr. BISHOP. Can you talk about the role of marketing assistance loans and facilitating the marketing of your respective commodities? My time is going short, so if you could be brief.

Mr. HOLLADAY. I would just say that the Marketing Assistance Loan is an integral part of cotton in particular, but in terms of low prices and moving cotton and being able to get money off of that crop in the interim as you market it and be able to get it in the marketplace, it is very helpful to different productions.

Mr. HAAG. In the corn situation where we are at right now, \$2.02 at the marketing loan, it is not very feasible for farmers to go into it because of the price of being up where we are at. The back wood corn was a lot cheaper. You saw a lot more farmers using that program back then than they do now.

Mr. MOORE. For farmers who have storage, we have storage on our facility, we are able to utilize that to help out with cash flow throughout the year, and so we do utilize the Marketing Loan Program.

Mr. BISHOP. I think my time has expired. Thank you very much.

The CHAIRMAN. Okay. I am going to give a roster update real quick since it has changed a little bit. I have Miller and then Rose on our side. And on your side I have Budzinski and then Davis.

Mrs. Miller, you are now recognized for 5 minutes.

Mrs. MILLER of Illinois. Thank you. You are getting into the Illinois farmers here. It is great to be here. Thank you to all of you.

I do want to start out by saying that over the past few years, farmers have really faced increased input costs. And now more than ever it is important that we protect our crop insurance and ensure that farmers have a strong safety net. That is very important to the producers in my area.

So, Mr. Haag, thank you for being here. And, as a farmer, I know how important it is to grow export markets around the world. Would you discuss how the farm bill could increase agriculture exports?

Mr. HAAG. That is a very good question. And exporting is a very important item with the corn growers because of the amount of the crop that we grow every year. So with having the crop insurance, but with the exporting with the farm bill, that is where it is important for the MAP and FMD programs to have an increase in there for how much good they do for overseas countries to get our product over there. That is very important.

Mrs. MILLER of Illinois. Thank you. And I just want to say that H.R. 648 (Agriculture Export Promotion Act of 2023) is something that I support and that the producers in my district are counting on us, on the Administration being aggressive in their trade policy.

And you also mentioned in your testimony that NCGA supports increased flexibility within conservation. Could you please explain how giving farmers more flexibility will ultimately improve farm conservation practices?

Mr. HAAG. That is one of the major things that have happened in the farming process from when I started farming to where we are today. The farmers are taking better care of the land. They are more worried about the conservation. If they have some lighter ground or whatever, they will put it in the Conservation Reserve Program and keep it there where they use their heavier ground, then, to make sure they still have the cropland for that. But farmers are very concerned about the conservation, and down the road, we will be also.

Mrs. MILLER of Illinois. Thank you. And I do want to make it public that the farmers are the great conservationists, and they are responding to new information and new practices and implementing them. And I am glad that we are giving them the flexibility because people's geography and their climate is a little bit different in every area.

So I hear from growers in my district that it is vital to strengthen and protect crop insurance. How important is continued innovation and development of new approaches to crop insurance tools? For example, corn growers had the recent split-apply nitrogen endorsement.

Mr. HAAG. That is just one of the items that your State of Illinois came up with here a number of years ago. And we are finding out even in my home State of Minnesota that we are doing—we on our farm, we do split applications of nitrogen. We are not getting the credit that you do in Illinois, but we are still using it because we are finding out how much more beneficial it can be in growing our crop.

Mrs. MILLER of Illinois. And it is great that we are not penalizing but we are incentivizing some of these practices. Thank you so much.

The CHAIRMAN. The chair now recognizes Ms. Budzinski for 5 minutes.

Ms. BUDZINSKI. Thank you, Mr. Chairman. And thank you, Ranking Member. It is great to be with all of you today. I appreciate your testimony. I had a question actually for Mr. Haag around biofuels. Specifically, I am also from Illinois and care very deeply about how we have opportunities to be expanding the usage of biofuels. I am really proud to be one of the co-leads in the House on the reintroduction of the Next Generation Fuels Act of 2023 (H.R. 2434). And so what one of the questions I had for you was, as we expand investments in these biofuels in that market, can you speak to where we are from a capacity standpoint in terms of production and what steps we might need to take to scale up production for alternative fuels?

Mr. HAAG. Well, that is one thing with the American corn farmer, you give him the challenge of growing more corn, we are up to that challenge of growing more corn, just from the technology that we have been provided in the last 10 years of that product of corn, where we can average and what we can do right now. It is amazing what we can do; but, like I say, the American corn farmer there, if biofuels is important to us and if we can increase and get in to the—like you mentioned the Next Gen Fuel Act to show that we can perform just as well as some of the EVs, yes, we will compete with them in that. So the challenge is there for the farmer. He will take that challenge on because it is amazing what we get out of the ground right now with using less of everything and how we are still taking care of the ground.

Ms. BUDZINSKI. So they are up to the challenge. That is great. Wonderful. Well, I also had a question related to energy, and this is really for anyone on the panel. The past couple of years have seen a sharp rise in energy costs given the global pressures on prices here at home. Can you discuss what issues you all are facing following the rise in energy prices and how it is affecting operations?

Mr. HOLLADAY. Thank you for that question. Energy is tied to everything nearly; but, as producers, what we have is anything coming to our operations we are importing all of these resources to grow these crops. Everything on them is tied to some sort of transport cost. That is the bottom level. Then we are using the fuel to produce the crops. And then we are using on the crops that we are growing that is directly linked to energy. So energy prices have a main line to everything that we do.

Mr. MOORE. So, as a U.S. canola producer in the Southeast, there has actually been a lot of news that has been hitting the cycle in the last 2 months about producing biofuels or renewable diesel from canola stock or winter canola. And so one thing that we can do in Georgia and Tennessee in the Southeast is that we can double crop that, so we can basically triple our oil production per acre with soybeans and canola combination. And so that rotation is what is exciting about securing that energy source.

Mr. SATTERFIELD. And I would say that is a huge concern at all levels, especially as you talk about with your input costs. Last year, at a time in your most critical irrigation time we were paying $4.55 for farm diesel. So, I mean, just every time the truck pulled into your farm, it was $16,000–$18,000 depending on the size of the truck that you were dealing with, and they were pulling in fairly regularly. So it adds up pretty quick. I mean, and it is a little different regionally or different states, but where I am, we went from about $400 a ton of urea for rice to about $1,200 a ton, so just a great increase in these prices that are just exponential of where they have been.

Mr. FLANSBURG. And I am here to speak primarily for pulse crops, but I can say that the cost of fuel while it is a top line number that is easy to look at, is not the biggest cost on our farm. The biggest cost on our farm is fertilizer, which is also driven by the cost of energy, so I mean, it is multitudes more than the cost of fuel. And so one of the advantages that our crop has is that, without having to use nitrogen-based fertilizers that we import onto the farm, pulse crops are an inexpensive option relatively to grow because we don't have to expend that same energy output for fertilizer onto them, so they are good rotation crop in that sense and reducing energy use.

Ms. BUDZINSKI. Thank you very much. I will yield back my time. Thank you.

The CHAIRMAN. Thank you.

The chair now recognizes the chair of the full Committee, Mr. Thompson.

Mr. THOMPSON. Mr. Chairman, thank you so much. Ranking Member, thanks again for this hearing, and thanks to all of our witnesses.

Many of you mentioned Federal crop insurance in your testimony. As you well know, there have been attempts in Congress to gut the program by imposing an adjusted gross income means testing, payment limits, things like that, including through an amendment to the debt ceiling bill filed just this week. Can each of you speak to how these kinds of proposals would impact the crop insurance program as a whole and your operation in particular?

Mr. HAAG. Well, that would be a major disaster if something like that would happen to us, Mr. Chairman, because with crop insurance, if we start having limitations, you might have some of your larger farmers not taking the crop insurance, well, then you have less people involved in crop insurance. That is going to make it more expensive for that younger farmer then to get going. It is going to put his inputs up higher. So we need to keep the crop insurance right where it is at, make sure that we don't have the issues like you just mentioned coming forth. So the stronger we can keep that net available for the farmer, the better off farmers we are.

Mr. THOMPSON. Mr. Holladay?

Mr. HOLLADAY. Thanks for that question. I will answer that real simply. As cotton growers, we rely on insurance products, some regions more than others. On my operation, my daughter has been a full partner in our operation since she graduated from college, and I would have advised her not to farm if I thought those would be implemented because that is limiting something that we are using as a true safety net, but it is well below the cost, you can't make money off of it, but it can keep you in business long enough to make it to the next wreck.

Mr. THOMPSON. Right.

Mr. HOLLADAY. Basically, and that is how important it is how important it is to our operation, our family operation to not have those kind of harmful things happen to insurance because I don't think they are justifiable from any aspect. On the insurance side, I don't think you can—just the integrity of the program and when you are putting limits on it like that. I think it goes all the way to the other end of the spectrum.

Mr. THOMPSON. Mr. Flansburg?

Mr. FLANSBURG. Yes, thank you for the question, and it is entirely critical to our operation to have strong crop insurance back into what we do. I am in the fortunate situation of not having an operating line on our farm currently, but if I wanted to go to the bank and I said, "Hey, I would like to get a loan so I can farm, but I really don't want to buy insurance," that is not even an option.

Mr. THOMPSON. Right.

Mr. FLANSBURG. So access to credit is, at this point, dependent on having access to that insurance. And, really, it is a way to minimize the cost of the program and to minimize the risk. If you are coming in without access to finances, insurance is critical. Our acceptance in our industry is really high. We have producers buying revenue insurance at 80 to 90 percent rates now. It is an important, important tool to us.

Mr. THOMPSON. Very good. Mr. Satterfield?

Mr. SATTERFIELD. So, as I said, crop insurance in some instances does certainly have a place in rice, maybe not so much you are dealing with a 100 percent irrigated crops. You don't have as many yield variations as you do in other crops. We have worked to try to improve that, except in extreme circumstances, it is just not a really good safety net for rice.

Mr. THOMPSON. Mr. Moore?

Mr. MOORE. Mr. Chairman, thank you. So for canola actually, we received a crop insurance adjustment this year because our canola died. It was 8° and 30 mile an hour wind with no cover. It kills canola. It can. And so this is the first time that we had experienced that with canola. Luckily, we had that crop insurance to be able to get us through. I think the part for us is that it is cash flow, so we are double cropping a lot of stuff. So we have our winter crops that come in with cash flow that comes in, in May and June, and so if we don't have that, then we are not able to move for our summer crops that are going into the ground. So crop insurance allows us to be able to take advantage of the dual season and protect our cash flow.

Mr. THOMPSON. I had another question, but I am going to phrase it as a request actually. Great commodity groups, great organizations, lots of great members. I have been around to visit a few of them, looking forward to seeing a few more in my travels. I would just encourage your help in educating Members of Congress about the importance of the farm bill as you make visits or back home where you invite Members or their staff onto the farm. So that is just incredibly important, any way that you can to help us. We have a significant number, over ½ of the Members of Congress in the 118th have not been here for a farm bill. And, quite frankly, some folks who have been, it wouldn't hurt to do a little additional education with some of them.

So thanks so much, Mr. Chairman. I yield back.

The CHAIRMAN. All right. Thank you, Mr. Chairman.

Before I go to Mr. Davis, on the Republican side, I have Finstad and then Rose. And I now recognize Mr. Davis from North Carolina for 5 minutes.

Mr. DAVIS of North Carolina. Thank you so much, Mr. Chairman, and to Ranking Member Brown, and to our full Committee chair. It was great seeing you in North Carolina in the East. I think we had a great visit, so thank you.

And good morning to all of the witnesses who are here today, and thank you for coming from across the country to join us.

My district includes North Carolina's Inner Banks region, and that is vulnerable to flooding. Earlier this year, USDA unveiled the expanded Hurricane Insurance Protection-Wind Index endorsement to be offered by their Risk Management Agency this year. President Haag, can you speak, please, to the importance of new programs like Hurricane Insurance Protection to provide certainty for corn producers, especially those producing specialty varieties like blue corn that their operation will survive natural disasters?

Mr. HAAG. I didn't quite get everything that you mentioned there, sir.

Mr. DAVIS of North Carolina. Yes, I was wondering if you could please speak to the importance of new programs like Hurricane Insurance Protection to provide certainty for corn producers, especially those producing specialty varieties like blue corn.

Mr. HAAG. Right. I got you now. Yes, anything that we can do to add new ideas to crop insurance is very beneficial because a number of years ago they brought one in with the wind. Well, that helped the State of Iowa then for that derecho, so anytime we can add new ideas to crop insurance, we as farmers are much better off. And we just want to make sure we don't take the good things away right now, but adding new things is great.

Mr. DAVIS of North Carolina. And I have heard from cotton producers in my district about the rising cost of farm equipment and continued pressure on supply chains. Chairman Holladay, in a volatile economic environment, what kinds of investments do producers have to forego when they are not able to tailor their risk management options and lack access to vital programs like the STAX income protection plan?

Mr. HOLLADAY. Well, thank you for that. When you have a situation like we have right now with a huge input cost, everything becomes a big factor, so there is not any one thing that is not extremely important. And then having the ability to take STAX out with PLC and removing that prohibition will be a very great thing. We adopted the STAX program when the Brazil case was engaged and when the WTO ruling came out against us as a placeholder for us to survive until we could be a part of this program again. And with that, we had to in that negotiation—and it evolved forward. It was a situation where you couldn't participate in PLC and STAX at the same time, and that would be very helpful to get that switched.

The investments that we make on an annual basis are all impacted by our safety net because you are not going to make any future investments. If you don't have some security, and that is what, basically this Committee is our security that stands between us and the subsidization of other countries and various other things like natural disasters.

Mr. DAVIS of North Carolina. And, Chairman Holladay, can you also speak, please, to the importance of the Economic Adjustment Assistance for Textile Mills Program and keeping manufacturing and cotton production jobs here at home?

Mr. HOLLADAY. It is very important. One thing we don't need to do is lose any more textile industry. It was basically destroyed. We need to have the ability to do some things in this country, and the textile industry was nearly gone. And that is probably one of the reasons that we helped keep that industry going, and a good example of that is they were able to switch and make personal protective equipment during the COVID virus in this country as textile mills in this country. And the support of those mills is important, and it is important as a security measure as well.

Mr. DAVIS of North Carolina. Again, thank you, and we yield back, Mr. Chairman.

The CHAIRMAN. Thank you. The chair now recognizes Mr. Finstad for 5 minutes, and then it is Mr. Rose for 5 minutes.

Mr. FINSTAD. Thank you, Chairman Scott and Ranking Member Brown, for holding this important hearing today. And thank you to all the witnesses. And thank you, Chairman Thompson, for your leadership on the Agriculture Committee.

And I want to extend a special welcome and thank you to a fellow John Deere-driving Minnesota corn farming brother farmer of mine, Tom Haag, for being here today. I also want to just thank you for your leadership. And, we are really proud of you in Minnesota to have you on the national stage leading the National Corn Growers, so thanks for being here.

I am a proud fourth generation corn and soybean farmer from southern Minnesota, really excited and honored to be raising the fifth generation. And I have been saying this over and over again, and I really believe it to my core that our role here in Congress is really important that we pass a really strong farm bill. But we have to make sure that it is done for the farmer, by the farmer, and it is done for rural America, by rural America. And so for you all being here today, it really helps us do that. It is so great to hear all of your stories, hear your backgrounds, and a little bit about your operations, fourth generation, fourth generation, fifth generation. And really, it speaks to, not just the quality of people that are involved in our profession, but also the stewardship and the love of the land. And what we do really is beyond you and I. It is about our kids and our grandkids and those next generations that we want to pass our farms onto, so it is really important that we get it right. And so for you being here, it helps us get it right.

So let's talk a little bit about the farm safety net. We have heard quite a bit about crop insurance. I am honored to have put together an ag advisory committee that is really helping me on the ground figuring out what is really important for the next farm bill and how I can be an effective Representative to farmers in southern Minnesota.

And I hear over and over again crop insurance, right, crop insurance, protecting crop insurance. So, as a farmer, I know you mentioned the relationship with the lender. I see it firsthand. You don't even get across the desk with a lender without being able to start with what is your crop insurance exposure, what are you at? And that conversation then goes from there, but it also doesn't end there. It ends at the very end when you are making those marketing decisions. And so I see it, I hear it, and I know it is something that we are going to work hard on.

I guess I would just maybe very simply just, Tom, I will look at you, Mr. Chairman of the National Corn Growers, what is the biggest challenge that you see from a corn grower's perspective right now?

Mr. HAAG. I think one of the biggest things that we see right now is that we have a lot of opposition that want to take a lot of the tools out of our toolbox? We are better stewards of the ground. When I started farming as a young—growing up as a farm boy, the traditions we were doing then to the ground to where we are right now, I live about 2½ hours north to you, and we are doing vertical tillage and leaving more corn on the stalks on the ground that I would say that would never work, but it is working. So, I mean, just taking tools away from us would be our biggest hindrance if they were to limit the amount of nitrogen we were supposed to be using, the amount of fertilizer that we are—otherwise, we are going to be putting on would be a major concern to the corn farmer.

Mr. FINSTAD. Yes, thank you for that. And I know Eden Valley very well, and it is the Garden of Eden that you get to farm in, so you are a lucky man.

Mr. HAAG. Thank you.

Mr. FINSTAD. I will, maybe just further emphasize what you are saying. And I know you, I know farmers in your neighborhood, I know farmers in southern Minnesota, and we didn't need government to tell us to do the things that you just talked about. We knew that adapting to technology, looking at the advancements with equipment and the way we have taken care of our farms was good for us and good for generational moves, and so I appreciate the effort that you have.

Just a quick last question I have, and just a yes or no from each and every one of you. FSA loans, turning to all of you, I hear concerns from Minnesota farmers that FSA loan size limitations have not kept up with the rising prices of farmland and farm inputs. The current caps make it difficult for farmers, especially beginning farmers, to access FSA guarantee loans for land purchases and operating expenses. Quick yes or no up and down the line, do you think farm country would benefit from modernizing these loan limits in the farm bill?

Mr. HAAG. Yes, I do.

Mr. HOLLADAY. Yes.

Mr. FLANSBURG. Yes.

Mr. SATTERFIELD. Yes.

Mr. MOORE. Yes.

Mr. FINSTAD. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The chair now recognizes Mr. Rose for 5 minutes.

Mr. ROSE. Thank you, Chairman Scott and Ranking Member, for holding this important hearing. And thanks to our witnesses for being here. I want to pick up a little bit on what Chairman Thompson said earlier and just begin by thanking you and your members for all that you do to make this country self-sufficient and strong. And I think as we think about the 2023 Farm Bill, it is important to remember that we live in a time when we enjoy the most bountiful, inexpensive, safest supply of food and fiber in the history of humankind. And it is a credit to American farmers that you are able to do that battling through the challenges that you have, so I commend you for that.

I will begin with Mr. Haag. In your written testimony, you talk about the importance of marketing assistance loans as a, quote "an important risk management tool," close quote. Can you expand a little on how these loans work and why they are important to the agricultural community?

Mr. HAAG. It is a loan that the farmer can take out, and it is important to have that in order for putting your crop in, for getting your inputs, and all that. So that marketing loan that we would get through the government, it is vital yet. So, I mean, I don't know how to really explain how good it is, but, I mean, it is there, and we need to continue to have it.

Mr. ROSE. And in part, I asked the question, and some of the questions that I am going to ask will be aimed at trying to educate those who might be listening about why we have farm programs. As an old ag policy student years ago at Purdue, I learned why we have the programs we do, why we support farmers, and why it is so important to maintain a supply of food and fiber here at home. And so really, that is what I am trying to get at is to give you a chance to kind of broadly explain why that Marketing Assistance Loan Program is so important, so thank you for that.

Shifting gears a little bit, over the last 6 years, the Federal Government has paid out over $93 billion in *ad hoc* aid to producers. For any of you that would like to jump in, do you feel like the *ad hoc* payments are an efficient risk management tool?

Mr. HOLLADAY. No, they are not an efficient—I mean were they well-needed? Yes. Could we identify the need and can we justify them? Absolutely. But a risk management tool should step in when things are going south and let you—and they should be predictable. They should be something that you can bank on. *Ad hoc* disaster, it saved us over the past couple of years, but it is not something that is predictable, and it is not something we can bank on it. And we need to move away from those as quickly as possible. The problem is, is can we get the money? Do we have the political will to get the money to put in the baseline because that *ad hoc* is not baseline. And the money that has been keeping us healthy out there is not something we can use to write the farm bill like you all know, but from an education standpoint, we need baseline expansion to be able to write a farm bill that works properly.

Mr. ROSE. Thank you. Anyone else want to add to that?

Mr. SATTERFIELD. I would agree totally with that. The *ad hoc* assistance is something that, sort of when you are looking back and not looking forward, something that after the disaster has happened and the cost of it as well, with a stable, well-maintained, consistent farm safety net, that is something that you can take— I think the thing that I would like to just leave with you more than anything is what you can take to your banker. I mean, if you have a safety net that is in place, you know what is going to be there, it makes for a much better conversation with your lenders. The *ad hoc* assistance is good in these disaster situations and other times that come up. But as a long-term goal, we would much rather have a clear, concise safety net that we can depend on and dependable and know it is there.

Mr. ROSE. Thank you. Anyone else? Go ahead.

Mr. HOLLADAY. I would just add that the significant number in *ad hoc* disaster payments is just a symptom of the amount of money that we don't have in the farm program safety net.

Mr. MOORE. Thank you. Mr. Rose, I think it is important to talk about the goals of it as well, and so the goal of risk management is to be able to farm the next year to be able to cover your cost, to be able to continue to be creative, and to have national security through our food and our agriculture. And so as long as we have those safety net programs, those are important to us. We can't predict the weather, and so that is where the *ad hoc* comes in.

Mr. ROSE. Thank you. I see my time has expired. I yield back.

The CHAIRMAN. All right. I will give a roster update. I have Moore, Duarte, Nunn, Alford, Johnson. So the chair now recognizes Mr. Moore for 5 minutes.

Mr. MOORE of Alabama. Thank you, Mr. Chairman. Thank you to all witnesses for being here. I have a Judiciary hearing going too, so I am kind of running back and forth.

But, farming has always kind of been a difficult profession, and the past year has been tougher than most on many of the farmers I talk to, cotton farmers and peanut farmers alike. But we have all heard about various weather challenges that producers have been facing, but I would like to hear a little more, Mr. Holladay, about the input costs. I know the farmers, ranchers, foresters are certainly feeling a pinch in their margins, regardless of commodity or region. Would you expand on that for me, Mr. Holladay?

Mr. HOLLADAY. Yes. I mean, just specifically on fertilizer prices alone, we went up three times, and where the big news is fertilizer prices are coming down, we are about twice what we were to start with. So, when you are up 300 percent and down half that. It is not all that exciting. It is better. You have a cost per acre. You basically raise your cost per acre by $100 to $150 an acre across the board. And if you are just figuring your major inputs, by the time you get everything cost associated with it, you are having to make an above-average crop at a very good price to make everything work. And that is not a sustainable situation, so we are having to use every efficient tool we have just to get there and make it work.

Mr. MOORE of Alabama. Yes, I was talking to my cousin. He is a young farmer, and he just went back to our farm and he was telling me he planned I think he told me $3.13 a gallon for diesel fuel for the whole year, going into this planting season, and it certainly hasn't worked out for him of course. Are there any other issues? I know fertilizer, certainly, that is an issue, fuel costs. What else are we seeing? Inflation in general just hitting all the family farms?

Mr. HOLLADAY. Yes. But when you look at a farm operation, eight percent, they talk eight percent inflation, I mean, it is 30 to 50 percent when you look at a farming operation because you buy everything at retail, sell everything at cost. That is what producers do. So you buy full price everything, you sell everything at cost. And everything that comes to you has a transport load. Everything that comes to you has their transport load, and the person next to them, transport loads, so energy prices have a great deal with what is going on with the supply chain shortages and some of the increasing prices. But just because it can't get here quick enough, it has been absolutely huge. So the last 2 years have been an anomaly that—we have the potential to get better, but the hangover effect seems to be lasting quite a while.

Mr. MOORE of Alabama. Yes, I figured that as well, the hangover effect as just some of the inflation and spending we did at the end of the year still going to continue to hit.

Yes, sir. Mr. Flansburg, would you like to hit on that?

Mr. FLANSBURG. Yes, if you don't mind me saying. Thanks for the question. And, certainly, there are a lot of costs associated with farming outside of energy and fuel. And, one of those is availability of parts, the availability of new equipment. I have heard from dealers that we have about ½ the combine production each year that we used to in terms of number of machines produced, so getting headers to the farm has been near impossible to get a new header. So, just equipment availability even is hard. Chemical costs have gone up a lot in addition just because of supply chain issues. So it is not just those baseline energy inputs. It is all things

And, being the farmer that I am, my newest combine is a 2003, so I am not exactly stimulating the local ag economy with new equipment purchases.

Mr. MOORE of Alabama. I hope you are a really good mechanic.

Mr. FLANSBURG. We will see come harvest.

Mr. MOORE of Alabama. Yes. All the time we are working on stuff. I get it.

Anyway, Mr. Chairman, I am going to yield back. I got about 50 seconds, but I will yield back. Thank you.

The CHAIRMAN. All right. Thank you. You can actually work on a 2003 piece of equipment, and you can't work on the new ones.

Mr. Duarte, 5 minutes.

Mr. DUARTE. Thank you, Mr. Chairman.

Well, thank you guys for being here today. I am a farmer also, almond and wine grape farmer, as well as a nursery, so I sympathize. I have seen it.

First take, someone might say, "Well, gee, doesn't supply and demand just kind of regulate markets, and if we just let supply and demand take care of it, wouldn't that just all work itself out in the long run?" But we know that is not all that is affecting us these days. So I would like you to talk to a few things that I see out there and just let us know how they are affecting yourselves. And I won't ask any specific one of you. You are doing a pretty good job cooperating.

Retaliatory agricultural tariffs, America puts an antidumping suit on Indian steel producers, and all the sudden farmers are paying the price for it back here in the United States. Have you had specific impacts in your commodities and markets due to these?

Mr. FLANSBURG. If I could just speak to that.

Mr. DUARTE. Sure, please, Mr. Flansburg.

Mr. FLANSBURG. Thanks for the question because this is one of the most important things to me as far as maintaining market access goes. When those tariffs came in and we started to get into this bout with India, we went from India being our largest trading partner to virtually nonexistent. And so our price of, let's say, large chickpeas we sold for over 40¢ prior to those tariffs going in, and the price dropped it down to 13¢ a pound. So, it was disastrous for our market. So any way we can maintain access to those markets, I feel we as American farmers can compete with anybody in the world and deliver a superior product, so having those trade agreements in place and free trade, we are all for it.

Mr. DUARTE. Where does India get its chickpeas now that you are sidelined?

Mr. FLANSBURG. Well, some of them are grown there, certainly. But, one of the biggest competitors for all our products, lentils especially, peas, *et cetera,* is Canada. And, they are still at a trade advantage to us, and we are still subject to those trade restrictions due to tariffs.

Mr. DUARTE. So a little loss of the Indian market puts an extra supply back in our market, and a commodity, a little bit of extra supply can mean catastrophically lower prices. And that, you just said, went from 40¢ a pound in a balanced market situation all the way down to 13¢ a pound. Does that cover the cost of production?

Mr. FLANSBURG. No, no. And so that is where those marketing loans came in for me. So, I look at when I have to take a marketing loan because of bad prices, it allows me to wait for prices to go down further and sell later, so——

Mr. DUARTE. Well, great. Well, thank you, Mr. Flansburg.

Does anyone have a better example or even as good an example as Mr. Flansburg's? Because I know the almond growers and the walnut growers in my district certainly do. But that is excellent.

Can I ask another question about logistics? We have had a lot of agricultural commodities back up in the last couple of years just because of—call it COVID-related, but who really knows? Just we couldn't get containers to the port. We couldn't get our logistics problem solved. Do any of you have a good example of how that has impacted your market and left commodities on the market that softened prices and had other economic impacts on you?

Mr. HOLLADAY. Well, nearly every bale that I grow is going overseas, so during that whole process, it impacts the world market when you look at shipments when it comes to cotton in the U.S. So when we slow down at the ports and when we slow down and our trucking industry is strained, when our infrastructure is strained, whether it is COVID or whatever reason you want to pick out the hat, it is incredibly detrimental to not only cotton; but, anything that ships, which is nearly everything. But it has had an impact because you increase the volatility of a market in a place you don't really have to increase it if you can't move it properly.

Mr. DUARTE. Thank you. That is great. Non-tariff barriers, it seems like a lot of the crop protection tools that we want to use here in America that are very sustainable, very safe, and very effective tools, very proven, are being banned because of material residues, issues over in the EU particularly. Are any of you backed up with inventory because of MRLs?

Mr. FLANSBURG. Yes, so I have seen it affect us on the farm just related to glyphosate. There is demand for non-glyphosate products. So one of the problems we have, too, is just to get a chickpea crop off without some form of desiccation, and so alternative chemistries to be used for that are even worse. Let's put it that way. So yes, that that puts us at a disadvantage when MRLs aren't consistent.

Mr. DUARTE. Thank you very much. I yield back.

The CHAIRMAN. The chair now recognizes Mr. Nunn for 5 minutes.

Mr. NUNN. Thank you very much, Mr. Chairman.

And thank you for the group for being here today. We were hard at work all through last night on the Rules Committee protecting some of the things that are very important to communities like ours. Here in my home State of Iowa, biofuels being a huge part of it and making sure that we have success, going forward, really is a team effort. So I am happy that we are leading that here in the Majority.

But speaking across the aisle here, Representative Nikki Budzinski from Springfield—I am from Des Moines—so two Midwestern communities that both have a great opportunity for a homegrown energy source. And she highlighted the sale of year-round E15. Now, sitting in your seat just a week ago was the Administrator from the EPA, who still can't give us an answer after months of asking about what the requirements are to change 2023 use of year-round E15. So, Mr. Haag, I think you recognize, as the National Corn Growers Association here, that E15 year-round fuel sales is only 5 days away from being taken away from consumers at the pump. Look, I got a little family. That is going to be 17¢ per gallon on our family minivan, probably even more on the truck. Could you talk to us a little bit about what the impact is going to be on corn growers specifically if we don't have year-round E15, which is clearly a bipartisan priority, but we are hearing nothing back from the EPA on a solution to fix it?

Mr. HAAG. Well, one of the things what it would affect us as corn growers is that it would be less grind for the corn. We are producing five percent. Right now we are at 50 percent more with E15. And, in my State of Minnesota, we have had the infrastructure there for E15, and we are the largest user of E15, my state is, so, I mean, that would be a huge thing that the consumer is used to using it. It is a better quality gasoline for the engines. It is cleaner air for us to breathe, so it would be in my opinion a huge mistake if we take this petroleum E15 away from the consumer right now, just because even what you mentioned, we saved money last year. It was a perfect example to have it last year. Gas prices have come down but not a lot, so it would still be a savings to the consumer.

Mr. NUNN. Yes, I could not agree with you more. And we in Iowa look forward to selling you as much corn as possible up there in Minnesota and getting it in the tank. It is a team effort on this, and I think this is something collectively we need to continue to pressure the Administration. I invited the Administrator to come out and he can drive his EV. I will drive my truck. I will invite him out in February, and we will see who goes further. But we will be there to pick him up when it runs out.

Look, I want to move next to Agriculture Risk Coverage Program, the ARC, for county. In your testimony, you touched on the devastation farmers and rural communities suffered in the 2020 derecho that hit the Midwest. Again, both our states' experienced and all of our communities experienced the damage that can be done. In my community, the ultimate cost was $1.5 billion in the middle of the growing season. As a result, the Agriculture Risk Coverage Program across our state—however, there are several farmers in our district that don't feel like ARC goes quite far enough. So my question to you is, can you describe how the current maximum payment rate for ARC limits assistance and what we could do to help address or fix these?

Mr. HAAG. I think a lot of that had to do with—we mentioned that benchmark, if we can increase that just that ten percent would help a lot because if we would increase it more, it is going to cost more money in our farm bill, which we don't know if we have that or not. But I think if we can just get that ten percent up there and then you also take, what, 86 percent of the benchmark there that you don't get the full 100 percent there, so if we could get the ten percent, plus that other increase of up to 100 percent, it maybe wouldn't—what was going to say here? It would make you probably heal, but it will still make you a lot better off if we can increase that than where we are right now.

Mr. NUNN. Than you would have been before, I think you are absolutely right on that. Is there anything we can do to help the producers navigate or at USDA put some safeguards on there? Because I think the Chairman has highlighted correctly, we don't want to be writing a blank check to USDA that they could use on potentially anything else. We would take advice on any safeguards you would have either for the farmer or that we can do with USDA.

Mr. HAAG. That is a good question because I think that the more conversations that the farmers get to our organization, what we can do to improve is a big thing because that is where we always stress with corn growers, we are grassroots, we start from the bottom up, and the more information we can get from the local farmer, the better off our organization can be.

Mr. NUNN. I very much agree. Good luck in your planting season.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The chair now recognizes Mr. Alford. Then it will be Mr. Johnson.

Mr. ALFORD. Thank you so much, Mr. Chairman and Ranking Member. Thank you for having us and this great panel here today.

From my conversations with Missouri producers, we have really heard how crop insurance and the farm bill safety net programs are a vital risk management tool for many producers. We put together a great advisory group to keep us updated on the most important issues to them, and one of the things they are talking about is lenders requiring farmers to carry insurance. Generally, it works well in most years. But could each of you talk about your experience with crop insurance and what type of policy you typically carry? Are there any changes or improvements you would like to see, and we will start with you, Mr. Haag, and work our way down.

Mr. HAAG. One of the things that when I started using crop insurance, it was things that—that was back in the early days when the government required us to do it from the 1988 drought, okay? Then all sudden, you get into it and you get into it. Well, then all of a sudden when your son starts to get involved with farming, the first thing he does is sit down with his loan officer and go over all the details of what they need for money, and that is where we can set our percentage of where we need to be at for crop insurance. We basically run in our area—or my son and I at 80 percent for corn and 80 percent for soybeans. That is the magic number to move up a little bit more. It is more expensive than—there isn't that much more back to us, so that is where we are at is that 80 percent.

Mr. ALFORD. Mr. Holladay?

Mr. HOLLADAY. I think we are the same, but we are at 70 percent. But, we are highly volatile, very arid country. I think the ways to improve it would be, it costs the most—anything that is going to trigger is what costs the most, and that level above you that you can't afford is where you need to be, somewhere in that top tier. And the cost of that moving up the scale, especially in highly volatile areas where you need it the most is you just can't afford to get there. So higher subsidy rates for higher levels of coverage and continuing to develop new products, I think the best thing about crop insurance is that there are new products developing as we speak. Producers, grower organizations, independents, everybody, they can find a data set that is insurable within agriculture, it is something that we could look at and see how many people might be using it and have value in it. And it is a very good concept, and it is working well, but that higher level of coverage is where you need to be.

Mr. ALFORD. I want to skip down, running out of time here. I want to talk about the credit situation with the rest of you. What is it like in your part of the country? Are bankers typically able to make the loans that you need?

Mr. FLANSBURG. They are for me, and from what I hear around the area, yes. We tend to have a fairly stable yield from year to year, but in certain cases, we don't, like 2021. So, yes, in my experience, they are.

Mr. ALFORD. Mr. Satterfield?

Mr. SATTERFIELD. I would say an area that is getting harder, especially after years like last year, I have heard stories about lenders not renewing loans and some instances where people with the high input costs like you referenced earlier and not being able to show the particular, the profits that the banker wants to see. But again, I will go back to with the farm safety net, having it in place, it is a very handy tool that your lender—he wants to look at something that he knows he can depend on, with that farm safety net as well.

Mr. ALFORD. Mr. Moore?

Mr. MOORE. So for us personally, we are highly diversified in what we do on our farm, and so our lenders have still been working with us pretty well. The requirements of documentation has been increased over the past 2 years. The amount of labor it takes to be able to get the documents and everything ready to go has increased for us, so we have dedicated staff that actually works through that. So it is hard to do that as an individual farmer, the amount of work that was having to go through, but as for us, we have had to hire another person that helps us with that.

Mr. ALFORD. Thank you to the panel once again. And, Mr. Chairman, I yield back.

The CHAIRMAN. The chair now recognizes Mr. Johnson for 5 minutes.

Mr. JOHNSON. Thank you, Mr. Chairman.

There has been a little conversation about base acre updates today, but I guess I would ask each of you, does your organization have a stand on mandatory base acre update *versus* optional? And what should this Subcommittee keep in mind as we are moving forward? Mr. Haag, we can start with you.

Mr. HAAG. Thank you for that question, Mr. Johnson. As of NCGA right now, we are basically having our book that we are keeping with the base acres. We know that your State of South Dakota and there are other states that would like to increase them and everything like that, which would be great. But the biggest thing then comes down is how much money do we have in order to increase that for that farmer. South Dakota is due to growing corn compared to some of the other states where they had that base acreage before, but I understand where South Dakota is coming from. But if we can find new money, we are for increasing that base acres for the farmer.

Mr. HOLLADAY. From the National Cotton Council's standpoint, the consensus we have is to remain where we are at this point. The talk amongst us achieving that consensus was the vast amount of money it would take to increase the bases and move around within those bases and get that done on a voluntary basis would be probably unachievable at this time. But at this point right now, as a group, we have decided not to advocate for that to change.

Mr. FLANSBURG. Yes, our group is in favor of an update on a voluntary basis to our base acres. And since the last base update in 2014, really, a lot of our crops have gone into growing regions where there was once summer fallow. And so instead of having a lower number of acres in that case that were actually in production, and many now have pulse crops on them across the northern tier, so it is important to us to have that be a voluntary option.

Mr. SATTERFIELD. I would concur with Mr. Flansburg as with his commodity. USA Rice, I think the consensus is a voluntary base update, and I think if you pointed to the fact that there are more base acres in rice that are being used, I would point to the fluctuation of acres. You have states that go through really big periods of fluctuation due to weather and planting rotations and whatnot, but we would be for the voluntary.

Mr. MOORE. And the same for U.S. Canola, we believe in a voluntary update if there is one. And so we like producers having the choices to make in making those choices, voluntary update.

Mr. JOHNSON. Well, I want to thank the associations and the groups that are open to a base acre update. It seems to me that we talk all the time about how dynamic American agriculture is. We laud that as important, that we want technology, we want innovation. Of course, that technology and innovation over time is going to mean that the types of crops grown in certain places will change. I don't know that our support system framework is well-served by freezing that data into yesteryear, and I think we want to continue to have that conversation as we move forward.

Mr. Chairman, thank you, and I yield back.

The CHAIRMAN. Thank you, Mr. Johnson. I appreciate your diligence in being here.

And we have concluded our questions for the first panel of our hearing. I want to thank all of you for being here. We again are going to reconvene at 2:00 p.m. or as soon as possible after votes, which hopefully will be at 2:00 p.m. And so we are adjourned until we call back in. Thank you.

[Recess.]

The CHAIRMAN. All right. The Committee will now come to order.

And to introduce the first witness of our second panel today, I am pleased to yield to the gentleman from Illinois, Mr. Bost.

Mr. BOST. Thank you, Mr. Chairman. I want to thank you all— to all the witnesses for being here today. But I am very proud to introduce a constituent and a longtime friend, and he was actually on my ag advisory board when I first came to Congress. Daryl Cates is currently serving as the President of the American Soybean Association. Daryl is a fourth generation farmer from Columbia, Illinois, who raises soybeans, corn, wheat, and double crop beans on his family farm with his father. He has been a true leader and a trailblazer in agricultural industry for now over 30 years and having served in multiple leadership roles with Illinois Soybean Association, the United Soybean Board and the American Soybean Association. Daryl, I appreciate you being here. I appreciate your friendship. I appreciate everything you have done for the Illinois 12th District and working with me and everything you have done for American agriculture. And we are glad to have you here today.

Mr. CATES. Thank you, Congressman Bost.

The CHAIRMAN. And our next——

Mr. CATES. And it has been a privilege to be here and all the work that you do for us in southern Illinois. I appreciate it. Good afternoon——

The CHAIRMAN. Hang on 1 second.

Mr. CATES. Okay.

The CHAIRMAN. From him, not you.

The next witness is Mr. Patrick Frischhertz, owner of St. Louis Planting and Chairman of the American Sugar Cane League National Legislative Committee. Our third witness is Mr. Brent Cheyne, who is President the National Association of Wheat Growers. The next witness joining us is Mr. Craig Meeker, the Chairman of the National Sorghum Producers, and our fifth and final witness of today on this panel is Mr. Daniel McMillan of Southern Grace Farms. He is testifying on behalf of the U.S. Peanut Federation.

So thank you all for joining us. And you each have 5 minutes. The timer in front of you will count down to 0, at which point the time has expired.

Mr. Cates, please begin.

STATEMENT OF DARYL CATES, PRESIDENT, AMERICAN SOYBEAN ASSOCIATION, COLUMBIA, IL

Mr. CATES. Good afternoon, Chairman Scott, Ranking Member Brown, and distinguished Members of the Subcommittee. Thank you for the invitation to provide testimony as you develop the 2023 Farm Bill. My name is Daryl Cates, and I am a soybean farmer from Columbia, Illinois. I am testifying on behalf of the American Soybean Association in my current role as President.

ASA represents more than 500,000 U.S. soybean farmers across the 30 primary soybean-producing states. Nationally, U.S. soybean farmers produced over 4 billion bushels on over 87 million planted acres last year. I have a simple message to share with you today. Soybean farmers need your help in the next farm bill. We need help with two priorities in this Subcommittee's jurisdiction: protecting crop insurance and improving the Title I farm safety net for soybeans. We must protect crop insurance. Crop insurance is the most effective and important component of the farm safety net for soybean farmers. It helps us manage risk and secure operating credit from lenders each year. ASA urges you to protect crop insurance from harmful amendments that may arise.

We must improve the Title I safety net. While crop insurance provides risk management when the crop is in the ground, Title I provides necessary protection beyond that period. A predictable, effective farm safety net is needed for the duration of the next farm bill. In a February report, USDA projected a 20.7 percent decline in net cash farm income in 2023 relative to 2022. This is cause for concern for farmers.

Soybean growers experienced firsthand the challenge of an ineffective safety net during the trade war with China in 2018 and 2019. The largest importer of soybeans in the world is China. Even with ongoing efforts to diversify and open new markets, almost ⅓ of all soybeans grown in the U.S. are destined for China. During the height of the trade war with China in 2018, U.S. soy stopped flowing to the Chinese market in our peak export period that fall. Soybeans prices dropped significantly. But we received no PLC benefits and little from ARC programs. USDA stepped in with an *ad hoc* temporary support to farmers. If a trade war that shrunk soybean demand by over 30 percent hardly triggered the farm safety net provided in the current farm bill, it is difficult to envision a scenario that would provide meaningful assistance without significant improvements to the current reference price and program elements of ARC and PLC.

Another challenge impacting the accessibility and effectiveness of the farm safety net is the significant disparity in recent soybean plant acres compared to base acres on which ARC and PLC benefits are provided. In 2022, soybeans were planted nationally on 87.5 million acres. By comparison, soybean base totals were 53.2 million acres. Over 30 million acres of soybeans were not protected by the soybean provisions of ARC and PLC in 2022. An option for farmers to voluntarily update program acres based on a more recent historical time period would provide soybean farmers, including beginning farmers, greater access to the soybean safety net.

ASA urges improvements in the Title I farm safety net components of ARC and PLC for soybeans. Making improvements to the Title I farm safety net will require funding. We know that budget challenges are real and will be difficult to navigate. We appreciate that this Committee sent a strong bipartisan letter to the Budget Committee requesting funding for a successful farm bill reauthorization. ASA also led a letter included in my written statement to the Budget Committee signed by 400 organizations regarding the need for sufficient resources to write a meaningful farm bill. We ask that you keep agriculture in mind as budget discussions move forward on multiple fronts.

I have highlighted only two areas of interest today given the Subcommittee's jurisdiction. Additional priorities can be found in my written statement.

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

[The prepared statement of Mr. Cates follows:]

PREPARED STATEMENT OF DARYL CATES, PRESIDENT, AMERICAN SOYBEAN ASSOCIATION, COLUMBIA, IL

Good afternoon, Chairman Scott, Ranking Member Brown, and distinguished Members of the Subcommittee. It is a privilege to join you and offer testimony as you develop the 2023 Farm Bill.

I am a soybean farmer from Columbia, Illinois, and am here today representing the American Soybean Association in my current role as President. Founded in 1920, ASA represents more than 500,000 U.S. soybean farmers on domestic and international policy issues important to the soybean industry and has 26 affiliated state associations representing the 30 primary soybean-producing states. Farmers produce soybeans in nearly every state represented by Members of this Subcommittee.

Nationally, U.S. soybean farmers produced 4.28 billion bushels on over 87 million planted acres in 2022. Our soybean farmers help provide countless products needed and enjoyed by consumers, including healthy edible oils and other food ingredients, protein-rich livestock feed, and clean-burning biofuels, among others. A strong farm economy based on market opportunities for soy at home and abroad, an efficient transportation and infrastructure system that helps maintain competitiveness, and a safety net for challenging times, are all critical to our success.

As the farm bill reauthorization process advances, we thank you for holding this hearing.

Farm Bill Priorities & Budget

ASA's farm bill priorities released publicly in May 2022 were developed with significant input from farmers.

In preparation for the farm bill reauthorization, ASA started the process of gathering feedback from farmers in 2021. Educational sessions for our board members and state soy affiliate staff were held, and an in-depth farm bill survey was administered to soybean growers. In early 2022, ASA held 12 virtual farm bill listening sessions—over 25 hours—with interested soybean farmers and state soy affiliates across soy's 30-state growing region.

Feedback gathered from the survey and listening sessions, combined with written comments and policy resolutions, contributed to ASA's farm bill priorities document, which is attached to my testimony.

Much attention has been dedicated to the first priority item listed regarding the budget: "Increased budget authority for the next farm bill is justified in this current environment marked by economic and geopolitical volatility. Additional resources are needed to address needs and interests throughout this comprehensive piece of legislation."

We appreciate that both the House and Senate Agriculture Committees recognize this and sent strong bipartisan letters to the Budget Committees acknowledging the needs and challenges in agriculture in recent years and the opportunity the 2023 Farm Bill provides to make meaningful improvements. ASA led a letter signed by 400 national, regional, and state organizations to Budget Committees with a consistent message, and this letter is attached to my testimony.

Without a doubt, the Federal budget challenges are very real and complex to navigate. We ask that you keep needs in agriculture top of mind as budget discussions progress. Sufficient budgetary resources will be needed to craft a new bipartisan, comprehensive piece of legislation.

ASA's farm bill priorities in this Subcommittee's jurisdiction include protecting crop insurance and its private sector delivery system and improving the farm safety net for soybeans. Other priorities outside of this Subcommittee's jurisdiction are also highlighted below.

Crop Insurance

Authorized by a separate statute, crop insurance does not need to be reauthorized in conjunction with the farm bill. However, we recognize that amendments to crop insurance may be offered that have a positive or negative impact on farmers like me who rely on it every year to manage risk.

In 2022, U.S. soybean farmers paid over $1.4 billion for crop insurance protection, according to USDA Risk Management Agency (RMA) data. This risk management program allows farmers to select coverage that meets our needs each year and responds in a timely manner when losses are triggered. The competitive private sector delivery system allows farmers to find the best service providers for our operations.

ASA urges you to protect crop insurance from harmful amendments. It is the most effective and important component of the farm safety net and valuable in securing operating credit each year. This risk management tool must remain affordable and effective.

Title I Farm Safety Net

While crop insurance provides risk management when the crop is in the ground, Title I provides necessary protection beyond that period. The 2023 Farm Bill presents an opportunity to address deficiencies in the Title I farm safety net that were revealed during recent economic disruptions. A predictable, effective farm safety net is needed for the duration of the next farm bill, especially when considering USDA's February 2023 Farm Income Forecast projection of a 20.7% decline in net cash farm income in 2023 relative to 2022.

Soybean growers experienced firsthand the challenges of an ineffective safety net during the trade war with China in 2018–2019 and urge improvements in the Title I farm safety net components of Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) for soybeans.

Soybeans have long been U.S. agriculture's top export crop. Foreign markets were destinations for more than 50% of U.S. soy production through whole beans, meal and oil in the last marketing year, as is historically consistent in recent years. China is the largest importer of soybeans in the world, so our commercial export relationship with China is critically important. Even with ongoing efforts to diversify and open new markets, almost ⅓ of all soybeans grown in the United States are destined for China under normal trade conditions.

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

If a trade war that shrunk soybean demand by over 30% hardly triggered the farm safety net provided in the current farm bill—a Title I safety net that has been declining over the past 20 years in real terms—it is difficult to envision a scenario that would provide meaningful assistance without significant improvements to the current reference price and program elements of ARC and PLC. Adjustments to the soybean reference price and improvements to ARC would provide soybean farmers a more effective safety net.

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

In 2022, soybeans were planted nationally on 87.5 million acres. By comparison, soybean base totals 53.2 million acres. Over 30 million acres of soybeans were not protected by the soybean provisions of ARC and PLC in 2022. While some of these soybean acres may have been corn or wheat base, for example, these other crops may not correlate well with the losses being experienced on the farm, such as during the trade war. Some beginning farmers have little base on their farms, and greater adoption of no-till conservation practices has enabled farmers to cultivate row crops in new areas that have no base. An option for farmers to voluntarily update program acres based on a more recent historical time period would provide soybean farmers—including beginning farmers—greater access to the soybean safety net.

ASA supports these specific improvements to increase the effectiveness, accessibility, and reliability of the Title I farm safety net:

- Increasing the soybean reference price for calculating ARC and PLC, which could be achieved through a statutory reference price change, adjustments to the effective reference price, or a combination of these
- Adjusting the ARC calculations
- Providing the option (not requirement) to update base acres to reflect a more recent, defined period of time while allowing new acres to enter the program.

It is important to note that a combination of remedies to address these deficiencies is needed. For example, if an option to update base acres is allowed, it may not be exercised if the reference price for soybeans remains where it is currently set.

Additional ASA Priorities

We appreciate the opportunity to share additional farm bill priorities outside of this Subcommittee's jurisdiction.

Trade

The long-term success of U.S. soy abroad would not be possible without the foresight of Congress in creating public-private partnership programs at USDA to assist trade associations in promoting our products on a global stage. ASA is a longtime cooperator of these programs, particularly the Market Access Program (MAP) and the Foreign Market Development Program (FMD). Utilizing MAP and FMD funds, ASA has leveraged those dollars to increase market access, address technical barriers to entry, and create demand for U.S. soy. Trade promotion programs are helpful in diversifying and expanding agricultural exports; this is particularly important as we consider rising tensions with China, the leading export market for many U.S. agricultural products.

A 2016 study commissioned by the U.S. Soybean Export Council shows that international marketing activities conducted on behalf of U.S. soybean growers increased soybean exports each year by an average of 993,600 metric tons (MT), or nearly 5%. For soybean meal and soybean oil, the average annual growth over that period was estimated to be somewhat larger at 15% (808,600 MT) for meal and 24% (149,600 MT) for oil.

These numbers translate to an additional $29.60 in export revenue per $1 spent on international promotion. At the producer level, that additional export revenue translates into a cost benefit ratio of $10.10 of additional grower profit per $1 spent on international promotion. While this research was undertaken in advance of the 2018 Farm Bill, the results remain unchanged: International marketing activities contribute directly to increased exports and grower revenue.

The programs authorized in Title III of the farm bill, from the Agricultural Trade Promotion and Facilitation Program (ATPFP) to international food aid programs, are important for the long-term success of U.S. soybean growers. For a full accounting of ASA's priorities in Title III, we would like to share ASA's *prepared written statement* [1] that was presented to the Subcommittee on Livestock and Foreign Agriculture on April 6, 2022.

ASA supports doubling the minimum annual mandatory funding for MAP to $400 million and FMD to $69 million.

[1] *https://soygrowers.com/wp-content/uploads/2023/04/ASA-Written-Statement-to-LFA-Subcommittee-on-Farm-Bill-Title-III-April-2022.pdf.*

Check-off

Over 30 years ago, Congress passed the Soybean Promotion, Research, and Consumer Information Act, creating the United Soybean Board (USB)—an agricultural research and promotion program funded and managed directly by soybean farmers under the oversight of USDA's Agricultural Marketing Service. This program, also referred to as the soy "check-off," finances research, promotion, and education initiatives, all of which are aimed at improving yield, sustainability, and demand for U.S. soy products.

I had the honor of being appointed by USDA Secretary Edward Madigan to serve on the first board of the United Soybean Board in 1992. Since then, I have been continuously impressed by the lengths to which USB has gone to ensure good stewardship of the dollars my fellow farmers and I have entrusted to the check-off.

Check-off-driven initiatives have brought a return on investment—$12.34 for every farmer dollar invested in the check-off—to growers like me, who are then better able to support our families, employees, and rural communities. Examples of check-off successes include the establishment of the soy-based biodiesel industry; development of high oleic soybeans, which have improved use in the food and industrial sectors; creation of the Soy Sustainability Assurance Protocol to verify use of sustainable farming practices for foreign buyers; and mapping of the soy genome. As a result of these successes and the check-off's farmer-led model and transparent governance, farmers are overwhelmingly supportive of the existing soy check-off structure: In the last USDA-led Request for Referendum in 2019, only 0.13% (just about 1⁄10 of 1 percent) of eligible soybean farmers called for a referendum—many, many fewer than the 10% that would prompt a reconsideration of the check-off's structure.

ASA urges protection of the check-off from harmful amendments in the farm bill to ensure continued success.

Conservation

Soybean farmers are committed to improving soil and water and leaving the land better than they found it. ASA conducted a survey several years ago and learned that, on average, our growers implement 14 conservation practices and spend more than $15,000 each year on conservation. On many farms, that is a substantial amount—especially during times like these with high input costs.

For years, farm bill conservation programs have been in place to help farmers cover these costs and mitigate the risks associated with implementing new practices. Unfortunately, farmer demand for voluntary, incentive-based working lands programs like the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP) always outpaces available funding: Between 2010 and 2020, just 31% of farmers who applied to EQIP and 42% of those who applied to CSP were awarded contracts.

As you develop the next farm bill, we respectfully request the Committee's attention in adequately funding these programs to meet demand. ASA also encourages you to consider directing funding to programs and practices that address cropland soil quality and health, water quality and quantity, and that provide regulatory predictability and save input costs; to develop climate smart provisions that focus on total on-farm ecosystem services, not just additionality; to emphasize working lands programs over land retirement programs; and to consider incentives that encourage adoption of precision agriculture technologies, the use of which has a wide range of environmental and productivity benefits.

We ask the Committee to work with appropriators to ensure NRCS—as well as other USDA agencies—has the staffing, training, and technology in place to fully implement these programs and deliver high quality service to its farmer customers. During Commodity Classic this spring, NRCS expressed eagerness to bring on staff quickly but also shared that it takes a multi-year time commitment to train staff adequately for farmer field visits. When the 2023 Farm Bill is enacted, we do not want it to languish in the implementation phase due to staffing concerns.

Above all, we ask that you remember that, when it comes to conservation, there is no one-size-fits-all solution. Farmers grow soybeans across the country, from New York down to Florida and west to North Dakota and Texas. The farm bill's conservation programs must be flexible enough to accommodate this country's wide range of conservation needs, crops, soil types, farming practices, and weather systems.

ASA looks forward to working with the Committee as conservation provisions are developed.

Energy

The energy title provides important assistance for the development and production of biofuels—one of the biggest market opportunities for soy. In addition to environmental benefits, biomass-based diesel adds significant value to U.S. agriculture through increased demand for both soybean oil and rendered animal fats. USDA Rural Development energy programs, first authorized through the 2008 and 2014 Farm Bills, provide loan and grant opportunities for the development of renewable energy, including soy-based biofuels.

ASA supports the continued authorization of energy programs that support soy-based biofuel production, like the Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program, which can provide loan guarantees of up to $250 million for development of advanced biofuels; and the Advanced Biofuel Payment Program, which assists advanced biofuel producers—many of whom drive rural economies through local investments and employment.

In addition to biofuel-specific programs, ASA supports the continued success of the Rural Energy for America Program (REAP), which provides guaranteed loan and grant financing to agricultural producers and rural small businesses for renewable energy projects. While these projects can cover more than just biofuels, ASA is supportive of USDA funding that backs energy production grown by U.S. farmers. For example, last year an Iowa biodiesel facility received funding to retrofit a facility to generate an additional 15 million gallons of production—enough to power 22,000 vehicles annually. This plant supports local Iowa soybean growers as well as the surrounding community.

ASA supports authorization of the Higher Blends Infrastructure Incentive Program (HBIIP) in the 2023 Farm Bill. Developed under the authority of the USDA Secretary, HBIIP provides funding to expand infrastructure to deploy biofuels nationwide for consumers. Providing additional availability for B20 and other biofuels blends will benefit both the consumer and the environment.

Biobased

In addition to biofuels, the energy title also provides important resources for the bioeconomy through the BioPreferred Program, which celebrated its 20th anniversary last year. The BioPreferred Program supports bioproduct purchases for Federal agencies and contractors, as well as through the USDA Certified Biobased Products label.

There are over 1,000 soy-based bioproducts, many of which were developed by the soy check-off and benefit from enrollment in the BioPreferred Program. These products, made with sustainably grown soy protein and oil, range from industrial lubricants and asphalt sealants to tires, paint, and artificial turf. Consumers and the public continue to increase demand for sustainably produced products; even Federal agencies and institutions, including NASA, the Pentagon, the Smithsonian, and Badlands National Park, utilize countless soy biobased products.

There are economic and environmental advantages to using soy in manufacturing and consumer goods. Soybeans are renewable and abundant. As mentioned earlier in my testimony, last year U.S. growers produced over 4.2 billion bushels of soybeans, which has helped reduce America's dependence on foreign oil. Soy-based bioproducts also create jobs. Released in 2021, USDA's most recent report on the economic impact of the U.S. biobased products industry found American-made biobased products added $470 billion and over 4.6 million direct and indirect jobs to the U.S. economy.

ASA supports reauthorization of the BioPreferred Program, and providing adequate funding will improve brand awareness and utilization of biobased products across the Federal Government.

Research

Investments in research through Title VII are needed for the continued growth and innovation of U.S. soybean growers. Whether the research is carried out at land grant universities through the Hatch Act or through USDA's Research, Education, and Economics (REE) mission area (including the Agricultural Research Service, the Economic Research Service, the National Institute for Food and Agriculture, and the Foundation for Food and Agriculture Research), all the interlocking components of this title have an impact on soybean growers.

Investments in research allow soybean growers to increase production and efficiency while ensuring a high-quality, affordable product for buyers and consumers. Investments can lead to new innovations such as soybean varieties better equipped to combat plant pests and diseases, improve nutritional content, adapt to a changing global climate, and increase yield without requiring increased inputs such as fuel and fertilizer.

ASA supports increased investment in soybean-centric research—be that biobased products, input management, or new and stronger seed varieties. These will benefit not just soybean growers but the entire value chain.

Conclusion

The 2023 Farm Bill is critically important to soybean farmers and many others. ASA supports an on-time, meaningful, comprehensive, and sufficiently funded 2023 Farm Bill.

We appreciate your efforts to develop the 2023 Farm Bill and the opportunity to share testimony today. We look forward to working with you to craft meaningful legislation.

ATTACHMENT 1

ASA Priorities for the 2023 Farm Bill

May 25, 2022

As the House and Senate Agriculture Committees lay the foundation for the 2023 Farm Bill, the American Soybean Association shares these initial priorities which will be further refined into more specific requests by early 2023. These priorities reflect feedback gathered from 12 virtual farm bill listening sessions held this year, an in-depth farm bill survey administered to soybean growers in late 2021, and current policy resolutions.

General

- Increased budget authority for the next farm bill is justified in this current environment marked by economic and geopolitical volatility. Additional resources are needed to address needs and interests throughout this comprehensive piece of legislation.
- Congress should maintain the agricultural and nutrition titles in the next farm bill.
- Review of USDA staffing, technological capabilities and cybersecurity, and pathways for knowledge transfer should occur to ensure readiness for farm bill implementation. Gaps should be prioritized to receive appropriations or farm bill implementation funding.
- Policy should support innovation in data collection, data analysis, and internal data sharing between USDA agencies, while emphasizing the confidentiality and nonpublic disclosure of individual producer data.

Farm Safety Net

- Crop insurance is the most effective and important component of the farm safety net and must remain affordable.
- The Title I farm safety net components of Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs must be improved for soybeans. Strong consideration should be given to increasing the soy reference price combined with an option for farmers to update base acres. Planting flexibility must be maintained.
- Marketing assistance loans must be maintained, and consideration should be given to increasing marketing loan rates.
- Program eligibility should not be restricted through means testing.
- As a condition of receiving Title I and crop insurance benefits, farmers are required to meet specific environmental standards such as protecting water quality, wetlands or soil health. These should be maintained but not augmented.
- If a standing disaster assistance program is created, the financial protection provided by Title I programs and crop insurance should not be reduced to fund the disaster program, and it must not undercut or disincentivize participation in crop insurance.

Conservation

- Conservation programs must remain voluntary, incentive-based and flexible; one size does not fit all. Early adopters must be fully eligible for conservation programs. Regulatory burdens regarding program enrollment and adaptive management should be reduced.
- While all resource concerns are important, funding should be directed to programs and practices that address cropland soil quality and health, water quality and quantity, regulatory certainty and saving input costs. Funding should be directed to working land programs over land retirement programs, and the En-

vironmental Quality Incentives Program (EQIP) should take priority over the Conservation Stewardship Program (CSP).

- Conservation Reserve Program (CRP) acres should remain approximately unchanged from current levels. Rental rate limits should remain the same or increase. Haying and grazing provisions should be revisited, both for mid-contract management and under emergency scenarios.
- Climate-smart provisions should reward farmers for overall ecosystem services provided and year-round ground cover, not just additionality. Growing Climate Solutions Act provisions should be included if not already passed.
- Incentives to encourage use of precision agriculture technologies and specialized equipment to implement certain conservation practices should be considered.

Trade

- The Market Access Program (MAP) and Foreign Market Development Program (FMD) are successful public-private partnerships which are cooperative, cost-share programs between private industry groups representing farmers and USDA. Annual funding should be doubled to $69 million for FMD and to $400 million for MAP.
- USDA's export credit guarantee program (GSM–102) and the Facility Guarantee Program (FGP) should continue and be fully utilized.
- International food aid programs should allow for increased flexibility for monetization requirements.

Energy

- Authorization and funding for the Bioenergy Program, the Biodiesel Fuel Education Program, and Biobased Market Program (BioPreferred Program) should be included.
- When considering on-farm renewable energy programs, priority should be placed on energy projects that utilize soybeans and other crops.

Rural Development

- Statutory authority and funding should be provided for the Higher Blends Infrastructure Incentive Program.
- Reliable broadband coverage remains out of reach for many in rural America, yet it is essential for precision agriculture technologies, farm efficiencies and community connectivity. The Broadband-ReConnect program should align with the goals of other broadband programs supported through the bipartisan infrastructure law.

Research

- Increased investment should be provided in priority areas strategic to soy interests.

Nutrition

- Opportunities to promote soy as a food ingredient should be included.

ATTACHMENT 2

March 14, 2023

Hon. SHELDON WHITEHOUSE,
Chairman,
U.S. Senate Committee on [the] Budget,
Washington, D.C.;

Hon. CHUCK GRASSLEY,
Ranking Minority Member,
U.S. Senate Committee on [the] Budget,
Washington, D.C.;

Hon. JODEY [C.] ARRINGTON,
Chairman,
U.S. House Committee on [the] Budget,
Washington, D.C.;

Hon. BRENDAN [F.] BOYLE,
Ranking Minority Member,
U.S. House Committee on [the] Budget,
Washington, D.C.

Dear Chairmen Whitehouse and Arrington and Ranking Members Grassley and Boyle:

As you develop the Fiscal Year 2024 budget in this farm bill reauthorization year, we write to express our strong support for providing the Senate Committee on Agriculture, Nutrition, and Forestry and House Committee on Agriculture with sufficient budgetary resources to write a new bipartisan, multi-year, comprehensive, and meaningful piece of legislation.

Just as there are many pressures on the Federal budget, there are many pressures on U.S. farmers and others throughout the agricultural supply chain who provide food, feed, fuel, fiber, and other products to consumers across the United States and abroad.

According to the U.S. Department of Agriculture (USDA), international sales of U.S. farm and food products reached $196 billion in 2022. The leading market for these products is marked with geopolitical volatility: China. During the trade war with China that began in 2018, U.S. agriculture endured significant market impacts, which unfortunately revealed gaps in the farm safety net. If a trade war with our largest trading partner hardly triggered the farm safety net provided in the current farm bill—a Title I safety net that has been shrinking over the past 20 years—it is difficult to envision a scenario that would provide meaningful assistance without significant improvements. Continuing rising tensions with this important trading partner underscore the need in the next farm bill for a more meaningful, predictable farm safety net and the need to invest more into trade promotion programs to help diversify agricultural markets.

Market volatility with China is only one example of the many disruptions impacting U.S. agriculture during the life of the current farm bill. The Russian invasion of Ukraine, COVID–19 and other supply chain disruptions, non-tariff trade barriers erected by multiple countries, and devastating natural disasters have tested the effectiveness of current farm policy. Increased production input costs have as well, with USDA projecting that most expense categories will remain above their 2021 levels in 2023 both in nominal and inflation-adjusted dollars. These projected high input costs, coupled with lower projections for many crop cash receipts, are cause for concern for farm country: USDA's February 2023 Farm Income Forecast publication projects a 20.7 percent decline in net cash farm income in 2023 relative to 2022.

Projections such as this, when realized, often result in financial stress and calls for *ad hoc* or supplemental disaster assistance to farmers and ranchers—that is, assistance outside of the farm bill. In fact, between 2018–2021, *ad hoc* assistance made up approximately 70% of direct farm payments due to challenges described above. *Ad hoc* assistance is necessary in times of need but is not a timely, reliable, or predictable safety net for farmers and ranchers. The upcoming farm bill reauthorization provides an opportunity to address very real needs in agriculture and rely less on off-budget *ad hoc* assistance.

In addition to needs highlighted above, farm bill budget resources are needed for protecting and enhancing crop insurance to assist with volatile weather and crop loss, improving access to voluntary conservation incentives, addressing rural development needs, investing in research for innovation and competitiveness, providing opportunities to help the nation become more energy independent and food-secure, and supporting solutions to address logistics challenges.

Sufficient budgetary resources will be needed to craft a new bipartisan, multiyear, comprehensive, and meaningful piece of legislation. As you work to build the Federal budget for Fiscal Year 2024, we seek your support for providing sufficient resources to the committees to craft the next farm bill.

Sincerely,

National Associations
Agricultural Retailers Association
Amcot
American Agri-Women
American Association of Crop Insurers
American Association of Veterinary Medical Colleges
American Bankers Association
American Cotton Producers
American Cotton Shippers Association
American Farm Bureau Federation
American Farmland Trust
American Feed Industry Association
American Pistachio Growers
American Pulse Association
American Seed Trade Association
American Society of Agronomy
American Society of Farm Managers and Rural Appraisers
American Society of Plant Biologists
American Soybean Association
American Sugar Alliance
American Sugarbeet Growers Association
American Veterinary Medical Association
AmericanHort
Aquatic Ecosystem Restoration Foundation
Aquatic Plant Management Society
Association of Equipment Manufacturers
Biotechnology Innovation Organization
The Breakthrough Institute
Cherry Marketing Institute
Iowa Corn Growers Association
Iowa Farm Bureau Federation
Iowa Soybean Association
Kansas Agribusiness Retailers Association
Kansas Association of Wheat Growers
Kansas Corn Growers Association
Kansas Cotton Association
Kansas Cotton Ginners
Kansas Farm Bureau
Kansas Grain and Feed Association
Kansas Grain Sorghum Producers Association
Kansas Pork Association
Kansas Soybean Association
Kentucky Corn Growers Association
Kentucky Small Grain Growers Association
Kentucky Soybean Association
Louisiana Agricultural Consultants Association
Louisiana Bankers Association
Louisiana Cotton and Grain Association
Louisiana Farm Bureau Federation
Louisiana Independent Cotton Warehouse Association
Louisiana Rice Producer Group
Maine Farm Bureau Association
Maine Potato Board
Malheur County Onion Growers Association
Maryland Bankers Association
Maryland Farm Bureau
Maryland Grain Producers Association
Massachusetts Association of Lawn Care Professionals

Corn Refiners Association
Cotton Growers Warehouse Association
Cotton Warehouse Association of America
Cottonseed and Feed Association
Council of Producers and Distributors of Agrotechnology
Crop Insurance and Reinsurance Bureau
Crop Insurance Professionals Association
Crop Science Society of America
CropLife America
Delta Waterfowl
Ducks Unlimited
Farm Credit Council
Farm Journal Foundation
The Fertilizer Institute
Global Cold Chain Alliance
Hop Growers of America
Independent Community Bankers of America
International Certified Crop Advisers
International Dairy Foods Association
International Fresh Produce Association
National Alfalfa and Forage Alliance
National Alliance of Independent Crop Consultants
National Association of Conservation Districts
National Association of Landscape Professionals
National Association of State Departments of Agriculture
National Association of Wheat Growers
National Barley Growers Association
National Black Growers Council
National Christmas Tree Association
National Coalition for Food and Agricultural Research
National Corn Growers Association
National Cotton Council
National Cotton Ginners Association
National Cottonseed Products Association
National Council of Farmer Cooperatives
National Council of Textile Organizations
National Farmers Union
National Grain and Feed Association
National Grange
National Milk Producers Federation
National Onion Association
National Peach Council
National Pork Producers Council
National Potato Council
National Sorghum Producers
National Sunflower Association
The Nature Conservancy
North American Blueberry Council
North American Meat Institute
North American Millers' Association
North American Renderers Association
Pheasants Forever
Quail Forever
Rural and Agriculture Council of America
Society of American Florists
Soil Science Society of America
Specialty Crop Farm Bill Alliance
Supporters of Agricultural Research (SoAR) Foundation
U.S. Apple Association
U.S. Beet Sugar Association
U.S. Canola Association
U.S. Cattlemen's Association
U.S. Durum Growers Association
U.S. Peanut Federation
U.S. Poultry & Egg Association
U.S. Rice Producers
U.S. Sweet Potato Council
USA Dry Pea & Lentil Council
USA Rice
Weed Science Society of America
Wine Institute
State and Regional Associations
Agribusiness Association of Iowa
Agricultural Council of Arkansas
Alabama Bankers Association
Alabama Cotton Commission
Alabama Farmers Federation
Alabama Soybean and Corn Association
Alaska Farm Bureau
Almond Alliance
Arizona Cotton Ginners Association
Arizona Cotton Growers
Arizona Farm Bureau Federation
Arkansas Community Bankers
Arkansas Farm Bureau Federation
Arkansas Rice Federation
Arkansas Rice Growers Association
Arkansas Soybean Association
BankIn Minnesota
Bluegrass Community Bankers Association
California Agricultural Irrigation Association
Massachusetts Farm Bureau Federation
Michigan Agri-Business Association
Michigan Corn Growers Association
Michigan Farm Bureau
Michigan IPM Alliance
Michigan Soybean Association
Mid-Atlantic Soybean Association
Midwest Council on Agriculture
Midwest Forage Association
Minnesota Agri-Growth Council
Minnesota Area II Potato Council
Minnesota Association of Wheat Growers
Minnesota Canola Council
Minnesota Corn Growers Association
Minnesota Crop Production Retailers
Minnesota Farm Bureau Federation
Minnesota Soybean Growers Association
Mississippi Farm Bureau Federation
Mississippi Rice Council
Mississippi Soybean Association
Missouri Corn Growers Association
Missouri Farm Bureau
Missouri Independent Bankers Association
Missouri Rice Council
Missouri Soybean Association
Montana Agricultural Business Association
Montana Farm Bureau Federation
Montana Independent Bankers
Montana Potato Improvement Association
Nebraska Agri-Business Association
Nebraska Cooperative Council
Nebraska Corn Growers Association
Nebraska Dry Bean Commission
Nebraska Dry Pea and Lentil Commission
Nebraska Farm Bureau
Nebraska Independent Community Bankers
Nebraska Soybean Association
Nebraska Wheat Board
Nebraska Wheat Growers Association
Nevada Farm Bureau Federation
New Mexico Farm and Livestock Bureau
New York Corn and Soybean Growers Association
New York Farm Bureau
New York Green Industry Council
Nezperce Prairie Grass Growers Association
North Carolina Bankers Association
North Carolina Christmas Tree Association
North Carolina Cotton Producers Association
North Carolina Egg Association
The North Carolina Peanut Growers Association
North Carolina Small Grain Growers Association
North Carolina Soybean Producers Association
North Carolina State Grange
North Carolina SweetPotato Commission
North Central Weed Science Society
North Dakota Corn Growers Association
North Dakota Grain Growers Association
North Dakota Soybean Growers Association
Northarvest Bean Growers Association
Northeast Dairy Producers Association
Northeastern Weed Science Society
Northern Canola Growers Association
Northland Potato Growers Association
Northwest Agricultural Cooperative Council
NYS Agribusiness Association
Ohio AgriBusiness Association
Ohio Corn and Wheat Growers Association
Ohio Farm Bureau
Ohio Soybean Association
Oklahoma Agribusiness Retailers Association
Oklahoma Cotton Council
Oklahoma Farm Bureau
Oklahoma Grain and Feed Association
Oklahoma Seed Trade Association
Oklahoma Sorghum Growers
Oklahoma Soybean Association
Oklahoma Wheat Growers Association
Olive Oil Commission of California
Oregon Association of Nurseries
Oregon Bankers Association
Oregon Cattlemen's Association
Oregon Dairy Farmers Association
Oregon Farm Bureau
Oregon Hop Growers Association
Oregon Potato Commission
Oregon Wheat Growers League
Oregon Women for Agriculture
Oregonians for Food and Shelter
Pacific Coast Renderers Association
Pacific Egg and Poultry Association
Pacific Seed Association

California Alfalfa & Forage Association
California Association of Wheat Growers
California Bean Shippers Association
California Cherry Growers and Industry Association
California Citrus Mutual
California Community Banking Network
California Cotton Ginners and Growers Association
California Farm Bureau Federation
California Fresh Fruit Association
California Grain & Feed Association
California Pear Growers
California Pork Producers Association
California Rice Commission
California Seed Association
California Specialty Crops Council
California State Floral Association
California Sweetpotato Council
California Table Grape Commission
California Warehouse Association
California Women for Agriculture
Carolinas Cotton Growers Cooperative
Colorado Association of Wheat Growers
Colorado Corn Growers Association
Colorado Farm Bureau
Colorado Potato Legislative Association
Community Bankers Association of Georgia
Community Bankers Association of Illinois
Community Bankers Association of Kansas
Community Bankers Association of Ohio
Community Bankers Association of Oklahoma
Community Bankers of Iowa
Community Bankers of Michigan
Community Bankers of Washington
Connecticut Farm Bureau Association
Corn Growers of North Carolina
Cotton Producers of Missouri
Dairy Producers of Utah
Delaware Farm Bureau
Delta Council
Empire State Potato Growers
Florida Agri-Women
Florida Cotton Producers Association
Florida Farm Bureau Federation
Florida Fruit & Vegetable Association
Florida Rice Growers
Food Producers of Idaho
Georgia Agribusiness Council
Georgia Corn Growers Association
Georgia Cotton Commission
Georgia Farm Bureau Federation
Georgia/Florida Soybean Association
Georgia Fruit and Vegetable Growers Association
Georgia Urban Agriculture Council
Grain and Feed Association of Illinois
Hawaii Farm Bureau Federation
Hop Growers of Washington
ICBA of New Mexico
Idaho Alfalfa and Clover Seed Growers Association
Idaho Grain Producers Association
Idaho Hay and Forage Association
Idaho Hop Growers Association
Idaho Noxious Weed Control Association
Idaho Nursery & Landscape Association
Idaho Oilseed Commission
Idaho Onion Growers' Association
Idaho-Oregon Fruit and Vegetable Association
Idaho Pest Management Association
Idaho Potato Commission
Illinois Corn Growers Association
Illinois Farm Bureau
Illinois Fertilizer and Chemical Association
Illinois Soybean Association
Independent Bankers Association of New York State
Independent Banks of South Carolina
Independent Community Bankers of Colorado
Independent Community Bankers of South Dakota
Independent Community Banks of North Dakota
Indiana Bankers Association
Indiana Corn Growers Association
Indiana Farm Bureau
Indiana Soybean Alliance
Palmetto AgriBusiness Council
Panhandle Peanut Growers Association
PennAg Industries Association
Pennsylvania Association of Community Bankers
Pennsylvania Cooperative Potato Growers
Pennsylvania Farm Bureau
Plains Cotton Growers, Inc.
Plant California Alliance
PNW Canola Association
Potato Growers of Michigan, Inc.
Puget Sound Seed Growers Association
Red River Valley Sugarbeet Growers Association
Rhode Island Farm Bureau Federation
Rolling Plains Cotton Growers
San Joaquin Valley Quality Cotton Growers
Snake River Sugarbeet Growers Association
South Carolina Corn and Soybean Association
South Carolina Farm Bureau Federation
South Carolina Peach Council
South Dakota Agri-Business Association
South Dakota Corn Growers Association
South Dakota Farm Bureau
South Dakota Soybean Association
South Dakota Wheat Growers Association
South Texas Cotton and Grain Association
Southeastern Cotton Ginners Association, Inc.
Southern Cotton Ginners Association
Southern Cotton Growers, Inc.
Southern Crop Production Association
Southern Idaho Potato Cooperative
Southern Rolling Plains Cotton Producers Association
Southern Weed Science Society
Southwest Council of Agribusiness
St. Lawrence Cotton Growers Association
Synergistic Hawaii Agriculture Council
Tennessee Bankers Association
Tennessee Corn Growers Association
Tennessee Farm Bureau Federation
Tennessee Soybean Association
Texas Agri-Women
Texas Association of Dairymen
Texas Corn Producers Association
Texas Cotton Ginners Association
Texas Farm Bureau
Texas Grain Sorghum Association
Texas Rice Producers Legislative Group
Texas Soybean Association
Texas Wheat Producers Association
Vermont Bankers Association
Vermont Feed Dealers and Manufacturers Association
Virginia Agribusiness Council
Virginia Association of Community Banks
Virginia Cattlemen's Association
The Virginia Christmas Tree Growers Association
Virginia Cotton Growers
Virginia Crop Production Association
Virginia Farm Bureau
Virginia Grain Producers Association
Virginia Peanut Growers Association
Virginia Soybean Association
Washington Association of Wheat Growers
Washington Farm Bureau
Washington Friends of Farms and Forests
Washington Mint Growers Association
Washington Potato and Onion Association
Washington State Potato Commission
Western Agricultural Processors Association
Western Alfalfa Seed Growers Association
Western Association of Agricultural Experiment Station Directors
Western Growers
Western Peanut Growers Association
Western Plant Health Association
Western Society of Weed Science
Wild Blueberry Commission of Maine
Wisconsin Corn Growers Association
Wisconsin Pork Association
Wisconsin Potato and Vegetable Growers Association
Wisconsin Soybean Association
Wyoming Ag Business Association
Wyoming Bankers Association
Wyoming Wheat Growers Association

CC:

Members of the Senate Committee on [the] Budget
Members of the House Committee on [the] Budget
Members of the Senate Committee on Agriculture, Nutrition, and Forestry
Members of the House Committee on Agriculture

The CHAIRMAN. Thank you. Mr. Frischhertz?

STATEMENT OF PATRICK A. FRISCHHERTZ, J.D., GENERAL MANAGER, ST. LOUIS PLANTING, INC.; MEMBER, BOARD OF DIRECTORS, AMERICAN SUGAR CANE LEAGUE, PLAQUEMINE, LA; ON BEHALF OF AMERICAN SUGAR ALLIANCE; AMERICAN SUGARBEET GROWERS ASSOCIATION

Mr. FRISCHHERTZ. There we go. Good afternoon, Chairman Scott, Ranking Member Brown, and Members of the Committee. Thank you for the opportunity to testify before you today on behalf of the American Sugar Alliance. It truly is an honor to be here.

My name is Patrick Frischhertz. I was born and raised in southern Louisiana. My family grows sugarcane, soybeans, wheat in Plaquemine, Louisiana, where my wife and I are raising our two children. I currently serve on the Board of Directors for the American Sugar Cane League and our local Farm Bureau office.

This hearing is timely and important for sugarcane and sugarbeet farmers because Title I of the farm bill represents a critical safety net for our farming families and the employees of sugar processors throughout the country. The U.S. sugar industry generates more than 151,000 jobs across 24 states and contributes more than $23 billion annually to the U.S. economy.

American consumers also benefit from a high-quality, safe, reliable, and affordable source of sugar. That natural sugar is used as a sweetener, preservative, and bulking agent in 70 percent of U.S. food manufacturing. Additionally, our industry meets some of the highest labor and environmental standards in the world. By continuing to improve our farming practices, we have made huge strides in efficiency and sustainability. As evidence, we have increased sugar production by 14 percent on eight percent fewer acres over the last 20 years.

Today, I would like to make three quick points. First, American farmers are threatened by less-efficient, subsidized, dumped foreign sugar that usually sells well below the exporter's cost of production. This makes the world's sugar market the most distorted and unreliable commodity market in the world. Due to existing trade agreements, the United States is already the world's third largest importer, accounting for about 30 percent of U.S. need. Yet, as global supply chain disruptions from the pandemic and the war in Ukraine have taught us, we must not become even more dependent on foreign suppliers. This is why an effective sugar policy which maintains a strong domestic industry is essential to the food security of our nation.

My second point is that sugar policy is structured to operate at zero cost to the taxpayers. It has operated at zero costs for 19 of the past 20 years, and is expected to do so again this year. USDA even projects the program to operate at zero costs for the next 10 years. That said, loan rates for raw sugar, refined beet sugar have not kept up with the rising costs of production. I can attest that its operating margins for producers are being squeezed due to the increases in input costs. For example, farmers today are paying 87 percent more for diesel and 141 percent more for fertilizer when compared to December of just 2018.

The bottom line is that the current loan rate levels no longer provide a realistic safety net for our producers. Since the early 1980s, we have lost 68 processing facilities. We are saddened to see an additional facility in northeastern Montana closing down this year. This did not occur because of a weather disaster, but rather because high production costs make it very difficult to stay in business. Once a facility closes down, it does not reopen. Having low rates that are closer to the actual cost of production would provide a more effective safety net for our producers. As such, we would support examining how the farm safety net could be updated for all Title I commodities to better match actual operating costs for producers.

My third point is our producers are exposed to severe weather disruptions. While farmers do have some insurance products available, those tools are not as well-developed or affordable as some other commodities. For sugarbeets policies are limited to yield-based coverage. They do not benefit from a revenue-based product. For sugarcane, the Hurricane Insurance Program has been an invaluable addition, but a prevented planting provision is needed. We would encourage the Committee to provide particular help to crops that might not have access to more successful crop insurance options.

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

As a Louisianan, I would also like to make sure that all of our growers are eligible for disaster assistance, regardless of which mill they ship cane to. Sugar policy can provide an adequate economic safety net for American farmers at zero cost to the taxpayers. It is critical that strong policy remains in place to counter heavily subsidized and unreliable foreign sugar suppliers whose environmental and labor standards simply do not match up to our own.

On behalf of more than 11,000 sugarcane and sugarbeet farmers in the U.S., as well as the employees in our processing facilities, I thank you for supporting sound U.S. sugar policy, and I look forward to any questions you may have.

[The prepared statement of Mr. Frischhertz follows:]

PREPARED STATEMENT OF PATRICK A. FRISCHHERTZ, J.D., GENERAL MANAGER, ST. LOUIS PLANTING, INC.; MEMBER, BOARD OF DIRECTORS, AMERICAN SUGAR CANE LEAGUE, PLAQUEMINE, LA; ON BEHALF OF AMERICAN SUGAR ALLIANCE; AMERICAN SUGARBEET GROWERS ASSOCIATION

Good morning, Chairman Scott, Ranking Member Brown, and Members of the Committee. Thank you for this opportunity to testify before you today on behalf of the American Sugar Alliance concerning the upcoming farm bill.

My name is Patrick Frischhertz. I was born and raised in southern Louisiana and am a graduate of Louisiana State University and the Loyola University of New Orleans, School of Law. My family farm produces sugarcane, soybean, and wheat in Plaquemine, Louisiana—where my wife, Sara, and I are raising our two children, Elliott and Sophie. I currently serve on the Board of Directors for the American Sugar Cane League and as the Chairman of its National Legislative Committee. I also serve on the Board of Directors of the Iberville Parish Farm Bureau Office and as the Vice President of a family company that manages farmland in and around Iberville Parish.

The U.S. sugar industry generates more than 151,000 jobs across two dozen states and contributes more than $23 billion annually to the U.S. economy (see *figure 1.* Map of the U.S. sugar industry).[1]

American consumers benefit from a safe, high-quality, reliable, sustainably produced,[2] and affordable source of an essential ingredient in the nation's food supply. Sugar is used as a natural sweetener, preservative, and bulking agent in 70 percent of U.S. food manufacturing.

Our farmers, millers, processors, and refiners have built a strong and resilient supply chain for American sugar.[3] Our product is stored and distributed from 90 strategically located facilities throughout the nation ready for delivery when and where needed according to the specifications required by our customers. Unlike some other food items, sugar was readably available on grocery store shelves throughout the pandemic. That success is attributable to U.S. sugar policy and the heroic efforts of our farmers and factory workers.

Outsourcing more of our sugar supply to other nations not only puts our farmers at risk, but also makes it even more difficult for our food companies to produce and supply the consumer products demanded by a growing segment of U.S. households that are looking for such things as sustainability and other environmental attributes in their food. Our industry meets some of the highest labor and environmental standards in the world. Using best practices and continuous improvement, our sector has made huge strides in sustainability, mainly through productivity gains in soil fertility, investment in advanced technologies, mechanization, improved beet seed and sugarcane genetics, and refining efficiencies. In fact, over the past 20 years, we have increased sugar production by 14 percent on eight percent fewer acres, through improved yields while lowering pesticide use.

Many of the jobs and businesses generated and supported by the U.S. sugar industry are in highly vulnerable and economically distressed rural areas and urban areas where good blue-collar jobs have become harder and harder to find.

This hearing is timely and important for sugarcane and sugarbeet farmers because Title I of the farm bill—the Commodity Title—represents a critical safety net for our farm families and the many employees of sugar mills, processors, and refineries throughout the country.

I will make four main points today.

First, efficient U.S. sugar producers are threatened by less efficient foreign, subsidized and dumped sugar that usually sells well below the exporters' cost of production. This makes the world sugar market the most distorted, volatile and unreliable commodity market in the world (see *figure 2.* World's largest sugar exporters). There are no signs of that changing in the foreseeable future.

Due to existing U.S. commitments under multilateral and bilateral trade agreements, the United States is the third largest importer in the world of this essential commodity, with those imports accounting for approximately 30 percent of U.S. needs. Yet, as the global supply chain disruptions resulting from the global pandemic, Russia's war in Ukraine and a variety of global climatic events have made clear, we must not become even more dependent on foreign suppliers for essential goods particularly for food, energy, computer chips, and the like. This is why an effective sugar policy, which maintains a strong domestic industry, is essential to the food security of our nation.

Second, U.S. sugar policy is structured to serve American farmers, consumers, food manufacturers, and taxpayers as it operates no cost to the U.S. Treasury. U.S. sugar policy has operated at zero cost to taxpayers 19 of the past 20 years and is expected to do so again this year. USDA projects zero cost for the program over the next 10 years, as well. The one time in the past 2 decades the program did not operate at zero cost was due to Mexico's dumping of sugar onto the U.S. market at below Mexico's production costs, which the International Trade Commission unanimously held violated U.S. trade law. That problem has been effectively addressed to the satisfaction of all parties through the existing antidumping and countervailing duty Suspension Agreements.

Nevertheless, the loan rates for raw cane sugar and refined beet sugar have not kept up with inflation nor the rising costs of production (see *figure 3.* Rising input costs). Operating margins for sugar producers are being squeezed each year, due to

[1] Fischer, B., Herbst, B., Outlaw, J., and Raulston, J.M. (2022) "Economic Impact of the U.S. Sugar Industry,"Agricultural and Food Policy Center, Texas A&M University, June. (available at *https://sugaralliance.org/wp-content/uploads/2022/06/Sugar-Report.pdf*)

[2] See *https://sugaralliance.org/producing-sugar-sustainably/sugar-sustainably-sweet-stories*.

[3] We documented that supply chain resilience for American sugar supplies at our submission to USDA this past spring (available at *https://www.regulations.gov/comment/AMS-TM-21-0034-0437*).

rising labor, fuel, seed, fertilizer, equipment costs and interest rates that affect both field and factory returns. Today our growers are paying 87% more for diesel fuel, 141% more for fertilizer, and 33% more for machinery compared to December 2018. And while some of those prices have come down marginally from last year, they still remain high and have the potential to rise again depending on global geopolitics. Current freight, rail, and ocean shipping rates continue to remain high and can be amplified by supply chain disruptions, such as those resulting from Russia's war in Ukraine. The bottom line is that if sugar were sold at the current safety net levels, most of the domestic industry would not be economically sustainable. The safety net must be increased in this farm bill for long term stability top provide secure supplies for American consumers.

In addition, sugar farmers are worried about increasing challenges of managing weeds and crop pests with fewer crop protectants, the rising cost of labor and availability of guestworkers, the uncertainty caused by repeated wetland rules that do not seem driven by science but by politics, and difficulties in securing adequate truck and rail for handling for our product.

The current loan rate levels no longer provide a realistic safety net for our producers. Since the early 1980's we have seen 68 processing facilities close and most outside investors exited the remainder of the industry due to the high risk and low returns. It was our family farmers who stepped up to rescue the industry from further closures of their factories, mills, and refineries (see *figure 4.* Facility closures). Now many of those are struggling.

We are saddened to see an additional processing facility in northeastern Montana closing down this year—not because of a weather disaster, but because the current economic environment with high costs of sugar production making it difficult to stay in business. Once a facility closes down it doesn't reopen, and it leaves behind workers that need to relocate and a town that has lost a large part of its economic and tax base.

Having loan rates that are closer to our actual costs of production would provide a more effective safety net for our producers and provide a signal to our cooperatives and companies that during the next downturn in prices, the floor price will actually provide a meaningful portion of their production costs. As such, we would support examining how the farm safety net could be updated in the next farm bill for all Title I commodities to better match actual operating costs for producers.

Third, sugarcane and sugarbeets, like most crops, are grown in areas that experience weather disruptions. While sugarcane and sugarbeets are resilient, risk protection is needed given the exposure to strong hurricanes, freezes, and frequent and more intense droughts or excess rainfall. Sugarcane and sugarbeet farmers do have some insurance products available to them, but those crop insurance tools are not as well developed or affordable as for some other commodities. For sugarbeets, polices are limited to yield-based coverage and do not benefit from a revenue-based product like other commodities, nor do they have enterprise units available for purchase. For sugarcane, the Hurricane Insurance Program (HIP) has been an invaluable addition, but a prevented planting provision is needed. Participation and coverage levels for sugarcane lag significantly behind other crops so better addressing sugarcane's unique perils would be helpful. Price election methods that are more closely tied to the futures prices for sugar should also be updated to better reflect current market prices.

Sugarbeet and sugarcane farmers have participated in WHIP+ and ERP previously and are considering how their losses in 2021 and 2022 might be eligible for the most recent ERP program. We are thankful that USDA is working with Texas sugarcane farmers, who are also in D.C. this week, and beet farmers on disaster aid. Unfortunately, USDA estimates that only $3.7 billion is available for over $10 billion in disaster needs for 2021 and 2022.

For those reasons and because this Committee has signaled an interest in developing additional risk management programs to complement crop insurance, we are certainly receptive to new efforts to provide standing disaster coverage in ways that do not undermine crop insurance and possibly even encourage greater participation and coverage levels. Under any standing disaster program, we would encourage the Committee to provide particular help to crops that might not have access to more successful crop insurance coverage options or for which the program has just not operated optimally. As a Louisianan, I would also like to make sure that all of our growers are eligible for disaster assistance regardless of what mill they deliver their cane to.

Last, the current Title I sugar policy can provide an adequate economic safety net for American sugarcane and sugarbeet farmers, provided it is kept up to date and so long as there remains in place effective responses to foreign sugar-producing countries' subsidizing and dumping. Without those responses, we would effectively outsource our sugar supply to heavily-subsidized and unreliable foreign sugar suppliers whose environmental and labor standards simply do not measure up to our own. That would be the opposite of strengthening supply chains and contrary to providing a safety net to American producers. Under that scenario, farmers, consumers, and taxpayers would all lose.

On behalf of the more than 11,000 sugarcane and sugarbeet farmers in the United States as well as the employees in our mills, processors, and refineries, I thank you for supporting sound U.S. sugar policy and strongly opposing harmful proposals that would undermine the success of this policy.

We encourage and welcome the Members and staff of the Committee to visit our farms and factories. We look forward to working with you and other stakeholders committed to strengthening American food and agriculture as this Committee continues to hear from producers as you weigh options for improving the farm bill.

Thank you for your consideration and your support for American sugarcane and sugarbeet family farmers. It is critical that the full Agriculture Committee repel attempts by special interests to weaken U.S. sugar policy and outsource American farms to Brazil, India, and other countries that heavily subsidize sugar production. I look forward to any questions you might have.

PATRICK FRISCHHERTZ, Louisiana sugarcane grower,
Representing the American Sugar Alliance.

Figure 1. U.S. Sugar Industry

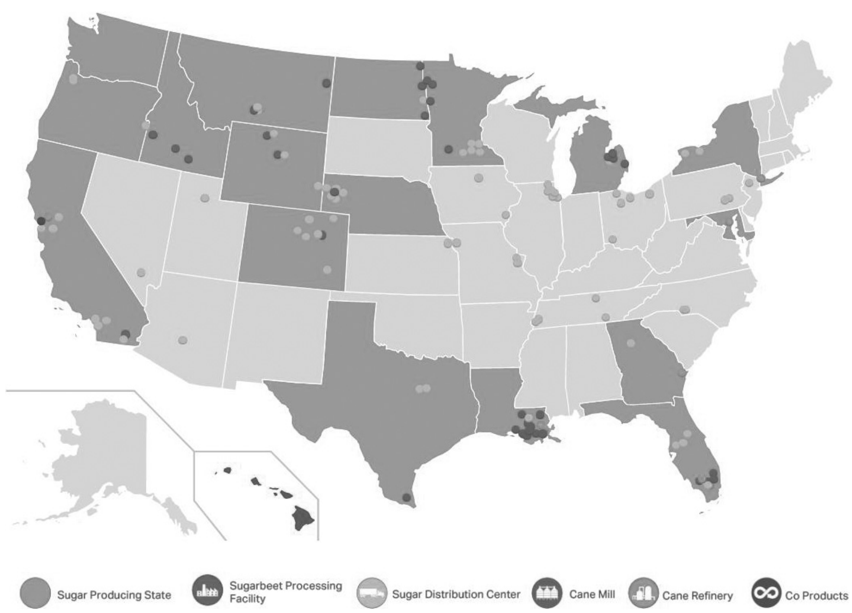
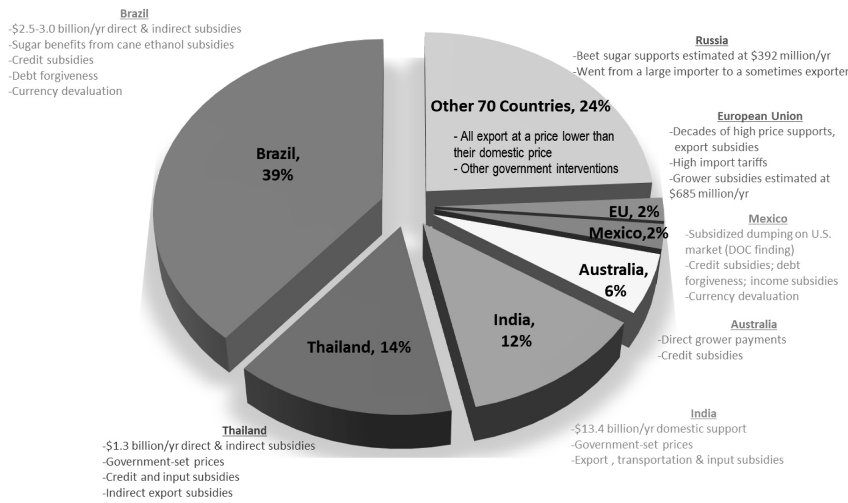


Figure 2. World's Largest Sugar Exporters: All Subsidize

Shares of Global Exports, 5 Year Olympic Average (2018/19–2022/23)

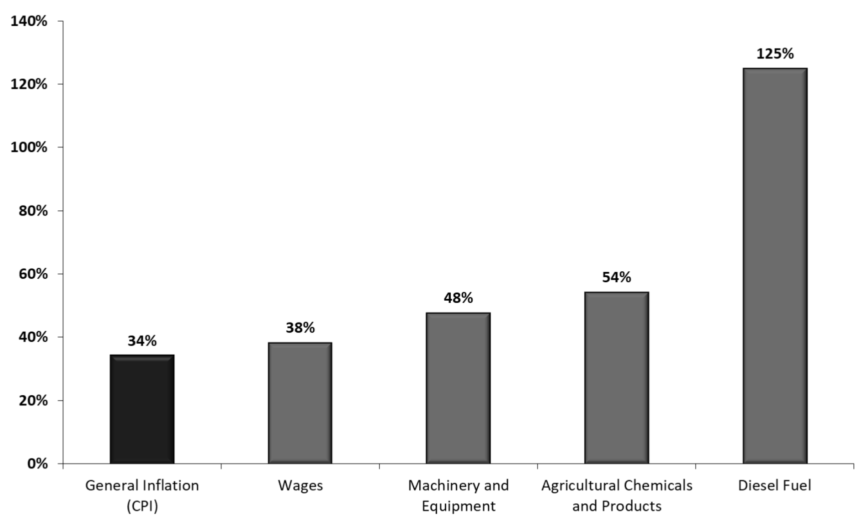


Data: Export data—USDA/FAS, November 2022; 2022/23 forecast.

Prices—International Sugar Organization, Domestic Sugar Prices—a Survey, May 2019.

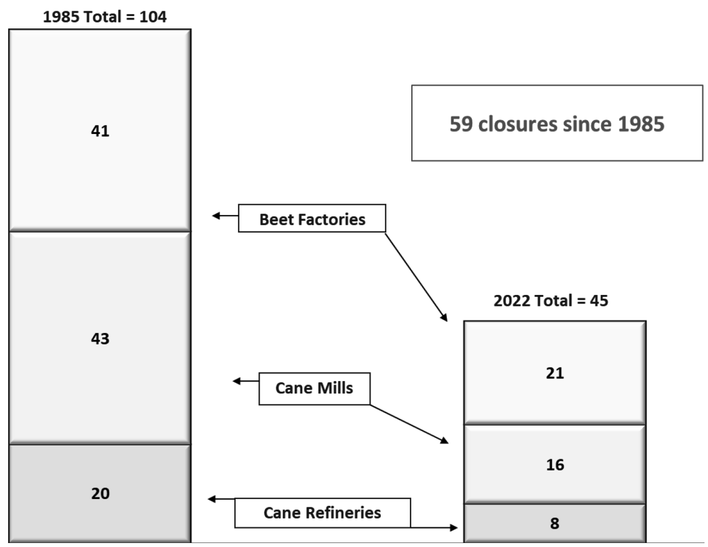
Subsidies—USDA/FAS attaché reports, press reports, country studies. May not add due to rounding.

Figure 3. Since 2010: Farmers' Costs Have Soared



Data: Bureau of Labor Statistics (BLS), producer price indices (PPI).

Figure 4. With Flat Sugar Prices Since 1985: More Than Half of U.S. Sugar-Producing Operations Have Shut Down



Source: American Sugar Alliance, 2022.

The CHAIRMAN. Mr. Cheyne?

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

Mr. CHEYNE. I thank the Chairman, Ranking Member, and Members of the Subcommittee for the opportunity to testify and provide a wheat farmer perspective on the 2023 Farm Bill. My name is Brent Cheyne. I am a farmer from Klamath Falls, Oregon, where I operate a century certified farm with my son. We pride ourselves in creating a quality product, and my son is committed to carrying on the family business and the family tradition of working hard and being a good steward of the land. I also currently serve as the President of the National Association of Wheat Growers. NAWG is a federation of growers from 28 states that represent wheat producers' needs and interests in Washington, D.C. Our members feel it is essential to testify before the Subcommittee today.

The importance of the safety net has played out on my farm as we have experienced severe drought in one of the driest grain-producing areas in the country. This year, we have gotten relief with moisture, replenishing our topsoil. However, thanks to years of drought, our subsoil remains dry. While we are thankful for the moisture we have received, major wheat-producing areas like the Great Plains are experiencing a historic drought. Farmers throughout our organizations indicated that crop insurance estimators have been zeroing wheat acres throughout the plains, and the USDA is projecting the smallest winter wheat crop since the 1960s.

Farming is a risky business, requiring a strong safety net. Wheat farmers rely on the certainty of the crop insurance program. In turn, the American people can depend on American farmers who are able to continue to withstand natural disasters and produce the most stable and affordable food supply in the world. NAWG's number one priority is protecting crop insurance. In my experience, crop insurance is vital to protect farmers and support businesses in rural America. Many banks are now requiring crop insurance in place before giving a loan. This ensures the farmers and small businesses that supply them are all protected.

My farm utilizes a yield protection policy with a coverage of 80 percent. We have a stake in the premiums, and it helps protect us in case of a disaster or yield loss. NAWG requests that Congress make a significant increase to the PLC reference price, as well as enhancements to crop insurance. The statutory reference price for wheat has remained unchanged and has fallen far short of the cost of production since its introduction. Prices have now risen to the point where it would take a 62 percent decrease or nearly ⅔ of our price before being caught by the safety net of PLC. When prices fall that far, there is effectively no safety net at all for farmers.

Cuts to crop insurance have already made it a less-effective program. It is very expensive to obtain a desirable level of coverage. While I would like to insure my farm at 85 percent levels, the premiums are so expensive that I have chosen not to be able to afford them. Congress should take a hard look at this issue and make the program more affordable at higher levels of coverage.

The cuts made in 2014 led to a need for additional assistance. My written testimony shows the funding that went to wheat farmers through *ad hoc* programs. Those funds were necessary to make up for the shortcomings but were received long after the disaster took place. Wouldn't it be more fiscally responsible for us to use those funds in a predictable, effective manner?

NAWG knows that our requests require money and appreciates the desire of Congress to be fiscally conservative with our tax dollars. However, the farming safety net makes up only 2⁄10 of 1 percent of spending. The witnesses today joined with 400 other agricultural organizations in a letter to the Budget Committee requesting more resources. It is essential that we make more investments in this farm bill to overcome these challenges.

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

I thank you for the opportunity to testify before you at this hearing, and I look forward to your questions and very much look forward to working with you on the 2023 Farm Bill.

[The prepared statement of Mr. Cheyne follows:]

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

Chairman Scott, Ranking Member Brown, and Members of the Subcommittee, thank you for the opportunity to testify before this General Farm Commodities, Risk Management, and Credit Subcommittee. My name is Brent Cheyne, a farmer from Klamath Falls, Oregon where I operate a certified Century Farm with my son who will carry on the family tradition of working hard and producing a quality product.

Thank you for holding this hearing today to discuss the 2018 Farm Bill and the changes we'd like to see in the 2023 Farm Bill.

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

Wheat Overview

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

According to the April 11 crop production report from the USDA National Agricultural Statistics Service (NASS), all wheat planted areas increased by over 4 million acres. However, this information was coupled with an April 2 report from USDA NASS that noted that "more than ⅓ of the winter wheat was rated in very poor to poor conditions" in Kansas, Texas, Oklahoma, and Nebraska. In other words, the largest area of winter wheat production is in bad shape. The report also noted that only 28 percent of the nation's winter wheat was rated good to excellent condition, the lowest figure since 1996.

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

Changes and Decreases to the 2014 and 2018 Farm Bill

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

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

While these programs were extremely helpful and necessary, they did not come without challenges. Unlike Title I programs and crop insurance, *ad hoc* disaster programs cannot be counted on given their nature. They are often funded a year or 2 after the disaster, and it can take many months for USDA to roll out the program. This drag in payment timelines often threatens to put farmers experiencing disasters out of business. Further, the complicated nature of forcing the USDA to create a new program to address disasters makes the program itself complicated. Staff at the local Farm Service Agency (FSA) offices are often given a crash course in a complicated program and then have to explain it to the farmer. This uncertainty and inconsistency can cause headaches and confusion and impact a farmer's relationship with their FSA office.

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

NAWG Asks

Since the fall of 2021, our membership has reviewed the [2018] Farm Bill programs and subsequent *ad hoc* programs through our internal committee structure and solicited individual grower feedback through a survey. These efforts culminated in our Board of Directors making 2023 Farm Bill recommendations in the summer of 2022 and expanding upon those priorities at Commodity Classic early last month. This testimony will provide a reiteration of our major asks in the Commodity and Crop Insurance Titles and will justify these asks.

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

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

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

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

In the commodity title, NAWG recommends a meaningful increase to the statutory reference price for Price Loss Coverage (PLC) and changing the parameters on the effective reference price calculation. These recommendations would allow for a stronger Title I program that can more effectively protect farmers, and better adjust to market conditions. This is especially important with the substantial increases in the cost of production. Using USDA's Commodity Costs and Returns data from October 3, 2022 (the most recent available), after factoring in overhead costs like labor, cost of living, and opportunity costs, wheat farmers lost $64.47 per acre. Meanwhile, wheat farmers didn't see a PLC payment because the Marketing Year Average (MYA) price was already inflating. Data for 2022 comes out next week and will likely show that wheat farmers lost even more money in 2022 despite the increasing commodity prices due to increases in inflation and input costs, which the testimony will delineate. With the MYA price projected at $8.90 per bushel, the $5.50 reference price means that wheat farmers would have to see a 62 percent decrease in prices before seeing a government payment. That's a precipitous drop. The effectiveness of the safety net is largely dependent on how big the fall will be. The statutory reference price established in the 2014 Farm Bill is outdated and doesn't work for this economy.

Another area of focus in improving the Title I program would be to modify the parameters of the effective reference price. The effective reference price and its adjustment mechanism could be improved to provide a better safety net for wheat farmers. The current effective reference price is capped at 115 percent of the statutory reference price, with a maximum level of $6.33 per bushel for wheat. Additionally, the 85 percent factor on the moving average should be reexamined and increased to 90 or 95 percent. Overall, having an adjustment that takes years to occur is too slow with the current volatility of commodity markets and the ever-increasing cost of production and the Committees should consider making this mechanism more responsive to market conditions.

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

While the cost of this farm bill will come under intense scrutiny, it is impossible to separate the cost of the *ad hoc* programs and the farm bill. The cuts made in previous farm bills created the need for these additional programs, at tremendous cost. As mentioned previously in my testimony, the CFAP and ERP programs alone provided an average of $850 million per year over 3 years, with CFAP providing almost $1.5 billion in 1 year and ERP providing just over $1 billion over 2 years. If made permanent, these programs would cost over $8.5 billion on average over their 10 year lifespan. This does not even include the spending made in Market Facilitation Program (MFP) or the iterations of the Wildfire and Hurricane Indemnity Program (WHIP and WHIP+). Meanwhile, raising the reference price—for example—by $1 would cost $14.6 billion over that same 10 year timeframe according to some estimates. As we consider reauthorization, it is important we work to strengthen our farm bill safety net that provides timely, effective, and dependent protection.

NAWG recognizes several of these priorities would require securing additional budget authority to craft the next farm bill. To this end, NAWG appreciates the Budget Views and Estimates letter that Chairman GT Thompson and Ranking Member David Scott sent to the Budget Committee last month. We thank their bipartisan leadership and echo many of the sentiments raised in that letter, in particular the need to update Title I, restore the effectiveness of our risk management tools to move away from *ad hoc,* and protect crop insurance. Following the Budget Views and Estimates letter, NAWG joined over 400 agricultural organizations requesting additional resources so that this Committee can write a farm bill that provides an adequate farm safety net for rural America. NAWG appreciates the desire of Congress to be fiscally conservative with our tax dollars. However, the farming safety net makes up only 2⁄10 of 1 percent of Federal spending. In a world faced with increasing global hunger, massive increases in input costs, unprecedented market volatility, and large government expenditures, now is the time to invest in the farm bill, not limit agricultural spending.

Economics in Wheat Country

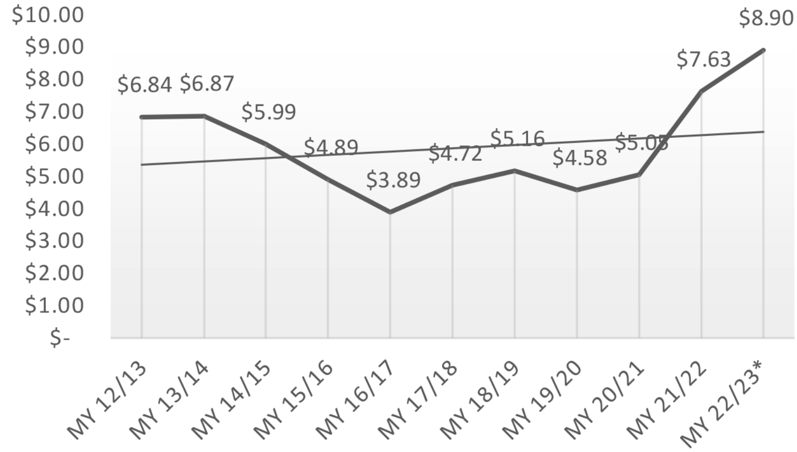
Wheat farmers are currently enjoying a strong farm economy, although it has its challenges. Higher prices have bolstered cash and farm income in recent years, putting farmers in a decent position to weather economic storms. However, challenges in the form of inflation, interest rates, and weather are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

Prices

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

The past 2 marketing years have given wheat farmers much needed relief as prices have risen significantly. After seeing 6 straight years of low prices, low enough to trigger the already-too-low Title I Reference Prices, wheat prices have recovered to a point where wheat farmers can actually be profitable. This year, the MYA price is projected at a record $9.00, up from the 2021–22 MYA price of $7.60. These prices have given wheat farmers an opportunity to make valuable investments in their businesses. However, significant headwinds in the form of inflation, interest, input prices, and weather conditions threaten to, at least partially, negate these record prices.

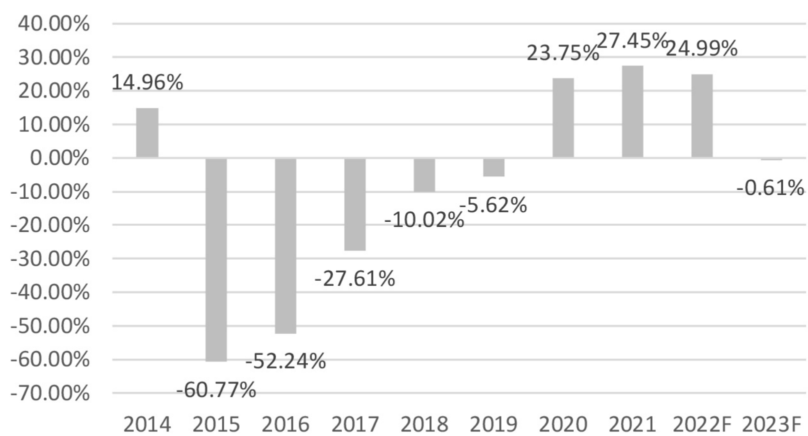
Wheat Marketing Year Average Price



Net Income

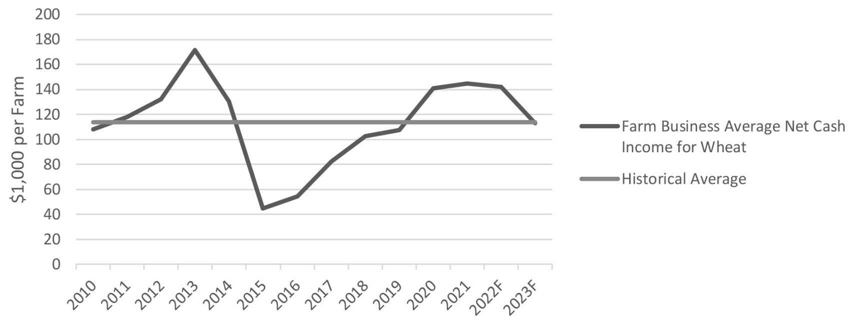
These increases in prices are reflected positively in net cash income for farm businesses. Net cash income is the cash available to farmers to draw down debt, pay taxes, cover family living expenses, and invest. Thanks to these high prices, farmers have seen historically higher than normal net cash income.

Percent Change from 10 year Average of Farm Business Net Cash Income



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

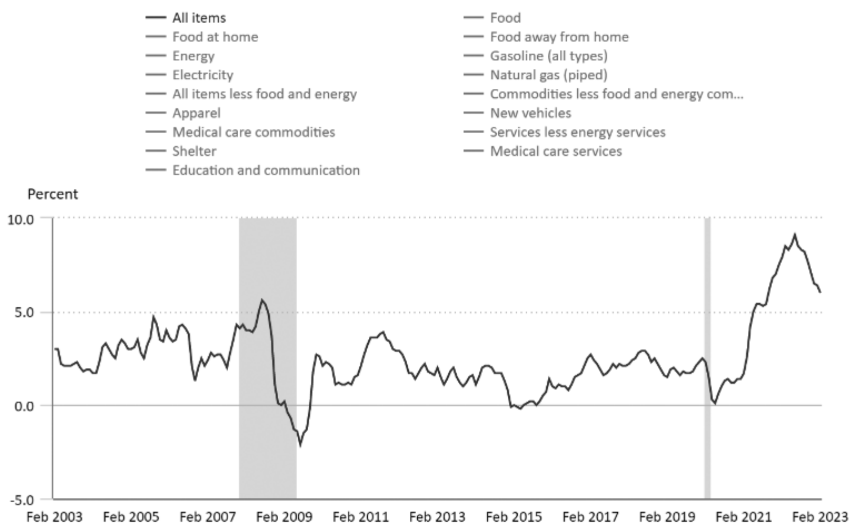
Net Cash Income for Wheat



Inflation and Interest Rates

Like the rest of the economy, farmers have felt the belt-tightening pressures of increasing inflation and interest rates. Inflation, caused by increased government spending, supply chain pressures, monetary policy, and the war in Ukraine, hit the highest rate that young farmers have seen in their lifetime, the highest since the 1980's. The chart below from the Bureau of Labor Statistics shows the heights the inflation rate hit in late 2022. While inflation has eased somewhat, the economy still suffers from the highest inflation rate of the 21st Century.

12 Month Percentage Change, Consumer Price Index, Selected Categories, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics.

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

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

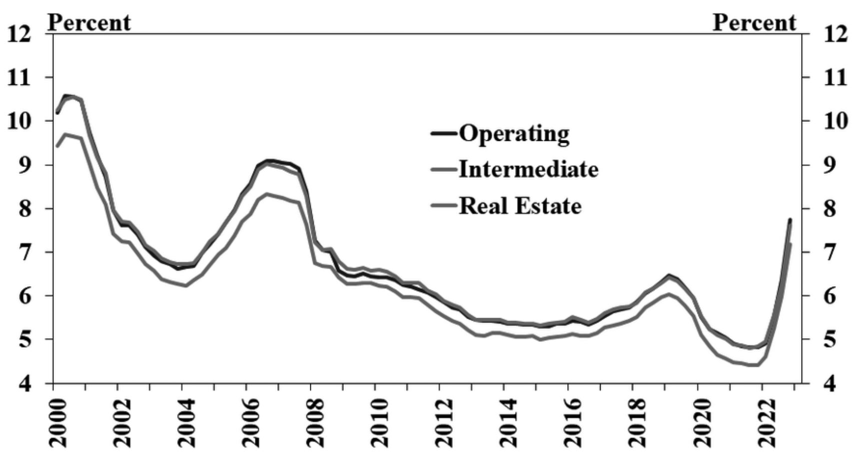
The increased inflation is coupled with increasing interest rates as the Federal Reserve has attempted to reduce inflation. The chart below from the Federal Reserve Bank of St. Louis demonstrates the abnormally elevated Federal funds rate at levels unseen since the 2008 financial crisis. The Federal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

FRED—Federal Funds Effective Rate

Shaded areas indicate U.S. recessions.
Source: Board of Governors of the Federal Reserve System (U.S.).
fred.stlouisfed.org.

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

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



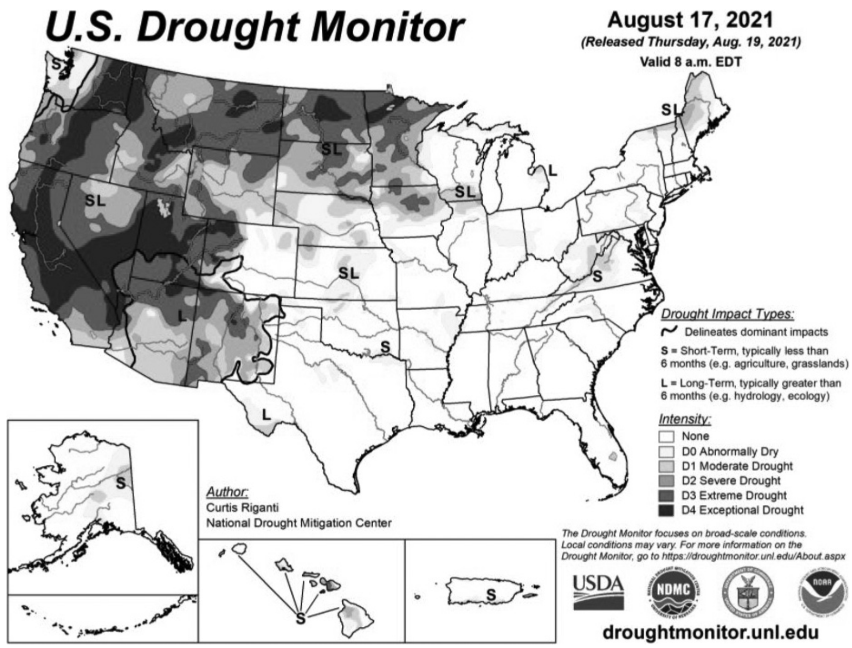
*Average interest rate across all Districts with applicable data. Includes Chicago, Dallas, Kansas City, Minneapolis, St. Louis Districts.
Note: St. Louis survey began Q2 2012. Chicago District survey includes only fixed operating and real estate loans.
Sources: Federal Reserve District Surveys of Agricultural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

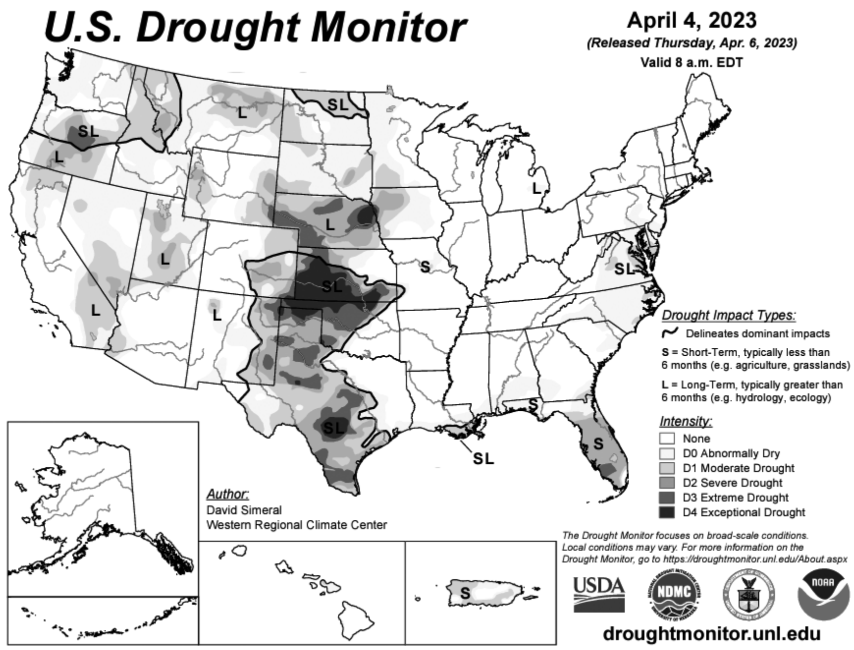
According to the Kansas City Fed, in the fourth quarter, "Interest rates on farm loans jumped to decade highs as benchmark rates rose further. The average rate charged on agricultural loans at banks in reporting Federal Reserve Districts increased nearly 150 basis points from the previous quarter and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

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

Weather Conditions

Agriculture is uniquely dependent on the weather. While other industries can continue to thrive through excess drought or rain, farmers' crops are completely dependent on the weather. The last 5 years have put intense production pressure on both spring and winter wheat for farmers throughout the United States. The 2021–22 crop year saw the lowest all wheat production since 2003 and marked only the second time in fifty years that all wheat production failed to reach 1.7 billion bushels. Meanwhile, 2022–23 is projected to be the smallest winter wheat crop since 1963 because of the significant drought conditions. The charts below show the drought monitors for August 2021 and April 2023, respectively, demonstrating the intensity of droughts throughout various regions of the wheat growing area and its impact on both spring and winter wheat.





Conclusion

As the House Agriculture Committee continues to have these hearings and begins drafting the 2023 Farm Bill, I look forward to working with the Members of this Subcommittee, their staff, and the other witnesses here today to help craft a farm bill that works for wheat growers and all of American agriculture. Farmers play a key role in helping sustain our rural communities and feeding the world. As the farm bill process continues, I would urge judicious and expeditious review of authorized programs and work to ensure a full reauthorization of farm bill programs prior to the expiration of the current farm bill on September 30, 2023, so that producers have certainty about the structure of the safety net moving forward.

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

The CHAIRMAN. Thanks, Mr. Cheyne.

Mr. Meeker?

STATEMENT OF CRAIG MEEKER, CHAIRMAN, NATIONAL SORGHUM PRODUCERS, WELLINGTON, KS

Mr. MEEKER. Thank you, Chairman Scott and Ranking Member Brown, for the opportunity to speak to the Subcommittee today. My name is Craig Meeker, and I am a sixth generation farmer near Wellington, Kansas, where I farm with my father, my wife, and my three children, who I hope to see as the next generation on our farm. We grow sorghum, wheat, cotton, corn, soybeans, and I raise a small cow-calf operation as well. I am honored to serve as the Chairman of the National Sorghum Producers Board of Directors. It is an honor to be here, and I hope my testimony as a farmer is helpful, and on behalf of NSP, we thank you.

I would like to begin by giving a brief state of the sorghum industry. Sorghum farmers are facing exceptional drought and have been for multiple years now. During the 2022 growing season in Kansas, parts of the state that usually receive 15″ to 20″ of annual rainfall have observed about 7″ the entire year. The national average sorghum yield for this past year is the lowest our industry has had since the 1960s. While sorghum is drought-tolerant, it is not drought-immune, and we continue to experience erratic weather patterns, bringing intense drought to my region. In my rotation, each of my crops has a purpose and it provides benefits for the next crop. Sorghum functions as my resource-conserving crop due to its inherent drought tolerance.

In addition to the historic drought impacting our operations, market volatility, inflationary pressures, high expenses, coupled with lower projections for crop cash receipts are only adding to the stress and uncertainty of agricultural production today. We are fortunate to have tools that can help sorghum producers through these extreme events beyond our control and in order to stay in business like Title I, crop insurance, and Congressionally authorized *ad hoc* assistance at various times. But due to the increasing severity of these challenges, we believe farmers and ranchers need a stronger farm safety net to provide predictability and certainty for producers and lenders.

It is also clear that more resources will be necessary to enact a strong farm bill this year, and there is simply a major shortfall in the safety net funding. The cost of production has similarly increased, rising at nearly 50 percent and almost 100 percent in other cases. While the changes in the 2018 Farm Bill have been helpful, given the level and speed at which costs have increased, statutorily, PLC reference prices are now far too low to provide effective support in light of many of the risks facing farmers in 2023.

The same is true of marketing loans, which remain an important cash flow tool for farmers that are now much too low relative to the current risk. We are grateful for the wisdom of this Committee trying to tie in reference price to the market in the 2018 Farm Bill, as it will create some improvements to the level of certainty and confidence of sorghum farmers. However, given spiraling costs of inputs, there is need for improvements, and we strongly believe sorghum reference price should be adjusted upward to provide a relevant safety net.

Crop insurance is vital for sorghum farmers, and, when available, the tool has been critical in helping us manage the ongoing drought conditions decimating the Sorghum Belt. Availability of products and rating, however, have very real local impact on plantings, and we believe the Committee can take measures to improve this area. For example, due to sorghum's ability to deal, withstanding short periods of drought and heat better than most other crops, farmers tend to deploy sorghum more aggressively when production outlook is bleak. This fact exposes the crop to extra environmental stresses and high-risk situations as a result. Sorghum transitional yield suffer, as do product ratings cost to participate compared to other crops.

Fortunately, RMA announced a new crop insurance option last year for our irrigated sorghum farmers. It is now available for the 2023 growing season. The option benchmarked sorghum to corn at a higher guarantee for less money and will be available as a pilot for farmers in certain counties in Kansas, Oklahoma, and Texas. We continue to work closely with RMA and look forward to working with this Committee to build upon these efforts to provide meaningful solutions to sorghum farmers.

Backing out of the big picture, sorghum is always competing for acreage to supply our growing market. Most of the competition is with soybeans and corn in the North and cotton in the South. With respect to cotton in the South, options are available for higher levels of coverage and higher levels of premium cost-share that aren't available to sorghum. We would like to achieve parity. Sorghum needs the ability to buy insurance products at similar high levels to compete for acres. We believe this option will serve farmers and foster usage for better resources and times and produce that opportunity for producers.

I am thanking this Committee for all that you have done and all that you will do in the future, and we look forward to working with you and being a resource. Thank you for your time.

[The prepared statement of Mr. Meeker follows:]

PREPARED STATEMENT OF CRAIG MEEKER, CHAIRMAN, NATIONAL SORGHUM PRODUCERS, WELLINGTON, KS

Introduction

Thank you, Chairman Scott and Ranking Member Brown, for the opportunity to testify today before the Subcommittee on General Farm Commodities, Risk Management, and Credit. My name is Craig Meeker and I am a sixth generation farmer near Wellington, Kansas, where I farm with my father, wife and three children. We grow sorghum, wheat, cotton, corn, and soybeans, and we raise a small cow-calf herd. I am a graduate from Wichita State University. Previously, I served as Chairman of the National Sorghum Producers' (NSP) Legislative Committee, and I am a graduate of the Leadership Sorghum program. Today, I serve as the Chairman of the NSP board of directors to which I was first elected in 2018. I am humbled to be here today, and I hope my testimony as a family farmer and on behalf of NSP will be helpful to you as you begin work crafting the 2023 Farm Bill.

State of the Sorghum Industry and our Economy

Farmers across the Sorghum Belt like me must contend with limited annual rainfall throughout our semi-arid region and that is why sorghum, which is drought and heat tolerant, is such an excellent fit for the economic sustainability of our operations. However, sorghum producers are currently facing exceptional and prolonged drought and have been for multiple years now. For instance, during the 2022 growing season in Kansas, parts of the state that usually receive 15–20″ of annual rainfall only observed a little more than 7″ of rain the entire year. The national average sorghum yield was the lowest our industry had seen since the 1960s, and in a survey to our producers many of them expect to contend with drought again in the 2023 growing season.

In my rotation, each one of my crops has a purpose and provides benefits for the next one. Sorghum specifically functions as my resource conserving crop due to its inherent drought tolerance and ability to produce with minimal inputs. But while sorghum is drought-tolerant, it is not drought immune, and we continue to experience erratic weather patterns including intense drought in my region. In addition to historic drought impacting our operations, market volatility, inflationary pressures and higher expenses, coupled with lower projections for crop cash receipts, are only adding to the stress and uncertainty of agricultural production today.

Efficacy of the Farm Safety Net

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

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

2023 dollars, nearly double what the current baseline is today. Cost of production has similarly increased, rising at least 50 percent in most cases and upwards of 100 percent in others.

We strongly agree with this Committee in its recent Budget Views and Estimates letter from March 9, 2023, that timely investment now into the farm safety net—which accounts for a modest $2/10$ of 1 percent of Federal spending—provides enormous economic returns for rural communities and our national economy while helping to avoid costly and unbudgeted *ad hoc* programs from having to fill the gaps over the next 10 years.

PLC Reference Prices

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

The good news is with stronger commodity prices over the 2020, 2021 and 2022 crop years, at least, the level of support provided by both ARC and PLC will be enhanced. We are grateful for the wisdom of this Committee in tying the reference price to the market in this way. It will create some improvement to the level of certainty and confidence of sorghum farmers. However, given spiraling costs of inputs, there is work to be done on improvements in this regard. To reiterate, we strongly believe the sorghum reference price needs to be adjusted upward to provide a relevant safety net.

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

Crop Insurance

While Title I is mostly decoupled from plantings to maximize planting flexibility, there are other programs that serve different purposes that are narrowly tailored to production on the farm while still entirely market-oriented. I am speaking of the Crop Insurance Program, which is a program we very strongly support. In fact, sorghum producers bought crop insurance on 77 percent of their acres over the last 5 years, and the tool has been absolutely invaluable in helping us manage the ongoing drought conditions decimating the Sorghum Belt. It is based on market prices in the year, so it does not have any kind of distorting effect. It is also based on premium cost share so farmers have serious skin in the game. Availability of products and rating, however, can have a very real local impact on plantings, so there remains some more work to be done to improve in this area.

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

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

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

Program Parity

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

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

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

Conclusion

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

Thank you again for the opportunity to testify today, and we look forward to working with the House Agriculture Committee and our fellow commodity organizations to make meaningful improvements to the farm bill.

The CHAIRMAN. Mr. McMillan, you are a long way from Berrien County, but let's see what you have to say.

STATEMENT OF DANIEL T. MCMILLAN, PRODUCER, SOUTHERN GRACE FARMS, ENIGMA, GA; ON BEHALF OF UNITED STATES PEANUT FEDERATION

Mr. MCMILLAN. Chairman Scott, Ranking Member Brown, and Members of the Subcommittee, thank you for the opportunity to appear before you today to provide the peanut producers' perspective on the 2023 Farm Bill. My name is Daniel McMillan, and I am an eighth generation farmer from Enigma, Georgia. I am here today representing the United States Peanut Federation.

My family has weathered much over the course of our 250 years as American farmers. The COVID–19 pandemic triggered a series of events on our farm. Since 2020, we have seen supply chain disruptions, inflation on key farm inputs, and labor shortages. Prior to 2020, the peanut industry was already in the throes of difficult variables such as low prices, much of which was a result of trade issues, a reduced market in China, and a non-tariff trade barrier in the European Union, followed by the United Kingdom.

In addition to the financial impact of low market prices and increased input costs, peanut farming requires high-cost specialized equipment on top of traditional equipment. This specialized equipment is extremely expensive to purchase and maintain, resulting in additional financial stressors on our farms.

Dr. Stanley Fletcher of Abraham Baldwin Agricultural College and Professor Emeritus at the University of Georgia has developed and maintained a peanut-representative farm from 2001 to today. We currently have 22 representative farms spread across the country. Dr. Fletcher reviewed the peanut representative farm's crop year 2021 cost of production as compared to 2022 costs and found a significant increase. The total cost of production increase per ton from 2021 to 2022 was 26 percent. Prior to the 2021 representative farm update, the peanut reference price of $535 per ton provided an effective safety net for growers. However, according to Dr. Fletcher, the reference price has not been a functional safety net since the 2021 crop year. Total variable input costs such as seed, fertilizer, and fuel have increased 33 percent when comparing 2021 to 2022. Our 2021 cost of production was $546 per ton, and Dr. Fletcher reports our 2022 cost of production at approximately $668 per ton.

In my home area, we saw fertilizer costs double from 2021 to 2022. Some products tripled in costs. Currently, fertilizer prices are changing week to week, preventing us from making informed management decisions. Crop protectant prices remain high, which can pressure farmers to look for cheaper options, sometimes to the detriment of the crop. Labor costs continue to increase, and we are still facing cost increases and business disruptions resulting from problems with the supply chain.

We have seen 6 month delays in mechanical repairs for tractors and trucks. Due to the short supply of tractors, even rental tractors have become scarce. We saw costs for one of our rental tractors rise from $2,000 per month in 2019 to $3,500 a month in 2023 for the same tractor. These are all increases that make it difficult to plan and budget.

I am proud to be an American peanut grower because of the high nutritional value peanuts provide to our nation and world. Peanuts are one of the cheapest sources of protein for consumers and contain 19 essential vitamins and minerals. Not far from our farm is a processing facility for MANA Nutrition. MANA is a nonprofit organization known for the production of a ready-to-use therapeutic food through its fortified peanut paste.

My family and peanut growers across the country want to be a part of the solution for hunger in the world. But what do we need from the 2023 Farm Bill? First, the U.S. Peanut Federation supports an increase in the reference price in the 2023 Farm Bill. Growers, shellers, and buying points are unified in their support of the Price Loss Coverage Program as included in the 2018 Farm Bill with a reference price increase. While the 2018 Farm Bill's Price Loss Coverage Program has worked for peanut growers, the rise in input costs and costs of production necessitates a reference price increase if this program is to remain relevant as a farm safety net.

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

Thank you for the tireless work you are doing on the 2023 Farm Bill. My family greatly appreciates your support of the American farmer. You have provided farmers the safety net that has helped our farms to survive. The safety net is one of the many tools that made it possible for me to have a future on our farm after I finished college because, quite frankly, without it, there might not have been a farm to come back home to.

Thank you for allowing me to testify today.

[The prepared statement of Mr. McMillan follows:]

PREPARED STATEMENT OF DANIEL T. MCMILLAN, PRODUCER, SOUTHERN GRACE FARMS, ENIGMA, GA; ON BEHALF OF UNITED STATES PEANUT FEDERATION

Chairman Scott, Ranking Member Brown, and Members of the Subcommittee, thank you for the opportunity to appear before you today to provide the peanut producers' perspective on the 2023 Farm Bill. My name is Daniel McMillan. I am an eighth-generation farmer from Enigma, Georgia. We grow peanuts, cotton, timber, some fruit crops, and raise cattle. Our family operates a peanut buying point in our small community, and we are part owners, along with 195 other peanut families, in a shelling facility.

I am here today representing the United States Peanut Federation (USPF). USPF is comprised of the Southern Peanut Farmers Federation, the American Peanut Shellers Association, and the National Peanut Buying Points Association. The Southern Peanut Farmers Federation includes the peanut grower organizations in Georgia, Alabama, Florida, and Mississippi.

My family has weathered many events over the course of our 250 years as American farmers. Throughout this time, we have seen several wars, the Great Depression, natural disasters, high interest rates in the 1980's, and a national pandemic— on top of the simple, every day challenges of each growing season.

The COVID–19 pandemic triggered a series of events on our farm. Since 2020, we have seen supply chain disruptions, inflation on key farm inputs, and labor shortages. Prior to 2020, the peanut industry was already in the throes of difficult variables such as low prices—much of which was a result of trade issues; a reduced market in China and a non-tariff trade barrier in the European Union (EU), followed by the United Kingdom (UK). The EU and UK are some of our premium markets. (see *Attachment A*)

In addition to the financial impact of low market prices and increased input costs, peanut farming requires high cost, specialized equipment on top of traditional equipment such as tractors, trucks, cultivator, plows, *etc.* This specialized equipment includes:

- Peanut Pickers
- Peanut Diggers
- Peanut Carts
- Peanut Lifter
- Peanut Reshaker
- Twin Row Planters and Layoff Rigs
- Dedicated Sprayer Rig

This specialized equipment is extremely expensive to purchase and maintain resulting in additional stressors on our farms.

Dr. Stanley M. Fletcher, Professor of Policy at the Center for Rural Prosperity and Innovation at Abraham Baldwin Agricultural College and Professor Emeritus at the University of Georgia, has developed and maintained peanut representative farms from 2001, prior to the 2002 Farm Bill, to today. We currently have twenty-two representative farms (see *Attachment B*) spread across the country. They cover all of the peanut areas from Virginia to New Mexico.

Since the 2018 Farm Bill, we have seen inflation increase significantly. Dr. Fletcher reviewed the peanut representative farms' crop year 2021 cost of production as compared to 2022 costs and found a significant increase. The total cost of production increase per ton was 26.31% percent from 2021 to 2022. Prior to the 2021 representative farm update, the peanut reference price of $535 per ton provided an effective safety net for growers. However, according to Dr. Fletcher, the reference price has not been a functional safety net since the 2021 crop year. Total Variable Input Costs (TVIC) inputs such as seed, fertilizer, fuel, crop insurance, *etc.,* have increased 33.48% when comparing 2021 to 2022. (see *Attachment C*). Our 2021 cost of production was $545.97 per ton, and Dr. Fletcher reports our 2022 cost of production at approximately $668 per ton.

I would like to provide anecdotal evidence supporting the representative farms Cost of Production analysis. In my home area, we saw fertilizer cost double from 2021 to 2022. Some products tripled in costs. Currently fertilizer prices are changing week to week preventing us from making informed management decisions. Commonly used fertilizers include diammonium phosphate (DAP), Potash, and Urea. When comparing the 2021 and 2022 crops, our farm saw the following increases in price for basic fertilizer needs:

	2021 Price per Ton	2022 Price per Ton
DAP	$714.60	$1,209.60
Potash	$425.60	$956.25
Urea	$528.60	$1,281.25

Crop protectant prices remain high which can pressure farmers to look for cheaper options sometimes leading to the detriment of the crop. Labor costs continue to increase. We use H–2A workers and have seen a 14% increase in labor costs through the recent U.S. Department of Labor Adverse Effect Wage Rate (AEWR) changes. We are still facing cost increases and business disruptions resulting from problems with the supply chain. This past week, we went to a local parts store to buy a bundle of small metal sweeps for a field cultivator. A simple wear part cost $2 each in 2021 but today is $6 each. We have had up to 6 month delays in mechanical repairs for some tractors and trucks. Due to the short supply of tractors, even rental tractors have become scarce. We saw costs for one of our rental tractors move from $2,000 per month in 2019 to $3,500 per month in 2023 for the same tractor. These are all increases that make it difficult to plan and budget.

I am proud to be an American peanut grower because of the high nutritional value peanuts provide to our nation and world. The Peanut Institute has released data highlighting the health value of peanuts in reducing heart disease, Alzheimer's disease, Type 2 diabetes, and some cancers. Peanuts, one of the cheapest sources of protein choices for consumers, contain 19 essential vitamins and minerals. (see *Attachment D*)

Not far from our farm is the processing facility for MANA nutrition. MANA is a nonprofit organization known for the production of a ready-to-use therapeutic food (RUTF) through its fortified peanut paste. MANA has recently expanded their facility in Georgia. MANA's mission statement is "We are here to end malnutrition." My family and peanut growers across the country want to be part of the solution for hunger in the world.

What do we need from the 2023 Farm Bill?

First, the U.S. Peanut Federation supports an increase in the reference price in the 2023 Farm Bill. Growers, shellers and buying points all support the Price Loss Coverage Program as included in the 2018 Farm Bill with a reference price increase. While the 2018 Farm Bill's Price Loss Coverage program has worked for peanut growers, the rise in input costs and cost of production necessitates a reference price increase if this program is to remain relevant as a farm safety net.

Second, the U.S. Peanut Federation supports a voluntary base update that includes growers with and without peanut base acres. While the 2014 Farm Bill allowed for base updating for peanut growers that already had base on their farms, it excluded many young farmers and new production areas. Our economists estimate that a voluntary base update, using the latest 5 year Olympic average, will include approximately 112,000 peanut acres nationally. (see *Attachment E*)

I would like to thank the Committee Members who have worked on prior farm bills and those of you here today for the tireless work you currently are doing on the 2023 Farm Bill. My family greatly appreciates your support of the American Farmer. You have provided farmers a safety net that has helped our farms to survive. The safety net is one of the many tools that made it possible for me to have a future on our farm after I finished college. Quite frankly without it, there might not have been a farm for me to come back to.

Thank you for allowing me to testify today.

ATTACHMENT A

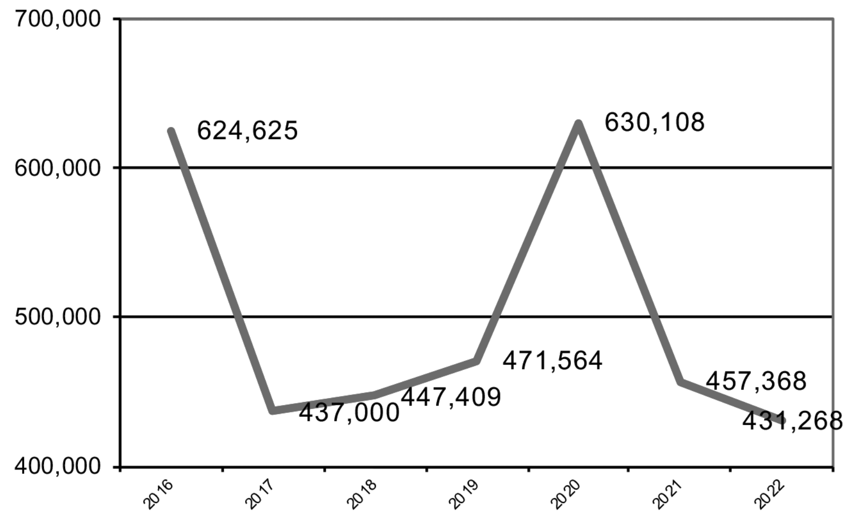
U.S. Shelled Peanut Exports 2016–2022

Total Shelled Peanut	**Unit**	Calendar Year	**Quantity**	Marketing Year	**Quantity**
World Total	1 Peanuts MTSHL	2016	624,625	2015/16	572,783
World Total	1 Peanuts MTSHL	2017	437,000	2016/17	472,565
World Total	1 Peanuts MTSHL	2018	447,409	2017/18	450,687
World Total	1 Peanuts MTSHL	2019	471,564	2018/19	424,054

Total Shelled Peanut	**Unit**	Calendar Year	**Quantity**	Marketing Year	**Quantity**
World Total	1 Peanuts MTSHL	2020	630,108	2019/20	609,340
World Total	1 Peanuts MTSHL	2021	457,368	2020/21	532,575
World Total	1 Peanuts MTSHL	2022	431,268	2021/22	431,573

U.S. Peanut Exports (MTSHL)

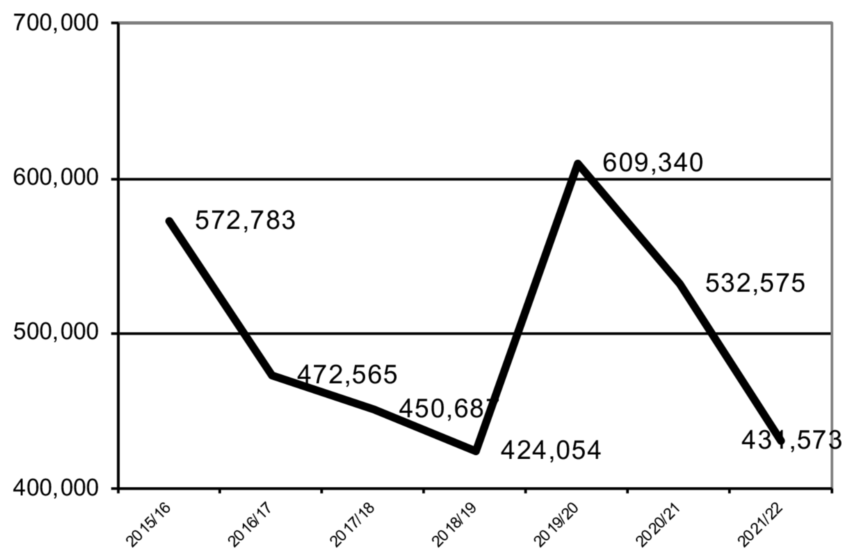
(2016–2022 Calendar Year)



Source: Foreign Agricultural [Service].

U.S. Peanut Exports (MTSHL)

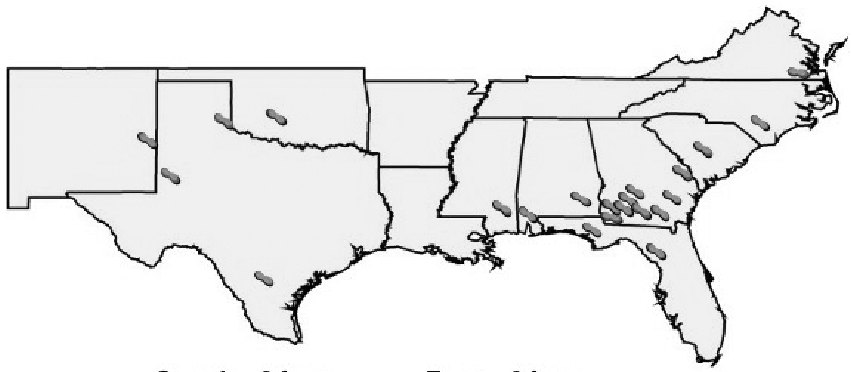
(2016–2022 Marketing Year)



Source: Foreign Agricultural [Service].

ATTACHMENT B

Areas Represented by the 22 United States Representative Peanut Farms



Georgia—9 farms
Florida—2 farms
Alabama—2 farms
South Carolina—1 farm
Mississippi — 1 farm
Texas—3 farms
New Mexico—1 farm
Virginia—1 farm
North Carolina — 1 farms
Oklahoma — 1 farm

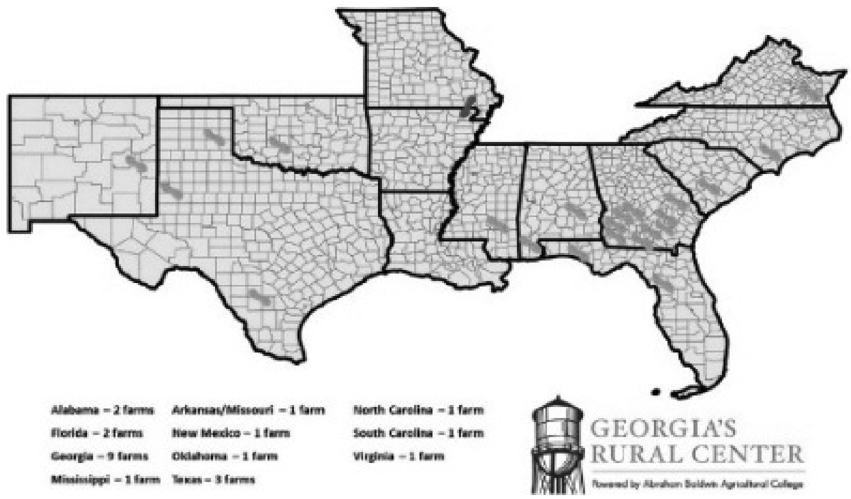
ATTACHMENT C

United States Peanut Cost of Production

STANLEY M. FLETCHER, *Professor of Policy,* Center for Rural Prosperity and Innovation, Abraham Baldwin Agricultural College; *Professor Emeritus,* University of Georgia

The U.S. peanut representative farms development started in 2001 prior to the 2002 Farm Bill. These representative farms have been maintained for 20 years and have been extensively utilized for peanut policy in each farm bill. These representative farms cover all the peanut areas from Virginia to New Mexico based on production share as seen in the map. If a state production share equals to a partial representative farm, a whole farm was developed for that state. These farms were updated during the summer of 2021 with 2021 cost of production. Due to the recent peanut production in the Northeast Arkansas/Southeast Missouri, a new representative farm is planned to be developed during 2023.

Areas Represented by the U.S. Peanut Representative Farms



A cash flow analysis is performed to indicate what the cash flow is required to produce a ton of peanuts. The cash flow costs are divided into three categories: TVIC (total variable input cost), QVIC (quasi variable input cost-whole farm cost allocated to a crop acre) and loan payments. A peanut farmer has three different loans during the crop season. They are the operating loan, an equipment loan, and a land loan. Over the years of updating the representative farms, it has been found that producers not able to cover all their cash flow cost have been rolling the deficit into their land loan and that percentage has been increasing over time.

Table 1. U.S. Peanut Cost of Production

	2021 U.S. Rep Farm COP	Potential 2022 COP
Expected Yield	2.38 tons/acre	2.38 tons/acre
TVIC [1]	$713.52/acre	$952.41/acre
QVIC [2]	$388.33/acre	$439.30/acre
Total Variable Cost (**TVC**) = TVIC + QVIC	$1,101.86/acre	$1,391.71/acre
Loan payments (equipment and land notes)	$198.91/acre	$198.90/acre
Total Cost = TVC + Loan payments	$1,300.76/acre	$1,590.61/acre
Total Cost per Ton	$546.54/ton	$668.32/ton

[1] Seed, fertilizer, micronutrients, lime & gypsum, inoculants, chemicals, wild hog, cover crop, growth regulators, custom application, consultants, irrigation fuel, tractor fuel, drying, cleaning, hauling, check-offs, crop insurance, and interest on operating loan.

[2] Taxes, accounting/legal, fleet liability insurance, repairs maintenance and supplies, truck fuel & lube,phone, utilities, DTN, GPS, apps, labor cost and land rent.

Based on the U.S. representative peanut farms, the average total cash flow cost per ton for the 2021 peanut crop was $546.54/ton. Given the significant increase in the 2022 cost of production, Texas A&M AFPC reported selected input cost increase and FAPRI's inflation factors for the other input costs were utilized to adjust the 2021 cash flow costs by the expected increase in input costs. The projected 2022 peanut total cash flow cost to produce a ton of peanuts is $668.32/ton.

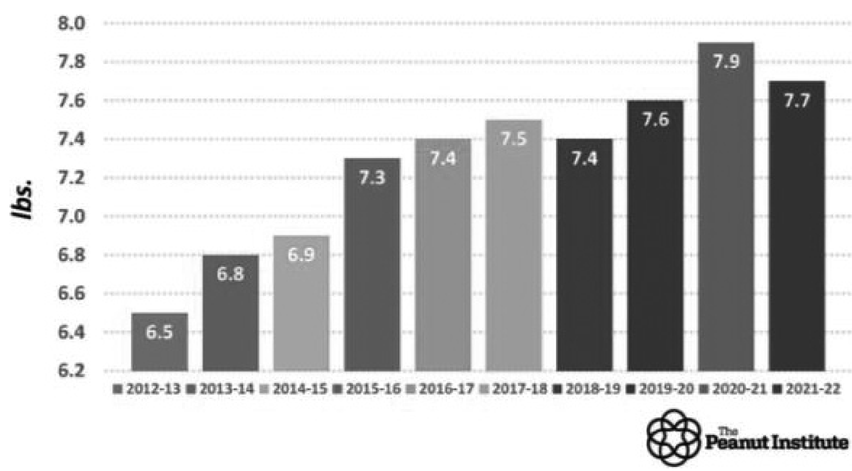
ATTACHMENT D

The Nutritional Value of Peanuts

Background

Peanuts are botanically classified as a legume, being an edible seed enclosed in a pod.[1] However, because of its composition, peanuts are also described as nuts for nutritional purposes. According to the Agricultural Marketing Resource Center, the total U.S. peanut production in 2021 measured 6.4 billion pounds.[2] Of that, about 60% was used for peanut butter production, while about 15% was crushed for peanut oil.[2] Peanuts and peanut butter account for close to ⅔ of all nut consumption in the United States.[1] Dollar for dollar, peanuts and peanut butter are less expensive than almost all nut and meat proteins. Pairing the affordability with a very long shelf life, peanuts and peanut butter are excellent staples for most pantries. Studies have consistently shown that peanut products, when eaten daily, can significantly decrease the risk of heart disease and diabetes.[1, 3, 4] They also satisfy hunger, help manage weight, and promote health.[1] Peanuts and peanut butter are nutritious, affordable, and sustainable. A serving of peanuts is 1 ounce, or a handful, and a serving of peanut butter is 2 tablespoons.

Peanut Per Capita Consumption



Source: USDA & Census Data. Excludes Peanut Oil.

Nutritional Value

Peanuts contain a variety of compounds that promote health including protein, heart-healthy fats, fiber, micronutrients, and antioxidants.

Protein

A 1 ounce serving of peanuts—about a handful—is considered a good source of protein based on the United States Department of Agriculture Standard Legacy. Peanuts and peanut butter provide 7 grams of high quality, plant-based protein.[5] Protein is vital for growing children and adults, being integral for muscle growth, immunity, and bone development.[6, 7] Since the protein in peanuts is plant-based, it carries with it additional components promoting positive health benefits like fiber and unique bioactives, unlike animal protein.

Heart-healthy fats

The *2020–2025 Dietary Guidelines for Americans* suggests cooking and purchasing products made with oils higher in polyunsaturated and monounsaturated fat rather than butter, shortening, or coconut or palm oils.[8] More than 80% of the fats in peanuts are from heart-healthy unsaturated fats.[5] The American Heart Association recommends replacing saturated fats for poly- and mono-unsaturated fats to lower risk of cardiovascular disease and inflammation.[9]

Fiber

Peanuts are a good source of fiber, which promotes digestion, heart health, and blood sugar control.[5] Over ⅓ of the carbohydrates in peanuts is fiber and according to the *2020–2025 Dietary Guidelines,* more than 90 percent of women and 97 percent of men do not meet recommended intakes for dietary fiber.[8]

19 vitamins and minerals

Peanuts and peanut butter contain more than 19 vitamins and minerals that are integral to growth, development, metabolic function, and immunity.[5] These micronutrients work by multiple mechanisms and are likely having synergistic effects on health status. Peanuts and peanut butter are excellent sources of niacin, molybdenum, and manganese and are also good sources of folate, copper, and vitamin E.[5]

Antioxidants

Research has identified numerous types of bioactive compounds in peanuts and in their skins that may add functionality and health benefits beyond basic nutrition.[1] For example, antioxidants like resveratrol and p-coumaric acid have been associated with improved vascular function, better cognition, and lower stress and anxiety.[10, 11] These and other bioactive nutrients have been recognized for their disease-preventive properties and are also thought to promote longevity. Packaged together with vitamins, minerals, healthy fats, protein, and fiber, peanuts are a complex plant food that promote health and wellness.

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ATTACHMENT E

2023 Peanut Potential Base Increase Comparing 2019 Base

The sum of the Olympic average of 2018–2022 certified acres minus 2019 commodity base by county.*

	Peanuts
Alabama	2,096.41
Arkansas	29,048.31
Colorado	0.08
Florida	21,136.11
Georgia	22,269.77
Indiana	0.93
Louisiana	1,271.54
Minnesota	0.62
Mississippi	6,085.41
Missouri	15,748.29
Nebraska	97.64
New Mexico	—
North Carolina	12,103.49
Oklahoma	—
South Carolina	2,867.58
Texas	70.87
Virginia	—
Grand Total	112,797.05

* Negative numbers are reported as 0 in the calculations.

The CHAIRMAN. All right. At this time, Members will be recognized for questions in order of seniority, alternating between Majority and Minority Members in order of arrival for those who joined us after the hearing convened. You will be recognized for 5 minutes each in order to allow us to get to as many questions as possible.

I am now going to yield to Chairman Thompson for the first 5 minutes.

Mr. THOMPSON. Well, I thank the Chairman for yielding. And, gentlemen, thank you for being here. Thank you for your leadership, and thank you for your written testimony and your oral testimony.

I am going to repeat a question I asked on the first panel to get your take on this question. Many of you mentioned Federal crop insurance in your testimony. And, as you well know, there has been attempts in Congress to gut the program by imposing AGI means testing, payment limits, *et cetera,* including through an amendment to the debt ceiling bill filed just this week. Can each of you speak to how these kinds of proposals would impact the crop insurance program as a whole and your operation in particular? We will start with Mr. Cates.

Mr. CATES. Well, the crop insurance is vitally important. There is no question. I remember when I started farming, we didn't have crop insurance. And if I would have had a 2012 back when I started farming, it would have been a disaster, especially with all the loans that I had taken out to be able to farm. It would have been very hard to go forward during that time frame. So it is very crucial that we keep the crop insurance intact, and it is just something that we need to be able to go forward and to be able to guarantee.

Mr. THOMPSON. So some of these, what I consider to be misguided, attempts to implement just adjusted gross income means testing or payment limits, if that was to go in place, what kind of an impact would that have on you and on the industry?

Mr. CATES. I think it would have a big impact overall on all farmers, especially when you do have payment limitations because, I mean, there are larger farmers that even though they are larger and have more income, they also have greater risk because of their largeness so it is important.

Mr. THOMPSON. Yes. Thank you.

Mr. Frischhertz?

Mr. FRISCHHERTZ. Thank you for the question. So for sugarcane in particular, we are not eligible for ARC or PLC. But the sugar program, sugar policy acts as our safety net, and without that, we do not have sugarcane to farm on our property. We will be exposed to heavily subsidized dump sugar prices that are well below the cost of production. We do utilize ARC for our soybeans that go into our fallow ground. And as a young farmer just getting into farming, I can't borrow money without these insurance options. Without them, I am sunk.

Mr. THOMPSON. All right. Thank you. Thanks for reflecting on the sugar policy because that also in a misguided way comes under attack. Our U.S. sugar industry is all family-owned, so we are going to support foreign families or American farm families? So thank you.

Mr. Cheyne?

Mr. CHEYNE. Thank you, Mr. Chairman. Our take on it is instead of listening to any cuts into the farm insurance program, we should actually actively be advocating for strengthening and improving all aspects of the crop insurance program. As we look at historical weather patterns or potentially, if you can believe the long-range forecasters, and I am sure we all do, the Wheat Belt, the Great Plains could be set for another weather pattern like the Great Depression and the Dust Bowl. So as this potentially unfolds, our farmers are under greater peril because in wheat we have six classes of wheat grown the width and breadth of the nation. And any cuts to crop insurance would be disastrous to the American farmer and the food supply, food security, and I am afraid ultimately national security.

Mr. THOMPSON. Very good.

Mr. CHEYNE. So therefore, we would urge you to please do everything you can to help the farmers before you here today make a good program better.

Mr. THOMPSON. Very good. I don't have much time left, but I do want to check with our last two witnesses. Mr. Meeker?

Mr. MEEKER. Keep it short and sweet. If it wasn't for Federal crop insurance, I wouldn't be the sixth generation farm. My family's farm is in Sumner County, and there is probably no chance of the seventh generation that is at home right now being able to take over.

Mr. THOMPSON. That pretty much says it all. Let's go Mr. McMillan.

Mr. MCMILLAN. Yes, I don't know that I can add much to that that these gentlemen haven't covered. But it is a crucial part of the overall safety net that we have. Our priority is the PLC program, but we need crop insurance. Like the gentleman just said, we probably couldn't get an operating loan if we didn't have crop insurance to show them.

Mr. THOMPSON. Very good. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Chairman.

The chair now recognizes Ms. Brown for 5 minutes.

Ms. BROWN. Thank you, Mr. Chairman. As I did with the first panel, I would like to start out with a question for the group. During our full Committee hearing, we have discussed the rising cost of inputs at the farm gate and how those costs ultimately affect food prices at the grocery store. What are the predominant inputs required for growing your commodity? And can you give us an idea of input price increases and any corresponding price availability? And I would like to start with Mr. McMillan and work my way back. All of you, but I will start with Mr. McMillan, please.

Mr. MCMILLAN. Yes, I am sorry. You are asking about our key inputs, and what was the last part of your question?

Ms. BROWN. The input prices increases and corresponding price availability.

Mr. MCMILLAN. Yes, so our key inputs are anything from seed, fungicides, and crop protectants are a big part of our inputs. Our cost of production has increased significantly, and that is why the cost of production needs to be tied to the reference price, and we need to see that reference price increase.

Mr. MEEKER. Some of my crop inputs would be fuel and fertilizer, of course, labor. The labor market is a huge part of my input cost as well. Those predominant prices have gone up anywhere from 100 to 300 percent. My cash price has not done that. And when I go to the grocery store—I get to luckily do most of the grocery shopping at our house. And when I go to the grocery store with the list that my wife provides for me, it hits me at about that same amount, too. And it is devastating. It has been devastating in my community at the grocery store and at the farm level. And we would love to engage with you on how there can maybe be some corrective measures taken by this Committee and the full Committee.

Mr. CHEYNE. Using the USDA's total cost of production, the average cost of production over the past decade was $7.12 a bushel. Meanwhile, the wheat reference price is $5.50, and the FSA loan rate is $3.38 a bushel. I think we can draw a little bit of a conclusion what is going on there. Where I farm in the Klamath project, my power cost can hit $126 an acre for 130 bushels of wheat and poor-cutting alfalfa crop. My irrigation district going in, it will be $85 an acre next year. I just paid 49¢ a pound for spring wheat seed. It is going to be late going in. It is not going to stool, it is not going to tiller. It will be 200 pounds of seed at 50¢, over $500 for fertilizer. And there are times with interest and the rising cost of fuel, you begin to wonder why you even bother. But I love doing it, so I will bother.

Ms. BROWN. Thank you.

Mr. FRISCHHERTZ. Like most have said on this panel, it is labor, fuel, diesel, and input costs, fertilizer. I could speak directly to our farm. From 2021 to 2022 we spent from right at $127,000 to over $250,000. And that is just in 1 year. Our potassium went from $330 all the way up to over $1,000 a ton. Labor, like everywhere, is difficult to come by these days. It is a tight labor market.

But one note I would like to make, as commodities, we are price takers, not price makers, so we are at the beg and mercy of the market.

Mr. CATES. And everybody has pretty well said a lot. The same thing for me. My input costs are fuel, the seed, fertilizer, everything—fertilizer has more than doubled from last year, a year ago. Our seed price has gone anywhere from 20 to 35 percent higher, diesel fuel has almost doubled from what I was paying 2 years ago. And so according to the University of Illinois, the cost of production for soybeans, break-even is $12.39. That is at least in Illinois. I cannot speak for the rest of the country. And, all of us, because we are so widespread, the cost of production for different farms can vary from that price.

Ms. BROWN. And I see my time has expired, so I will have other questions for the record. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you, Ranking Member Brown.

And you have all hit on this a little bit, but I want to go back just again and reiterate this. So you were talking about soybeans, and you said the average cost of production is $12.39. And according to my records, the reference price is $8.40 and loan is $6.20. And if we could, I know you don't have a reference price on sugar. What is the loan rate on sugar?

Mr. FRISCHHERTZ. I believe it is 19.75¢.

The CHAIRMAN. Okay. And as we go down the path, wheat, do you know the average cost of production in the country, Mr. Cheyne?

Mr. CHEYNE. I was having difficulty hearing. Could you please repeat the question?

The CHAIRMAN. For wheat, what does it cost you to produce a bushel of wheat?

Mr. CHEYNE. Our cost of production we figure is about $7.12 a bushel.

The CHAIRMAN. Okay. And reference price being $5.50 and loan is $3.38 on wheat, is that correct?

Mr. CHEYNE. Yes, but $5.50 on wheat, right.

The CHAIRMAN. $5.50 reference price, but loan would be $3.38. And I assume that few people will use loan anymore simply because the values are so low. Is that——

Mr. CHEYNE. That is correct.

The CHAIRMAN. Is that correct? And so Mr. Meeker, for your crops what is the average cost of production and reference price?

Mr. MEEKER. Well, I only prepared for sorghum today so I can't talk to all of them.

The CHAIRMAN. Okay.

Mr. MEEKER. I could text Dad. He could probably get me pretty quick, but for sorghum, it is——

The CHAIRMAN. Well, just give it to us on sorghum.

Mr. MEEKER. For sorghum it is a $5 break-even, really close.

The CHAIRMAN. Okay.

Mr. MEEKER. I can get you closer to that if you want, but $5 is a pretty good break-even cost.

The CHAIRMAN. No——

Mr. MEEKER. Our reference price is $3.95. And the loan rate in Sumner County is $3.99 per hundredweight——

The CHAIRMAN. Do you——

Mr. MEEKER.—which is far below the cost of production.

The CHAIRMAN. Okay. But your loan rate is $3.39?

Mr. MEEKER. Per hundredweight.

The CHAIRMAN. Okay.

Mr. MEEKER. Not per bushel.

The CHAIRMAN. Okay. I got you.

Mr. MEEKER. I would have to do——

The CHAIRMAN. That explains why my numbers didn't make——

Mr. MEEKER. Yes, so I would have to do some figuring here. I couldn't get to the website where it figured it by bushels.

The CHAIRMAN. Yes. Yes. So I will spend a little more time with you, Mr. McMillan. You mentioned that across peanut representative farms the cost of production per ton increased 26.31 percent from 2021 to 2022. You also state total variable input cost increased 33.48 percent and that reference prices haven't been a functional safety net since the 2021 crop year. Now, you are an eighth generation farmer and your family has weathered a lot of events over the last 250 years. That reference price on peanuts, $535 a ton, loan is $355 a ton.

Mr. MCMILLAN. Yes, sir.

The CHAIRMAN. Do peanut farmers use loan anymore with that price as low as it is?

Mr. MCMILLAN. Yes, sir. I mean, I believe that——

The CHAIRMAN. You do still——

Mr. MCMILLAN.—the Marketing Loan Program is used by a lot of peanut growers.

The CHAIRMAN. At the same rate that it was 5 years ago or 10 years ago?

Mr. MCMILLAN. Yes, sir.

The CHAIRMAN. Okay.

Mr. MCMILLAN. I mean, and potentially, that could be looked at for an increase.

The CHAIRMAN. All right.

Mr. MCMILLAN. We have looked at it with an economist, and we think that the most beneficial thing for growers is a reference price increase. And that is what would help them the best.

The CHAIRMAN. Okay.

Well, can you expand a little further on how you and future generations will be affected if we don't increase reference prices and improve that safety net? And I also want you to explain why we should have a voluntary base acre update.

Mr. MCMILLAN. Yes, so if we don't have——

The CHAIRMAN. And I have a minute.

Mr. MCMILLAN.—an increase in the reference price—and let me just say, we really don't want to be reliant on a safety net. We don't want to be in that position, but we need it. And if we don't have an increase in the reference price, what is happening with that deficit that we have from $535 to $668, that is being rolled over into land loans. We are using up the equity that we have in our equipment. Eventually, it is going to catch up with us, and we aren't going to be able to stay in it very much longer.

And then for the base update, we would like to see those new growers that are in Florida, Arkansas, Missouri, these new areas, and even in my own state, if there are growers that haven't had the chance to get base, see a voluntary base update from growers with and without base.

The CHAIRMAN. All right. Thank you all for your testimony.

I now recognize Ms. Davids of Kansas for 5 minutes.

Ms. DAVIDS of Kansas. Thank you, Mr. Chairman. And thank you to our witnesses this afternoon and our witnesses on the earlier panel as well. I represent the 3rd District in Kansas, and the 3rd District is home to small-, medium-sized family farms, urban and rural areas, everything from hobby farms to poultry producers, specialty crops, some row crops. And then, of course, the State of Kansas grows a lot of commodities that support not just our country, but the entire world.

And I am wanting to better understand Title I programs and the tools that are being used. We have heard some of that today. And as I am kind of talking to folks at home and learning, I definitely have heard a lot about the ways that USDA programs work or maybe sometimes don't. And we have heard a bit about them today, ARC and PLC, and those are administered by the Farm Service Agency. I am wondering if you all could talk to me a little bit more about that. In the 3rd District, we have a consolidated

Miami and Johnson County Farm Service Agency. It is in Payola and they help tons of people. And I also know that they are having a hard time finding staff. They are doing as much as they can to help people, but there are a lot of folks who are retiring. That institutional knowledge is leaving. And, that also means the newer folks are taking on increased workloads.

I am curious. Mr. Cates, if you could talk a bit about—because you mentioned a bit about this in your testimony, in your farm bill priorities about us considering USDA staffing and then the technological capabilities. Could you just kind of expand on that a little bit and talk to us about the FSA offices and appropriate levels of staffing and that sort of thing?

Mr. CATES. Staffing at NRCS and at the Farm Service Agency—luckily in my county—well, NRCS is short-staffed in both counties that I farm in Monroe and St. Clair County. And the FSA agency, both have positions that they need but are told that they cannot hire at this point. Luckily, we have a good enough staff that we are getting it done, but they are both short-staffed. And the NRCS is very short-staffed and have concerns with the new conservation programs that have been initiated back in December with that bill, whether or not with such shortage of staff if that money can be appropriated in a timely manner to get the conservation programs done that need to be done in that time frame.

Ms. DAVIDS of Kansas. I saw a lot of heads nodding, and I was going to move on, but I think I will probably—because I wanted to talk some about the reference pricing and base acres and that sort of thing. But if others want to chime in on this and then I will follow up with like written questions to you all.

Mr. MEEKER. So thank you for the question, Ms. Davids, and thank you for what you do for this service for the State of Kansas. I appreciate that. I fall in Congressman Estes' district, but thank you for your work in the Kansas City area.

The FSA offices, they are overwhelmed, quite frankly. And because of *ad hoc* disaster assistance and other CCC funds that have gone through the offices, they have been overwhelmed. It is pretty hard for them to do the things that they typically do every day or should be doing every day, and it is hard for them to get through that work list when you have so many of these *ad hoc* disaster programs or other programs that are coming in. I would love to see some sort of a disaster program that is predictable that comes through the farm bill that is part of their normal working daily things and have a smaller reliance upon *ad hoc* and other emergency disaster assistance. I think that would do very well.

And the technology, I can see what my dad is doing today on the farm with my phone. I can do a lot of things with FSA from my phone, too, and I would appreciate that opportunity.

Ms. DAVIDS of Kansas. Oh, awesome. And I will absolutely follow up with additional questions. Thank you. I yield back.

The CHAIRMAN. The chair now recognizes Mr. LaMalfa for 5 minutes.

Mr. LAMALFA. Thank you, Mr. Chairman. And thank you to our panelists for coming in here for our round two here today. It is very important we get to the bottom of what you are facing and as we help to shape the farm bill with that. Our listening sessions around the country have been pretty helpful as well.

So I want to come to Mr. Cates there. I have a question here on the testimony you submitted. A USDA report did project a 20 percent drop in net cash farm income in 2023 relative to 2022. So is that as an equal component of price of your commodity or costs that continue to go up? And all ours skyrocketed in 2022. How would you explain the 20 percent drop in net cash?

Mr. CATES. It is going to be a combination of both input cost to us and also the drop in the commodity prices.

Mr. LAMALFA. So equally both?

Mr. CATES. Yes.

Mr. LAMALFA. Yes. All right. I have the same input costs as you all with farming rice in California, so our fertilizer tripled last year, fuel doubled, and I am a rice seed grower, so I don't complain about seed prices as much. But it is the same for them. To produce that seed, they have to recoup to get it back from you all to buy the seed, too.

What do you think—and just go across the panel if you wish—on our energy policy in this country that obviously our fuel comes from gas and diesel but also where our energy is used to produce nitrogen, fertilizer, *et cetera*. Do you want to just whistle down the line there, each give you 10 or 15 seconds on that?

Mr. CATES. Yes, our energy prices are definitely having an impact on our cost of production, as you said, with the fertilizer cost, so that depends on fuel. Our diesel prices have increased, so it is definitely a huge impact on our energy price.

Mr. LAMALFA. What should the United States be doing about energy?

Mr. CATES. We definitely need to be able to try and lower the energy cost somehow.

Mr. LAMALFA. Right.

Mr. FRISCHHERTZ. For sugarcane in particular, we are all very proud to say that we use the sugar rind, the rind of the sugarcane to run our mills as a renewable source of energy, and it is something that that helps keep us going and keep us very sustainable. As everybody's going to mention on the panel, yes, diesel costs have eaten into margin. This has made it very difficult. Anything that can be done to help that would be very welcomed.

Mr. LAMALFA. Okay. Mr. Cheyne?

Mr. CHEYNE. I believe that the fuel and fertilizer costs are really hurting us and hurting us badly. My suggestion would be, I think this nation is capable of getting some type of like a small-scale Manhattan Project off the ground where we could get environmentally friendly fertilizer plants here in America close to the source where they need to be used and get these products out to the American farmer. And I think we can do as a nation a much better job than what we are, just food for thought.

Mr. LAMALFA. Yes, sir. All right. I am going to end it right there on that question. Mr. Cheyne, do you want to talk to me about your particular situation in your basin there with water supply?

Mr. CHEYNE. Well, sir, I think you are one of the more well-versed people I know, but our situation in the Klamath Basin is very, very unpleasant. We have over 200 percent of snowpack. We are going to get maybe 60 percent of our irrigation allocation because of the Endangered Species Act. We are told that the ESA is the law of the land. I have come full circle where I look at the ESA as the flaw of the land. And while it is, our resource of irrigation, water is being taken for the Endangered Species Act——

Mr. LAMALFA. From the Klamath Project with agriculture in mind directly.

Mr. CHEYNE. On the Klamath Project, yes, sir.

Yes, being directly denied the resource. And we are being told by agencies in the Federal Government that we have no take because the ESA allows it to be taken.

Mr. LAMALFA. So you are not out anything. They just get to come in your house and take your stuff, but since it is ESA, it is not considered actually a taking.

Mr. CHEYNE. Correct.

Mr. LAMALFA. Yes, that is——

Mr. CHEYNE. That is a perfect analogy.

Mr. LAMALFA. Yes. So you faced this in 2020—well, the last 3 or 4 years of having your water——

Mr. CHEYNE. Yes.

Mr. LAMALFA. Well, in 2020 they want to take the water midseason after you were planted, and we were able to help get you through that season last year——

Mr. CHEYNE. Yes.

After our crops are already dead, they make the decision to give a little bit of water.

Mr. LAMALFA. Yes.

Mr. CHEYNE. I guess I feel better now that I have given up all hope.

Mr. LAMALFA. I will yield back, Mr. Chairman.

Hang in there. God bless you.

Mr. ROUZER [presiding.] Don't ever give up hope.

Mr. Bishop, you are recognized.

Mr. BISHOP. Thank you very much. Let me thank all of you for appearing today. You have been very, very helpful and very frank, and you have covered a lot of the areas that I wanted to raise with you.

Can I get you to just in a general sense talk about the process that a producer has to go through to fulfill eligibility requirements like demonstrating that a producer has met the adjusted gross income limitation, actively engaged requirements? Is it a straightforward process? If each of you could just tell me how that impacts your areas. Start with Mr. Cates if you would quickly.

Mr. CATES. I guess can you repeat that? I didn't quite hear it all.

Mr. BISHOP. I was wanting to know how the process that a producer, one of your commodity compatriots, has to go through to fulfill the eligibility requirements. I know that the eligibility requirements you have to demonstrate that you have met the adjusted cost gross income limitation, that you are actively engaged, that it is actively engaged. And those requirements for eligibility, are they straightforward or do we need to do something in the farm bill to try to clarify it?

Mr. CATES. In my area, I think it is pretty straightforward, the eligibility for the termination of our FSA programs.

Mr. FRISCHHERTZ. Yes, I would echo that. It seems pretty straightforward. Honestly, we go to the CPA and work very closely with them and then turn that in to FSA.

Mr. CHEYNE. I think they are very straightforward. I am fortunate that I have a very good staff at my FSA office. I would just throw out the only flaw I see in reference to her question, State of Oregon, we got 36 counties, but I think we are down to maybe five FSA loan officers. The one servicing my county has a 4 hour drive one way. So if we want to get any of our new next generation farmers involved, I would suggest that we look into staffing and sustainability in the staffing because you just get a really high-quality person trained, they get headhunted by a private bank, and we are back to ground zero.

Mr. MEEKER. The paperwork seems to be pretty straightforward for us.

Mr. MCMILLAN. I agree with these gentlemen. And our FSA office helps us out very well.

Mr. BISHOP. Well, I serve on the Appropriations Committee, and staffing is an issue that we hear about, as well as the technological upgrades for the Department. Do you have any comments? I think I have heard you in response to Ms. Davis talk about that. But I guess you pretty much laid it out that it is understaffed. And you need to take full advantage of new technologies, and that would be helpful. Is that correct? I see all of the head nods.

But tell me about the input prices. The economic conditions for your commodity obviously has changed since the 2018 Farm Bill. So your energy prices, I assume, are impacting your business. Tell me about the input increases, and how do you think we can actually accommodate that in the farm bill? Price loss when you got prices high, but input prices are up. So how do we need to factor that cost of input into the farm bill that will give you the safety net that you need?

Mr. MEEKER. The problem isn't today. The problem is probably a year or 2 from now when we have low commodity prices with still high input prices. That is when there is going to be a real issue. And you are probably not going to be seeing many people my age that would be testifying and definitely younger——

Mr. BISHOP. What about margin protections? Is that an idea that you think would work?

Mr. MEEKER. There are some ideas with margin protection. We have looked at it with the sorghum industry, and we haven't found a good fit yet. But that is something that we are going to continue to actively work on. But again, I think the issue is going be coming in the future, not today.

Mr. MCMILLAN. For peanuts, I think that the Price Loss Coverage Program works really well. And when you factor in—or the framework is very well if we have a reference price increase. And when you factor in the cost of production with that reference price, then that protects us really well.

Mr. BISHOP. Thank you. I think my time has expired.

Mr. ROUZER. Mrs. Miller?

Mrs. MILLER of Illinois. Yes, thank you to everyone for coming out for this hearing. And I want to say, Mr. Cates, it is so nice to have a fellow Illinoisan here and a fellow soybean producer. So in the last panel and also this panel, we have been talking about the importance of our insurance protections. And I was wondering if you could discuss how crop insurance has benefited you on your farm.

Mr. CATES. It is been a huge benefit, especially to make sure that there is some protection in case of a weather disaster. There has been in my own particular—almost every year, I used crop insurance—we have some kind of weather event in the spring that I have to come back and either replant some corn or some soybeans, and so I am using my crop insurance to help pay for that replant. And the biggest thing is in case of a huge weather event like we had in 2012, if it wouldn't have been for my crop insurance, it could have been a true disaster in making sure that you could put a crop out the following year.

Mrs. MILLER of Illinois. Thank you. I would like to say that crop insurance gives us the courage to go on another year, doesn't it?

So also in light of inflation being on the rise, you have all shared how input costs are skyrocketing to a painful place and then with the Federal Government raising interest rates. What I am worried about is that credit could potentially become too expensive for producers. So would you each share with me if you have any ideas, how do you feel this will impact the agricultural community? And how can we begin to prepare a safety net for farmers now? Mr. Cates, would you like to go first?

Mr. CATES. Yes, the rising interest rates is definitely—especially for beginning farmers going to be huge. I mean, just my operating loan from Farm Credit right now has jumped to 8¼ percent.

Mr. FRISCHHERTZ. As a younger farmer really just starting out, it has been a major hurdle to overcome with rising interest rates. We will see younger farmers not have the ability to purchase the equipment they need to really enter the industry. It could be a big hurdle for most.

Mr. CHEYNE. Interest rates are becoming a significant problem in farm country. I had loans a couple of years ago that were at three percent. My banker and I actually got along. Now they are at ten percent. We are not seeing eye to eye so much.

Mrs. MILLER of Illinois. That is painful.

Mr. MEEKER. Access to credit is a huge thing for me on my operation. Federal crop insurance allows me to access that credit. It allows me to leverage what I know my production is to manage my risk. It is the largest risk management tool I carry in my toolbox Federal crop insurance, and it helps me mitigate some of that risk of interest. However, as we see rising interest rates, it is going to be the ones that have the financial stability and ability who will be able to continue to farm, not the ones that have to use lending as an option. And, my dad has a different checkbook than I do. My dad is liable to still be farming, and I will be looking for a job in town again. And my dad is 70. I am 40. I think I have a lot more opportunities to farm physically than my dad does, but his checkbook allows him to farm a lot longer than mine does.

Mr. MCMILLAN. Yes, I will just echo something that he just said. As credit becomes tighter, I may be looking for something else to do. And I don't know that folks my age will be able to continue to farm. And then that is a food security issue.

Mrs. MILLER of Illinois. Thank you. And, my husband and I are farmers, so I feel your pain.

And then, Mr. Cates, one last question real quick. Trade is out of this Subcommittee's jurisdiction, but do you support increased investments in trade promotion programs such as MAP and FMD?

Mr. CATES. Definitely. It needs to be doubled. With the MAP at $200 million, and when you take inflation into consideration, we are only really getting about—compared to what it was in the beginning, $113 million out of that is compared to what it was in the beginning, 18, 20 years ago. So yes, it definitely needs to be increased because that FMD and MAP program is what will help secure future trade in areas in case we have another situation like what happened with China.

Mrs. MILLER of Illinois. Yes, and we don't want to be left behind. Thank you.

Mr. ROUZER. The gentlelady's time has expired.

Ms. Budzinski?

Ms. BUDZINSKI. Thank you, Mr. Chairman. And thank you, Ranking Member. I appreciate it. And thank you to the panelists for being here today. I was hoping I could ask you a little different question, but just to get your thoughts on it, which regards young farmers. I have an Agricultural Advisory Council, and I am in central and southern Illinois and that help provides real feedback to me as we are in these farm bill negotiations and having these hearings. One of the things that I heard from the very first meeting was the need to create more of a pipeline and bring new people, young people into agriculture. And I know you have talked a little bit about some of the challenges that current farmers are facing, but as we are trying to attract the next generation of farmers, what we can be doing. And last week, I was really proud to help reintroduce the Young Farmers Success Act (H.R. 2728), along with our gracious Committee Chairman G.T. Thompson, which works to expand Public Service Loan Forgiveness Program for certain farmers. And I am also working on other legislation to expand access to young and beginning farmers as well. I would appreciate your thoughts on what we can do to entice more individuals to go into farming.

Mr. MEEKER. Access to credit through FSA would be an incredibly important tool. For me, it was not something that was actually a viable tool for me to use because how I entered into the operation. By the time I needed to start securing those loans that were of consequence to the operation, I had already been in farm production for more than 5 years, so I was no longer a young or beginning farmer. However, I was still a young and beginning farmer in the real terms. And so I think looking at how we maybe evaluate and we maybe look at how those rules are written, that might be a really good option.

I am a child of the 1980s. I saw my dad in the 1980s farm crisis. I don't want to be that for my children, and access to credit and making sure that they can just—excuse me.

Ms. BUDZINSKI. Take your time.

Mr. MEEKER. It is an important thing to have young generation on the farm, and we need to figure out how we can continue to entice the young generation to the farm and not export the greatest generation that we have, and that is the next one.

Ms. BUDZINSKI. Thank you.

Mr. CHEYNE. I would urge a complete overhaul of the FSA Beginning Farmer Program. It, like me, has gotten old, and it is tired. It needs an upgrade. As a casual observer of the program from a safe distance, a young farmer gets just enough money out of the program to get in real trouble real fast, and the rug gets jerked out from under them at warp speed. And if they had an adequate capital to get up and running on their feet and going, I think we could manage to get some real success stories. As it is, when they get the rug jerked out from under them, that generation has lost agriculture, that skill set, all that knowledge. It just goes to town and it is lost. So I would ask you to conserve some of your money to give that program a complete overhaul.

Ms. BUDZINSKI. Thank you. Anyone else on the panel? I appreciate your candor and your stories, personal sharing, your thoughts on that. I had one other question. I know we have talked a lot about crop insurance, but I think something that, Mr. Cheyne, I think you mentioned during your testimony was just the impact more largely for rural communities and the importance and the connection between fully investing in our crop insurance program and what that means more largely to our rural communities. I think you mentioned banking and access to extending lines of credit, what that might mean, though, more broadly. If any of you might be willing to speak to that, the impact and the importance of crop insurance for our rural communities.

Mr. CHEYNE. Well, as many farmers get in debt with their vendors, it is before we know that we have a disaster on our hands. When we get that insurance payment, we are able to get our bills paid. Not only does that keep us whole, we keep our vendors whole, so it gives a ripple effect out through the community, and it is a stabilizing hand on the community. And I think that is of paramount importance because the PLC safety net, the price has to fall by almost ⅔, 62 percent. And by the time, I am used to watching disasters unfold, but by the time you fall that far, you might have a heart attack and be gone before the net catches you, so it is too much, too little, too late.

Ms. BUDZINSKI. Okay. Thank you. I will yield back. Thank you.

Mr. ROUZER. I thank the gentlelady.

Mr. Finstad, you are recognized.

Mr. FINSTAD. Thank you, Mr. Chairman.

And first of all, Mr. Meeker, thank you for reminding me why I am doing this. And I am a little jealous. I am the fourth generation farmer in our farm raising the fifth, but you are the sixth going on the seventh. That is awesome. And really, that just solidifies what we are doing here and why we have to get this right. We have to make sure that we write a farm bill for the farmer by the farmer. And again, it is not for you and I. It is for our kids. It is to make sure that the John Deere tractors keep farming my farm for generations to come.

And so thank you all. We have had really an awesome opportunity to have ten amazing witnesses today come to talk to us about what the family farm looks like. And it looks different. Each one of you describe something very different. And for us, that diversity and that uniqueness is what really makes farm country amazing. And really, just the honor for us to work in the most honorable, noble profession that this country has, and that is farming. So thank you for being here and representing your commodities.

I am a corn and soybean farmer from southern Minnesota. I raise corn, soybean, and kids. And I am just really, really honored to be here and to have you here in front of us. I did some math. As a farmer, commonsense farmer, I like to play around with numbers and try to figure out how do I get to that next generation of farm succession planning? And so if I look at reference prices $3.70 for corn, $8.40 for soybeans, I just quickly looked up my local coop, my July corn right now is $6.16. July beans is $14. I look at break-even, $5.10 for corn, $12 for beans, doesn't take a math genius to figure out that we are pretty tight. Reference prices, this Title I, what is this ARC and PLC we talk of? I haven't seen this or heard of it. I don't know if we are sure what it is. Crop insurance has been the number one tool on our farm that has really provided me the opportunity from day one with the banker to end of crop, in the combine, marketing decisions. And that is what provides the opportunity to continue.

So as we look at safety net, as we talk about crop insurance, as we talk about ARC, as we talk about PLC, my question, and I will start with you, Mr. Cates. What is it like to farm knowing that you do not have really an effective Title I farm safety net with the ARC and PLC where we are at right now? And what should the Committee do to focus on improving this in the future?

Mr. CATES. It is a little scary knowing where we are at, and so that is why it is so important to get it right, right now, to be able to raise the ARC and PLC, get the program to the point of being able to get where we have to be able to—I am losing my thought here.

Mr. FINSTAD. Probably reference pricing——

Mr. CATES. Yes, the reference price.

Mr. FINSTAD. Yes.

Mr. CATES. We have to be able to get that at a different level where we are more competitive than where we are right now. That reference price for every one of us sitting here is way too low.

Mr. FINSTAD. Yes. And I appreciate that comment. And if you just look at the conversation that we just had in regards to the inputs, look at the reference price, the break-even that I just talked about, we are already upside down.

Mr. CATES. Right.

Mr. FINSTAD. And when we talk about generational farms like Mr. Meeker and myself and all of us are working so hard to preserve, that makes or breaks a generational change of farm if you are upside down. You can only sustain that, obviously, so long, and especially from a young farmer perspective. So, I mean, I think this is something important, something that we have to get right in the farm bill.

I have about a minute left here, so I will move along. Just quickly, just maybe kind of a yes or no up and down the line here. I hear from Minnesota farmers, the FSA loan size limitations haven't kept up with the rising prices. We talk about the inputs, we talk about farmland prices. The current cap makes it more difficult for farmers, especially beginning farmers, to access the FSA guarantee loans. So I guess just a quick yes or no up and down the line. Do you think that farm country would benefit from modernizing these limits in the farm bill?

Mr. CATES. Yes.

Mr. FRISCHHERTZ. Yes.

Mr. CHEYNE. Absolutely.

Mr. MEEKER. Yes.

Mr. MCMILLAN. Yes.

Mr. FINSTAD. And I appreciate that. And I would just close with this. It hurts my heart a little bit to hear the shortage of staff on the FSA side. The USDA has 100,000 employees. I think we have a prioritizing problem, not maybe a staff shortage, so we can work on that. And I look forward to working with my colleagues here on that.

Mr. Chairman, I will yield back.

Mr. ROUZER. The gentleman yields back.

Mr. Davis?

Mr. DAVIS of North Carolina. Thank you so much, and to the Chairman and our Ranking Member, thank you for having us here. And to the gentleman from North Carolina, Mr. Rouzer, it was great joining you in eastern North Carolina with the gentleman from California there, so I just want to recognize you for that, and then on the forums.

To our witnesses who are here today, it was great chatting, saying hello earlier, and thank you for being with us. And it is obvious as we hear not only the wisdom but the passion that you bring, and thank you for doing the Lord's work here.

To ensure a robust agriculture sector in eastern North Carolina, we must strengthen the safety net for our soybean producers. In doing so, Congress must address the growing discrepancy between plant acres and base acres, which ballooned to 30 million acres last year. Now, Mr. Cates, what specific steps can Congress take to close the Agriculture Risk and Price Loss Coverage gap to assure soybean farmers that they will have protection in the event of a trade war with China or other unforeseen market shocks?

Mr. CATES. Well, several things would be to increase the reference price, change the ARC so that it is more up-to-date, and we need to go ahead and be able to have a voluntary base update for the farmers that would also be beneficial to even those young farmers.

Mr. DAVIS of North Carolina. Okay. In the most recent *Ag Economy Barometer* report cited input costs as the top concern for producers for the year ahead. In an inflationary environment, fertilizer costs are putting the squeeze on our farmers, as you mentioned in your testimony, Mr. McMillan. In your capacity representing the U.S. Peanut Federation, would you, Mr. McMillan, support initiatives to onshore the production of fertilizer to stabilize long-term prices and avoid dependence on strategic competitors if doing so would even mean higher prices in the immediate short-term?

Mr. MCMILLAN. I may have to get back to you in the written record on that question, but I do think something needs to be done about these increases that we are facing because, like I said in the testimony, we have seen prices double, even triple, and it is hard to move from one year to the other with those kinds of increases.

Mr. MEEKER. Could I speak to that, please?

Mr. DAVIS of North Carolina. Please.

Mr. MEEKER. So I think I would love—I am not an energy guru by any stretch of the imagination, but I do know that the American spirit is that if you give us a challenge, we will meet that challenge and usually beat it. And I think it would be fantastic to unleash the ability of our economic energy—or, excuse me, of our domestic energy program to not only produce that domestic energy, but also the domestic fertilizer. And I think short-term, yes, you may have a price hike, but we have had an incredible price hike already. I mean, what is ten percent more really? Not much. But if we can have long-term sustainability with a domestic supply of energy and fertilizer, I would welcome that any day.

Mr. DAVIS of North Carolina. Thank you for that. And, Mr. Cates, can you walk me through the consequences if Congress fails to provide adequate funding for the Market Assistance Program, the Foreign Market Development Program as tensions ratchet up with our trade competitors, including China?

Mr. CATES. I think you are going to see a situation where it is going to be very harmful to the farmers and the future of farming or the next generation of farmers because without it, I think you are going to see the young generation not want to farm and that those that are in it could have difficulty continuing the farm.

Mr. DAVIS of North Carolina. Well, again, I thank this panel, and I yield back.

Mr. ROUZER. The gentleman yields back.

Mr. Rose is recognized.

Mr. ROSE. Thank you. I appreciate our witnesses bearing with us today and being here.

One of the core charters of this Subcommittee is risk management, and I want to talk a little bit about data privacy, which maybe is something we haven't talked about today, unless I missed it, Chair Rouzer. We have seen a number of high-profile data breaches and cyber attacks in recent years kind of across the spectrum, but oftentimes targeting government. And I would like to ask each of you from the perspective of the producers that you represent to discuss how concerned you are with maintaining the privacy of your individual data and how important it is to make sure that USDA doesn't release private farm data without the consent of the producers that you represent. Would anybody liked to talk about that?

Mr. CATES. Well, I think it is very important that the data be kept private, what is the farmer's data should be the farmer's, and it should only be up to that farmer if he wants to share that data.

Mr. ROSE. Anyone else want to weigh in on that?

Mr. FRISCHHERTZ. Well, at this point, it is almost like farming on your phone. Before this Committee started I was checking on the tractors in the field right here, and it scares me quite a bit that one little breach on this phone could bring our operation to its knees. It is something of very high priority and, honestly, nobody has really tackled this issue to that point.

Mr. ROSE. As a follow-up, I would like to ask each of you to comment on how safe do you feel that your private data is in the hands of USDA? Do you feel confident about that? Is it——

Mr. CHEYNE. I guess I would say I, sir, am an eternal optimist. I would hope that my data is safe, the same way I would hope my bank is keeping the data on my money safe. It has real and lasting and meaningful value to me. And I didn't get all of that data compiled just so some schmuck could steal it from us collectively.

Mr. ROSE. Has anyone had a bad experience or know of one with respect to USDA-held data?

Mr. CHEYNE. I have a perfect track record in keeping it whole, and I hope to get retired with my record intact.

Mr. MEEKER. I don't have a specific issue, but I think that it is an issue that we probably ought to think about and address. We do a lot of things much differently than we did 20 years ago, 50 years ago, and I think our thought process probably needs to be modernized across the board, whether it be with data security or financial lending from the FSA as well.

Mr. ROSE. Let's shift gears then. In March's *Ag Economy Barometer* published by Purdue—and I am a Purdue alum, so I picked this question out so I could say Purdue a couple of times, maybe fit it in three or four. Surveyed producers listed high input costs and rising interest rates as top concerns for farmers. Can each of you speak to how these issues are affecting your operations, and probably you have already to some degree covered this but with a specific reference to the support programs and the level of support that is currently available *vis-à-vis* the inflation that we have seen in those input costs?

Mr. CATES. Well, like I say, with the rising interest rates, it is definitely a concern. I mean, I am in fairly good shape. The problem is, at the end of the year I have run out of money, and so to purchase the inputs for the next growing year usually in December, I am having to borrow operating. And like I said, every time the Federal interest rate goes up, guess what, my farm interest credit from Farm Credit interest rate goes up. I am at 8¼. By the time December comes, I might be over nine percent interest for my operating loan, so it is a major concern.

Mr. FRISCHHERTZ. Rising input costs, really they bring home the point that we need strong sugar policy in the farm bill. That is our safety net. Without it, we are sunk.

Mr. ROSE. Sure.

Mr. CHEYNE. Input costs are becoming a major headache. I have one bank that I deal with that is up to ten percent already on one line of credit. Some of my fuel and fertilizer has almost tripled the last couple of years. So yes, we are having to cut back, try to get less done with more. There are certain improvements that will not be made in a timely manner, and that is impacting the efficiency of the farmer. And that is the one thing we can really control, and it is being taken away just through attrition.

Mr. ROSE. And of course, you will just raise your prices if your input costs go up, right? All right. Thank you. I see my time has expired. I yield back.

The CHAIRMAN [presiding.] The chair now recognizes Ms. De La Cruz for 5 minutes.

Ms. DE LA CRUZ. Thank you so much, Mr. Chairman, for hosting this important hearing.

The farm bill isn't something that happens every year, which I think is good as it allows Congress the time to look at the policies in the past and see whether they have been working or not working. As a result, we are able to make good, informed policy changes to strengthen the farm safety net and support rural America.

I look forward to working with my colleagues on the other side to help strengthen this industry and to support stakeholders across this industry with good legislation and specifically working with our farmers in Texas and across this country.

Now, my question is really to everybody on this panel. I know in talking to producers in my area crop insurance is really critical. I come from an insurance background. That is my previous life being in insurance, and so I understand how important insurance can be. Now, for the most part, lenders require farmers to carry insurance, and generally, it works well. Could each of you briefly comment on the role crop insurance plays in your industries and the typical policy carried by your member?

Mr. CATES. Well, I carry 80 percent on my corn and 70 percent on my soybeans. It is critical for the crop insurance. I think one thing that would be helpful if we could have maybe a higher rate at a more advantageous cost factor to the farmer would be helpful. I think the big thing is, *ad hoc* is supposed to be for a major disaster, and I would rather see money spent into the crop insurance to maybe lower our premiums at a higher rate of insurance. That would be more advantageous than worrying about an *ad hoc* program and whenever just anything comes about.

Ms. DE LA CRUZ. Thank you. And I would like to hear from each of you what changes or improvements you think we can make in this specific area, and if you are a specialty crop, how insurance has been effective in your specialty crop.

Mr. FRISCHHERTZ. So sugarcane, we are not eligible for ARC or PLC. There are insurance products available. Our farm did an analysis about 3 years ago and just found it to be too expensive for the coverage that is available and honestly just wasn't a viable option for us. The Hurricane Insurance Program has been invaluable for farmers, especially along southern Louisiana, but for our farm where we are located, it was just too expensive for the coverage available.

Ms. DE LA CRUZ. Thank you.

Mr. CHEYNE. Yes, on my farm we utilize an 80 percent yield protection coverage. I choose this because it is the highest amount I feel that I can afford. I would like to insure it at a higher level, but the premiums become too expensive for us to pay. So as others have stated, I think it would be very beneficial to strengthen the crop insurance program and eliminate the need for *ad hoc* programs down the road. And I guess I view it no different than a homeowner taking fire insurance out on a home. In a perfect world, we never need to use it.

Ms. DE LA CRUZ. Thank you.

Mr. MEEKER. For the sorghum industry, and especially in your district in south Texas, irrigated and higher rainfall areas have been 70 to 75 percent buy-up. The dryland areas such as the High

Plains and the panhandle of Texas and western Kansas, eastern Colorado, more of a 60, 65 percent buy-up area. The higher-end buy-up is just price prohibitive. You wouldn't have recommended to any of your customers to buy product at a high rate if the return was never going to be there. So I think some of the ratings could be changed if we could look at how the ratings could be changed relevant to what production history is. I think there could be some ways that we can manipulate that and still keep the actuarial table sound.

Ms. DE LA CRUZ. Thank you. And in 6 seconds or less?

Mr. MCMILLAN. Well, I would just say quickly from peanuts, one thing that could be improved is the revenue protection. I believe it is tied to other oilseed commodities. It is not even tied to a peanut price. And if there were some way to tie it back to peanuts, I think it would work a lot better.

The CHAIRMAN. Okay.

Ms. DE LA CRUZ. Thank you. I yield back.

The CHAIRMAN. I am going to give a roster update before I go to Mr. Nunn. We are going to go Nunn, Carbajal, Johnson, Crockett. Everybody good with that? Okay. All right. Mr. Nunn, you are recognized for 5 minutes.

Mr. NUNN. Thank you, Mr. Chairman. I appreciate that, and I appreciate the team being out here today. I know you have a lot of folks who are back at home working in the field doing the best they can. As my colleagues on the other side of the aisle and I very much agree is that providing an onramp particularly for young farmers, this next generation, I think it was talking about, Mr. Meeker, just the amount of technology that is in the field right now that agriculture is starting to change. And that is a lot of really good things, it is a lot of very exciting things, but also the barrier to entry into a farm or a community has also increased, and that makes it difficult for somebody who either wasn't born into it, didn't inherit it, or wants to come into it. And we want all those people to be successful across that board.

So one of the things we have talked about for a while now—and I think the chair has been a great leader on this—is on the Farm Service Agency's Small and Beginning Farm Program. I have heard time and time again now when I am out in the state and I talk with my young farmers how challenging this is both to navigate and what they are doing. But I wonder if each of you could speak to your individual industry's perspective on this, specifically the most significant impact we could do to either reform or help hone the Farm Service Agency?

Mr. FRISCHHERTZ. Well, I was just nominated to the Board of Supervisors for our local FSA last week——

Mr. NUNN. Right.

Mr. FRISCHHERTZ.—have yet to fill out the paperwork. I will be happy to report back if I am invited back to speak to the Committee. But working with NRCS, I can say that we have implemented a number of conservation programs and worked very closely with our local NRCS office, and they have been great to work with. And without them, we would not have been able to implement that. But again, I will be happy to report back on FSA in a couple of weeks.

Mr. CATES. I think one thing is that we still need to keep the county committees intact. We need that local control because those farmers in that county know what the situation is. And that is, to me, a very important step that we definitely need to keep.

Mr. CHEYNE. I feel fortunate that in my county we have a very, very good, high-quality staff. But in wheat country, there are some shortages out there. And as stated earlier, I am really worried about the loan program and the lack of loan officers. We had a couple of really good ones just get trained up, got headhunted by a private bank. So at some capacity, I don't know how you are going to figure out a way to pay him enough money that private industry can't take those prized employees away from you.

Mr. MEEKER. I think from a lending standpoint, the cost of production, the cost of equipment, the cost of capital is incredibly high, and I think limitations on the size and the scope of loans needs to be reevaluated. I had the—I don't know if it is the great fortune or misfortune to get to purchase a new piece of harvesting equipment this year, and I would have not qualified at the FSA office for a loan because of the value of the piece of machinery. I am fortunate to have a very good rural community bank that I am very confident in and am grateful for, but some communities and some of my producers in my association don't have that same luxury that I do. And so I think overhauling and modernizing where our lending is at and looking at the value of where we are at with equipment, inputs, cost of production I think needs to be reevaluated as opposed to just doing the same thing that we have always done.

Mr. MCMILLAN. I will just speak to some of your statements at the beginning. I wouldn't be here today if it weren't for a dad and an uncle giving me a hand up and allowing me to be a part of their operation. It is not something you just really get into. So, right now, I am not familiar with some of the programs that may help a young farmer, but going forward, those are things that I am probably going to need and need access to. And the better that can be, I think the more likely we are to have young farmers involved.

Mr. NUNN. Well, Mr. Meeker, I would agree with you. I wouldn't know a lick about pigs if my mom hadn't shown me how to do it to begin with. So, hey, I want to thank you very much for being here. The things that I think we are learning in this is that your experience is really helping us identify where young farmers have the ability to bring a lot to this field going forward and finding onramps for them both in the credit for a first-time farmer, but also in the experience from a seasoned farmer really can be a great match. I appreciate you being here today. Thank you.

With that, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you.

And the chair now recognizes Congresswoman Crockett for 5 minutes.

Ms. CROCKETT. Thank you so much, Mr. Chairman, and thank you to each and every one of you for being here this afternoon to testify.

When I was in Waco at our farm bill listening session, I heard a lot about the difficulty farmers are facing with high input costs, but I also heard a lot about how resilient farmers are. Farmers alter decisions from planting choices to harvesting techniques to overall farm management to adapt to a changing market. Most of all, I heard about farmers making alterations to survive in a challenging climate.

As you all know, our planet is heating up, and now, we are not just facing higher temperatures, we are dealing with the changes in animal and plant behavior, soil characteristics, weather patterns, and so much more. I know our sugar growers and our sorghum growers in Texas are battling a terrible drought and don't have the water that is owed to us from Mexico. We all know that in the coming years more folks will be put in situations where they are trying to stretch our limited supply of water even further. Even so, many growers in my state, like farmers and ranchers across this country, are adapting to the harsher climate.

Mr. Meeker, I appreciate what you said in your opening statement about how planting sorghum is climate-smart because it is resilient to drought. But if I understand correctly, your crop insurance rates aren't reflecting that. Let me be clear, we must maintain actuarial soundness, but I think there are ways to recognize the reality of our climate in our crop insurance policies. Look at health insurance companies where they have started to see reductions in premiums for wearing things such as health-monitoring devices. It is an actuarially sound decision and doesn't punish those who don't want to make the change. It just benefits those that are willing to adapt.

I am glad we are having this hearing because it gives us a chance to start a dialogue. I learned so much from listening to the growers in Waco. So I want to let you in on what I am thinking so, hopefully, we can figure out our best approach. Crop insurance isn't a monolith. There are lots of different policies, so I wonder if there is room for some experimentation. Let me be clear, I would not suggest anything that isn't voluntary and incentivized-based. I wouldn't want to leave anyone worse off for continuing their current practice. I don't know if it is a study or an option we offer or incentives for private insurers, but I do know that from the testimony today that many of our commodity growers would benefit from more climate-aware insurance.

I hope to explore this issue further with my colleagues, but it must be based on your input both here and following up with our offices. Working together, I think we can ensure American agriculture is both environmentally and economically sustainable for generations to come.

So my question for each of the witnesses, starting with Mr. Meeker, is this: What factors of crops you grow or practices you employ are not accounted for by current crop insurance policies that you feel should be considered? Or if none, what should we be thinking about as we consider reauthorizing crop insurance?

Mr. MEEKER. Seventy-five percent of the acres of sorghum are raised using no-till technology, no-till methods. That is not documented anywhere in RMA data. That is just your yields have gone up and gone down with using that technology and that management style. We have had the opportunity to engage with the climate-smart commodities grant, and we are excited about that. We think that it is going to accentuate the attributes that sorghum has as a water-sipping crop and as a resource-conserving crop, that we will be able to utilize that and showcase what our abilities are as a crop.

But, I think there are some really good ways to look at the actuarial tables and look at where our yields have been at because diverted water from a higher-value crop and having some of those zeros taken away, I think that would be a really awesome opportunity. And RMA really hasn't had that ability to do that yet, and maybe through this Committee, we can ask RMA to have some of that flexibility.

Ms. CROCKETT. Thank you so much. Is there anyone else? We still got about 30 seconds.

Mr. MCMILLAN. I don't know that this is taken into account with crop insurance or not, but one of the great things about peanuts is they are a very sustainable crop, and they use far less water, which is a very valuable resource, as you seem to know. They use far less water than a lot of crops. And so that is a really great thing about peanuts.

Mr. CHEYNE. Where I farm, I am an irrigated farmer. On the rare occasion I have water to grow a lot alfalfa hay, there is no effective coverage on alfalfa or grass crops.

The CHAIRMAN. The gentlelady's time has expired.

I now recognize Mr. Johnson from South Dakota.

Mr. JOHNSON. Yes, I want to pick up where Ms. Davids left off just talking about FSA offices being overwhelmed, and since then, we have also talked about some staffing issues. And NRCS isn't the jurisdiction of this Subcommittee, but I would note I hear the same thing about NRCS offices, people working hard, trying to do their best.

I guess I would ask you each of you gentleman, I mean, is there something about the application process for these programs that could be streamlined? Have we made things too complicated? Are they too cumbersome? Any thoughts?

Mr. CATES. I sometimes think it is too cumbersome. I mean, a lot of times it takes anywhere from 6 months to a year for those of us that do have farmland in the hills to get a plan to do certain conservation practices. And I think that it definitely could be streamlined.

Mr. JOHNSON. Well, on the FSA side, too, I mean, are they asking for information that maybe wouldn't have to be in the application?

Mr. CATES. In my case, I haven't seen that.

Mr. JOHNSON. Okay. Anybody else, thoughts?

Mr. FRISCHHERTZ. I was going to say on the NRCS side in working through programs, a lot of times you have to identify fields and programs 2 to 3 years in advance, and having some flexibility could help implement that. So in sugarcane, we were a rotational crop in that we don't necessarily know when we are going to plow it out. It can go 3, 4, or 5 years in the field. So we might identify a field with NRCS and say we want to put this in cover crops 2 years in advance. Well, the yields in that field were fantastic. Why would we want to plow that out and plant a cover crop? Having that flexibility to roll it over to another year would be hugely beneficial for us.

Mr. MEEKER. I would say that from an FSA asking for probably data that they don't need, ERP phase 2 is probably the number one thing on my mind. The first thing that came to my mind with that, they don't need my income tax records. They have RMA data that tells them what has already happened. That is where the disaster was at. They knew there was a loss. They can utilize that.

My direct competition, a lot of times their wife might work in the FSA office, and that would be pretty healthy information for their operation to have to know what my income status is compared to theirs when a land sale comes up. So I think there are some opportunities there that we could streamline that, again, go back using a program that already worked with ERP phase 1. And I have other areas of ERP phase 2 that are really detrimental to my operation. I don't want to bore you with that today at this time, but I would love to have conversations with anybody that would like to have those conversations of why I was excluded from ERP.

Mr. JOHNSON. Well, and let's just dive into ERP phase 2, for any of you. I mean, how is that rollout going? I mean, what can you teach the Committee about where we are at?

Mr. CHEYNE. I think the rollout is going fine. I can speak for my area, my county, got good staff, good people, well-trained, well-informed. I hear other stories from other producers in other areas that are the exact opposite of mine. FSA has been good. Over the years, there has been numerous times when I have had to remind the NRCS people that I manage my farm, not them, to the point of just saying not interested in your program, we are all done, goodbye.

Mr. MEEKER. Two weeks ago on the dashboard there was ten approved ERP phase 2 approvals. That is pretty pathetic. I am sorry, that is pathetic. There are a whole lot more than ten producers that have a need in this country. I don't know what it is now. I think some of the staff back here is trying to find that number for us. They will get it to you. But we have poor rollout. We have poor use of our time and our resources, and I would love to have a have a discussion on how we can make that better in the future. One hundred and twelve now, so they have gone up almost 100 percent, so that is pretty good, but I bet in 2020 and 2021, there was more than 112 people that had a problem, and that is detrimental to the farm gate.

Mr. JOHNSON. Very insightful, gentlemen. Thank you, and I yield back.

The CHAIRMAN. The chair now recognizes Mr. Carbajal for 5 minutes.

Mr. CARBAJAL. Thank you, Mr. Chairman. And thank you to all the witnesses that are here today.

Mr. Frischhertz, can you talk about the weather and economic conditions that sugar producers have experienced in recent years, and what can Congress do to help strengthen the current USDA disaster program?

Mr. FRISCHHERTZ. Well, what is wonderful about sugar is that it is grown in 24 states all across the country. You can have a drought in Minnesota and Texas and too much rain in Louisiana, and that is what we have been experiencing.

What we really need is a better insurance product that can help us stand with hurricanes and what we are seeing particularly in Louisiana with hurricanes, but the value of our crops should reflect the value of the product. With number 16 sugar price, essentially, we can bank on a more reliable product I guess is what I am trying to say. Whether the weather fluctuates so much from various places across the country, having a more flexible and unified crop insurance program could be very beneficial.

Mr. CARBAJAL. Thank you, Mr. Cheyne, with climate being an ongoing issue in agriculture, take me through your process of how you as a producer go through in making decisions on crop insurance coverage.

Mr. CHEYNE. Well, for me, sir it has been pretty straightforward. I have been able to get a really good crop insurance agent. My son is handling it almost exclusively now. We are able to go and talk to the agent, figure out the price, the level of coverage, try to outguess Mother Nature, and put together a program that we feel we can afford and will give us the needed amount of security to stay in business if there is a failure. And I kind of look at it when I go in there, the insurance isn't to get rich off of. It is there to keep me whole financially to live to fight another day. And as long as the farm bill can continue to provide that assurance, I think there will be a big sigh of relief throughout the farm country. But to me, it has been a very straightforward and easy process.

Mr. CARBAJAL. Great. Thank you for sharing. Mr. Cheyne, continuing, as you may know, California experienced severe storms at the beginning of this year. This caused flooding with several crops, including wheat. Can you share your perspective on how Title I commodity programs have functioned for producers during years in which quality problems arise?

Mr. CHEYNE. With Title I, yes, we are talking ARC and PLC here. The price has to fall 62 percent, nearly ⅔, before that part of the safety net fills in. And if you are totally reliant on ARC or PLC, there are days you are going to feel like you are chairing the train wreck committee when you get up out of bed because you are wondering whether that net is going to catch you in time, whereas with the crop insurance, it is pretty immediate, very effective, rapid in payment, and it just gives an additional layer of security that is very, very much appreciated.

Mr. CARBAJAL. Thank you very much. Mr. Chairman, I yield back.

The CHAIRMAN. The chair now recognizes Mr. Rouzer for 5 minutes.

Mr. ROUZER. I thank the Chairman. And it looks like I may be the last one here for you today. And given that you have heard about every question in every which way, many pretty much almost identical or related to each other, I thought I would give each of you an opportunity to underscore perhaps the one thing that you really wanted to be asked about, whatever that may be, and/or the main point that you really want to stress and get across. And then to follow up that, as you answer, I would like to know, obviously, when we were crafting a farm bill—and I have been a part of a number of different farm bills in the past. I have had multiple lives in this town. It is all going to come down to how much money we have to work with, how much extra money or how much less money? What is the one thing, if you had to pick one thing that needed to be adjusted, I would love to know what it is. I think I know that answer, but I want to give each of you an opportunity to speak to it.

Mr. CATES. I think probably for the soybean farmers it would be definitely to be able to increase the reference price and to be able to increase on a voluntary—base acres would be one of the most important things.

Mr. FRISCHHERTZ. The number one takeaway for me would be that the sugar policy is vital to our nation and to our local communities and that we should really examine how the farm safety net could be improved for all Title I commodities.

Mr. CHEYNE. I think the big takeaway for me in this is in the last two farm bills, agriculture has given up, other programs involved in the farm bill have not. It is only $\frac{2}{10}$ of a percent spending. I am hopeful that the Congress can protect crop insurance and help us out on the reference price. Wheat industry views this as just a great way to not only protect the American farmer, but our food security and ultimately, our national security. Because food and security are so intertwined now, I would ask everybody involved to please not take your eye off that.

Mr. MEEKER. I would like to take the opportunity to say thank you for the budget estimate letter that was sent out. I appreciate that. It shows the need, and I know that there is a great need for added dollars into the baseline. And I appreciate you having us here today. Thank you very much. I appreciate the opportunity to testify on behalf of my commodity organization.

I think our main focus is protecting crop insurance, maintaining the relevant safety net or making a relevant safety net. But as we develop a new farm bill, I would like us to make sure that we do not pick winners and losers between commodities. Let's let the natural market decide what crop gets planted. I am a diversity grower. I raise a lot of different crops. Sometimes market dictates what I raise. It is not just in my rotation. But I don't want government to dictate what I raise. I want the market to be able to dictate that.

And then second, or third, just see how we can make that safety net relevant with an increased reference price. Thank you. And again, I appreciate the time.

Mr. MCMILLAN. I also appreciate the letter that was sent to the Budget Committee. There were a lot of good points that were made, and it shows that you all truly understand. And I understand y'all's constraints, too, that not everything can be done. But if we could have one thing, that—the PLC program, the framework works, but if we could have one thing, we need a reference price increase to have a viable safety net.

Mr. ROUZER. Mr. Meeker, I think it was you that mentioned the high cost of equipment. Can you repeat what that specific piece was, a combine maybe? I can't remember. And then what the price was if you don't mind?

Mr. MEEKER. It was a cotton stripper, and it was $850,000. And if I would have ordered the same cotton stripper—I ordered that cotton stripper in November of 2021. Had I ordered that in November of 2022, that would have been over $1 million machine this year. So the cost continues to go up, and that cotton stripper purchase might or might not be some of the tax liability reasons why I have an ERP problem.

Mr. ROUZER. Well, I have a theory, and then there are multiple contributors to increase of the cost, obviously, but you know, all this new emissions technology with the sensors and everything else and how you can't repair the equipment, you got to send it back to the dealer, and then they got you by the—well, anyhow, you know what I mean.

The CHAIRMAN. We are going to hit the mute button right there.

Mr. ROUZER. I went there. So, Mr. Chairman, I yield back.

The CHAIRMAN. Before we adjourn today, I would like to invite the Ranking Member to share any closing comments she may have, Ms. Brown.

Ms. BROWN. Thank you, Chairman Scott.

To our witnesses, thank you, thank you, thank you for taking time out of your busy schedules to be with us today. We truly appreciate your time and expertise. Your insights regarding the implementation of the 2018 Farm Bill provisions related to Title I and Title XI, along with everything else mentioned today, will inform us in drafting the 2023 Farm Bill. Working together, we can ensure that the farm safety net and crop insurance tools serves all America's farmers, ranchers in an equitable manner. And thank you again.

Mr. CHEYNE. On behalf of the wheat industry, thank you, ladies and gentlemen, for hearing what the farmers of America have had to say. Your help is appreciated.

The CHAIRMAN. Gentlemen, I want to thank you for being here, and I want to leave you with a few words from the great philosopher, Mr. Jerry Reed, we have a long way to go and a short time to get there, but we are going to do what they say can't be done in this Committee.

And with that said, under the Rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional materials and supplementary written responses from the witnesses to any questions posed by Members.

This hearing of the Subcommittee on General Farm Commodities, Risk Management, and Credit is adjourned.

[Whereupon, at 4:27 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

Submitted Letter by Hon. Shontel M. Brown, a Representative in Congress from Ohio

April 26, 2023

Hon. Austin Scott,
Chairman,
Subcommittee on General Farm Commodities, Risk Management, and Credit,
House Committee on Agriculture,
Washington, D.C.

RE: Request for a hearing on Minority and Socially Disadvantaged Farmers and Ranchers in the Subcommittee on General Farm Commodities, Risk Management, and Credit in the 118th Congress.

Chairman Austin Scott,

As you consider additional hearings within the General Farm Commodities, Risk Management, and Credit Subcommittee jurisdiction during this 118th Congress, I write to ask you to allow Members an opportunity to hear from minority and socially disadvantaged farmers, ranchers, and stakeholders on farm bill issues. Our nation's strength in agriculture and as a people is in our diversity. We must acknowledge that this farm bill is for everyone: no matter what you look like, what you grow, or where you grow it.

Over the last 6 years, we have seen nearly $70 billion in *ad hoc* payments to producers. This is $70 billion in addition to our existing farm bill safety net and disaster mitigation programs. These dollars, although welcomed by those who received them, have been distributed in an inequitable manner, favoring certain producers over others as has been confirmed by the Government Accountability Office.

There were provisions in the 2018 Farm Bill that were an effort to allow socially disadvantaged farmers and ranchers to receive increased benefits under many USDA programs. Such programs included, but were not limited to crop insurance, disaster assistance, Farm Credit, and loan assistance. We need to hear from these farmers and ranchers to determine the effectiveness of those provisions as well as to hear where improvements need to be made.

I urgently request that additional hearings be identified for the Subcommittee on General Farm Commodities, Risk Management, and Credit to ensure that Members have a forum to discuss minority and socially disadvantaged farmer and rancher priorities.

I look forward to working with you on this critically important work.

Hon. Shontel M. Brown,
Ranking Minority Member,
Subcommittee on General Farm Commodities, Risk Management, and Credit.

Submitted Questions

Response from Tom Haag, President, National Corn Growers Association

Questions Submitted by Hon. Eric Sorensen, a Representative in Congress from Illinois

Question 1. Can you elaborate on your conservation methods that you use to increase soil health, risk reduction and resilience, and for ultimately increasing yields?

Answer. For many corn growers, like myself, the foundational practice we use to increase soil health, reduce risk and increase our farms' resilience and profitability is conservation tillage. Today, about 72% of all row crop acres in the U.S. are farmed with forms of conservation tillage, which increases soil health by leaving more crop residue on the soil surface and more organic matter below the surface, reducing soil erosion and nutrient losses, while also reducing energy use and the related GHG emissions. This practice lowers our on-farm out-of-pocket costs while sustaining yields. In 1989, mechanical tillage using a moldboard plow or similar implement was in use on 75% of crop acres. Today those percentages have essentially flipped. About 72% of row crop acres are in conservation tillage (37% under "no-till", 35 % under "strip-till" or "reduced tillage" or similar).

Another practice that is being increasingly adopted by corn growers, is cover crops. NRCS reports that between 2006 and 2016 the number of acres treated with cover crops grew from 2 million to almost 20 million. This rapid growth in the adoption of cover crops is expected to continue as corn, soybean and pork grower groups have joined with NRCS and conservation organizations to double the number of corn and soybean acres in cover crops, to 30 million by 2030.

Question 2. What can Congress do to support farmers who decide to incorporate this risk reducing soil health and conservation management practices?

Answer. We have suggested to Congress that two specific things be done to help us reduce risk through soil health and conservation practices. NCGA recommends that USDA be given direction to undertake an initiative to create and promote the use of a new conservation practice standard that could be called "conservation weed management." That practice should provide for excellent weed control in the context of our use of conservation tillage while also minimizing the development of weeds' resistant to the herbicides that are critically important to the success and workability of conservation tillage. Once a new "conservation weed management" practice standard is created, USDA should make that practice a priority for funding under EQIP, RCPP and related efforts. Second, we recommend that Congress direct USDA to revise and strengthen its current Interim Conservation Practice Standards program to allow for the more rapid and transparent development of conservation practice innovations and their incorporation into the USDA system.

Question 3. What are the top three issues that Congress should examine more closely as it pertains to our existing commodity support programs?

Answer. Corn growers are invested in developing forward-looking, market-orientated farm policies. NCGA's farm bill recommendations seek to make existing USDA programs more effective, efficient, and responsive through strategic investments and policy enhancements. Our top three recommendations for strengthening the commodity title are for Congress to increase the Agriculture Risk Coverage (ARC) County maximum payment rate above ten percent, increase the ARC-County coverage level above eighty-six percent, and to strengthen the Price Loss Coverage (PLC) effective reference price "escalator."

Question 4. How has the economic and growing conditions effected your planting decisions?

Answer. This year has brought growing conditions that could force changes from planting corn to another crop. From a cold and wet spring in the northern Corn Belt to spreading drought conditions, weather can influence the ability of corn farmers to get their crop planted and the productivity of the corn that is planted. As of June 11, 2023, the USDA estimates that 93% of corn is planted. While some additional corn may still be planted, there is a daily drop in expected productivity at this point that equates to about 1% of yield potential or about 2 bushels per acre, per day in June. Given the estimate that 7% of corn is unplanted and the declining productivity potential, it is likely some farmers did face challenges that prevented them from planting any crop, or conditions forced a switch from corn to an alternative crop. Crop insurance policy parameters that reduce the revenue or yield guarantee each day during the late planting period can also impact corn farmer planting decisions in this situation. The USDA June Acreage report that will be released on 6/30/23 will provide better understanding as to how corn farmers final planting decisions differed from planting intentions.

Compared to other industries, corn farmers are not as able to respond as quickly or straightforwardly to the impact of economic conditions when deciding what to produce. Most row crop farmers decide what to produce only once per year, and the agronomic and risk management benefits of sticking to a planned rotation have value when weighing economic conditions. Some corn inputs are available for farmers to purchase for the upcoming crop year before harvest of the current crop, prompting planting decisions to start 6 or more months ahead of planting. There is still flexibility to make changes, particularly if inputs are not already applied. The fertility needs of corn are greater than other crops and for 2023 are expected to be 46% of the operating cost of production for corn. Farmers who have already applied high-cost fertility inputs for corn ahead of planting are not likely to change their decision, except as a weather induced last resort.

Question 5. What other resources does the USDA need to support producers, specifically in the technology space? What are those technology capabilities you want, but are not getting?

Answer. Corn farmers have a proven track record of using innovation and technology to stay ahead of the curve when it comes to production and adoption of conservation practices. However, support from USDA would accelerate the adoption of precision agriculture practices across agriculture. NCGA supports the *Precision Agriculture Loan Program Act (PAL)* and the *Producing Responsible Energy and Conservation Incentives and Solutions for the Environment (PRECISE) Act* create promising avenues to do so by utilizing new and existing USDA programs to put cutting edge technology in the hands of more farmers.

Question 6. The 2018 Farm Bill included a provision that provides, under certain situations, a one-time opportunity to update their Price Loss Coverage (PLC) program payment yield that would take effect starting with the 2020 crop year.

Answer. Yields for harvested corn have been steadily increasing in the United States with USDA NASS data showing a national yield trend increase around 1.9 bushels per acre per year over the past 25 years. NCGA supported the update of PLC payment yields in the 2018 Farm Bill and has policy supporting the voluntary updating of program yields when applicable.

Question 7. What is the process a producer must go through to fulfill eligibility requirements, like demonstrating that a producer has met the Adjusted Gross Income (AGI) limitation and actively engaged requirements? Is it a straightforward process?

Answer. Corn growers who are existing customers with the Farm Service Agency (FSA) and other USDA agencies are used to filling out USDA forms to quality and certify eligibility for commodity, disaster, and conservation programs. USDA has improved customer service in recent years by posting fillable forms along with instructions on *farmers.gov*.

Specifically, the CCC–941 form used to annually certify average AGI income is fairly straightforward for most producers, depending on the size and complexity of their operation. Producers are also required to have an AD–102 form on file for the Highly Erodible Land Conservation and Wetland Conservation Certification, which typically only has to be completed and filed once.

In order to be considered "actively engaged in farming" and thus eligible for FSA commodity programs, producers and all legal entities must provide significant contributions to the farming operation. The farm operating plan which USDA uses for "actively engaged in farming" and other payment eligibility and limitation determinations can be a more complicated form and process, depending on the operation structure. Individual farmers are able to fill out the CCC–902 form and legal entities use the CCC–901 form.

Response from Shawn Holladay, Chairman, National Cotton Council

Question Submitted by Hon. Shontel M. Brown, a Representative in Congress from Ohio

Question. Even though my region of Ohio-11 may not have cotton fields, we certainly interact with the material later in the supply chain in the form of textile production.

Given the presence of the textile industry in my district, it is important that the next farm bill has *strong support* for this sector.

The Economic Adjustment Assistance for Textile Mills, or EAATM program, was originally set at a rate of **4¢ per pound** of cotton used, but that rate **fell** to *3¢* in 2012 and has not been adjusted since.

Mr. Holladay, can you speak to how EAATM funds have benefitted your members' mill operations, and the role that the program played in sustaining textile jobs in the United States?

Answer. The ability of the U.S. textile industry to maintain its production and employment base can be attributed to the continued benefits of the EAATM. Supporting this program is now more important than ever.

Despite the increased competition from imported textile and apparel products, the U.S. textile industry proved its resilience during the COVID pandemic by quickly shifting their manufacturing facilities to the production of PPE. Also, with increased concerns about the use of forced labor in the production of textile products in other countries, the U.S. textile industry and the trade arrangements in this hemisphere provide a safe and stable sourcing option for apparel and textiles.

As you noted, one of the manufacturing facilities is in your district, and that facility is the largest cotton consumer-cosmetics plant in the world. When the pandemic began, the country didn't have enough testing swabs, and the facility in your district converted some of their equipment to produce almost one billion cotton swabs for [COVID] testing. This could not have happened without this program.

Questions Submitted by Hon. Eric Sorensen, a Representative in Congress from Illinois

Question 1. Can you elaborate on your conservation methods that you use to increase soil health, risk reduction and resilience, and for ultimately increasing yields?

Answer. A good portion of my farmland has numerous undulated features, and we have been successful in the adoption of terrace systems that have significantly reduced erosion. We also plant sudan grass and cereal grains for our cover cropping which have led to increased soil moisture and yields.

However, my conservation practices are reflective of the amount, or lack thereof, of rainfall I receive. In Dawson County, Texas, where I farm, we receive only 16″ of rainfall on average per year and have been under extreme drought conditions for nearly 2 years. Due to the need to conserve available water during times of drought, I am often unable to carry about my full conservation plan. This is common in many areas of Texas and the Southwestern part of the U.S. that is heavily dependent on moisture for production

While we should continue to incentive producer's adoption of conservation and climate smart practices, these programs must be locally driven with a clear understanding of the environmental and agronomic conditions facing growers from across the country.

Question 2. What can Congress do to support farmers who decide to incorporate this risk reducing soil health and conservation management practices?

Answer. I think it's important that conservation programs prioritize working lands and provide a means to devote marginal production acres into long-term use.

We are grateful the Administration is recognizing the sustainability practices of producers through the utilization of the Climate-Smart Commodities grant. The U.S. Cotton Trust Protocol, along with our partners at Cotton Incorporated, Alabama A&M, North Carolina A&T, the Soil and Waters Outcomes Fund, and Texas A&M, have received a $90 million grant from USDA that will financially incentive growers who adopt climate smart practices in cotton.

It is critical that conservation funds, both provided by the 2023 Farm Bill and the 2022 Inflation Reduction Act recognize the diversity of production practices across the cotton belt by rejecting a one-size-fits-all approach. These funds should also reward, not penalize, the environmental contributions of those who have long time adopters of on-farm sustainability practices.

Response from Aaron Flansburg, Chairman, USA Dry Pea and Lentil Council

Questions Submitted by Hon. Eric Sorensen, a Representative in Congress from Illinois

Question 1. Can you elaborate on your conservation methods that you use to increase soil health, risk reduction and resilience, and for ultimately increasing yields?

Answer. Hello Representative [Sorensen], and thank you for your questions.

Conservation and promoting good soil health are high priorities on our farm. I believe that healthy soil is necessary to achieve maximum yield potential. The way that I'm currently striving towards improving soil health begins with soil conservation practices. I need to maintain and build good topsoil to grow good crops!

The area in which I farm is known as "The Palouse," a hilly region with some of the best silt loam topsoil in the world. We consistently grow very high yielding dryland crops, including winter wheat, barley, canola, alfalfa, and of course pulse crops such as peas, lentils, and chickpeas. The hills present challenges that have been met by creative technological solutions, many of which I employ. But a steep hill is also considered highly erodible land. Conventional farming methods lead to heavy losses of topsoil in our area.

As topsoil losses mounted, my dad employed conservation practices such as divided slopes, that is, planting a different crop on the top and upper portion of a hill than in the low ground and bottom part of a hill. We also put in soil retention ponds in a few places to slow the runoff. However, the biggest changes to our farming practices came within the last 10 to 15 years when we began to further commit to no-till farming. Now, in a given year, we typically employ no-till practices on nearly 100% of our ground.

This works for all of the crops that we grow. We rotate between the crops listed above every year, in what would typically be a 3 year rotation. This helps us to manage risk, as different crops may grow better given changes in weather patterns. It also helps us to mitigate price risk as markets fluctuate. Disease risk is also minimized by having different crops every year, and some repeated plantings may be as many as 9 years apart.

Growing diverse crops from year to year helps to improve soil health by adding residue to the surface some years and avoiding low-residue crops year after year. Soil is continuously improving by avoiding tillage, allowing for larger soil aggregate structure, improved earthworm activity, better water infiltration, and greatly reduced, if not nearly eliminated, water and wind erosion. However, there are many more farming methods I'm interested in adding to improve the health of the soil.

One way I'm trying to change the way I farm is through an experiment with organic agriculture. This year, I expect to complete certification of 50 acres of organic farmland, with another 110 acres to be certified in 2025. I'm looking to reduce input cost by eliminating synthetic fertilizer, which has a detrimental effect on soil pH through acidification, and also harms soil fauna. Pulse crops play a role in this, as they do not require fertilizer, and some will actually fix more nitrogen in the soil than they use to grow, reducing fertilizer needs for the next year's crop in a conventional farming system, and eliminating the need to purchase fertilizer altogether as part of a regenerative system when used to build soil nitrogen and carbon in cover-crop mixes. I want to move closer to a healthy soil and surface ecosystem on my farm, which I hope will get me as close as possible to true regenerative agriculture. My long-term goal for this ground is to leave the soil health much better than I found it, maintain and build more topsoil, and gain as much control of input costs and market opportunities as possible.

Question 2. What can Congress do to support farmers who decide to incorporate this risk reducing soil health and conservation management practices?

Answer. Our farm policies have been largely successful in promoting inexpensive food. Some of our historical conservation programs have also worked well. However, the promotion of diverse crop production systems has always been a weak point of the farm bill. Support for the biggest, most well-established commodities is important for the stability of our farms and domestic food security, but favoring them can come at the expense of healthier crop rotation, investment in those smaller crops, and ultimately, the health of the soil.

Crops such as peas, lentils, chickpeas, and beans have an important role to play in soil health and improving the health of our population because they're high in protein and fiber, low in fat and carbohydrates, and nutrient-dense. They are grown on a much smaller acreage than our biggest commodities, but they play an important role in reducing water use and conserving soil moisture for the following crop year. They also have an extremely low carbon footprint. If Congress is serious about supporting crops that reduce greenhouse gas emissions throughout their life cycle, we must support the growth and consumption of pulses. We need more research dollars for pulses. Congress can also help us to drive demand through domestic marketing grants, and by continuing to support the development of foreign markets while pushing for open and free trade.

Soil health and conservation are very important to me, but without consistent and dependable weather patterns, farming becomes an even higher risk industry. Higher risk leads to higher expense, and insurance programs become more expensive and more important. This also makes the farm bill more expensive. We need to incentivize cropping systems that reduce the need for chemical fertilizers, which are not only expensive, but also increase greenhouse gas emissions in their production, harm soil health, and increase soil acidification. We must promote the use of crops in rotation that reduce our reliance on these fertilizer inputs, and pulses are a critical tool to achieve this reduction. Pulses are the single most climate-smart food that we can grow.

Pulses are also an important part of every cover crop blend that I've ever used, and I believe that cover crops need to be promoted by Congress to increase diversity, retain moisture, build soil health, increase nitrogen and carbon sequestration, provide pollinator and beneficial predatory insect habitat, and reduce fertilizer requirements for the next crop. However, it is expensive to grow cover crops, in that they must be seeded, which costs time, fuel, the purchase of seed, and wear and tear on equipment, without realizing a direct profit from the harvest of that crop. Some cover cropping systems equate to a year of fallow, from which no direct income results. If Congress is serious about promoting soil health and conservation management practices, there needs to be ways to incentivize the growth of cover crops and monetize them for farmers through an easily-accessible program. Perhaps it could be similar to the CRP program, but for a single year.

There are lots of barriers to changing farming systems to improve conservation practices, whether it be the expense of choosing to forego a cash crop for cover crops, equipment changes, or market uncertainty associated with alternative crops. But for me, one of the biggest impediments has been lack of knowledge resources. As I began to move towards an organic production system on some acres, I found no local contacts that were able to help me. My search for information included reaching out to the NRCS and local conservation districts. At this point I've read six or seven books on alternative cropping systems, organic and regenerative agriculture, and have basically been experimenting on my own. Our specific area is almost entirely devoid of organic agriculture, and despite having two highly regarded ag. universities nearby, Washington State University and the University of Idaho, I haven't found information that would help me locally. I am now participating in a 3 year experiment with the U of I to establish and evaluate spring seeded cover crops, but this effort is still new in our area. I feel like the current governmental resources in my region are entirely lacking for farmers looking to develop organic practices. In terms of knowledge resources, I feel that I've been mostly on my own to gather information from books, online, or from a very limited number of like-minded farmers.

I participate in government programs through the FSA, but NRCS soil health conservation programs seem mostly tailored to monitoring residue or establishing grassed waterways, and do not seem suited to monetarily rewarding no-till practices and crop rotation on their own. For this reason, I don't participate in any governmental conservation programs other than CRP, which I only employ in limited areas. I have worked with our local conservation district to receive grants for purchasing no-till drills, as well as payments for grassed waterways that do exist on our farm.

Our commodity programs need revisions to prioritize risk management through diverse cropping systems. Going forward, I would also like to see a way that farmers who have already adopted conservation methods, such as no-till seeding, diverse cropping systems, cover crops, and even regenerative practices, will be able to capture incentives for these established practices, as opposed to only rewarding farmers who move away from more conventional farming. Those who are already moving ahead with their quest towards healthier farming practices should be rewarded for the strides that they have made! I feel like all of these conservation practices and more will need to be adopted on a much larger scale so that farmers can do their part to mitigate climate change, keep more growing plants with living roots in the ground for carbon capture and soil health, and be able to minimize the harm from warmer average temperatures and more extreme drought and storm events.

Conservation of the soil resource and soil health are my top priorities for the long term on my family farm. I want to be able to leave the ground better than I received it for future generations. But despite all of my own efforts in this direction, I do need support. Some of that support is knowledge-based, some is financial, and some will come from a farm bill that prioritizes the voluntary adoption of practices that increase resilience and soil health. Supporting programs that nibble around the edges is not enough. If we agree that a warmer climate would be catastrophic to the future ability of the planet to support current agricultural production, then we must work together to meet that challenge with revolutionary thinking. Pulse crops are a part of that solution, and we need to grow many more acres and consume many more plant proteins. Conservation practices need to be easy to adopt and financially rewarding. Massive investment is needed to improve soil health and therefore increase its ability to store carbon. Regenerative farming practices need to be quantified, developed, incentivized, and implemented. We need to invest in knowledge resources for farmers to adapt to new practices that support resilience and soil health. The USDA needs to be able to implement these priorities as established in the 2023 Farm Bill.

I sincerely appreciate the chance to respond to your questions. I hope that my answers can be useful to you and the House Agriculture Subcommittee.

AARON FLANSBURG,
Chair of the USADPLC.

Response from Kirk Satterfield, Chairman, USA Rice

Questions Submitted by Hon. Eric Sorensen, a Representative in Congress from Illinois

Question 1. Can you elaborate on your conservation methods that you use to increase soil health, risk reduction and resilience, and for ultimately increasing yields?

Answer. Almost all rice grown in the Mid-South and my region in the Mississippi Delta is done so on a crop rotation. Rice farmers practice crop rotations to improve soil structure, enhance fertility, and break disease and pest cycles. Rice farmers employ precision nutrient management strategies to optimize fertilizer application, reduce nutrient runoff, and minimize environmental impact. Conservation tillage practices that disturb the soil as little as possible during planting and after harvest are common and help maintain crop residue cover on the soil surface. 100 percent of rice grown in the U.S. is irrigated. Precision-leveled fields are instrumental in improving water-use efficiency but also prevents soil erosion, slows down or eliminates water leaving the fields, reduces sediment runoff, and helps retain soil on the fields.

Rice farms support approximately 45 percent of the North American wintering duck population. We close our drains and capture rainwater to create surrogate wetlands within the major Flyways of North America. The habitat co-benefits from rice are irreplaceable and necessary to maintain and enhance wildlife populations. Winter flooding of rice fields also has proven to reduce nonpoint source export by reducing not only the runoff volume but also the concentration of solids and nutrients in said runoff. This is in part due to the shallow waters providing a protective layer that buffers the soil from rainfall and reduces the flow of water across the field thereby allowing sediments and nutrients to settle and not be discharged as suspended solids. Foraging by migrating waterfowl also increases surface straw decomposition and fallow flooding increases nitrogen uptake during the next growing season.

USA Rice has made a concerted effort to engage with USDA to ensure that working lands programs work for rice growers across all rice growing regions. The Environmental Quality Incentives Program (EQIP), Conservation Stewardship Program (CSP), and the Regional Conservation Partnership Program (RCPP) have practices and enhancements available for the methods listed above and are critical to rice farmers to carry out these vital conservation efforts.

Question 2. What can Congress do to support farmers who decide to incorporate this risk reducing soil health and conservation management practices?

Answer. The Conservation Title should focus on the locally led, voluntary, incentive-based conservation model instead of a top-down regulatory regime. Conservation programs should provide options for all farmers to participate and should not incentivize a one-size-fits all model.

There should be a priority on working lands programs like the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP) instead of set-aside programs like the Conservation Reserve Program (CRP) especially during times of potential global food shortages.

Conservation programs should have the dual goal of not only incentivizing environmentally beneficial practices but also helping producers be more productive and economically viable while helping the rural economy.

Rice is a unique crop in that cover crops traditionally do not work; however, we use shallow water flooding throughout the winter months that offers similar benefits in addition to creating habitat for migratory waterfowl and other wildlife, significantly increasing biodiversity.

Partner-driven programs, such as the Regional Conservation Partnership Program (RCPP), work. USA Rice's partnership with Ducks Unlimited, the Rice Stewardship Partnership, has beneficially impacted more than 800,000 acres of rice and rice rotation ground and resulted in more than $108 million in additional conservation funding to rice farmers.

Response from Andrew Moore, President, U.S. Canola Association

Questions Submitted by Hon. Eric Sorensen, a Representative in Congress from Illinois

Question 1. Can you elaborate on your conservation methods that you use to increase soil health, risk reduction and resilience, and for ultimately increasing yields?

Answer. Conservation is important to our farm and to U.S. Canola farmers. On our farm, we use no till production practices, per acre we utilize a five crop every 3 years crop rotation, and double crop all of our winter crops (Canola, Wheat, Barley, and Oats) followed by a second no-till soybeans, sunflowers, or a summer cover crop. We either allow natural cover to establish the winter before we plant corn or plant a cover crop to make sure we are growing something green year round.

Question 2. What can Congress do to support farmers who decide to incorporate this risk reducing soil health and conservation management practices?

Answer. Using a broad brush to identify what can be established on a national level to encourage farmers to incorporate risk to increase soil health and conservation management practices is difficult to answer. Growing regions across the U.S. are dramatically different with unique potentials. For example, the Southeast U.S. has the potential to grow winter canola in the fall then harvest in the early summer, then immediately plant the second crop, soybeans.

The Southeast is unique to the double crop production practices due to the mild climate during the winter. I believe that giving the opportunity for regions to develop conservation production practices that are unique to the area they represent is the best way forward. I am very familiar with Southeast production practices; however, my experience limits my scope of production practices for production practices in the Pacific Northwest, the Great Plains, the northern Midwest. Allowing regional experts to make recommendations to what makes sense for the producer will gain the greatest return on increasing soil health and increasing conservation management techniques.

Response from Daryl Cates, President, American Soybean Association

Question Submitted by Hon. Shontel M. Brown, a Representative in Congress from Ohio

Question. Can you talk about the different uses for soybeans, and any concerns about the availability of soybean oil to meet the increased demands?

Answer. Domestically produced soybeans are used to produce the world's food, feed, fuel, and biobased products. When processed, soybeans are divided into protein and oil. Soybean protein (approximately 80% of the bean) is primarily used in livestock animal feed, but it is also an ingredient in plant-based foods, plastic composites, synthetic fiber, paper coatings, adhesives, and more. Soybean oil (the remaining 20% of the bean) is one of the most versatile natural oils because of its molecular structure and suitable fatty-acid profile. In addition to edible oil, soybean oil can be used to produce biomass-based diesel (biodiesel, renewable diesel, and sustainable aviation fuel) as well as a variety of other products (tires, tennis shoes, cosmetics, paint products, concrete sealants, and even golf balls).

Looking specifically at soybean oil, an increase in the use of soybean oil for biofuels has led some to believe this could result in increased food prices. However, a recent *study* [1]* by Dr. Jayson Lusk at Purdue University was very revealing. It considered the impact of a 20% increase in soybean oil used in biofuels and found consumer food costs remain practically unchanged. The retail food price impacts were muted, as soybean oil is only a small share of the overall cost involved in producing retail foods. Further, increased soybean oil production led to more domestic soybean meal production. This meal, which is used primarily as animal feed, led to a retail price reduction for animal proteins. Overall, the study by Dr. Lusk found that the price increase of soybean-oil containing food was largely offset by the price decrease of protein-rich foods, leaving the overall "food at home" portion of the Consumer Price Index largely unchanged (an increase of 0.05 percentage point in the food at home CPI when considering a 20% increase in soybean oil demand for biofuels).

ASA is sensitive to issues regarding the availability of our products. Fortunately, availability does not appear to be an issue for soybean oil. USDA forecasts that the U.S. will consume more soybean oil for biofuels next year. Yet, food use is expected to continue to remain nearly constant. Expansion in the soybean crushing industry is allowing more use of soybean oil for biofuels without detracting from the edible market.

Questions Submitted by Hon. Eric Sorensen, a Representative in Congress from Illinois

Question 1. Can you elaborate on your conservation methods that you use to increase soil health, risk reduction and resilience, and for ultimately increasing yields?

Answer. In 2020, ASA surveyed soy growers who engage in conservation about the practices on their farms. Respondents indicated they use the following practices:

- Reduced tillage (70.21%)
- Precision agriculture practices, *e.g.,* variable rate application, precision irrigation, *etc.* (68.09%)
- Nitrogen inhibitor/split nitrogen management (63.83%)
- No-till/strip-till (55.32%)
- Cover crops (55.32%)
- "4–R plus" nutrient management (40.43%)
- Manure management (36.17%)
- Buffer strips (34.04%)
- Edge of field practices, *e.g.,* bioreactors, saturated buffers, wetlands, drainage water management, sediment basins (27.66%)
- Other, *e.g.,* in-field terraces, drainage tile, pollinator habitat (6.38%)

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[1] *https://ag.purdue.edu/cfdas/wp-content/uploads/2022/12/report_soymodel_revised13.pdf.*

* **Editor's note:** the referenced report, *Food **and** Fuel: Modeling Food System Wide Impacts of Increase in Demand for Soybean Oil,* is retained in Committee file.

Clearly, the participation rates add up to much more than 100%—many farmers "stack" practices, simultaneously engaging in many practices to implement a conservation plan that takes a comprehensive, long-term approach to soil health, risk reduction and resilience, and better yield. These strategies are paying off. Between 1980 and 2020, U.S. soy farmers have realized:

- 60% irrigation water use efficiency improvement per bushel
- 48% land use efficiency improvement per bushel
- 46% energy use efficiency improvement per bushel
- 43% greenhouse gas emissions efficiency improvement per bushel
- 34% soil conservation improvement per acre

These changes have occurred while U.S. farmers have increased production of soy (bushels) 130% on the same amount of U.S. land. (Source: *Field to Market National Indicators Report* 2021)[2] **

Question 2. What can Congress do to support farmers who decide to incorporate this risk reducing soil health and conservation management practices?

Answer. Congress can continue to provide sufficient resources for voluntary, incentive-based conservation practices through USDA's Natural Resources Conservation Service. Incorporating conservation into one's farm is important but can be cost-prohibitive in a farm economy with tight margins. Cover crops, for instance, can cost upwards of $30 an acre to implement, and—especially in the first few years of the practice—yields (and therefore revenue) on those acres can take a hit. Trying new practices is inherently risky in agriculture, where you only get one chance per year to get it right. Thus, Congress continuing to provide financial and technical support to growers who want to try new conservation practices will be essential.

Soybean farmers are avid participants in existing farm bill-authorized programs like the Environmental Quality Incentives Program (EQIP) and Conservation Stewardship Program (CSP), which support conservation practice adoption on working lands. In 2021, ASA conducted a nationwide survey of soy farmers about the most pressing resource concerns on their farms and where farm bill conservation funding should be directed: The results indicated that the conservation title of the farm bill should prioritize programs and practices that address cropland soil quality and health, water quality and quantity, saving input costs, and providing growers with regulatory certainty (under the Clean Water Act, Endangered Species Act, *etc.*). Streamlining the enrollment and contract management process for these programs will further incentivize farmers to work with NRCS to literally encourage conservation at the ground level.

It is also important to recognize that one size does not fit all in agriculture: Soil health will mean something different in Illinois than it does in Georgia or North Dakota. ASA supports flexible program offerings at NRCS that can meet farmers' needs across various crops, soil types, farming methods, levels of existing investments in conservation, and climate and weather conditions.

Question 3. What are the top three issues that Congress should examine more closely as it pertains to our existing commodity support programs?

Answer. ASA supports several improvements to increase the effectiveness, accessibility, and reliability of the Title I farm safety net:

- Increasing the soybean reference price, which could be achieved through a statutory reference price change, adjustments to the effective reference price such as removing the arbitrary cap and increasing the coverage factor, or a combination of these.
- Adjusting the ARC calculations, such as removing the arbitrary cap and increasing the coverage level.
- Providing the option (not requirement) to update base acres to reflect a more recent, defined period of time while allowing new acres to enter the program.

Question 4. How has the economic and growing conditions effected your planting decisions?

Answer. U.S. farmers make significant investments and take on enormous risks to produce food, feed, fuel, and fiber for consumers domestically and abroad.

Like all farmers, I have experienced higher input costs for several years. Those increased costs have, in turn, increased my borrowing needs. With higher interest rates, credit is also more expensive. Higher crop prices are also driving up my crop

[2] *https://fieldtomarket.org/national-indicators-report/report-downloads/*.

** **Editor's note:** the referenced report, *Environmental Outcomes from On-Farm Agricultural Production in the United States,* and its addendums are retained in Committee file.

insurance premium costs. Farming is expensive, and farming has many variables that impact economic viability—including weather. Crop insurance is our most effective risk management tool and must not become strapped with farm bill amendments that weaken effectiveness or reduce affordability.

In my written testimony, I highlighted deficiencies in the Title I farm safety net that were exposed during the China trade war. During that time, *ad hoc* assistance kept my farm afloat—not the Title I safety net. Without the extra programs, I would not be farming today. Having already experienced economic hardship under the current farm bill, we can all reasonably expect that economic disruption will occur again in the future. Preparing for these rough spells proactively with a reliable safety net is a much better approach than relying on *ad hoc* assistance from USDA or Congress.

Question 5. What other resources does the USDA need to support producers, specifically in the technology space? What are those technology capabilities you want, but are not getting?

Answer. ASA supports providing incentives to encourage use of precision agriculture technologies and specialized tools (such as deeper drills) to implement conservation practices. ASA has endorsed two bills that would be effective at getting these tools into more farmers' hands: the Precision Agriculture Loan Program Act of 2023 (H.R. 1495) and the Producing Responsible Energy and Conservation Incentives and Solutions for the Environment Act ("PRECISE Act," H.R. 1459).

Precision agriculture equipment can directly benefit yield from accurate spacing, population rate, and limiting harvest loss; optimize applications of fertilizer and pesticides by reducing overlap, skips, and improving placement; save fuel through fewer field passes and more efficient harvests; and save water in irrigated operations with selective application and remote shutoff. Indirectly, this equipment can improve soil health and reduce soil compaction; improve water quality and reduce nutrient runoff; reduce net greenhouse gas emissions; help limit production on marginal fields and conservation areas; reduce weed resistance development; and lower energy use.

Many of these tools require access to high-speed, wireless internet to be fully utilized, but broadband access continues to be unavailable in many rural areas. A United Soybean Board study published in 2019 found nearly 60% of U.S. farmers and ranchers believe they do not have adequate internet connectivity to run their businesses, and the study highlighted direct links between connectivity-driven technology that farmers want to use and the sustainability of their operations. ASA applauds Congress for ongoing, significant investments in broadband and encourages prioritizing the extension of access to rural communities to facilitate access to precision agriculture technologies and their related production and sustainability benefits.

Question 6. The American Soy Association has argued that the reference price for soybeans in Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) is insufficient, and cited low prices due to the trade war, and more recently, higher operating costs.

Can you give us a sense of what should be used as a standard for determining support levels? Is it cost of production, is it revenue levels, is it something else?

Answer. Recent input prices, recent commodity prices, current program elements and deficiencies, as well as the intended purpose of ARC and PLC are several factors that should be considered when making improvements to ARC and PLC. In the end, margins are the most important metric for producers. However, input cost and use data is not as readily available as price and revenue data. Any metric used to determine benefits must use data that is transparent, timely, reliable, and representative.

For soybeans, the current programs do not serve as effective safety nets when market disruptions occur, and they must be improved.

The statutory reference price for soybeans has only increased twice in over 20 years and needs to be adjusted. Although an effective reference price (ERP) mechanism exists that adapts to price increases, the cap undermines that flexibility. Removing the arbitrary ERP cap would allow Title I programs to adapt to price and cost inflation. Either this approach, a statutory reference price change, or a combination of these would provide a more effective safety net.

While adjusting the reference price is helpful, the impact is limited for many soybean farmers with the relatively low percentage of base acres that provides access to the farm safety net. As discussed in my testimony, there is a 34 million acre gap nationwide when comparing recent soybean plantings with soybean base acres, on which specific Title I benefits are provided. Having the option (not requirement) to update base acres to reflect a more recent, defined period of time and allowing new acres to access the farm safety net, combined with an increase in the soybean reference price and other ARC changes, would help farmers access a more effective farm safety net.

Question 7. In a normal year, what is generally the price a farmer needs to receive for their soybeans to break even?

Answer. In a piece published April 11, 2023, the University of Illinois' *farmdoc Daily*[3] *** authors estimated the break-even price to cover total costs for soybeans at $12.53 per bushel.

For comparison, the reference price for soybeans is $8.40 per bushel. If the soybean farm safety net triggers under the current scenario, the economic situation in farm country is already past a dire state.

Question 8. In your written statement, you shared your organization's priorities for this upcoming farm bill, which call for a review of USDA staffing and technological capabilities and cybersecurity, among other things.

Please expand on why you suggest an assessment of USDA staffing.

Answer. ASA has heard from farmers throughout soy country about their inability to access expert staff in USDA Farm Service centers and at the field level, especially at the customer-facing agencies NRCS and FSA. This has been a trend for some time but was compounded during the COVID–19 crisis when USDA offices closed their doors. Even today, offices offer limited visiting hours that are not compatible with farm work schedules or what can sometimes be extensive travel time to and from the farm. And, in our growers' experience, field visits have largely been delegated to third-party technical service providers. NRCS leadership recently relayed that, in 2022, the agency had 3,000 vacancies; it had direct hiring authority for 1,500 staff but hired only 800 and retained only 500. We also learned it takes 3 years to properly train new staff to interact with a farmer in the field.

I understand that NRCS has put in place an aggressive hiring strategy for the next few years to make up this gap and that the agency is revisiting its training protocol. ASA commends NRCS for the steps it is taking. While I am unaware of FSA's approach to addressing this issue or how far the problem extends to other USDA agencies, it is still frustratingly clear to our growers that current staffing is not meeting farmer demand. The new farm bill is likely to provide USDA with new authorities, and it is essential that Congress works to ensure USDA is prepared and equipped to manage farm bill implementation with sufficient staffing, training, and technology.

Response from Patrick A. Frischhertz, J.D., General Manager, St. Louis Planting, Inc.; Member, Board of Directors, American Sugar Cane League; on behalf of American Sugar Alliance; American Sugarbeet Growers Association

Questions Submitted by Hon. Eric Sorensen, a Representative in Congress from Illinois

Question 1. Can you elaborate on your conservation methods that you use to increase soil health, risk reduction and resilience, and for ultimately increasing yields?

Answer. We take an immense amount of pride on our family farm and have a multigenerational history of implementing conservation practices. One of the main issues for farmers in southern Louisiana is soil and nutrient run off. For over sixty years, our farm has implemented precision land leveling practices and water control structures to control water runoff and prevent soil erosion and nutrient loss. Through precision land leveling, we are able to manage the drainage grade of a field and slow the water from exiting the field. By slowing down the run off, we allow for the soil and nutrients to settle in place instead of being deposited in our waterways. We are also able to close unnecessary drainage ditches, which provides more area for cultivation and reduce weed pressure by eliminating entry points for weeds to enter the areas of cultivation.

Our farm also implements cover crops during our rotational fallow years. Since sugarcane is a ratooning crop, we are able to harvest the sugarcane and the next crop will regrow from the roots—like a grass found on a baseball field. In Louisiana, we are able to harvest 3 to 5 years of sugarcane from a single planting. However, the yield potential of each successive harvest falls until, eventually, it is no longer commercially viable. Thus, every fourth or fifth year, the crop in the field is plowed under to fallow for a growth cycle. During this fallow period, we plant two cover crops on the field to improve soil health, reduce soil erosion, and manage weed con-

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[3] *https://farmdocdaily.illinois.edu/wp-content/uploads/2023/04/fdd041123.pdf.*

*** **Editor's note:** the referenced article, *Risks for 2023 Grain Farm Returns,* is retained in Committee file.

trol. Our farm plants a combination of Austrian Winter Peas and Daikon tillage radishes in our fallow.

These two crops are a great fit for our sugarcane operation because, as legumes, they produce their own nitrogen that remains in the soil after termination. They also provide an immense amount of organic matter for the soil when they are terminated and worked into the ground. These crops also directly grow and compete with rye grass, a threat to the following sugarcane crop. For our farm, this combination improves soil health and helps reduce pesticide expenses by out-competing problem weeds.

Last, our farm implements a comprehensive nutrient management program. We are now using a variable rate potassium and lime applicator that, with precision soil analysis, allows our farm to maximize the benefit of our fertilizer investment by distributing the right amount at the right place for optimal yields. We also use a novel nitrogen fertilizer applicator with two nitrogen stabilizers. This nitrogen fertilizer applicators place the nitrogen on top of the sugarcane row and directly in the root zone of the plant. The two stabilizers used in our applicator ensure there is no air or water volatility. In Louisiana, we receive a substantial amount of rainfall. These stabilizers help bind the fertilizer to the soil, preventing nitrogen washout or leaching into our waterways and ensuring the nitrogen is in place for the sugarcane plant while it grows—subsequently improving yields and returns.

We are a multigenerational family farm. Like many other farms, every agronomic practice we implement has a goal to improve our farm's soil and financial health for the present and future generations.

Question 2. What can Congress do to support farmers who decide to incorporate this risk reducing soil health and conservation management practices?

Answer. Many conservation programs offered under the farm bill are not used by Louisiana sugarcane farmers due, in many cases, to the payment limits and AGI eligibility factors attached to the programs. As a result, most sugarcane growers are implementing soil health conservation practices without assistance from NRCS. This issue raises questions as farms in America continue to grow with consolidation across all commodities. One way to substantially increase the uptake of NRCS approved conservation practices would be to loosen AGI and payment limits for conservation programs.

Question 3. What are the top three issues that Congress should examine more closely as it pertains to our existing commodity support programs?

Answer. The costs of producing the food that America relies upon has been growing much faster than net farm income since the last farm bill. That is true for sugar and a host of other crops. We would support Congress examining the Title I program parameters, including loan rates, to more accurately reflect a viable safety net for all growers.

Congress should continue to examine other countries' subsidies and attempt to level the playing field for all commodities. This is especially true for sugar, the most distorted commodity market in the world. World market prices are typically well above global costs of production because other countries subsidize production and dump excess supplies there. American farmers can compete with anyone on a level playing field, but our farmers cannot compete with foreign treasuries that distort the global marketplace.

Congress should seek to improve the affordability and efficacy of crop insurance. That program provides the mainstay of most commodities' safety net. As weather patterns continue to strengthen, managing risk is probably the most important concern for most farmers. Having an effective and affordable crop insurance policy is essential to bottom lines and peace of mind. Unfortunately for sugarcane and sugarbeets the products offered by USDA–RMA are relatively expensive and fail to adequately cover the perils facing the industry.

Question 4. How has the economic and growing conditions effected your planting decisions?

Answer. Every year our family considers how to adjust planting and management of our owned and rented lands. We always keep the short-term bottom line in mind, but also keep a longer-range view on improvements to productivity and sustainability. For example, we have moved more acres from soybean production to sugarcane production over recent years, not because soybean prices have been bad, but because the weather and climate conditions have made it difficult to bring in a good soybean crop. On the other hand, sugarcane has been a more reliable producer for our region. If prices for sugar do return to the levels forecast by USDA and FAPRI over the next 10 years, we might have to reconsider our crop mix. Those low prices, unprotected by a modernized loan rate and a viable risk management policy, could put our operation in jeopardy under different scenarios.

Question 5. What other resources does the USDA need to support producers, specifically in the technology space? What are those technology capabilities you want, but are not getting?

Answer. Sugarcane and sugarbeet are approximately 2 million acres combined in the U.S. As small acreage crops, compared to feed grains and oilseeds, our industries lack funding from third party corporations to aggressively invest in industry specific technology. Therefore, we rely heavily on USDA's important work on plant genetic resources, genomics, and genetic improvement. Gene editing (CRISPR) and RNAi regulations need to be finalized so that important technology can be utilized. We would strongly advocate for continued resources for USDA to sponsor needed research across all its experiment stations.

Our farmers are among the most progressive and efficient sugar producers on the planet, embracing new technologies that are both scalable and affordable. As we continue to use nutrient management tools, integrated pest management, drones, unmanned aerial vehicles, satellites, remote sensors, irrigation technologies and nanotechnology, we are excited about what advances can be made through artificial intelligence. Many of these tools will need internet and satellite connectivity. The demand for more data to meet climate objectives will require scientists to have appropriate data management platforms to support research and the implementation of these technologies.

Sugarbeets are grown on 1.1 million acres in the U.S., and our farmers rely on multiple funding sources to address production challenges facing growers. Growers rely on seed companies, public research from USDA to universities, and grower and co-op-funded research to address a variety of challenges to their crop. USDA ARS is an important partner with eight ARS research stations across sugarbeet country. We need USDA APHIS to move forward expeditiously in its review and approval of the next generation of bioengineered sugarbeet seed. USDA should closely monitor prototype machines using lasers for weed control and provide support where it is appropriate. Our growers' greatest concerns also lie with the ability to retain current crop protection products and approve new ones in a timely manner. USDA's Office of Pest Management needs greater engagement with EPA to make sure growers have the tools they need.

Sugarcane growers fund research partnerships with USDA ARS and universities for varietal development. Our growers would like to see additional funds to support the sugarcane research being done at the ARS Sugarcane Research Unit in Terrebonne Parish, Louisiana and the research station at Canal Point, Florida. ARS sugarcane researchers are currently working with ARS genetic specialists in Stoneville, MS, to expedite the release of new varieties of sugarcane with desirable traits that can thrive in our diverse growing conditions.

Sugarbeet and sugarcane growers urge the Committee to provide funding to support the research, researchers, and the physical infrastructure needed by our vital ARS partners.

Response from Brent Cheyne, President, National Association of Wheat Growers

Questions Submitted by Hon. Eric Sorensen, a Representative in Congress from Illinois

Question 1. Can you elaborate on your conservation methods that you use to increase soil health, risk reduction and resilience, and for ultimately increasing yields?

Answer. I use conservation tillage on my operation and have been farming this way for over 35 years. In Oregon, we have dryland and irrigated wheat production, and farmers are most concerned with maintaining their soil health and maintaining the soil in place on the farm and protecting it from wind and water erosion.

I also farm using a diverse crop rotation that includes wheat, alfalfa, barley, and sometime oats. This rotation allows me to keep the alfalfa in the ground for 7 years and results in keeping the ground covered almost the entire year between the wheat and alfalfa.

Question 2. What can Congress do to support farmers who decide to incorporate this risk reducing soil health and conservation management practices?

Answer. It is important the farmers are recognized for the conservation practices they have been implementing for many years. Voluntary conservation programs are important to help farmers undertake new practices or try out something new on a portion of their land, but it is that existing conservation be recognized for the ongoing management and investment it takes to maintain those practices. Congress could look at more maintenance payment for ongoing conservation management practices.

Question 3. What are the top three issues that Congress should examine more closely as it pertains to our existing commodity support programs?

Answer. Within Title I, Congress should examine is making a meaningful increase to the reference price in PLC. The current $5.50 reference price is far too low to provide an effective safety net. Farmers would have to lose over 30 percent of their current price to trigger the PLC reference price. This effectively makes PLC no safety net at all. Further, wheat's average cost of production according to the USDA over the past decade is $7.42, far higher than the reference price. Costs have increased by 38 percent over the past decade, while the reference price has remained the same. It's imperative that Congress address this issue.

When looking at the Crop Insurance Title, NAWG would request is to make crop insurance more affordable at higher levels of coverage. The current costs of the crop insurance premiums make it unaffordable for many farmers to select higher coverages. Our farm utilizes an 80 percent coverage level. While my son and I would like to opt for 85 percent coverage, the increase in premiums is much higher than the increase in protection. This is a problem for many farmers across the country.

Similar to increasing the reference price, another Title I issue for examination would be the reference price escalator that makes the effective reference price. Congress should look at modifying the parameters of the effective reference price to allow it to be more flexible with increased prices. The current effective reference price is capped at 115 percent of the statutory reference price, with a maximum level of $6.33 per bushel for wheat. While the effective reference price currently falls below statutory reference price for wheat, it could come into effect in the mid-2020's. However, the current 85 percent factor on the moving average should be reexamined and increased to make the effective reference price more responsive. Consideration should be given to increasing the factor to 90 or 95 percent. Alternative reference price inflators like the prices paid, interest, taxes and wages (PPITW) or Consumer Price Index (CPI) should be taken into consideration. Overall, having an adjustment that takes years to occur is too slow with the current volatility of commodity markets and the ever-increasing cost of production and the Committees should consider making this mechanism more responsive to market conditions.

Question 4. How has the economic and growing conditions effected your planting decisions?

Answer. Wheat farmers across the country look at the economic and weather conditions in their area every year when making planting decisions. In addition, farmers frequently look at the prices of different commodities when determining what to plant. Right now, soft red winter wheat is seeing an increase in production thanks to increased double cropping. Meanwhile, farmers are also highly dependent on the weather. Wheat is often viewed as a drought resistant alternative to other crops. Finally, the economics of crop inputs can also determine what farmers plant and what practices they implement. For example, if fertilizer gets too expensive, farmers may withhold, or change the crop they choose to plant. Farmers across the country look at all of these factors and more when making the determination of what to grow and how to grow it.

Question 5. What other resources does the USDA need to support producers, specifically in the technology space? What are those technology capabilities you want, but are not getting?

Answer. One thing that would be helpful in the technology space would be to allow for e-signatures for FSA forms. That would allow farmers to complete paperwork in the field and not have to travel into an office. If you're in an area like mine where the FSA office is far away, this can save valuable time and effort for both the FSA staff and farmers.

Question 6. In your testimony you mention that your farm is a great demonstration of the challenges farmers face when it comes to affordability of crop insurance. How can Congress help with the affordability aspect of crop insurance?

Answer. As mentioned previously, NAWG recommends increasing the affordability of higher levels of coverage of crop insurance. Crop insurance premiums are made on an actuarial basis, meaning that farmers payments are determined by the risk of growing a specific crop in a specific area. Premium payments are made by farmers with the Federal Government sharing part of the cost. NAWG requests that Congress considers increasing the Federal cost-share for crop insurance premiums.

Response from Craig Meeker, Chairman, National Sorghum Producers

Questions Submitted by Hon. Eric Sorensen, a Representative in Congress from Illinois

Question 1. Can you elaborate on your conservation methods that you use to increase soil health, risk reduction and resilience, and for ultimately increasing yields?

Answer. Members of the National Sorghum Producers (NSP) are early adopters of many conservation and regenerative soil health practices for generations. That's because the bulk of sorghum production occurs in the High Plains region of the Central U.S. Nearly 1 century ago this region experienced cataclysmic weather events we know today as the American Dust Bowl. In response, our farming practices over the decades since have continuously improved and we have adopted practices at industry-leading rates of reduced tillage up to full no-till, diversified rotations, nutrient management, rotational grazing where feasible, and other environmental enhancements to add resiliency against highly eroding wind, heat, and drought. On my farm in south central Kansas I also utilize cover crops but recognize the practice carries enhanced risk for production the further south and west you go in the U.S. as water resources become increasingly scarce. Alternatively, farmers in the Southern High Plains who consistently deal with drought conditions utilize sorghum in place of traditional cover crops because of its high residue and ability to efficiently utilize water better than most other crops in order to maintain yield and profitability.

Question 2. What can Congress do to support farmers who decide to incorporate this risk reducing soil health and conservation management practices?

Answer. NSP wishes to thank Congress and this Committee for efforts to rightly recognize the conservation and sustainability efforts of U.S. farmers across the nation who work to feed and fuel Americans every day efficiently and cost-effectively. We also appreciate efforts in tandem with NRCS following the 2018 Farm Bill to specifically recognize sorghum's sustainable attributes in diversified rotations. NRCS announced in 2021 additional language concerning the definition of a "resource-conserving crop" and a "resource-conserving crop rotation" under Conservation Stewardship Program ". . . to be more inclusive of all crops that could be resource conserving and fit within the purpose for which the definition was crafted." Specifically, NRCS updated these definitions to include "a non-fragile residue or high residue crop or a crop that efficiently uses soil moisture, reduces irrigation water needs, or is considered drought tolerant," giving sorghum a strong foothold in this program. NSP stands ready to work with this Committee to further promote sorghum in resource-conserving rotations across the nation.

Response from Daniel T. McMillan, Producer, Southern Grace Farms; on behalf of United States Peanut Federation

Questions Submitted by Hon. Eric Sorensen, a Representative in Congress from Illinois

Question 1. Can you elaborate on your conservation methods that you use to increase soil health, risk reduction and resilience, and for ultimately increasing yields?

Answer.

a. Crop Rotation—helps mitigate pest pressure, lowers our reliance on pesticides and maximizes yields.

b. Terraces and contoured rows for erosion control.

c. Grass borders around fields along with grass waterways in highly erodible areas.

d. Rye cover crop for grazing.

e. Grid soil sampling to conserve and efficiently use fertilizer.

f. We use Irrigation mobile applications to conserve water.

g. We leave residue (commonly called "peanut hay") in the field.

Question 2. What can Congress do to support farmers who decide to incorporate this risk reducing soil health and conservation management practices?

Answer. Although these practices are beneficial for soil health, they can be costly to implement. It would be helpful if there were programs that incentivized implementation of these practices. For example, the Conservation Stewardship Program (CSP) should be fully funded and expanded.