**Testimony**

**of**

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**National Corn Growers Association**

**Before the**
**U.S. House Agriculture Subcommittee**
**on**
**General Farm Commodities and Risk Management**

**Longworth House Office Building**
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Chairman Conaway, Ranking Member Boswell and members of the House Agriculture Subcommittee on General Commodities and Risk Management, on behalf the National Corn Growers Association (NCGA), I appreciate the opportunity to share with you our views on the importance of sound risk management programs to family farms as you begin your deliberations on writing the 2012 Farm Bill. My name is Chip Bowling. I am the 3rd generation on our family farm in Newburg, Maryland about 45 miles south of Washington, D.C. I raise corn, soybeans, wheat and grain sorghum. I currently serve on NCGA board of directors and am a member of the public policy action team.

The National Corn Growers Association represents more than 37,000 corn farmers from 48 states. NCGA also represents more than 300,000 corn growers who contribute to check off programs and 27 affiliated state corn organizations across the nation for the purpose of creating new opportunities and markets for corn growers.

First, I want to state that NCGA believes it is very important to remember that U.S. agriculture must be prepared to take on an even greater role in meeting the growing demands of world consumers. The harsh reality is that billions of people in the world today remain hungry and the numbers are rising, a trend the Food and Agriculture Organization of the United Nations reports will continue for another 30 years. We simply cannot afford to underestimate these challenges as well as the market opportunities in a world where 95 percent of the population lives outside the United States. NCGA is confident that the U.S. agriculture sector can remain a vital bright spot in our nation's economy and further contribute to its recovery.

Fortunately, advances in seed technologies along with modern production and conservation practices have generated substantial increases in productivity that will help meet the pressing need for an expanding food supply. Investments in these new production technologies by America's corn growers have resulted in major increases in bushels produced while reducing acres under cultivation. In fact, the average bushels per acre increased from 114 in 1995 to 153 in 2010, a productivity increase greater than 30 percent. These remarkable numbers and the promise of new production technologies on the horizon translate into U.S. corn growers' ability to meet all our needs for food, feed and fuel. NCGA would argue that these investments in an industry fraught with financial and production risks have been made possible in large part by a reliable farm safety net with the cost share federal crop insurance program as the foundation.

In light of the extremely difficult fiscal and economic conditions that our nation faces today, NCGA recognizes the monumental task before this Subcommittee and the full Committee to advance a new farm bill that must address a broad range of nutrition and agriculture concerns across the country. Our growers also recognize they must be part of the solution to address our nation's unsustainable budget deficits and are prepared to accept appropriate spending reductions in farm programs within the context of the overall federal budget. In preparation for this new budget reality, NCGA initiated internal discussions over two years ago on how to improve upon the market oriented reforms in the commodity title. These ongoing discussions have been augmented by substantial independent analysis of suggested changes to existing farm programs and new concepts considered by our Public Policy Action Team.

First and foremost, NCGA cannot overemphasize the consensus among our membership that the federal crop insurance program is the most critical risk management tool for their farm operations. Why is federal crop insurance important to me and other farmers? When we go to the field this year to plant, tend and harvest a crop, we are putting many dollars, a whole year's work and our entire yearly income at risk. Traditionally, we worry about the risks from drought, floods, storms, plant disease, and pestilence to crops in the field, but now the risks are not just physical. Interconnected global markets that have benefited agriculture are now also a source of peril: international incidents, economic crises around the world, currency exchange rates, global monetary and trade policies, embargoes, the price of a barrel of oil and the list goes on. We may do everything right with our management practices and the decisions that are within our control on the farm, but there are years when we cannot adequately cover our losses from all the risks, seen and unseen.

These threats are hard on farmers like me, but even more so for the young farm families who are just getting started in agriculture. Access to an affordable crop insurance plan is even more critical in times like these to help farmers face the agronomic perils and the uncertainty of the marketplace. We believe it is key to the foundation of a good farm bill.

From a larger perspective, the extreme volatility in the commodity markets experienced over the past five years as well as the impact of major flooding in the Midwest and severe drought conditions in the South remind us that the risks in farming are expansive and immediate. The corn industry has certainly enjoyed considerable improvement in prices, but growers continue to confront the pressures of rising input costs and increasing land rents as competition for inputs bids up prices. Federal crop insurance, especially revenue protection coverage, has proven to be the most flexible and market oriented risk management tool for protecting family farm income; it has permitted growers to insure adequate revenue to cover that year's cost of operation.

For the 2011 crop year (as of May 7, 2012), 78.21 million acres of corn were insured under the federal crop insurance program for liability protection of $51.57 billion compared to 73.6 million acres for $31.7 billion of protection the previous year. The premiums paid to insurance providers for corn policies totaled $4.76 billion with producers responsible for an estimated 40 percent of the program's total premium. In terms of sheer volume and total liability protection, it should be no surprise why NCGA is committed to working with the Risk Management Agency (RMA) to ensure that the program is administered as efficiently and equitably as possible.

Consequently, we were pleased by the Department of Agriculture's decision late last year to begin a phase-in of long overdue changes in the rating methodology to better reflect the actual loss experience in the premiums paid for corn policies. Full implementation of the rating methodology changes by the RMA is necessary for the rating of corn policies to more accurately reflect reduced yield variability, yield trend increases and appropriate weighting corrections. Otherwise, the rating system will continue to set premiums well above corn's loss experience that has been documented over the past fifteen years. The loss ratio (indemnity payments divided by total premium) for corn over this period has averaged .59[1], a level well below the combined loss ratio of other major crops, and far below the program-wide statutory loss ratio 1.0. Moving forward with the necessary reforms to the rating methodology will not only help to

[1] Summary of Business, Risk management Agency, May 2012.

address inequities for many corn and soybean growers, but ensures a more cost efficient federal crop insurance program.

While individual federal crop insurance policy coverage provides very effective assistance if revenue or yield decline between planting and harvest, it is limited to each policy's insurance year and is insufficient to insure adequate return on investment over the intermediate term, such as for equipment. Crop insurance is simply not designed to address price-induced declines in revenue that can last several years. Extended periods of low revenue can result from successive years of price declines or multiple years of below average production or "shallow losses" not covered by crop insurance. Recall the depressed markets from the grain demand collapse of the 1980's and the Asian financial crisis of the late 1990s. These unfortunate events can and do result in a gradual, but serious erosion of a farmer's equity.

To address these gaps in protection against significant production shortfalls and volatile markets, NCGA has advocated for a more market-oriented, revenue-based risk management program that complements crop insurance. In our view, the ad hoc disaster assistance packages approved in the past in response to these situations were poorly targeted. A 2009 USDA Economic Research Report indicates that a revenue-based support program can "be more efficient than the traditional suite of uncoordinated commodity programs and disaster assistance programs in that payments are more closely aligned to actual changes in farm revenue. If prices and yields are inversely related, the revenue-based approach may offer less variable payment outlays from year to year than the long standing forms of support—even if mean total payments are the same between the two forms of support. In such a case, a high level of payments may also be less likely under revenue-support."[2]

The efficiency of revenue programs led NCGA to support the Average Crop Revenue Election Program (ACRE) adopted in the 2008 Farm Bill. ACRE represents a fundamental reform to the farm safety net; one that NCGA believes provides a more responsive risk management tool for rising input costs, improving yield trends and greater market volatility. To date, over 136,170 farms have enrolled in the program comprising almost 13 percent of base acres. Although the program's design and administration has been subject to criticism, the fact is ACRE has delivered some much needed assistance to producers across the country.

In response to grower concerns, NCGA has recommended that a new revenue based program include these proposed changes. 1) Set the revenue benchmark at the Crop Reporting District to better address area wide disaster related production losses closer to the farm. 2) Use a simple 5 year Olympic Average Revenue rather than separate price and yield formulas which cause considerable confusion. 3) Base payments on planted acres rather than base acres. 4) Lower the maximum payment level to ensure optimal protection against shallow losses and to eliminate overlap with crop insurance. Independent economic analysis of these recommended changes to ACRE indicates substantial savings for deficit reduction and a more effective revenue based risk management program for protection against multiple years of declines in revenue for most crops.

[2] Cooper, J. 2009. *Economic Aspects of Revenue-Based Commodity Support*, ERR-72, U.S. Department of Agriculture, Economic Research Service, April. p. 1.

NCGA believes the legislation introduced by Senators Sherrod Brown, John Thune, Richard Durbin, and Richard Lugar, the Aggregate Risk Revenue Management Program (ARRM), well incorporates the principles of a market-oriented, revenue-based risk management approach while addressing some of the noted problems experienced with the ACRE program. H.R. 3111, The REFRESH ACT, introduced by Rep. Marlin Stutzman, also includes the ARRM program as a key reform to the next farm bill's commodity title. The Agricultural Risk Coverage (ARC) program in Title I of the Agriculture Reform, Food and Jobs Act recently reported by the Senate Committee on Agriculture, Nutrition and Forestry also embodies similar elements as the ARRM program and includes a producer election for farm or county level revenue protection. These proposals reflect the NCGA principal that government programs should not encourage producers to take on unnecessary risk. The programs are designed to partially offset losses not covered by crop insurance and to mitigate sharp year-to-year declines in price that crop insurance does not. NCGA understands farmers need to be able to sustain a certain amount of loss in any one year. It is very important that we try to protect farmers from depleting their emergency funds when they encounter revenue losses over a period of multiple years.

The revenue programs described in the 2009 USDA analysis are different from the current ACRE and other revenue based proposals for the 2012 Farm Bill and thus the specific provisions of revenue programs may result in significant differences in results. Nonetheless, the results illustrate the advantages of revenue-based programs over price-based programs such as the Counter Cyclical Payment (CCP) and Marketing Loan Assistance (MLB) programs in the 2008 Farm Bill.

With respect to relative efficiency, the same research notes that "providing price and yield compensation separately means that producers may receive support when they do not need it, or not receive support when they need it most. For example, a farmer who suffers a complete yield loss will not receive a payment under a price-based program that is tied to current production, (i.e., the MLB)."[3] Revenue and traditional programs are compared by simulating two revenue programs and the traditional programs over the 1975 to 2005 period and adjusting program parameters such that the average total costs are about equal ($3 billion per year). Using a coefficient of variation[4] to compare the two revenue programs with the traditional programs, revenue variation in the revenue programs was about half that of the traditional programs (Appendix Table 1).[5] The simulation results in Table 1, and also illustrated in Appendix Figure 1, show the high and low payments are less frequent in the revenue based program, with the revenue programs payments between about 50% below ($1.6 billion) to 60% above ($5 billion) the average payment ($3 billion) within a 90% confidence interval. This compares to the traditional program variation 90% confidence interval of almost 90% below ($0.38 billion) to nearly 130% above ($7.1 billion) the average payment ($3 billion).

In establishing an area or farm level revenue program, there is a primary issue to consider. For a limited budget environment, the area level for payment determination is the optimum for delivering assistance when the producer needs it the most. The 2011 USDA ACRE analysis

[3]Ibid. p. 12.
[4] A measure of dispersion around a mean value of a distribution that is calculated by dividing the mean by the standard deviation of the distribution.
[5]Cooper, 2009. op. cit. p. 12.

examines the relationship of reducing the level of statistical aggregation from state to CRD to county to farm in Appendix Table 2[6]. As shown, farm level variability ranges from about 140% of county level for rice to 290% for grain sorghum.

This table suggests that a lowering of payment determination from county level to farm level would further increase costs. With a limited budget, the increase in payments at each level must be accompanied by a reduction in the amount of that payment that may be made on each acre, so that the total expenditure does not increase. Table 2 indicates that reduced payments for most would be made two to three times as frequently at the farm level as at the county level. This suggests that growers would receive the same total amount of payments, but more frequently and in smaller amounts and that they would be more related to farm yield variability than to price variability. The current crop insurance program already provides the means to manage this type of risk. Moreover, this trade-off, from greater payments at the county to lower payments at the farm, means that sudden and prolonged price downturns of the type that occurred from 1998 to 2001 would result in payments being reduced from the 80% payment factor in the ARC program to perhaps half of that amount. A second trade-off relates to land rents. Less variable, more frequent producer payments are more readily capitalized into land values and rents. As we have seen with Direct Payments, this does little to reduce the producer's operating risk.

As noted earlier, a national average for all crops for farm level revenue variability is about twice the county level variability. For the same level of revenue coverage, 89% to 79% of benchmark revenue as is in the Senate bill, for example, two different payment rates are used, 80% for the county and 65% for the farm level election. Now consider the revenue history of the 1985 to 1988 and 1998 to 2001 periods.

The 1985 to 1988 period represents the collapse of world demand for grain and the farm financial crisis and also include significant drought in 1988. Over this period, national average corn yields recovered from the drought in 1983 to 106 bushels per acre to 120 bushels in 1987. Yields suffered another drought in 1988 and bounced back to 116 bushels in 1989. Prices, however, fell 53%, to $1.50, in 1986 from 1983 highs of $3.21 and, by 1989, had only recovered to 27% below 1983 levels. National average corn revenue per acre declined 31% from 1983 to 1986, from $260 per acre to $179 per acre; revenues recovered with the drought in 1988 to $232 per acre, but then dipped again in 1989 to $215 per acre.

The 1998 to 2001 period, which began with the Asian financial crisis, saw national average corn yields increase from 134 bushels per acre in 1998 to 138 bushels in 2001 while prices fell 44% from $3.24 in 1995 to $1.82 in 1999. Even when prices rose, they were still 38% below 1995 levels in 2005. National corn revenue per acre fell 34% over the same 1995 to 1999 period, from $368 per acre to $244; by 2005, revenue was still 20% below 2005 levels.

Figures 2 and 3 illustrate the response ARC would have over the 1977 to 2010 period for corn based on a $4.50 long-run corn price for McLean County Illinois. In particular, it illustrates how the revenue program could buffer the effects of significant yield loss in 1988 coupled with a

[6]Dismukes, R., K. H. Coble, D. Ubilav, J. Cooper, and C. Arriola. 2011. *Alternatives to a State-Based ACRE Program: Expected Payments Under a National, Crop District, or County Base*, ERR-126, U.S. Department of Agriculture, Economic Research Service, September. p.2.

collapse of world grain demand during the 1985 to 1989 period, and the effects of price collapse from the Asian financial crisis over the 1998 to 2001 period. The 1977-2010 average per acre county payment of $17.64 is more impressive when it is concentrated in the years of significant revenue loss. The 1977 and 1986-88 projected payments of $67 to $62 per acre and 1998 to 2000 projected payments of $67 per acre are more reassuring than the average payment. By contrast, the average per acre farm payment of $13.56 is less helpful in the difficult years of 1977 and 1986-88, when projected per-acre payments crested between $50 to $26 per acre and 1998 to 2000 when projected payments reached $42 to $39.

Recall that this was a time when Congress added market loss assistance that averaged about $4.6 billion a year from 1998 to 2002. If more producers will seek farm level revenue protection, they will limit themselves to 60% of a revenue payment, as it was established in the Joint Committee recommendation, or to 65% as it is set in the current Senate bill. In contrast, the Senate bill's county election payment rate is 80%. Paradoxically, the more growers elect the farm level program, the lower the payment rate will have to be to offset the more frequent payments.

The more attractive a county wide program is, the less costly the two programs will be as growers elect the lower cost county program until, on average, the expected value of county and farm options approach one another. As the payment rate for the county election increases, the cost of the farm program election is expected to decrease more rapidly than the cost of the county program election increases. This will allow the farm election payment rate to be increased within the same limited budget.

There are two exceptions to these arguments for county payment determination. First are those producers whose farm revenue correlation with the area is sufficiently low that even though an area program might provide adequate assistance over time, it would not reliably occur when the producer needed it on the farm. Second are producers, who because of premium expense, purchase individual levels of crop insurance coverage below the 79 percent level to which the Senate Agriculture Committee's proposed ARC revenue program extends. This gap in coverage between ARC, the farm program, and individual crop insurance coverage has been referred to as the "doughnut hole". NCGA supports two means to address these types of circumstances.

To address the first exception, allow farm-level election by growers who would prefer a farm level revenue program. Because farm-level revenue variability is greater than area level variability, a farm level ARC program would provide more payments to a producer than an area level determination. NCGA believes there should be an adjustment to the county and farm level payments such that a producer would receive the same expected value of payment at either farm or county level from the program. It is important to set the relative benefits so that the payment rates to producers in both county and farm program elections receive the maximum payment rates within the budget limit.

In the second exception, NCGA supports a Supplemental Coverage Option (SCO) through the federal crop insurance program. SCO is similar to Gap Coverage that NCGA proposed in its testimony during the Senate Agriculture Committee's hearing on March 15. Both would allow a producer to buy area coverage, at the county level in a GRIP or GRP policy, at coverage up to

75%, in the case of ARRM, or 79%, in the case of ARC, and extend to the coverage of the individual insurance policy, as low as 50%. The higher the level of individual coverage is, the lower the premium on the Gap or Supplemental Coverage. The premium would effectively be the difference between the area 75% or 79% premium and the area premium calculated for the individual coverage, extending to 50%. The area premium could have an increased subsidy over that currently provided in the crop insurance statute, but NCGA did not specify one at that time.

As this Subcommittee considers various policy proposals to meet the diverse risk management needs for producers throughout the country, NCGA recognizes the inherent difficulty of crafting legislation that provides a safety net that is widely effective as well as equitable in its approach. We understand commodity title reforms will be measured against "equity" considerations in the form of recent farm bills. One should not lose perspective, though, on appropriate relative funding levels that would first recognize significant changes in recent farm policy, particularly those changes that would move farm policy in a more market oriented, risk management direction.

As a response to current fiscal constraints and diminished public support for the decoupled Direct Payment program, we have already seen provisions in House-Senate Agriculture Committees' recommendation to the Joint Select Committee on Deficit Reduction and the Senate-reported bill to eliminate not only Direct Payments, but Counter-Counter Cyclical Payments and the ACRE program. These policy decisions have also called for using much of the reduced outlays to fund alternative programs and the rest to reduce the federal deficit.

Questions and concerns have been raised regarding the Commodity and Crop Insurance Titles' provisions in the bill recently approved by the Senate Agriculture Committee. Programs designed as revenue support programs, either using producer payments or new, subsidized crop insurance policies have been proposed to replace the current suite of programs. In both cases, the new provisions are coupled to production; that is, as the volume of production increases, greater payments or indemnities will be made if market revenues are determined to qualify for assistance. We understand that the perceived fairness of the replacement program is likely to be viewed as relative shares of projected commodity program spending in the replacement programs compared to shares of projected spending in the CBO Baseline, which is based on a continuation of the 2008 Farm Bill policies. Almost three-quarters of Baseline spending is based on decoupled payments, which themselves are based on planting and price history dating back to 1978 and 1995, respectively. Using relative shares of decoupled spending to determine appropriate shares of re-coupled support does not reflect the change in policy that revenue programs provide.

Decoupled payments, beginning as declining Production Flexibility Contract (PFC) payments in the 1996 Farm Bill, were designed to compensate producers when the primary programs providing crop producer income support were eliminated. They were continued in the 2002 Farm Bill as Direct Payments with the provision that producers could choose to retain their PFC Base payment acres or update their production history to reflect more recent practices from 1997 to 2001. The data show that producers were able to maximize their decoupled government payments and respond to market signals in planting decisions. The result was that many crops were planted well below their base acreage on which PFC/DP payments were received, as

intended. Where decoupled payments were offsetting the higher production cost of high value crops, such as cotton, peanuts and rice, as some have characterized their purpose, some of the high value crop base acres were planted to other program crops where market returns were more attractive.

To base projected current spending for new, coupled revenue programs on spending for past, decoupled programs, which should have adequately met their compensation objectives, would seem to have little relevance to protecting current gross revenues at current prices.

An alternative comparison to baseline shares would first adjust expenditures for recent 2010-12 planted acres relative to 2011 Direct Payment Base Acres[7], as shown in Appendix Table 3[8]. Thus, where planting has declined relative to base acres, the adjustment factor is less than 1, as in the case of sorghum and barley, and where plantings have increased, the factor is greater than 1, as is the case with soybeans. The adjusted share of baseline reflects a greater payment on planted acres than a producer has been receiving under the 2008 Farm Bill. 100% of Direct Payments for barley, for example, were effectively made on 2010-12 average acres planted to barley that are one-third of 2011 barley base acres. Consequently, its adjustment reflects a projected receipt on payments on planted acres equal to 82% of direct payments and other commodity support spending per base acre. Producers of crops on less than all base acres may be letting the land idle, in which case they have received compensation for their land's value since 1996 or 2002. If the producer is planting the crop for which the base was established or another crop, he will receive revenue protection based on an Olympic average of price and yield.

A more useful assessment is to compare a farm bill's expenditures to each commodity's market value. This comparison will indicate how much the production of each crop relies on government programs for a sustainable income in order to remain in production. Appendix Table 4 shows the value of expenditures for each commodity in the baseline and under the Senate bill as a share of 2009-11 average crop values of production. In this comparison, corn and soybeans, among the major crops judged to have benefited the most under the Senate bill as a relative share of baseline, are seen to have received only 3.5% and 2.2%, respectively, of market value from government transfers. Under the Senate bill, these share of market values change to 2.6% for each. These levels are well below the 14.4% to 8.8% of the other five major commodities in the baseline and still well below the 5.0% to 3.7% in the Senate bill.

There are certain things our federal government must do for its citizens, providing food security is one of them. Countries around the world understand the important role that agriculture plays in their economies. They, too, provide assistance to farmers when needed along with resources for long term strategic investments in research and other priority programs. The 2012 Farm Bill presents an opportunity to advance needed improvements in the commodity title that can work more effectively with a strong federal crop insurance program. NCGA appreciates the difficult

[7] Direct Payments are made on 85% of base acres. The Senate bill's payments are made on 80% of planted acres at the county level and 65% of planted acres at the farm level. This difference in payment acres in not included in the table.

[8] Tables 3 and 4 are based on CBO estimates of the Senate Committee's Managers' Amendment. The bill, as reported, was further modified, in particular the Baucus #12 amendment, which affected Title I. CBO estimates for the amended Managers' Amendment were not available as of this writing.

task before your Committee to write a comprehensive and balanced farm bill, especially under the current budget constraints. I thank you for your time today and your consideration of our policy recommendations.

APPENDIX

Table 1[9]

**Stochastic analysis of the distribution of corn program payments under alternative U.S. programs (2005 expected prices and yields)**

| | Payment type | | | |
|---|---|---|---|---|
| Target Revenue Program | Total | Extended Coverage | Production Limited | Basic[1] |
| Mean payment ($ billion) | 3.03 | 1.16 | 1.64 | 0.22 |
| Coefficient of variation[2] | 0.32 | 0.52 | 0.24 | 1.06 |
| 90% confidence interval (lower, upper) | 1.62, 4.80 | 0.39, 2.28 | 1.06, 2.37 | 0.02, 0.73 |
| Market Revenue Program | Total | National[3] | Supplmental | |
| Mean payment ($ billion) | 3.17 | 2.33 | 0.85 | |
| Coefficient of variation | 0.34 | 0.430 | 0.59 | |
| 90% Confidence interval | 1.55, 5.09 | 0.76, 4.06 | 0.37, 1.97 | |
| Traditional-Style Program | Total | P-MLB | P-CCP | Disaster |
| Mean payment ($ billion) | 3.11 | 1.26 | 1.67 | 0.19 |
| Coefficient of variation | 0.68 | 1.35 | 0.53 | 1.46 |
| 90% confidence interval | 0.38, 7.10 | 0.00, 4.78 | 0.00, 2.28 | 0.02, 0.83 |

[1]The "basic" payment covers shortfalls in county revenue per acre with respect to expected county revenue per acre. The "extended coverage" payment is based on a target revenue using a statutory price, and provides supplemental coverage over the basic payment. The "production-limited" payment is similar to the extended coverage payment but applied to a fixed base acreage for the farmer, and provides supplemental coverage over the extended coverage payment.

[2]The coefficient of variation in this application is a measure of the dispersion of the probability distribution of revenue per acre that allows comparisons across populations with different means, and is the standard deviation of revenue per acre divided by the mean revenue per acre. The smaller the coefficient of variation, the lower the dispersion relative to the mean value of the distribution.

[3]The "national" revenue payment rate is based on the difference between national expected and actual revenue per acre, and the "supplemental" revenue payment provides additional coverage based on a county- level payment rate.

[9] Cooper. 2009. op. cit. p. 13.

Figure 1[10]

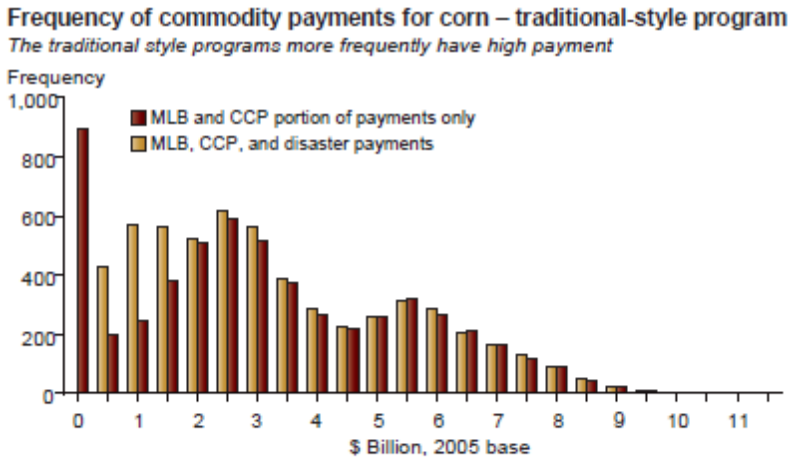



Figure 5b

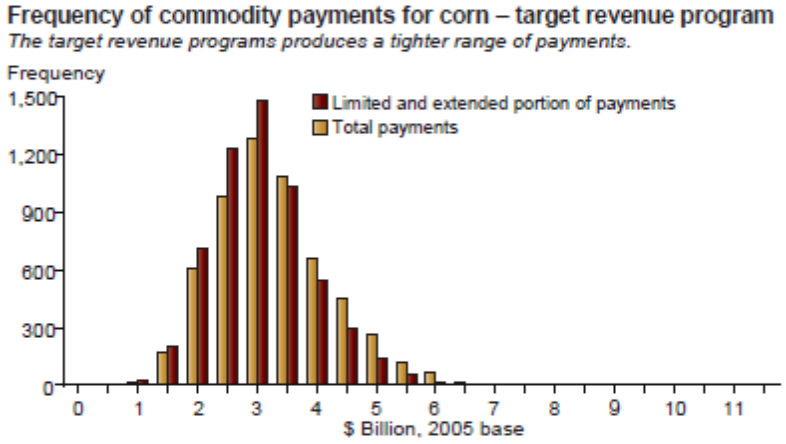
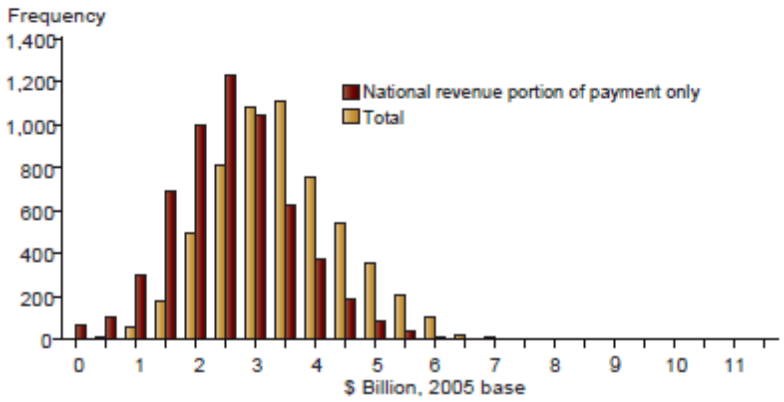



Figure 5c




Note: Each bar covers a $500 million range of payments. The taller the bar, the greater the number of payments falling in the associated range.

[10]Ibid. p. 15.

Table 2[11]

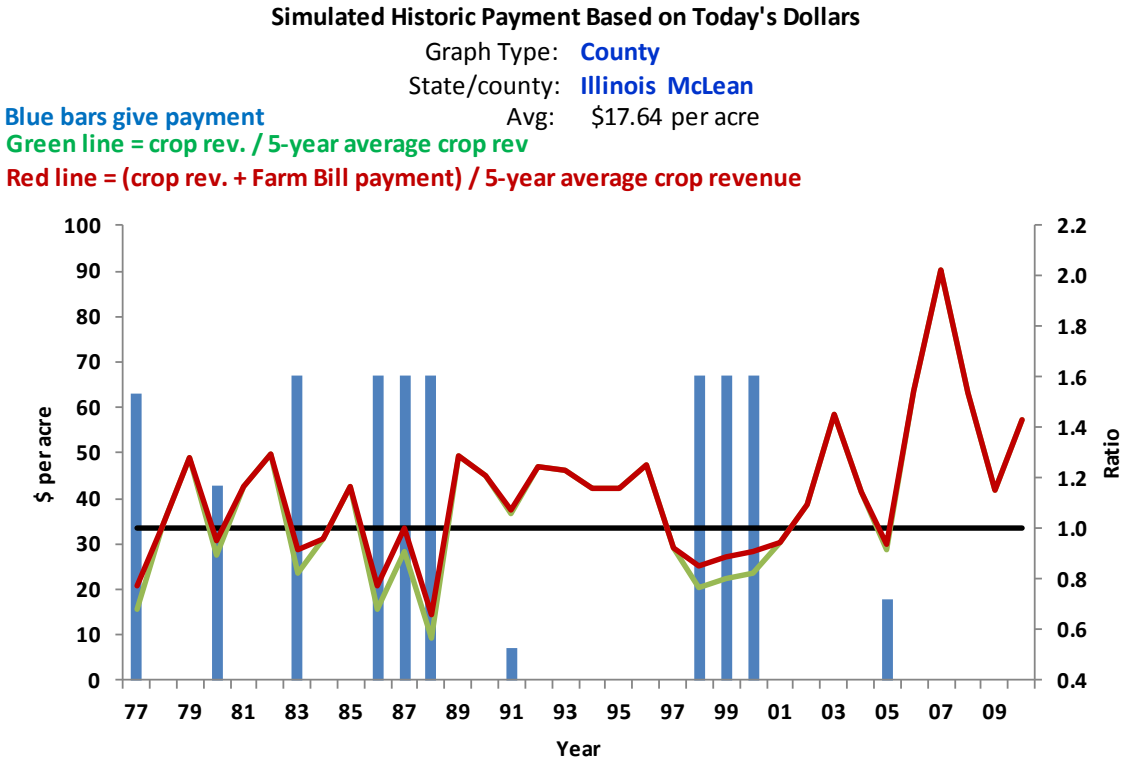
**Yield and revenue variability at different levels of aggregation**

| Item/Level | Corn | Soybeans | Wheat | Cotton | Grain sorghum | Rice, long-grain | Rice, Medium/short-grain |
|---|---|---|---|---|---|---|---|
| | Coefficient of Variation | | | | | | |
| Yield variability: | | | | | | | |
| National | 0.069 | 0.058 | 0.056 | 0.076 | 0.099 | 0.037 | 0.061 |
| State | 0.097 | 0.099 | 0.135 | 0.119 | 0.123 | 0.043 | 0.061 |
| District | 0.110 | 0.113 | 0.169 | 0.152 | 0.167 | 0.045 | 0.062 |
| County | 0.122 | 0.125 | 0.195 | 0.184 | 0.202 | 0.052 | 0.067 |
| Farm | 0.359 | 0.372 | 0.520 | 0.672 | 0.776 | 0.335 | 0.263 |
| Revenue variability: | | | | | | | |
| National | 0.195 | 0.188 | 0.185 | 0.197 | 0.214 | 0.272 | 0.288 |
| State | 0.207 | 0.205 | 0.215 | 0.225 | 0.230 | 0.275 | 0.288 |
| District | 0.214 | 0.213 | 0.240 | 0.250 | 0.256 | 0.275 | 0.288 |
| County | 0.221 | 0.220 | 0.261 | 0.274 | 0.283 | 0.276 | 0.289 |
| Farm | 0.413 | 0.425 | 0.558 | 0.715 | 0.829 | 0.440 | 0.395 |

Averages weighted by acres harvested in 2010. District = Crop Reporting District. Medium/short-grain rice is for a single State, California. Based on simulations.

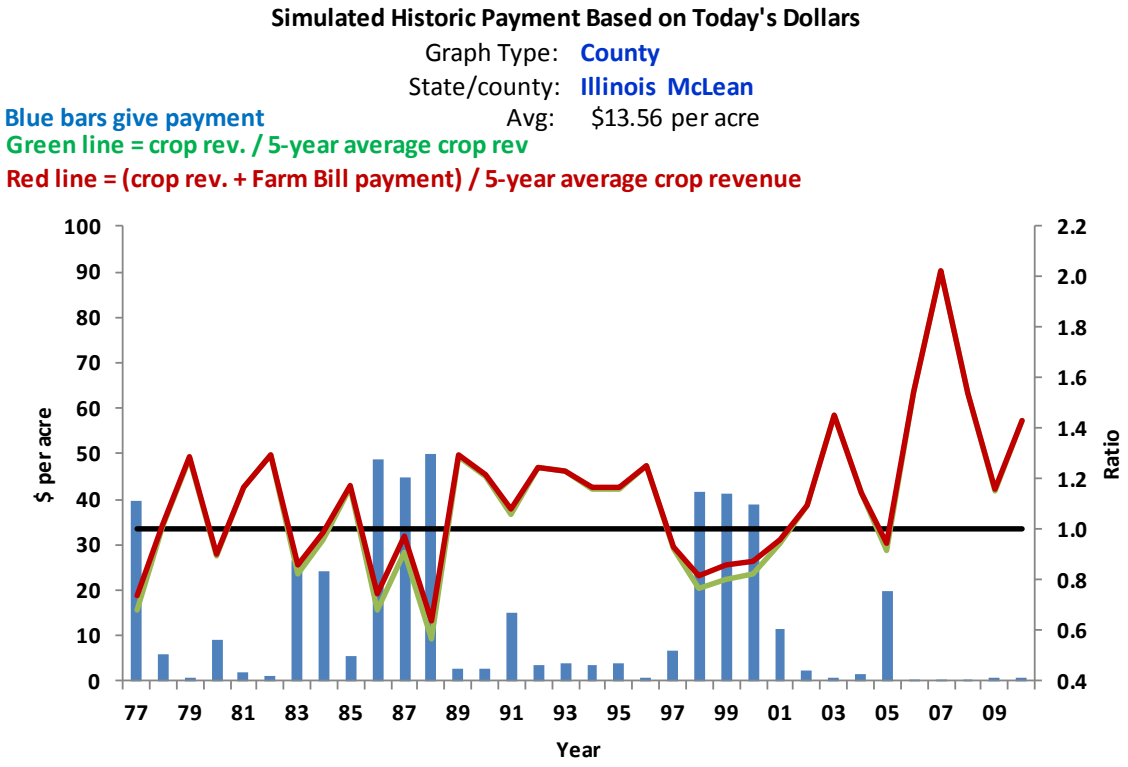
[11]Dismukes et al. 2011. op. cit. p. 2.

Figure 2
ARC-County




Note: All past payments are stated in today's terms, not in historical terms.

Figure 3
ARC-Farm




Note: All past payments are stated in today's terms, not in historical terms.

Table 3

| COMPARISON OF CBO MARCH BASELINE TO CBO EST OF MANAGERS' AMENDMENT, FY2013-22 | | | | | |
|---|---|---|---|---|---|
| | CBO March Baseline | Managers' Amendment | Share of Baseline | (Avg 2010-12 Planted A) /2011 Base A | Share/ (Avg 2010-12 Planted A/Base A) |
| **Title I** | **$ millions** | | | | |
| Corn | 22,179 | -5,752 | 0.74 | 1.09 | 0.68 |
| Sorghum | 2,038 | -505 | 0.75 | 0.48 | 1.56 |
| Barley | 852 | -615 | 0.28 | 0.34 | 0.82 |
| Oats | 48 | -11 | 0.77 | 0.94 | 0.82 |
| Soybeans | 7,618 | 1,459 | 1.19 | 1.50 | 0.79 |
| Wheat | 11,131 | -6,409 | 0.42 | 0.74 | 0.57 |
| Upland Cotton | 6,843 | -6,077 | 0.11 | | |
| Rice | 4,336 | -2,842 | 0.34 | 0.67 | 0.51 |
| Peanuts | 1,013 | -314 | 0.69 | | |
| Other Oilseeds | 270 | 50 | 1.19 | 1.21 | 0.98 |
| Dairy | 432 | -59 | 0.86 | | |
| Wool | 36 | 0 | | | |
| Mohair | 10 | 0 | | | |
| Honey | 32 | 0 | | | |
| Dry Peas | 25 | 17 | 1.68 | | |
| Lentils | 29 | 25 | 1.86 | | |
| Small Chickpeas | 0 | 0 | | | |
| Large Chickpeas | 0 | 0 | | | |
| **Total** | **56,892** | **-21,033** | 0.63 | | |
| **Title XI** | | | | | |
| Cotton-STAX | | 3,224 | | | |
| Supplemental Coverage Option | | 682 | | | |
| Peanut Revenue Insurance | | 239 | | | |
| Participation effects from Title I | | -2,487 | | | |
| **Total Titles XI-I Effects** | | **1,658** | | | |
| Total Upland Cotton | 6,843 | -2,853 | 0.58 | 0.71 | 0.83 |
| Total Peanuts | 1,013 | -75 | 0.93 | 0.87 | 1.07 |
| **Total Commodities** | **56,892** | **-19,375** | 0.66 | 0.98 | 0.67 |

Table 4

| Crop Values, 2009-11 Average, CBO March 2012 and Senate Managers' Amendment Average Commodity Program Outlays | | | | | |
|---|---|---|---|---|---|
| **Crop** | Crop Value 2009-11 Average | CBO March 2012 Baseline | Managers' Amendment | CBO March 2012 Baseline | Managers' Amendment |
| | $ million | | | % of 2011-12 Avg Value | |
| Corn for grain | 62,614 | 2,218 | 1,643 | 3.5% | 2.6% |
| Sorghum for grain | 1,370 | 204 | 153 | 14.9% | 11.2% |
| Barley | 829 | 85 | 24 | 10.3% | 2.9% |
| Oats | 204 | 5 | 4 | 2.3% | 1.8% |
| Soybeans | 35,159 | 762 | 908 | 2.2% | 2.6% |
| Wheat, all | 12,616 | 1,113 | 472 | 8.8% | 3.7% |
| Upland Cotton | 5,692 | 684 | 399 | 12.0% | 7.0% |
| Rice | 3,008 | 434 | 149 | 14.4% | 5.0% |
| Peanuts | 919 | 101 | 94 | 11.0% | 10.2% |
| Other Oilseeds | 565 | 27 | 32 | 4.8% | 5.7% |

## REFERENCES

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# Chip Bowling NCGA Corn Board Member, Public Policy Action Team Liaison

Chip Bowling, a corn grower in Newburg, Md., serves as a member of the Corn Board of the National Corn Growers Association (NCGA), a farmer-led trade association with offices in St. Louis and Washington.

A farmer for more than three decades, Bowling is a third-generation farmer. He operates a 1,400-acre grain farm growing corn, soybean, wheat, barley and grain sorghum only an hour's drive outside of Washington, DC.

A graduate of NCGA's first Advanced Leadership Academy class, Bowling currently serves on NCGA's Association Relations Committee and as the Corn Board liaison to the Public Policy Action Team, on which he formerly served. He has also served on NCGA's CornPac Committee and Mycotoxin Task Force.

Previously, Bowling served at the state and local levels as a past president of the Maryland Grain Producers Association, a Farm Service Agency committee chairman, as a director for the Charles County Farm Bureau and on the Charles County Economic Development Board.

Founded in 1957, the National Corn Growers Association represents approximately 35,000 dues-paying corn growers and the interests of more than 300,000 farmers who contribute through corn checkoff programs in their states. NCGA and its 48 affiliated state associations and checkoff organizations work together to help protect and advance corn growers' interests.

**Committee on Agriculture**
**U.S. House of Representatives**
**Required Witness Disclosure Form**

**House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2009.**

**Organization you represent (if any): ___National Corn Growers Association, Corn Board Member_____**

**1. Please list any federal grants or contracts (including subgrants and subcontracts) <u>you</u> have received since October 1, 2009, as well as the source and the amount of each grant or contract. House Rules do <u>NOT</u> require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

**Source:_____n/a_____ Amount:_____**

**Source:_____n/a_____ Amount:_____**

**2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) <u>the organization</u> has received since October 1, 2009, as well as the source and the amount of each grant or contract:**

**Source:_____n/a_____ Amount:_____**

**Source:_____n/a_____ Amount:_____**

**Please check here if this form is NOT applicable to you: _____**

**Signature:_____**  **_____**

* Rule XI, clause 2(g)(5) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

**PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.**