STATEMENT

OF

Mr. Armond Morris
Irwin County, Georgia
Chairman
Southern Peanut Farmers Federation

BEFORE THE
SUBCOMMITTEE ON GENERAL FARM COMMODITIES AND RISK MANAGEMENT
U.S. HOUSE OF REPRESENTATIVES

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Good Morning Chairman Conaway, Members of the Subcommittee, my name is Armond Morris. I am a peanut producer from Irwin County, Georgia. I am Chairman of the Southern Peanut Farmers Federation (Federation) and the Georgia Peanut Commission. The Federation is comprised of the Alabama Peanut Producers Association, the Georgia Peanut Commission, the Florida Peanut Producers Association, and the Mississippi Peanut Growers Association. I am here today representing the Federation whose growers produce approximately 75% of all U.S. peanuts.

I have been a peanut producer for 45 years. I farm over 2000 acres of peanuts, cotton, corn, wheat, rye, and watermelons. I am active in local, state, and national agricultural organizations and am a graduate of the Abraham Baldwin Agricultural College. I serve on U.S. Congressman Austin Scott's Agricultural Advisory Committee and Senator Saxby Chambliss' Agricultural Advisory Committee.

I appreciate the opportunity to testify today on federal peanut policy as you formulate the 2012 Farm Bill. Our family's livelihood is based on agriculture which is influenced by farm policy.

The farm bill provides farmers, agribusinesses, and financial institutions as much certainty as possible in an industry that has a very large number of variables impacting profits and losses. A five year farm bill allows all segments of agriculture the opportunity to achieve the economic impact that all of us desire. We certainly recognize the budget, geographic differences and other concerns that you face in drafting national farm bill legislation.

I do want to make one point that I believe is very important to the Subcommittee. I, like many farm organization leaders, attend many grower meetings. What has been evident in the peanut producer meetings that I have participated in is that peanut producers recognize that our country is in a fiscal crisis. They recognize that all federal programs will be scrutinized and that budget cuts will be made. Peanut producers want to do their fair share.

The debate today is not whether farmers will take significant cuts in farm programs; we know this will take place. The debate today in Congress is whether we will have a farm bill that works for one or two regions of the country, and one or two crops, or a national farm bill that works for all regions of the country, and all crops.

When I began farming, the peanut industry was driven by a federal supply-management peanut policy. In 2002, peanut growers met with the House Agriculture Committee leadership and asked the Committee to move our program policy from the peanut quota program to a marketing loan type program. This marketing loan program is what we have today. It has been very successful for our industry. We support the current program as included in the 2008 Farm Bill but we recognize that there is a significant effort to eliminate direct payments.

All of our policy analyses assume that direct payments are eliminated. For the last several farm bills, peanut producers have relied on the University of Georgia's National Center for Peanut Competitiveness (Center) for farm policy economic analyses. The Center has 22 U.S. Representative Peanut Farms established and maintained by the Center. As farm organizations, members of the House and Senate, and public institutions offered farm policy concepts for the

2012 Farm Bill, the Center would analyze each proposal, including multiple scenarios through the 22 U.S. Representative Farms dispersed throughout the peanut belt (Virginia to New Mexico).

Each of these alternative or revenue type programs was found not to work on the 22 Representative Farms. I recognize that some organizations believe that a one size fits all revenue program will work for the U.S. agricultural economy. I do not agree. Our cost structure and equipment needs alone are significantly different than the Midwest with our peanut producers requiring very specialized equipment. Why don't these revenue proposals work for peanuts?

- There is No Consideration for irrigated versus non-irrigated production practices. There are significant yield differences for peanuts – at least 1100-1400 lbs -based on Risk Management Agency (RMA) data and the U.S. Representative Peanut Farms. The Center's 2011 preliminary data indicated that the yield differences could reach 3000 lbs and higher per acre in Georgia. National Agricultural Statistical Service (NASS) county yields do not separate out the differences between irrigated and non-irrigated peanuts.

  The Senate Agriculture Committee bill allows the U.S. Department of Agriculture to make this determination, but it is not mandatory.

- There is NO revenue insurance program for peanuts – all proposals use revenue insurance as the core part of their program where a producer is covered at the 65-85% level. Peanuts had a GRIP yield insurance program, but no peanut farmers used it so RMA discontinued the program. This implies county yield based programs do not work for peanuts.

  The Senate bill includes a revenue insurance program but the Congressional Budget Office scores the program at approximately $300 million. Peanut growers have been working with the U.S. Department of Agriculture (USDA) and Agrilogic on a peanut revenue insurance program since Fall of 2009. On May 10, 2012, the Federal Crop Insurance Corporation (FCIC) Board of Directors voted in the affirmative to approve the peanut revenue insurance package to be submitted for external review. The expectation is that if the FCIC Board of Directors approves it at their August or September Board meeting, the peanut revenue insurance package should be available for the 2013 peanut crop season.

- Peanuts do not have any source for a predicted harvest price.

- Peanuts DO NOT and WILL NOT HAVE A FUTURES MARKET like other row crops. Multiple land grant university studies and efforts by the U.S. Department of Agriculture have all concluded that a futures market is not an option for peanuts.

- The Rotterdam price series with appropriate conversion formula for peanuts is the best source, not NASS. Our own U.S. government used the Rotterdam price series during the GATT trade negotiations and the USDA Foreign Agricultural Service reports that price series.

- Utilizing NASS-CRD and NASS-County yields WILL NOT work for peanuts.

  None of the 6 Georgia Representative Farms analyzed trigger on either the CRD criteria or the county level using existing NASS yields. No CRD district that has one of the Center's Representative Peanut Farms outside the Southeast would trigger a payment. Peanuts have a greater variability of yields within a county and CRD than other row crops excluding cotton.

- An Olympic average does not protect a farm from a period of depressed prices or weather related depressed yields.

- Given the 2011 peanut season, none of the non-irrigated producers who had between no yields to 1000 lbs would have been helped by any of the proposed revenue proposals.

  The Senate ARC proposal will trigger a couple of farms with non-irrigated peanuts and extremely low yields, below 1000 pounds.

If we eliminate direct payments, what will work for peanut producers? After conferring with the Center over the last 9 months, we believe producers need a policy choice to manage risk – Revenue Protection, Price Protection and Crop Insurance. We support producers having a choice between a counter cyclical type program with a target price of $534 per ton and a revenue program. In consultation with the Center and analysis of the 22 representative farms, we believe this target price will serve as protection during periods of low prices. USDA estimates that the market price for peanuts is over $1000 per ton. I can assure you, just as any peanut producer or major buyer of peanuts would, that a $534 per ton target price WILL NOT increase peanut production or acreage. Please also note that we have to rotate peanuts and if our rotation gets out of sync then costs escalate and yields decline.

At the same time, peanut producers need a revenue program that is a real, substantive choice for producers. This should include a Reference Price of $534 per ton and a world market price determined by a Rotterdam price analysis.

Although we asked the Senate Agriculture Committee to include a producer choice type program, counter-cyclical program, or revenue program in their legislation, the Committee failed to do so. We asked the Center to evaluate the Senate Agriculture Committee 2012 Farm Bill as to its impact on peanut producers. The Center determined that the Senate's Agricultural Risk Coverage (ARC) program was not beneficial to peanut producers. The percentage cut in payments that the 13 Southeastern representative peanut farms would have received if the ARC component was in effect during the 2007-2011 time period would have ranged from 6.5% to 95% with the average being 62% under the ARC option (See attachment 1). The Senate Committee's period to determine a farmer's eligible acres is 2009-2012. This change will adversely affect peanut producers in Oklahoma, Texas and Virginia where there have been significant changes in peanut acreage since 2002.

In addition, the Center applied the Senate's ARC program to peanut producers for the 2013-17 crop years. The analysis for 2013-2017 crop years using the Senate's ARC program indicated, except for one farm, that no representative farm had any payments during the life of the 2012 Farm Bill. This applies to all three regions of the peanut belt (See attachment 2).

As I mentioned in the beginning of my testimony, I also grow other commodities including corn and wheat. In examining the Senate's ARC program on my farming operation, I do not see how it will help my farm maintain economic viability with respect to corn and wheat relative to the current program. We looked at the county level data for my county Irwin plus two neighboring counties of Coffee and Turner. None of these counties would have triggered an ARC payment for corn for the years 2007-2011. However, I asked the Center to apply the Senate's ARC program to its representative farms for the years 2007-2011 with respect to corn and wheat production in the South. Due to our weather patterns, the majority of the representative farms with corn production are under irrigation. None of the irrigated corn production on the representative farms triggered an ARC payment. In contrast, every non-irrigated corn producer triggered a payment at least one of the years. Please note the payments were at a level of $4.11-$7.19 per planted acre. Except for one farm, these payments were 54% to 71% less than what they received under the current program. For the irrigated corn producers, they had a 100% loss in government payments. While their analysis is not complete in looking at the 2013-2017 time period, indications are that the conclusions will be similar to their findings for 2007-2011. With regard to wheat, only one representative farm in each of the three peanut production regions triggered an ARC payment. The farm in the Southeast triggered one year and its 5-year average payment was half of what it received under the current program. The farms in the Virginia-Carolina area and in the Southwest region did not have any wheat base. Their 5-year average payment was $1.53 per planted acre and $3.48 per planted acre, respectively. Those levels of payments will not sustain an economically viable operation during the hard times.

We hope the Committee will work hard to assure that program participation applies to the producer. There are areas in the peanut belt, i.e. tobacco counties that do not have any commodity base. Please take this into consideration when developing the legislation.

Mr. Chairman, you and other members of the Committee were successful in reforming payment limitation rules in the 2008 Farm Bill. Working with agricultural groups and members of Congress not on the Agriculture Committee, I believe the reforms in the 2008 Farm Bill were equitable. We request that the current adjusted gross income rules and payment limitation restrictions be continued in the 2012 Farm bill.

Our peanut producers ask that the House Agriculture Committee draft a Farm Bill that works for farmers across the nation, not just one or two regions of the country. This Committee has a long history of developing U.S. farm policy in a bipartisan manner. I know you and many members of this Committee and am confident that no farm bill will move forward that doesn't represent the interests of all U.S. farmers and ranchers. We believe Chairman Lucas and Ranking Member Peterson were on the right track last year with their budget recommendations on Producer Choice.

In closing, I appreciate the opportunity to testify before the Subcommittee today. You have a difficult task before you as you attempt to reconcile a crisis in our federal budget while assuring that Americans have an adequate, safe food supply.

Thank you.