Farm Bill Testimony | May 17, 2012

Presented to:

House Committee on Agriculture

Subcommittee on General Farm Commodities & Risk Management

1301 Longworth House Office Building, Washington, D.C. 20515

Presented by:

J.B. Stewart

National Sorghum Producers Vice Chairman

200 N Jefferson, Keyes, Oklahoma 73947

Introduction

Thank you Subcommittee Chairman Conaway, Ranking Member Boswell and the entire Subcommittee on General Farm Commodities and Risk Management for holding this hearing today. I also thank you for the opportunity to submit testimony on the impact future farm policy under the next farm bill will have on sorghum producers across America and my operation alike.

My name is J.B. Stewart, and my son Jarrod and I grow grain sorghum, wheat and sunflowers. We also operate a commercial spraying and ag supply business in the far western panhandle of Oklahoma near Keyes. It is a semi-arid region with variable weather, but my family has lived and worked the land here since 1918. In fact, I still own the quarter of land my great grandfather homesteaded that year. I am a fourth generation farmer, and I have a seven-year-old grandson that will likely be the sixth generation.

Before I go any further, I would also like to thank my Congressman Chairman Frank Lucas for his leadership of this House process and for recognizing the importance of fair treatment for sorghum and identifying its water-saving advantages.

I am currently serving as vice chairman of NSP's board of directors and chairman of the NSP legislative committee, and I understand that the actions of this committee and the actions of the U.S. Congress have a significant impact on my farming operation and individual commodities.

NSP supported the work put forth last fall and we look forward to working with the House Agriculture Committee over the next several months as the next farm bill is drafted. My testimony will focus on several areas of farm policy as they relate to sorghum's safety net, including crop insurance, the importance of equity in Title I, and the sustainability of sorghum.

Industry Overview

The Great Plains states produce the largest volume of grain sorghum, but the crop is also grown from Georgia to California and South Texas to South Dakota. According to the National Agricultural Statistics Service, last year sorghum was produced in many of the states you represent. This includes Texas, Kansas, Oklahoma, Illinois, Arkansas, Missouri, Georgia, North Carolina, California, Alabama and Ohio.

Over the past 15 years, grain sorghum acreage has ranged from a high of 13.1 million acres in 1996 to a low of drought reduced 5.5 million acres planted in 2011. On average the crop is valued at approximate $1.2 billion annually.

The creation of the Conservation Reserve Program in the 1985 Farm Bill had a significant impact on the sorghum industry as producers enrolled thousands of sorghum acres in CRP. Today's sorghum acreage is one-third of its level prior to the 1985 Farm Bill. As CRP acreage is reduced, production of this water-sipping crop should move back toward the pre-1985 Farm Bill acres. NSP expects that returning acreage to that level will help ensure necessary infrastructure to supply the needs of our domestic and international customers. This goal is consistent with the working lands approach to conservation.

Forage and Grain Sorghum

Forage sorghum utilized as silage, hay and direct grazing represents approximately an additional 5 million acres of production. The U.S. is the world's chief exporter of grain sorghum, and the crop ranks fifth in size as a U.S. crop behind corn, soybeans, wheat and cotton.

Grain sorghum is a non-transgenic crop and is typically exported to three main markets: Mexico, Japan and the European Union (EU). According to the May 2012, World Agricultural Supply and Demand Estimate (WASDE), U.S. exports accounted for approximately 28 percent of this year's sorghum use.

The most important new market for grain sorghum is the biofuels industry. According to the latest WASDE report, industrial use including ethanol production will account for 42 percent of total sorghum usage. This is more than triple the amount of the 2007-08 crop year, and this market has even more potential in the future.

In addition, the U.S. dominates world sorghum seed production with a $200 million seed industry focused on 200,000 acres primarily in the Texas Panhandle.

Sweet and Energy Sorghum

Two other very important sectors of our industry are sweet sorghum and high biomass, energy sorghum. Most Americans perceive sweet sorghum to be used to make syrup or molasses. However, it is also used worldwide for the production of renewable fuels and chemicals. India, China and South America are producing renewables from sweet sorghum, and many private and public pilot studies are ongoing in the U.S. to explore the potential of sweet sorghums.

These crops do not receive benefits as Title I commodities, nor as specialty crops. It is critical that these two crops receive crop insurance to help level the playing field with Title I and specialty crops. We appreciate the Senate farm bill package that reinforces the importance of having crop insurance for dedicated energy crops such as sweet and biomass sorghum, and we urge this committee to do the same.

Farm Bill Priorities

Protect Federal Crop Insurance

Sorghum producers across the Sorghum Belt faced significant challenges last growing season as a result of the drought. NSP supports Federal Crop Insurance, which is providing meaningful risk management tools to our producers. We feel the program should be built upon in the following ways:

- We believe the APH methodology should be reformed and county T-yield system improved so as to reduce the impact of local weather phenomena and allow the producer's insurable yield (pre-deductible) to reflect what the producer and his lender would actually hope and expect to produce in that year. Specifically for sorghum, we would request that RMA exclude the impact of second crop sorghum yields on county T-yields. The T-yields are so low in some of the sorghum producing counties that they provide no protection.
- We would also support improvement to the product development processes so that there would be a clear pathway to bring new policies, like one for sweet sorghum or high biomass energy sorghum, to market. Additionally, we need the sorghum silage pilot program expanded nationwide for 2013.
- In no case should the crop insurance tools, which are purchased by the producer, be encumbered with environmental regulation or other conditions such as payment limits that fall out of the scope of insurance.
- As crop insurance continues to grow in crops covered and area covered, NSP wants to make sure that new products and options for one crop continue to be made available for other crops quickly. For example, sorghum looks forward to having the trend yield adjustment for sorghum in 2013. The trend-yield adjustment option has proven to have significant value for corn and soybean producers in 2012 and sorghum farmers look forward to having the same opportunity in 2013.
- We support a TCO or SCO type product. Our analysis shows that this is a simple way to provide a safety net across a number of geographic areas and different commodities.

Carefully Consider Impact on Planting Decisions

Sorghum is an agronomically important crop across the center of the nation and beyond. However, it is often not the largest acre crop for producers and is extraordinarily sensitive to any incentives that are created in the farm program. No matter which form of assistance is pursued, NSP's second priority is that special care be taken to encourage crop diversity and rotation on the farm to avoid a monoculture system that rejects agronomics in favor of higher government support. In considering options in this regard, we give weight to the following factors:

A program should not dictate or distort planting decisions. Decoupled direct payments are excellent in this regard, but the consensus seems to be they should be eliminated. Going forward, any commodity specific program that is tied to planted acres must be designed with extreme care to avoid creating payment scenarios that incentivize farmers to plant crops with higher inherent value to maximize payments rather than making the wisest possible agronomic decisions.

As we have analyzed the Senate Farm Bill ARC program, we found that there is not a strong amount of coverage per acre for any crop, but inasmuch as the potential benefits are tied to planted acreage we are still concerned about the disparity among crops and the impact that would have on plantings.

The chart on the following page shows actual dollars that would have been paid out over the last several years both based upon the county program or on the individual farm level for multiple crops. Our analysis for these four sorghum producers in Kansas, the largest sorghum producing state, shows an average ARC payment of only $2.27 an acre with a trigger frequency of 26.1 percent. Additionally, it shows that sorghum is generally toward the bottom of the payments that would have been made.

In reality, the ARC program is essentially free insurance. Our fear is that when given free insurance, farmers or lenders would pick the coverage with the highest potential payout. This free insurance does not appear to serve sorghum well.

Comparison of Individual Payments to County Payments

Table 1: Comparison of Individual and County Payments in Kansas

		Individual		County (Individual Years Only)	
County	**Crop/Practice**	**Avg. $/Ac**	**Frequency**	**Avg $/Ac**	**Frequency**
Kingman	Sorghum/NI	1.53	35.7%	3.50	42.9%
Kingman	Soybeans/NI	7.19	60.0%	6.53	40.0%
Kingman	Wheat/NI	2.28	38.5%	2.01	23.1%
Ellsworth	Sorghum/NI	3.51	27.8%	3.34	26.3%
Ellsworth	Soybeans/I	12.85	66.7%		
Ellsworth	Soybeans/NI	2.68	40.0%	6.11	46.7%
Barton	Corn/I	2.32	20.0%	0.00	0.0%
Barton	Corn/NI	0.00	0.0%	0.00	0.0%
Barton	Sorghum/NI	0.00	0.0%	0.00	0.0%
Barton	Soybeans/NI	6.02	33.3%	6.81	33.3%
Barton	Wheat/NI	2.99	44.4%	0.00	0.0%
Ford	Corn/I	1.59	11.1%	0.10	10.0%
Ford	Sorghum/NI	3.36	22.2%	3.68	33.3%
Ford	Wheat/NI	1.45	23.1%	1.92	23.1%

* Incomplete County Irrigated Soybean Data

Based on average dollars per acre received in the 13 comparisons (excluding Ellsworth irrigated soybeans) and using the county data from the years that the producer would have been participating in ARC (green and blue columns), the individual producer would have been better off using the individual choice six times. Based on frequency, the individual choice would have also been the better choice six times. The largest spread between the county and individual average payments per acre was the difference in Ellsworth County for non-irrigated soybeans. The county averaged payments of $6.11 per acre compared to the individual payments of $2.68 per acre while the frequency was very close (46.7 percent for the county versus 40.0 percent for the individual).

While we appreciate the complexity of the cotton program and the challenges of the WTO case, we are also concerned about how STAX would impact sorghum's acreage, especially in high commodity price scenarios given the differentiated high premium assistance rate included in STAX.

Bottom line, while we understand the Committee's desire to tailor programs for those at risk, we urge extreme caution in this area and care so as to not discourage or limit future sorghum plantings. Our priority is to ensure that as irrigation water declines in the Sorghum Belt and market opportunities for sorghum grow in non-traditional sorghum

areas like North Carolina, farm policy does not discourage producers from continuing to change. Any policy that is re-coupled to planting will push producers to higher value crops unless precaution is taken to encourage diversity and rotation.

Simple and Bankable Price Protection

With all the discussion about new and complicated options – very reminiscent of the 2008 approach that gave us ACRE and SURE in addition to a traditional safety net, NSP would urge this Committee to step back and focus on what is really needed. In a word, that is stability.

Farm Policy should be simple and bankable. The recently expired SURE program had too many factors and was not tailored to the multiple business risks producers' face — it was not simple. The ACRE program was based on state-wide revenue – it was not bankable. The marketing loan and target prices are simple and bankable — unfortunately the trigger prices are no longer relevant to current production costs.

A program should be targeted and defensible. We believe it makes sense to provide assistance when factors beyond the producers' control create losses for producers.

A program should be built to withstand a multi-year low price scenario. Whether in a revenue plan, or a price-based counter-cyclical plan, we would prefer to have a set minimum price that serves as a floor or reference price to protect producer income in a relevant way in the event of a series of low price years. Ideally, this minimum could move over time should production costs also increase.

Eliminate Dated Pay Limits

Given the likely possibility that a new farm program would have less certainty for the producer (due to the likely elimination of direct payments) and will therefore be designed to provide assistance only in loss situations, NSP believes the program should not be limited based on arbitrary dollar limits, i.e. assistance should be tailored to the size of loss. A producer should not be precluded from participating in a farm program because of past income experience. Any internal program limits on assistance should be percentage-based (i.e. 25 percent of an expected crop value) and not discriminate based on the size of farm.

Finally, as stated above, Crop Insurance must remain free of arbitrary payment limitations or means tests.

Build Incentives into Conservation, Energy and Research Titles

While we know these titles are not under this subcommittee's jurisdiction, these additional titles are important in the overall farm policy picture. Sorghum is a highly water efficient

crop that works well in various rotation systems, spanning from southern Texas to South Dakota. It thrives in drought prone areas because, whereas other crops will die during a period of prolonged water stress, sorghum will become dormant and thrive again upon taking in moisture. This ability to make a crop under the most water deficient conditions allows sorghum to fit easily into farms where water is becoming more scarce each year. As such, we suggest strengthening existing water conservation language in the Ag Water Enhancement Program (AWEP) in the farm bill to more specifically encourage planting sorghum and other water saving crops. Currently, the program allows incentives for switching to lower water intensity crops, but a vast majority of payments are going to other projects. There is also a place for water conservation language in existing Conservation Security Program (CSP) and Environmental Quality Incentive Program (EQIP) language, and NSP encourages the strengthening of water conservation options wherever practical. Using farm bill conservation programs as a transitional support, farmers will be able to economically justify switching higher value crops to lower water intensity crops over time.

Additionally, grain, sweet and high biomass forage sorghums are all used to produce renewables under economically viable biofuels technologies. We support the continuation of a farm bill energy title and specifically encourage continuing mandatory funding of the Bioenergy Program for Advanced Biofuels from Section 9005 of the 2008 farm bill. This program allows incentive payments to eligible biofuels producers that use feedstocks outside the mainstream, like sorghum. It has had positive economic impact on the Sorghum Belt and served as a water savings incentive where aquifers are already depleted.

Finally, sorghum does not enjoy the significant research support by private industry that the large acre crops enjoy. Additionally, we do not receive the public dollars targeted to specialty crops. Therefore, it is a challenge for sorghum to get the investment to continue to make genetic improvement. In reality, sorghum improvement has been quite remarkable over the last twenty years given the fact that we have lost many of the “best” acres sorghum was planted on to other crops, and we have not had billions of dollars of investment. It is critical that sorghum receive investment to continue to make the improvement that will be necessary to help feed a growing world population.

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.

Name: J.B. Stewart

Address: 200 N Jefferson, Keyes, OK 73947

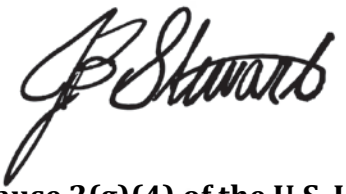
Telephone: (580) 546-7252

Organization you represent (if any): National Sorghum Producers

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2009, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers: **None.**

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2009, as well as the source and the amount of each grant or contract: **None.**

✓ Please check here if this form is NOT applicable to you.

Signature: 

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Information Required From Non-governmental Witnesses

House Rules* require nongovernmental witnesses to provide their resume or biographical sketch prior to testifying.

Name: J.B. Stewart

Address: 200 N Jefferson, Keyes, OK 73947

Telephone: (580) 546-7252

Organization you represent (if any): National Sorghum Producers

J.B. Stewart Biography

J.B. Stewart began farming with his dad in Keyes, Okla., when he graduated from college in 1969 from Oklahoma Panhandle State University with a double major in animal science and chemistry. He and his wife Carol have been married for 42 years and have three children. His son Jarrod joined the family farming operation in 1993 when he graduated college. Together they grow sorghum, wheat, and sunflower and operate a chemical fertilizer business they started in 2002. J.B. has also served on his county FSA committee for 15 years, his local Farmers Home Administration Committee for four years, his local school board for 15 years, and he has been a lifetime member of the First Baptist Church of Keyes.