USA Dry Pea & Lentil Council

Statement by Jim Thompson, Chairman
USA Dry Pea and Lentil Council

Before the

Subcommittee on General Farm Commodities & Risk Management
House Agriculture Committee

Hearing on the Formulation of the 2012 Farm Bill:
Commodity Programs & Crop Insurance

May 17, 2012

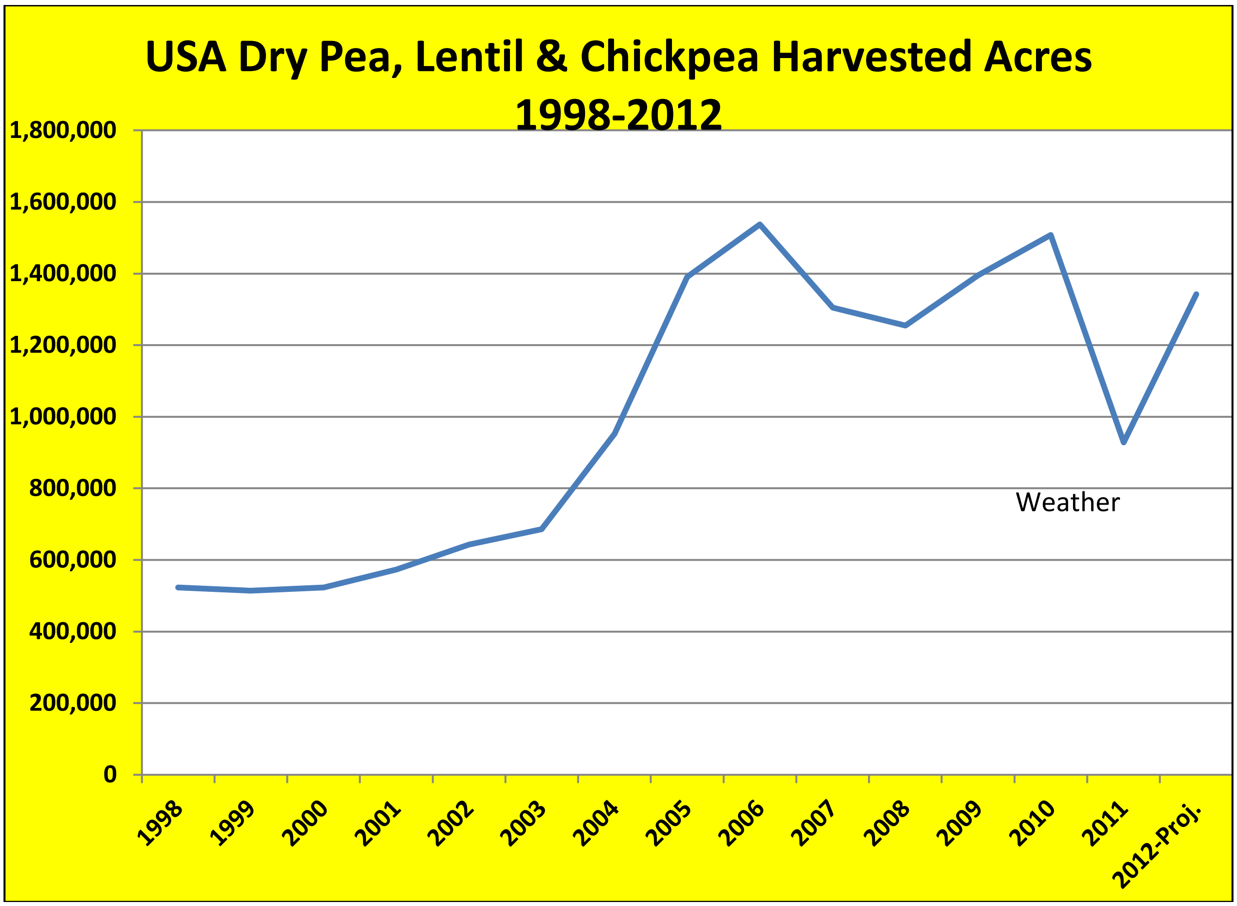
Mr. Chairman and Members of the Subcommittee, I am Jim Thompson. I got off my tractor yesterday to attend this important hearing. We are still seeding in Eastern Washington where I am a third generation small grains farmer growing pulse crops, wheat and barley. I am also the current Chairman of the USA Dry Pea and Lentil Council.

The USADPLC represents producers, processors, exporters, warehouseman of dry peas, lentils and chickpeas (pulse crops) grown in the United States. Our mission is to provide cost effective solutions to the **health, food security, and agricultural sustainability** problems of this great nation. Pulse crops are considered one of nature's "super foods". They contain high levels of inexpensive vegetable protein, dietary fiber (excellent source), potassium (more than a banana), folate and other essential nutrients. In addition to their remarkable nutrient composition these legume plants do not require application of artificial fertilizers because they fix their own nitrogen from the atmosphere.

Dry peas, lentils and chickpeas are grown primarily in the northern tier states of Washington, Idaho, Montana and North Dakota with some chickpea production in California and Arizona. However, acreage of pulse crops is expanding into the great plain states of South Dakota, Wyoming, Colorado, Nebraska and Kansas. Since the year 2000 acreage of pulse crops has nearly tripled to 1.5 million acres replacing summer fallow in mostly dry land crop rotations because of their efficient use of available moisture. The acreage expansion has been fueled by strong domestic and global demand for these healthy, cost effective foods.

Budget Concerns- The membership of our organization is fully aware of the budget deficit facing this country. We applaud the bipartisan effort last fall between the Chairs of the House and Senate Ag Committees to reduce agriculture spending by $23 billion over the next ten years. However, we are concerned that farm policy spending is being singled out for disproportionate cuts compared to other federal programming. In the past five years (2007-2011) farm policy, including crop insurance averaged $12.9 billion per year. Spending on farm policy is less than one quarter of 1 percent of the federal budget. Farm policy has been subject to three rounds of cuts in the past six years totaling roughly $15 billion in real savings. We ask Congress to reject efforts to disproportionately cut farm policy programming that is critical to maintaining a healthy agricultural sector.

Reauthorization- The producers of pulse crops urge Congress to reauthorize the Farm Bill this year. Agriculture is a risky business that requires huge capital outlays each crop season. My bankers and the suppliers I deal with need to know the outcome of this legislation as soon as possible. Our organization asks the Committee and Congress to pass bipartisan legislation prior to September 2012.



Risk Management

Maintaining cost effective crop insurance programs for pulse producers is a high priority for the USA Dry Pea and Lentil Council. Pulse producers view crop insurance as a necessary risk management tool with over 90% of the planted acres enrolled in the current crop insurance programs.

The Weather- In 2011 pulse producers across the northern tier faced unprecedented spring flooding and excessive moisture during the planting season. The crop insurance prevented planting provisions on many farms was the difference between surviving to plant another year and financial ruin.

Pulse Revenue Pilot- The crop insurance program is the core risk management tool for all northern plains crops, including dry peas, lentils and chickpeas. On March 1, 2012, the Federal Crop Insurance Corporation (FCIC) board of directors approved a pilot revenue policy for pulse crops. Pulse producers have been working to obtain a revenue policy for over 13 years. The revenue policy will be offered in combination with the existing yield policy. Pulse producers consider the option to purchase yield or revenue coverage a critical risk management tool for their farming operations.

508 (h) Program- The pulse revenue pilot approved by the FCIC board was submitted under the 508 (h) policy development process included in the last farm bill. The USADPLC strongly supports the 508 (h) program that allows commodity groups like ours to bring forward new risk management ideas. Recently the USDA made a significant change to the reimbursement rate allowed 508 (h) developers. This action could limit future submissions from small commodity groups with limited financial resources. We ask the committee to review this issue during the farm bill debate to ensure the 508 (h) programs remains strong and affordable.

Oppose Restrictions- The USADPLC opposes major restructuring of the crop insurance program in the 2012 Farm Bill. Producers should be encouraged to participate in crop insurance programs. The USADPLC would oppose provisions like means testing and conservation requirements that would limit participation in crop insurance.

Commodity Title

Planting Flexibility- The Commodity Title must allow and encourage planting flexibility, so producers will respond to market signals rather than government payments. Our industry has suffered through periods of low prices. When low prices return to agriculture, we do not want artificially set target prices that will inevitably distort planting decisions. If pulse target prices are not in line with other program crops in the rotation, we could see dramatic declines in acreage. This would be devastating to our growing pulse processing and support industry that provides important jobs in rural areas. As a farmer I have lived through a banker telling me to raise wheat instead of lentils because wheat had a better safety net.

Marketing Loan- We support the continuation of the marketing loan program and would like to see loan rates rebalanced to reflect current market conditions for the past five years. We believe a rebalanced marketing loan/LDP program to be simplest and most affective farm safety net for all program crops. We realize that this idea may fall outside the budget constraints facing the committee.

Counter Cyclical- Pulse crops have never received a direct payment or a counter cyclical payment. The current counter cyclical program set for pulse crops in 2008 has no relationship to historical or current market conditions. We support its elimination in favor of a market based revenue option.

Revenue Option- Our organization supports a revenue option similar to the Average Risk Coverage (ARC) program passed by the Senate Agriculture Committee. Crop insurance is a good risk management tool, if prices or yields decline sharply within the crop year of production. However, multi-year price and/or yield declines leave producers vulnerable. The USADPLC supports the establishment of a revenue option to cover shallow losses between crop insurance coverage and the risk of a multi-year farm revenue collapse. The established price for the revenue option should be based on current market conditions and calculated the same for every crop in the program. The revenue option price should have a cup and cap of no more than 10% in any given year for the life of the farm bill. The revenue option should put every program crop on equal footing based on recent pricing history. Our organization strongly supports a revenue option with a farm level trigger.

In conclusion, we would like to reiterate the importance of reauthorizing the farm bill prior to the September deadline. We ask the committee to maintain a strong and unrestricted crop insurance program that will protect farmers from short term revenue and yield volatility. Finally we ask the committee to support a rebalanced marketing loan program and a revenue option based on current market conditions that will ensure continued planting flexibility and protection from a multi-year farm revenue collapse.

Thank you for the opportunity to submit these comments on behalf of our organization and the Dry Pea, Lentil and Chickpea producers of the United States.

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Attachment #1

U.S. Crop Prices vs. 2008 Farm Bill

	2008 Farm Bill				Crop Prices*	
	Direct	Loan	CC		5 yr Avg.	2 yr. Avg
	Payment	Rate	Target Price		2007-2011	2010-2011
Wheat, All (bu)	0.52	2.94	4.17		6.24	6.50
Barley, All (bu)	0.24	1.95	2.63		4.67	4.63
Corn (bu)	0.28	1.95	2.63		4.68	5.69
Soybean (bu)	0.44	5.00	6.00		10.52	11.50
Cotton, all (lb)	0.0667	0.52	0.71		0.71	0.91
Rice All	2.35	6.50	10.50		14.12	13.45
Sorghum (bu)	0.35	1.95	2.63		7.66	9.93
Peanuts (ton)	36	355	495		460.33	505.00
Canola (cwt.)	0.8	10.09	12.68		19.09	21.30
Dry Peas (cwt)		**5.40**	**8.32**		**12.01**	**12.24**
Lentils (cwt)		**11.28**	**12.81**		**28.61**	**28.55**
Small Chickpeas (cwt)		**7.43**	**10.36**		**22.41**	**21.45**
Large Chickpeas (cwt)		**11.28**	**12.81**		**32.56**	**36.00**

*Source- USDA/NASS Annual Crop Values