

Testimony of  
Woody Anderson  
Presented at the Farm Bill Field Hearing  
U.S. House Committee on Agriculture  
Dodge City, Kansas  
April 20, 2012

I am Woody Anderson, a predominantly dry-land cotton and grain producer from Colorado City, Texas. Colorado City is located in the Rolling Plains of Texas, right in the middle of Midland, Abilene, San Angelo, and Lubbock. I want to thank Chairman Lucas and Ranking Member Peterson for the opportunity to provide my thoughts on the next farm legislation. I would also like to offer a special thanks to my congressman, Representative Mike Conaway, for his work on this committee, his chairmanship of the Subcommittee on General Farm Commodities and Risk Management, and for his dedicated representation of 11<sup>th</sup> District of Texas.

Agriculture is one of the most important industries in Texas and the United States. Numerous businesses, financial institutions and individuals provide supplies, financing and services to the farmers and ranchers that produce our nation's food and fiber. In Texas, it is estimated that farm and farm-related employment accounts for 14% of all jobs. As a result, an effective farm bill that supports production agriculture is also an effective jobs bill for the general economy.

Overall, U.S. farmers are benefitting from relatively high commodity prices when compared to historical averages. However, it is important to remember that costs of essential inputs such as seed, fuel and fertilizer are also at historically high levels. As a result, profit margins remain thin. Higher prices have also brought increased volatility. When coupled with increasingly unpredictable weather, the risk of producing a crop has never been greater.

As a dry-land producer in Texas, I have first-hand experience of the risks farmers face. In 2011, Texas suffered the most devastating drought since recordkeeping began. Statistics cited in a recent report by the Texas Comptroller indicate that direct and indirect losses from the drought are approaching \$9 billion. On my farming operation, I was unable to harvest even an acre that I had planted to cotton. Without the safety net provided by crop insurance and other programs authorized by the farm legislation, it would be virtually impossible to survive such a devastating loss.

As this committee works to reauthorize farm legislation, I appreciate the challenges posed by the difficult budget climate in Congress and by those in Congress that continually question the need for farm programs. While agriculture is willing to make a proportionate contribution to deficit reduction, it is vitally important that budget constraints and farm program critics not be allowed to undermine the effectiveness of our farm safety net.

With respect to production agriculture, I strongly encourage this committee to take into consideration the diversity of production practices, cost structures and risk profiles. What works for my operation isn't going to be the same as farmers in California, North Dakota or Iowa. A one-size-fits-all farm program cannot address this diversity, and I hope that the eventual farm bill

will offer a range of programs structured to address the needs of the different commodities and production regions.

I also urge the committee to complete the farm bill this year – in advance of the expiration of the current legislation. We need some certainty regarding farm programs as we look at the long-term investments necessary to keep our farming operations economically viable; and to assure our bankers that there is an adequate safety net.

While my farming operation occasionally includes grain production, I consider cotton to be my primary crop. The 2008 Farm Bill has served cotton farmers extraordinarily well and, in recent years, has required minimal federal outlays. However, deficit reduction efforts are placing unprecedented pressure on the existing structure of farm programs. The cotton industry also faces the unique challenge of resolving the longstanding Brazil WTO case.

In order to respond to the challenge of designing the most effective safety net with reduced funding and to make modifications that will lead to the resolution of the Brazil case, it is very important that the new farm legislation includes the cotton industry's proposal of a new revenue-based crop insurance program which will result in strengthening growers' ability to manage risk. By complementing existing products, the Stacked Income Protection Plan, or STAX for short, will provide a tool for growers to manage that portion of their risks for which affordable options are not currently available. This revenue-based crop insurance safety net would be combined with a modified marketing loan that is adjusted to satisfy the Brazil WTO case. Even with modifications, the marketing loan will remain an important source of cash flow from merchandisers and producers.

Farmers understand that agriculture is an extremely risky endeavor, but they also understand that effective risk management is the key to long-term viability. While the goal of farm programs is not to completely remove the risk associated with farming, farm programs should strive to provide opportunities for effective risk management. STAX accomplishes that goal.

Given the diversity of weather and production practices, the menu of insurance choices should be diverse and customizable, allowing for maximum participation and effective coverage. In the 2008 farm bill, the introduction of enterprise unit pricing gave producers one more option for insuring against those risks that are beyond their control. I strongly support the continuation of that option in the 2012 farm bill, and would urge consideration for expanding the option to allow a producer to apply enterprise unit pricing to acres that are separated by irrigated and non-irrigated practices.

Regarding crop insurance products, there has been increased scrutiny given to those programs as indemnities for the 2011 crop have increased. However, despite the dramatic increase in indemnities for last year's crop, total indemnities remain below total premiums, and thus, the program is operating at a loss ratio less than 1.0.

As a farmer who understands the vital importance of effective insurance products, I am very concerned about a recent report by the General Accountability Office that calls for limits on insurance programs. My concern is founded in the fact that crop insurance is a basic safety net

than only indemnifies a grower when he incurs a loss. Even then, the grower is not made whole and is only compensated for a portion of his loss. The value of crop insurance coverage is based directly on the expected market value as determined in the futures market. In Texas, essentially all farmers purchase insurance on all of their acres in crop production. For cotton, most acres have coverage between 60 and 70%. If a grower receives an indemnity under that type of policy, that indemnity leaves a 30 to 40% loss that is uncompensated. Now, there are efforts by GAO and some in Congress that attempt to deny that basic coverage to producers by imposing arbitrary limits. I would also oppose any conservation compliance requirements in order to be eligible for federal crop insurance benefits. For Texas, I can assure this committee that any limits or eligibility requirements that deny farmers the opportunity to purchase affordable insurance products will completely undermine the ability to secure production financing.

Along those lines, I also encourage this committee to resist efforts to further tighten existing payment limits and income means tests on other support programs. 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 also incompatible with a market-oriented farm policy.

As a final point, cotton farmers understand that our ability to produce a crop is directly tied to there being a strong and stable demand from the textile manufacturers that produce yarn, fabric and a wide variety of textile and apparel products. We are fortunate to sell our cotton to mills in the United States, as well as several countries in the international market.

For U.S. mills, the 2008 farm bill introduced an economic assistance program, and I am pleased to say that the program has been a resounding success. We have seen a revitalization of the U.S. textile manufacturing sector, as evidenced by new investments and additional jobs. I urge this committee to continue this program in the new farm bill.

To maintain a healthy presence in highly competitive export markets, continuation of adequately funded export promotion programs such as the Market Access Program and Foreign Market Development Program is critical. Individual farmers and exporters do not have the necessary resources to operate effective promotion programs which maintain and expand markets – but the public-private partnerships, using a cost-share approach, have proven highly effective and have the added advantage of being WTO-compliant.

I very much appreciate the opportunity to provide these comments and look forward to answering your questions at the appropriate time.

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: Woody Anderson

Organization you represent (if any): ANDERSON FARMS

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:

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

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:

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

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

Signature: Woody Anderson

\* 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.

# WOODY ANDERSON

## PROFESSIONAL

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### **Anderson Farms**

*Co-owner, 1974-Present*

Third generation family farm primarily growing cotton along with wheat, grain, and alfalfa on approximately 4,000 acres.

## BOARDS AND ASSOCIATIONS

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### NATIONAL

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#### **National Cotton Council**

*Farm Policy Task Force, Chairman, 2005-2012*

Helped lead industry efforts to develop consensus for 2007 farm bill and communicate those priorities with council leadership to the respective committee staff and members of Congress.

*Chairman, National Cotton Council, 2004*

Represented U.S. agriculture and the cotton industry by accompanying Under Secretary J. B. Penn to the Ministerial Conference on Harnessing Science and Technology in Burkina Faso, aimed at promoting agricultural technologies in 15 West African countries. Chaired session on Partnerships to Enhance Production and Marketing of High Valued Crops in Africa. Traveled with State Department and FAS officials to cotton-growing regions of Burkina Faso.

Met with Linnet Deily, United States Ambassador to the World Trade Organization (WTO) in Geneva, Switzerland regarding the framework text for agricultural negotiations issued by the WTO in July of 2004.

Led cotton industry efforts to shape constructive trade relations with China in meetings in Beijing and Shanghai, China. Met with top officials from the China Cotton Association, the National Development and Reform Commission, the China National Cotton Reserve Corporation, and the China National Textile Industry Council. Toured Chinese textile facilities and encouraged the use of cotton standards that would facilitate U. S. cotton exports.

Testified before the House Agriculture Subcommittee on General Farm Commodities and Risk Management at the mid-term review of the 2002 Farm Security and Rural Investment Act detailing farm law success and importance to the structure and stability of the U. S. cotton industry.

*Vice-Chairman, National Cotton Council 2003*

Traveled to Brazil with Council Chairman Bobby Greene and council leadership to meet with textile mill executives and view expanding cotton acreage in the state of Mato Grosso.

**Texas State Farm Services Agency (FSA)**

*State Committee Chairman, 1997-2001*

Appointed to serve FSA State Committee as Chairman by USDA Secretary Dan Glickman. Administered the delivery of U. S. farm programs through the FSA committee system. Worked closely with the Natural Resource Conservation Service to coordinate program benefits and co-locate offices in Texas.

**American Cotton Producers**

*Vice-Chairman, Southwest Region, 1996-2002*

Represented Texas, Oklahoma, and New Mexico producers on the Executive Committee of American Cotton Producers.

**National Cotton Council**

*Delegate, Chairman, Crop Insurance Committee 1995-1997*

Worked with Council leadership and Risk Management Agency to improve crop insurance for industry.

**United States Department of Agriculture (USDA)**

*USDA Cotton Classing Standards Committee, Producer Member, 1995*

Participated in reviewing cotton standards used in classing U. S. cotton.

*USDA Cotton Board Member, 1992-1994*

Provided oversight for cotton industry check-off program in marketing and research.

**STATE OF TEXAS**

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**Texas Department of Rural Affairs**

*Appointed Board Member, 2008-2011*

Administer economic development programs in rural Texas to cities with populations of less than 50,000.

**Texas Boll Weevil Eradication Foundation**

*Elected Board Chairman, 1997-Present*

Organized cotton growers in the State of Texas in a cooperative, public/private partnership, to eliminate cotton's number one pest from over 5 million acres of cotton in Texas. Continually work with leadership in the National Cotton Council to coordinate efforts across the cotton belt to secure cost share dollars from USDA/ APHIS. Work with Congress and USDA to increase cost share funding for Texas and the movement of the program into Mexico. Endeavor to secure State appropriations for the Foundation by working with the Commissioner for the Texas Department of Agriculture.

**Texas Water Development Board Region F Planning Group**

*Member, 2007-Present*

Member of regional board tasked with determining long range water planning by identifying regional water resources and determining area needs over a fifty year period. Review agricultural water use and conservation plans and presents findings and recommendations to the Texas Water Development Board for inclusion in the State Water Plan.

WOODY ANDERSON

**Natural Resource Conservation Service Technical Advisory Committee**

*Member, 1997-Present*

Assist State Conservationist in prioritizing conservation resources throughout the state and make recommendations of how resource concerns can be better addressed by NRCS both programmatically and technically.

**Texas Agriculture Policy Board**

*Ad-Hoc Advisory Committee Chairman, 2004-2005*

Texas Rural Legislative Caucus policy committee appointed to study and recommend policy changes for agriculture to the Texas Legislature.

**LOCAL**

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**First National Bank of Colorado City**

*Charter Board Member, 1982-Present*

Member of small community bank loan committee that oversees agricultural and commercial loan activities of the bank.

**Mitchell County Board of Economic Development**

*Chairman, 1991-present*

**Lone Wolf Underground Water District**

*Elected Board Member, 2002-present*

**Mitchell County Soil and Water Conservation District Board**

*Member, 1995-present*