

Testimony of

Scott Neufeld

Before the U.S. House of Representatives
Committee on Agriculture

Hearing to Review the Future of Farm Policy and the Formulation of the 2012 Farm Bill

Dodge City, KS
April 20, 2012

Introduction:

Chairman Lucas, Ranking Member Peterson, Members of the Committee, thank you for holding this hearing in the heart of wheat country, where producers understand and have experienced the need for sound farm policy, especially over the last 18 months. I appreciate the opportunity to offer testimony as a producer who is impacted directly by the legislation that will be drafted.

My name is Scott Neufeld. I am a 3rd generation farmer operating in a partnership with my father. We have a diversified 3,000 acre operation of wheat, alfalfa hay for dairy use, canola, grain sorghum, and a cow/calf herd. We also graze stocker cattle on wheat pasture as conditions allow. My wife and I have been actively involved with the Oklahoma Farm Bureau (OFB) serving on county and state boards and committees. Most recently, I was appointed to serve on the OFB Farm Bill Committee, which was given the task of studying and providing input into the drafting of the 2012 legislation. My wife also serves on the Oklahoma Farm Service Agency (FSA) State Committee.

Current Climate:

I first want to commend you and the Committee for leading the way in the effort to produce bipartisan and bicameral legislation for the Select Committee last fall. The effort to work together was commendable and showed we can and will work out our differences in the current climate. A great framework was built for the discussions that have been ongoing these past several months. I understand the soaring and out of control debt this country faces weighs heavy on each of you as it does your constituents. I also recognize that in the face of increased global demand for food commodities combined with a weaker dollar, commodity prices are higher. But, as Chairman Lucas has stressed numerous times, we should not be fooled into putting a weakened farm policy in place. These current conditions occurring at a time where we need to draft a sound farm policy present challenges and dangers.

The American public enjoys the safest, most abundant, and most affordable food supply of any country in the world. Traveling abroad will dispel any doubt one may have. Yet, the general public is becoming more and more removed from where and how their food is grown and processed. Consumer understanding of the risks and investments agriculture makes on their behalf is under-appreciated. Somehow we must continue to work to bridge that gap and fortify

consumer rapport with the American farmer. Public perception may only be perception, but perception is reality and we must deal with this issue and not ignore it. For example, in my opinion, the attack on Direct Payments is a result of a misinformed public. We haven't done enough to educate the public about how those payments are really used. From funding conservation efforts to helping buy up crop insurance coverage to making investments in our rural communities or replacing a piece of well-used equipment, these are real expenses that help us efficiently produce a safe food supply.

I would like to remind everyone of the recent past where in 2008 we saw wheat prices climb to upwards of twelve to thirteen dollars a bushel. We thought we were on a new plateau or so we hoped. A year later in the 2009 marketing year, we saw those prices drop dramatically to levels we thought we would never see again. I remember going to the elevator the day we saw wheat prices with a \$3 in front of it again and thinking, "How am I going to make this work?" Many producers were forced to sell at those levels to meet financial obligations. Fortunately, that cycle didn't last long but it allowed us to experience first-hand how the input costs that we deal with everyday didn't cycle as fast as the prices being bid at the elevator.

Agriculture has been a bright spot and shining star in the current nation-wide recession. We have continued to create new jobs and establish a trade balance favorable to the U.S. economy. Let's not forget how important agriculture has been to the well-being of rural America as well as the supply of food and fiber to every U.S. citizen.

It is critical to work toward passing legislation during this session to provide some certainty to producers across the United States. An extension without a 5-year reauthorization is not adequate to allay the uncertainty that exists out there. A great framework has been put forth in the proposal to the Select Committee and the conversations are in place **now** to produce a workable and acceptable solution to the challenges agriculture face.

A Look Back:

I was taught at an early age that a good way to make a plan forward is to look back on the past and see what **has** worked and why, and see what **has not** worked and why. The 1996 Farm Bill offered flexibility that had not been experienced previously. In the global and volatile markets of today, flexibility must remain a guiding principle as we craft new legislation. The 2002 and 2008 Farm bills continued on those principles including protection against low prices which lessened the need for ad hoc disaster assistance and have provided good management tools for producers to navigate risk. Did previous farm bills accomplish their goals? In most cases they have served producers well. Could they be improved? Always.

Some of the Challenges:

As agriculture is transitioning, smaller bi-vocational producers are discontinuing their farming interests and older generations facing retirement are not selling their land but letting others operate it. It is becoming more difficult for operators to explain to land owners their options and keep current with sign-ups and know what they are signing. In my area, crop share arrangements are a popular renting agreement. While we as producers studied the options and knew which

choices would be to our benefit, the complexity of explaining the details to a disengaged landowner has been an issue, therefore, causing confusion and in some cases even non-compliance.

ACRE and SURE are two examples of programs that are too complex. Program technicians in the local FSA office working scenarios on the same producer would come up with two different results. Furthermore, the triggers needed to make the program work encompassed too large of a geographical region. The marketing prices needed to calculate payments were far too removed from actual loss. Receiving a payment 14-16 months after actual production loss is not beneficial.

During the last 5 years, we have also seen our input prices steadily move higher. Most recently we have seen fuel prices soar. Seed, insurance, taxes, labor, and fertilizer all continue to increase. The CCP program has provided a floor but with the rising prices and costs, these levels are no longer relevant and need to be adjusted to offer true price protection.

Some of the Positives:

When we look at the concepts of the 2008 Farm bill, we see it was a multi-faceted safety net including these components: Crop insurance, CCPs, MAL/LDPs, Direct Payments, ACRE, SURE, and conservation in the form of EQIP, CSP, CRP, and LFP, etc. Farm policy has become complex and for a reason. A “one size fits all” approach cannot address the differences across commodities and regions of the country and even the same commodities across multiple regions. A cotton, peanut, or wheat producer from the Southern plains has many different risks, markets, and inputs as does a corn or soybean producer from the upper Midwest. The same differences are evident from the producers in Arizona and California to those in Pennsylvania and New York. Let's discuss several of these farm policy components.

Crop Insurance:

Crop insurance has been the one tool that has provided us with a bankable guarantee to be able to go to our lenders and show them a minimum of what we could expect out of a crop. It has been flexible and provided coverage for most of the major crops in my area. I want to express my appreciation for the pace at which we were able to provide a full policy for Winter Canola in Oklahoma and the Southern Regions.

We have been pleased with the options and protection this tool has given us. Many producers in Oklahoma, Texas, and Western Kansas would be in a much different situation right now had it not been for a sound Crop Insurance policy that protected us from the historic drought we went through last fall, spring, and summer. While much of the drought-pressured areas have received adequate rainfall, many areas still remain well below normal and water sources for our livestock are not replenished. Irrigation reservoirs in southwest Oklahoma are still at less than one-third capacity to begin the growing season. Pastures will need rest to recover stands and nutrients needed to return to previous levels of production. When we see the record amount of indemnities paid out this last growing season and crop insurance coming under new attacks, none of us should forget the seriousness of the drought we have just come through. We should also

remember the billions in cuts we have already taken. It is a testimony to the success of crop insurance protection that producers are planting again this spring and moving forward with no outcry for ad hoc disaster assistance. The risk management tools that were in place were adequate and cheaper overall than funding additional disaster programs.

I also strongly oppose applying payment limitations and means testing to Crop Insurance. The agricultural economy has driven many producers to become larger to spread risk and investment in equipment. A farmer producing crops on 1,000 acres of cropland has to have adequate capital invested to efficiently farm these acres. A partnership or family corporation that has gone together and is producing crops on 10,000 acres has the same risk per acre as the smaller producer. Why would we penalize the larger producer by restricting the amount of protection they would be allowed? We need to change our mindset to a per acre basis, not a per operator basis.

As producers already enrolled in the Farm Bill, conservation compliance is already a requirement to participate so I cannot see the need to entangle Crop Insurance with existing requirements and I urge Members of Congress to oppose this effort.

It doesn't make sense to put limits on larger acreages when farmers face payment limits under the Farm Bill. Crop insurance is their only real protection. Taking protection away from larger farms, which are still family-owned, will have a dramatic and negative economic and social impact in rural communities.

There is unwarranted criticism that current Crop Insurance offerings are driving up land and rent values and discouraging entry level producers. I believe the converse is actually true. If a young producer can't find levels that guarantee at least his variable costs to be covered, a lender is less likely to finance him. A beginning producer with limited capital and a higher level of debt to get started doesn't have the ability to absorb the level of risk an established producer does.

I am also aware of the process that the corn and soybean commodity groups have been through in the re-rating of their actuarial tables. The methodology is being reviewed to make sure it was sound and I am concerned about what the re-rating could do to other crops in the Southern Regions.

One area that Crop Insurance is not meant to cover is against chronic low prices. We always hope that between the base price and the harvest established price under crop insurance that there are break-even scenarios at one of those levels. But, what happens when we hit a multi-year downturn and don't have protection in place? Wheat prices at \$3-4 don't offer much hope at our current input levels. One could argue that if prices remain at these levels, we should just plant alternative crops and under decoupled Farm Bill policies we do have that option. That being said, the markets for those substitute crops tend to move in the same direction. Price-based protection is critically important to helping us stay in business during times of chronically low prices.

Direct Payments:

The Direct Payment portion of the current Farm Bill has become a target for huge criticism. They have been hard to defend in times of good profitability for agriculture. While maybe hard to defend against unfair attacks, they have been easy to understand and administer for FSA, one of the parts of the suite of Farm Bill policies that is green box WTO compliant, and a payment you could take to the bank. An unseen benefit of the Direct Payments not often talked about is the impact they have on our rural economies. These payments are usually used locally to pay expenses to the businesses that provide parts and services we need which in turn support our local economies.

NAP and LFP:

Another part of farm policy often overlooked is the Noninsured Crop Disaster Assistance Program (NAP). In Oklahoma, forage crops are important and many of these are grown on cropland acres but are not insurable through Crop Insurance. Grazing is also a large part of many of the wheat acres planted in our state. NAP has given us some protection in years where forage has been well below normal. NAP is not a “solve all the problems” policy, but it did provide about 20% of my own farm’s lost revenue to assist in the loss of production our alfalfa hay crops experienced this past year. The indemnity made up only a small portion of the production loss we faced, but it did help make payments and get our operation through to hopefully a better year ahead.

LFP or Livestock Forage Program also paid out indemnities this past year in the drought stricken areas of our state. LFP did not keep us from culling our herd size but this assistance did allow us to buy several loads of feed we were short because of the inability to grow forage of any kind this past year, and still maintain our genetics in breeding stock. While this program does not have a baseline, it is my suggestion that these programs be fully funded going forward.

CRP:

CRP has been useful to move highly erodible lands out of production. Because of the growth in the ethanol industry, feed grains have been in short supply. We should consider bringing out some of the acres that were enrolled in an environmentally responsible way to aid in the production of additional feed grains. We will need to continue to be careful stewards of the land and water resources we have enrolled in CRP being careful not to disturb highly erodible lands. Seeing pictures of the dust bowl reminds me that the conservation efforts put forth in this area, and particularly in the drought regions of this country, have prevented another dust bowl from starting again. Without the combination of the CRP and no-till or minimum till cultivating practices, the drought of 2011 would have been much worse. This is testimony to the efforts of producers all over the United States and their ability to be good stewards and adopt best management practices for each tract of land they operate.

Conservation:

Conservation initiatives need to remain a significant part of the Farm Bill; however, I would urge the focus be on working lands rather than land retirement initiatives. The current cost share

initiatives are working and most producers know how they work. I would encourage a streamlining of initiatives similar to the proposal to the Select Committee last fall, not as to impact the dollars spent but to again make the initiatives less complicated and more user friendly. Producers in my area like EQIP and CSP. With EQIP being a cost sharing initiative to promote quality efforts on farms that need some additional work and CSP offering incentives to engage in producer selected options to improve the environmental quality of their farms, I can't help but think they should be funded at current levels and other initiatives streamlined to fit within the scope of these two initiatives. Modeling new initiatives that producers already understand should be the goal. Conservation is a priority of any responsible producer today.

Research:

Our land grant universities in partnership with ARS have been critical in providing valuable non biased research and extension education to many of the seed, chemical and management techniques being promoted to improve our efficiency. The role that ARS plays is often not seen by producers and the public but greatly increase the effectiveness of the research and extension efforts of the land grant universities. The Wheat Quality Labs play huge roles in our marketing efforts. I urge continued emphasis on funding in the next Farm Bill to promote the level of research that will ultimately help us to feed 9 billion people using less land and fewer resources.

Marketing:

I want to express appreciation for the work in continuing to open markets around the world. The Free Trade Agreements with Columbia, S. Korea, and Panama will open more doors to the foreign agricultural trade. I urge full funding of MAP and FMD marketing tools that continue to work toward opening markets and maintaining existing ones around the world. Many of these tools match producer dollars to assist with marketing their commodities.

Importance of not affecting Planting decisions:

Red flags have been waved around concerning the part of the proposal to the Select Committee that considered raising target prices to more relevant levels. While flexibility is paramount and we do not want a Government program influencing planting decisions, the levels I saw were still well below break-even prices and I cannot imagine how they would drive planting decisions. In fact, given shallow loss revenue programs would, by definition, trigger faster and more often, it would seem that such programs that guarantee revenues based on higher prices and yields would be more susceptible to this kind of criticism.

Conclusion:

Producers understand the crisis in our country and we are willing to do our fair share in reducing the deficit. We need sound crop insurance to cover the yield component of risk, price protection under the Farm Bill to insure against steep and chronic price declines, and a conservation title focused on improving practices on working lands. It is a huge testimony to the success of crop insurance protection combined with the other facets of farm policy that producers are planting again this spring and moving forward while there was no outcry for an ad hoc disaster program

like there was in the late 1990s. We in agriculture have the tools and management ability to absorb minor changes in prices and yields. Concepts and program suggestions aimed at insuring losses as little as 5-10% are not warranted. American Farm Bureau has opposed these types of programs and stated that shallow loss coverage is fiscally irresponsible. Our focus must remain on a safety net that is based on crop insurance and protects from steep price declines over time and due to unforeseen circumstances, not on guaranteeing a profit.

I commend the efforts of you and your staff in the work that has been accomplished this far. I thank you for the opportunity to offer testimony as a part of the process and look forward to working with you as we move this process toward the passage of a 2012 Farm Bill.

Committee on Agriculture
U.S. House of Representatives
Information Required From Nongovernmental Witnesses

House rules require nongovernmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Scott Neufeld
2. Organization you represent: _____
3. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:

My wife and I farm in partnership with my father in Major County, Oklahoma northwest of Fairview. We have operated under that agreement for over 20 years. We produce wheat, alfalfa for dairy production, canola, grain sorghum, and own a 100 head cow/calf herd on 3000 acres. My wife serves as a member on the Oklahoma Farm Service Agency State Committee and is also a farm tax preparer and accountant. We have two children, Carissa who is a sophomore at NOC in Enid and Caleb who is a Sophomore at Fairview High School.

4. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:

My wife and I are both graduates of the Oklahoma Agricultural Leadership Program Classes 13 and 14. I have served on the Major County Farm Bureau Board of Directors for many years presently serving as Chairman. We have been actively involved with the Oklahoma Farm Bureau serving as Chair of the State Young Farmers and Ranchers Committee, Chairing the OK AgFund Taskforce, and most recently serving as Chair of the Farm Bill Advisory Committee. We have been actively involved in promoting Progressive Farmer Farm Safety Days in planning and leading sessions. I am currently serving as an Elder of our church.

5. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold: _____

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF
TESTIMONY.

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: Scott Newfeld

Organization you represent (if any): _____

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: _____

Signature: Scott Newfeld

* 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.