

**TERRY SWANSON
FARM BILL TESTIMONY**

Presented to:

House Committee on Agriculture

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

Presented by:

Terry Swanson

Introduction

I thank Chairman Lucas, Congressman Huelskamp and the entire House Committee on Agriculture for holding this hearing in Kansas, the heart of America and farm country. I also thank you for the opportunity to submit testimony on the impact future farm policy under the next farm bill will have on my operation.

My name is Terry Swanson, and my wife Marcella and I grow grain sorghum, wheat, corn, forage sorghum, sunflower, and raise cattle on our farm and ranch in southeast Colorado near Walsh—an area that I and those before me refer to as the epicenter of the Dust Bowl. It is a challenging area to live and work, but we have been doing so for 42 years now, and there are several pieces in the farm legislation puzzle that enable us to manage our risks and continue to live and operate efficiently today. I live 20 miles from Kansas and 20 miles from Oklahoma and am honored to share my Colorado perspective.

I appreciate the work put forth by this committee in developing the next farm bill and the bipartisan approach agriculture has taken up to this point to try and develop a comprehensive farm bill package. I realize the need now more than ever for this industry to work together and look forward to working with the Committee to craft this set of vital farm policy. Because it is an integral part of my operation, my testimony will focus on multiple areas of farm policy as they relate to my safety net.

Protect Federal Crop Insurance

My area experienced one of the driest periods of all time during last year's drought. Keeping up with feed requirements for my cattle and growing any crop at all were a struggle in 2011, but because I invest in crop insurance to protect my business investment, I am able to farm and ranch again in 2012. Crop insurance is by far the most important component of my safety net, and I ask that the Committee does not harm this essential program. I have some specific suggestions that I believe would enhance the federal crop insurance program.

- I would suggest reforms to APH methodology and a better county T-yield system to reduce the impact of local weather events and allow the producer's insurable yield (pre-deductible) to reflect what the producer and his lender would actually reasonably expect to produce in that year. I believe a personal T-yield system, which would allow a producer's APH to more accurately reflect his yield potential, would be a productive way to improve APH.
- Forage sorghum is an important part of my operation, because its high yield and low water use make it an ideal winter feed crop for my livestock operation. A usable forage insurance product would offer needed protection for diversified producers like me.
- In no case should the crop insurance tools, which are purchased by the producer, be weighed down with environmental compliance requirements or other conditions that fall out of the scope of insurance.

- I would encourage RMA to include all crops in any trend yield program. It is unfair to allow certain counties and certain crops to have this option.

2012 Farm Bill

I understand the Committee has considered various policy options for Title I. For both the health of my operation and my sensibility of federal farm programs, I prefer to have a deep loss, price protection plan. Whether that protection is a reference price system or a revenue based system, it is important that it be in the farm bill safety net and producers have the option to choose what fits their operation and risk appetite the best. In a revenue based program, it is critical to have a reference price and plug yields. The reference price will protect against a large commodity price drop and plug yields will help in times of consecutive years of drought.

It seems that without yield plugs, in a situation with two consecutive years of loss, the protection quickly drops to a point where the program would have little value and would provide almost no protection for my farm. This component is necessary to ensure equity among regions because I grow in a region with such high yield variability.

Additionally, a revenue policy in conjunction with the potential use of adjusted yields for certain commodities could eliminate the important element of risk involved in growing a crop. This would create a situation that would greatly distort planting intentions because a farmer may be inclined to plant for the largest revenue guarantee as opposed to the most prudent agronomic choice.

No matter which form of policy the Committee pursues, special care must be taken to encourage crop diversity and rotation on the farm and avoid a monoculture system which rejects agronomics in favor of farm policy incentives. The environmental disaster of the Dust Bowl was influenced in part by continuous monoculture cropping, and federal farm programs should not incentivize producers to repeat the mistakes of the past. Based on both experience and a producer's understanding of the program, I suggest the following:

- A farm bill should not dictate or distort planting decisions. Direct payments are excellent in that they are the most flexible safety net available. SURE or similar whole farm policies tend to discourage diversification, which could be problematic for me and especially my geographic area. Any commodity-specific program that is tied to planted acres must be very carefully designed 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.
- A program should be simple and bankable. The recently expired SURE program had too many factors and was not tailored to the many business risks producers face — it was not simple. The current ACRE, while offering improved price-based protection, is based on the state's income, not mine, so I could suffer a total loss and not trigger a payment if the rest

of my state had no such misfortune — it is not bankable, especially in a largely diverse state like Colorado. The current loan and counter cyclical programs are simple and bankable. Unfortunately, the 2008 price levels are no longer relevant given current production costs. It is important to me to have a simple, bankable program to take to my lender should disaster strike my crop.

- A farm bill should be targeted and defensible. It makes sense to provide assistance when factors beyond the producers' control create losses.
- A farm bill should be built to withstand a multi-year low price scenario. Whether in a price-based counter-cyclical plan or a revenue loss plan, it will be important 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 upward over time should production costs also increase.

Finally, direct payments, while not necessarily tied to a specific crop being planted, have proven to be a WTO compliant, efficient payment for producers. It is one of the few parts of the current safety net that give bankers certainty and will provide financing for our producers. However, if the Committee decides to move away from this program, it makes it that much more important that successor policies be bankable.

Eliminate Dated Pay Limits

Given the likely possibility that a new farm program would have less certainty for the producer (a likely decrease or elimination of direct payments) and will therefore be designed to provide assistance only in loss situations, 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. In my area, farms are large, both because it takes a lot of acres to produce a marketable crop or to support each head of cattle and because the rugged nature of farming and ranching here has driven many producers to so called greener pastures since the Dirty 30s. As such, 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.

Build Incentives into Conservation and Energy Titles

I am personally passionate about conservation, and a variety of farm bill conservation programs have allowed me to enhance environmental improvement activities on my farm and ranch. I use EQUIP, CSP and CRP in various ways. All three have shown demonstrable results over the life of the last farm bill. The value of these programs cannot be overstated in a sensitive area like mine, and I urge the Committee to maintain and strengthen conservation activities wherever possible.

For my part, I believe it would be beneficial to strengthen the principles of water conservation language in the Ag Water Enhancement Program (AWEP) of the 2008 Farm Bill to more

specifically encourage planting water saving crops and enhancing water quantity. 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 water conservation options should be strengthened 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. In my area and across the southwest, producers' near-term conservation initiatives will help preserve and repair the Ogallala Aquifer that this area relies upon.

Additionally, I support the continuation of a farm bill Energy Title and specifically encourage continuing the Bioenergy Program for Advanced Biofuels from Section 9005 of the 2008 Farm Bill. It has enhanced markets in my area and I'm proud that farmers are contributing to our national security by lessening oil from the Middle East.

Livestock in My Operation

Throughout the High Plains, most of the people I know have livestock. The recent drought generated a tremendous feed demand, and the dollars needed to offset the drought increased with it. Even so, herd dispersement was rampant. Livestock producers have benefitted greatly from the 2008 Farm Bill, especially during the drought. Livestock plays a pivotal role in my operation, and we cannot forget about the livestock producer in the next farm bill.

In conclusion, I know the Committee faces a difficult task in balancing geographic and commodity differences. It is hard to make a one-size-fits-all package, so I would just like to reiterate the most important things to me are long term, deep loss price protection, a solid insurance program and the ability for each producer to choose among policies.

**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: Terry Swanson

Address:

Telephone:

Organization you represent (if any): Swanson 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:
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:



Rule XI, clause 2(g)(4) 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.*

**Committee on Agriculture
U.S. House of Representatives
Information Required From Non-governmental Witnesses**

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

Name: Terry Swanson

Address:

Telephone:

Organization you represent (if any): Swanson Farms

Terry Swanson Biography

Terry Swanson has lived in southeast Colorado his entire life. He currently raises 300 cows on 10,000 of ranchland and farms grain sorghum, wheat and corn on close to 7,500 acres. He and his son operate an ag chemical spray business together. Mr Swanson is currently serving as the National Sorghum Producers board of directors chairman. He is also president of the Colorado Sorghum Producers, past chairman of the Colorado Wheat Administrative Committee, past president of Plainsman Agri Search, and is past chairman of the CSU Extension Advisory Committee.