Statement of

Brad Heffington

before the Committee on Agriculture,
U.S. House of Representatives
Lubbock, Texas – May 17, 2010

Good morning, my name is Brad Heffington and I operate a family farm of approximately 6,000 acres in Lamb County, Texas. In addition to cotton, which is my primary crop, I also produce both corn and grain sorghum depending on growing conditions and circumstances. I welcome you and the members of the Committee that are present to Lubbock. My comments today are being provided on behalf of the membership of Plains Cotton Growers, Inc. PCG is the certified cotton producer organization representing the 41-county cotton production region surrounding Lubbock, Texas. I am proud to say that our region produces, on average, two-thirds of the cotton grown in Texas and up to 30 percent of the cotton lint and seed produced in the United States. As we speak, farmers on the Texas High Plains are at work, planting an estimated 3.5 million acres to cotton, roughly 30 percent of all 2010 US cotton acres.

Cotton is the cornerstone of my operation and of the rural economy in our region. In fact, its scope and economic impact extends well beyond the approximately 19,000 farmers who plant between 9 and 12 million acres of cotton each year in the 17 cotton-producing states. Taking into account diversified cropping patterns, cotton farmers cultivate more than 30 million acres of land each year.

Beyond the farm-gate, the distribution and processing of cotton includes cotton gins, independent merchants and cooperative merchandisers, warehouses, cottonseed distributors and processors, and textile mills. Processors and distributors of cotton fiber and downstream manufacturers of cotton apparel and home-furnishings are also located in virtually every state.

Nationally, farms and businesses directly involved in the production, distribution and processing of cotton employ almost 200 thousand workers and produce direct business revenue of more than $27 billion. Accounting for the ripple effect of cotton through the broader economy, direct and indirect employment surpasses 420 thousand workers with economic activity well in excess of $100 billion. In the 3-state region of Texas, Oklahoma and Kansas, the cotton industry's ripple effect is responsible for almost 93 thousand jobs and economic activity surpassing $25 billion annually.

Safety Net Principles

The take home message I have for you today is that sound farm policy is essential to protect the viability of the cotton industry and commercial agriculture in every part of the US. In regard to cotton, we believe that effective farm policy should adhere to a few clearly prescribed principles:

1) It should be market-oriented with a goal of promoting quality, efficiency and domestic competition;
2) It should allow for full production to meet market demand;
3) It should provide for an effective financial safety net;
4) It should ensure the availability of competitively-priced U.S. cotton to domestic and international textile mills; and
5) It should encourage maximum participation without regard to farm size or business structure.

The 2008 farm bill meets most of these principles and continues to work well for the cotton industry. Each component - loan, Direct and Counter-cyclical programs - serve a distinct purpose that is beneficial to US farmers. We commend this Committee for its diligent work on this legislation and look forward to working with you to carry its basic principles forward in 2012.

Safety Net Provisions That Work

My next comments are made with respect to the current program and its retention of the marketing loan and several other program components from prior law. First, it is important to note that the cotton industry worked closely with the Committee to institute many reforms in the 2008 bill such as: the revision in the calculation of cotton premiums and discounts used in the cotton loan schedule, placing a ceiling on the payment of storage credits for cotton under loan, the development of an economic adjustment program for the U.S. textile industry; and, the reduction in the target price for cotton which incidentally resulted in savings used to implement several of the reforms previously mentioned.

Fundamentally, we continue to support the 2008 farm bill's approach to the cotton program and all of its components, from the marketing loan to direct and counter-cyclical payments. The centerpiece of the upland cotton program and traditional commodity programs continues to be an effective marketing loan program. It provides a safety net for producers but does not harm the basic competitiveness of US commodities in the international marketplace. It is a program component that makes sense, that works, and that serves many critical purposes. Because it is well understood and a fundamental part of commodity policy, the marketing loan is the foundation that provides rural banks the confidence they need to make farm operating loans available.

Grower participation in the marketing loan program has also helped the cotton industry adopt many important reforms that make US cotton a predictable and reliable product domestically and worldwide. Among these reforms is adoption of: standardized bale sizing and bale packaging for cotton; electronic warehouse receipts; and heightened standards for storage and elevator facilities for cotton and for other commodities.

Budget Challenge

We know that the 2012 farm bill debate will take place in an environment much different than any we have ever experienced before. Record budget deficits will put intense pressure on funding. The WTO Brazil Case puts cotton's marketing loan and counter-cyclical programs under special scrutiny even though the cotton program, as revised by the 2008 bill, has never been evaluated by a WTO Panel. Ongoing negotiations in the Doha Round of trade negotiations could also result in a dramatically altered landscape for domestic commodity support. It is important to note that if circumstances arise which make it impossible to maintain a reasonable safety net using existing delivery mechanisms, Plains Cotton Growers and the US cotton industry will work with you to evaluate alternatives that can provide an **equally** effective safety net.

Creating an entirely new program that maintains the broad applicability, reliable delivery and predictable nature of our current safety net would be no easy task given the predicted budget environment. An example of how daunting this would be is evident in the experience recorded by the ACRE program, which was influenced by less severe budget pressure. From available data on the ACRE program it is clear that in its current form the program is not an attractive alternative for cotton farmers and many other crop producers across the nation. For cotton the support mechanisms within ACRE, many of which were constrained by budget pressures far less severe than what we face in the future, simply do not provide an adequate safety net for cotton farmers when compared to the marketing loan and current DCP programs. If ACRE's revenue-based approach were to find support among cotton producers it is clear that a more reasonable revenue target will have to be established. ACRE's shortfalls are not just a cotton problem. Nationwide, producers of other commodities have demonstrated their concerns about the ACRE program in sign-up figures that have been far below expectations.

Mr. Chairman, as an industry cotton is working to evaluate fully our concerns with ACRE so that a constructive dialogue on its future can be held at the appropriate time. Unfortunately, ACRE's experience thus far is clear evidence that a different safety net structure, revenue-based or otherwise, will have to demonstrate clear superiority over the current combination of programs before it could be considered a viable alternative for cotton and other commodities.

Even though we are committed to an in-depth review of the current structure of the cotton program, I must also strongly emphasize that our review, and any recommendations that come from it, will be conducted within the context of our commitment to the principles I outlined earlier in my statement.

Pay Limits and Program Eligibility

One of those principles is that effective farm policy must maximize participation without regard to farm size or income. The 2008 farm bill contained significant changes with respect to payment limitations and payment eligibility. In general, the limitations were made more restrictive, and the adjusted gross income test was substantially tightened. Unfortunately, in addition to the legislative changes authorized by Congress, we believe that USDA over-stepped Congressional intent when implementing several key payment eligibility provisions by issuing regulations that are overly complicated and made changes to program eligibility provisions that were not specifically directed by the 2008 farm bill.

Also, while I am on the subject of pay limits, I would like to would like to address the issue of corporations, as a business structure, being statutorily limited in the amount of program benefits that can flow through it, regardless of the number of stockholders that would qualify under actively engaged rules in another business structure such as a joint venture or general partnership. Under the new direct attribution rule, there is no reason that corporations should be treated any differently than other business structures. By limiting corporations, comprised of eligible program participants, Congress has unfairly penalized operations that utilize a corporate business structure for legitimate business or estate planning purposes. By unnecessarily limiting a corporation to a single pay limit, Congress's decision detrimentally impacts the ability of many family farming operations to utilize a business structure to quickly and easily bring family members or new farmers into a farming operation through a direct ownership interest. We believe that the corporate structure, in addition to providing important legal protections, can provide an orderly transition of the farm operation from one generation to the next. We believe this situation also prevents the direct attribution rule from working as intended to ensure that every qualified farm program participant receives no more, **and equally important**, no less than they are eligible to receive under the law.

Looking ahead, we continue to fundamentally oppose payment limitations and imposition of further restrictions. Given their existence, we advocate the administration of these provisions strictly within the intent of Congress. Sound national farm policy is of little value if commercial-size family farm operations are unreasonably made ineligible for benefits.

Conservation

One key improvement in the 2008 farm bill was the investment Congress made to strengthen USDA Conservation programs. USDA conservation programs can lead to improved environmental and conservation practices but should not serve as the primary delivery mechanism for farm program support. Many current USDA conservation programs are working well in our area. The Environmental Quality Incentives Program (EQIP) and the Wildlife Habitat Incentives Program (WHIP) are prime examples of programs that are working by targeting financial resources to locally identified soil, water and wildlife conservation priorities. We believe that Congress can assure the continued effectiveness of programs like EQIP by providing the maximum funding to states where it can be used to deal with conservation issues on working farms and ranches.

Another program that is of particular importance to this area is the Conservation Reserve Program (CRP). There is probably not another program that has done more to improve the quality of life in this area or protect our precious soil resources like the CRP. Recent budget cutbacks have us on the verge of releasing millions of acres of highly erodible land from the CRP that will most likely go back into crop production. This area, like much of the Great Plains, was the center of the Dust Bowl days of the 1930’s. The CRP program has prevented a return of that situation even though the region has suffered several multi-year droughts that could have instigated similar situations. The 2012 farm bill needs to provide a clear direction for the CRP and reiterate the importance of keeping these fragile, erosive lands of the Great Plains under permanent cover.

My last comment regarding conservation is directed at the Conservation Stewardship Program (CSP). The CSP has been hampered by overly restrictive payment limitations contrived by USDA regulators - restrictions that we do not believe are supported by the statute. From a producer perspective the CSP is overly burdensome administratively in relation to the benefits that can be earned and has not been implemented in a fair manner. In fact, USDA's unilateral decision to exclude commercial-size farming operations dramatically limits the environmental and conservation improvements that are possible with this program. If the CSP can not be improved to a point that it can deliver meaningful benefits to commercial-size farming and ranching operations, we believe that these funds would be better used to enhance successful USDA conservation programs such as the CRP and EQIP that are promoting real environmental benefits for both producers and taxpayers.

Permanent Disaster Assistance Programs

We support inclusion of a permanent natural disaster program as part of the farm bill. Unfortunately, our experience thus far with the SURE program indicates that it cannot provide an effective level of assistance without significant modification. We recognize the challenges facing the Committee in regard to making improvements in SURE. First and foremost, without increased baseline spending authority, there will be no funds to continue any of the permanent disaster assistance programs in the next farm bill, much less make the necessary improvements for SURE to be a reliable and effective disaster relief mechanism. While we do support continuation and improvement of SURE, we **do not** support reallocating limited, existing spending authority from current farm programs to fix its shortcomings.

Crop Insurance

Crop insurance is an essential risk management tool for cotton producers in our region. Our industry continues to work closely with the USDA Risk Management Agency to examine new concepts and seek improvements in current cotton crop insurance products. One example of how High Plains cotton producers have led in this regard is the soon to be implemented Cottonseed Pilot Endorsement (CPE) coverage. PCG, with the support of other regional producer groups worked to develop the cottonseed insurance concept and secured final approval from the Federal Crop Insurance Corporation Board of Directors for the new product last July. The CPE will provide cotton producers that purchase 'buy-up' plans of insurance the ability to purchase an additional coverage endorsement insuring the currently uninsurable value of the cottonseed they produce.

The recent removal of the Group Risk Income Protection (GRIP) coverage option for cotton is an unfortunate, but reversible, situation. While we understand the basic premise that the Risk Management Agency used to make their decision – i.e. the perceived unreliability of USDA NASS county production statistics - the GRIP product, like other group risk-based products that rely on NASS county yield data, was designed specifically around this source of data with full knowledge of the limitations of this data product. NASS information is derived from a combination of producer survey data and information reported by gins and other sources. Even though the GRIP product was designed around NASS data, we believe that current problems could be addressed through mandatory yield reporting and the use of actual yield data in place of NASS information or in concert with NASS data to better reflect actual production in a county. Current farm programs do not require yield reporting, primarily because these yields are no longer used to actively update program payment yields. As producers we reported yields to FSA for many, many years and doing so again could be a practical way to get the GRIP product back into the cotton producers risk management arsenal.

Crop insurance is an important and necessary risk management tool for producers. On the High Plains participation rates are high and cotton producers recognize the need to invest in their own protection. That investment is substantial, even with the premium assistance that is currently available. Revenue coverage, enterprise policy rates and group risk products are examples of improved products that can offer a wide array of risk options for growers at affordable levels and we encourage the committee to seek opportunities to build upon these concepts.

Recognizing the vital importance of crop insurance to the cotton farmer, we strongly oppose the deep cuts proposed in the second draft SRA as well as many of the policies underneath these cuts because we are concerned about their adverse impact on delivery and on the agriculture budget baseline. Now is the time for the Administration to be using its authorities to expand access to quality coverage rather than severely weaken delivery. Crop insurance is an important complement to current commodity programs but is not a suitable replacement system for delivering basic farm program support.

Bio-fuels and Cotton

While the cotton industry supports a viable bio-fuels industry, it must be recognized that all commodity producers are not sharing the benefits equally. Renewable fuels mandates and other policies regarding bio-fuels have changed the competitive balance between commodities. This is placing severe pressure on cotton infrastructure (gins, warehouses, etc.) in certain parts of the Cotton Belt. Mandated demand can result in excessive and harmful market distortions. In regard to the 2012 farm bill the support given to bio-fuel crops must be taken into consideration when comparing relative levels of support across commodities, when evaluating payment limitations and before trying to mandate a one-size-fits-all farm program for bio-fuel and non-bio-fuel commodities.

In summary, our industry believes the cotton provisions of the 2008 farm bill are working well. If budget or other pressure make policy changes inevitable as part of the 2012 farm bill, the cotton industry remains ready to work with the Agriculture Committees to explore alternatives that provide the safety net producers need in a manner that is consistent with our international trade obligations and within budget constraints.

Thank you for the opportunity and I would be pleased to respond to your questions at the appropriate time.

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

House rules require non-governmental 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:** Brad Heffington

2. **Business Address:** 2530 US Hwy 385
   Littlefield, TX 79339

3. **Business Phone Number:** (806) 385-1000 or (806) 385-3640

4. **Organization you represent:** Plains Cotton Growers, Inc.

5. **Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:**

   See attached resume

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

7. **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:**

   President

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

Brad Heffington

2530 US Hwy 385, Littlefield, TX 79339
Phone: (806) 385-1000
Phone: (806) 385-3640
Email: BRDHFFNGTN@AOL.COM

BACKGROUND:

I have been involved in agriculture production for the past 28 years. I have owned my own farming operation for the past 22 years and currently farm approximately 6,000 acres of cotton. Corn and Grain Sorghum in Lamb County, Texas. I continue to strive to improve upon those efficiencies taking advantage of new technologies as they become economically feasible and environmentally beneficial.

EDUCATION:

1990 Bachelor of Business Administration, Texas Tech University.
1988 Associate of Applied Science in Business Administration, South Plains College.
1986 Honor Graduate, Highest Ranking Boy, Littlefield High School.

PERSONAL:

Married 23 years to Kim Lockwood Heffington who is also a graduate of Texas Tech University, South Plains College and Littlefield High School.

Three sons, Bradley Tanner Heffington, James Tyler Heffington, and Turner Max Heffington

Parents, Charles and Faye Heffington of Littlefield.

Elder of Crescent Park Church of Christ, Littlefield, Texas.
Adult Bible Class Teacher.
Sunset Council Member Sunset International School of Preaching

EMPLOYMENT:

1989-present: Self-employed Farm Operator of Heffington Farms and Dealer for T-L pivot irrigation systems, responsible for all production, financial, personnel, planning, accounting, and mechanical operations.
1986-1989: Field Coordinator and Program Auditor for Job Training Partnership Act and Senior Companion Program, South Plains Community Action, Inc.
1977-1986: Farm Laborer for various farmers in the Fieldton and Spade Communities.

PROFESSIONAL ACTIVITIES:

Board of Directors and Officer of Plains Cotton Growers, currently serving as President.
Littlefield Athletic Booster Club President
Board of Director of Cotton Incorporated
President of Agriculture, Littlefield Chamber of Commerce
Current Stockholder and Board of Director of White Cloud Inc., dba Bula Gin Co.
Past County Committee Member of High Plains Underground Water Conservation District No. 1.
Community Committee Member of Lamb County Farm Service Agency.
Graduate of Texas A&M Master Marketing Program.
Vocational Advisory Committee, Littlefield Independent School District.
President of Littlefield Little League and Basketball Associations.
Littlefield Chamber of Commerce Farm Family of the Year 1999.

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, 2007.

Name: Brad Heffington

Address: 2530 US Hwy 385, Littlefield, TX 79339

Telephone: (806) 385-1000 or (806) 385-3640

Organization you represent (if any): Plains Cotton Growers, Inc.

4517 West Loop 289, Lubbock, Texas 79414 Phone: (806) 792-4904

1. **Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, 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, 2007, 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________________________

* 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.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.