

**The United States House of Representatives  
Committee on Agriculture  
Farm Bill Field Hearing  
Lubbock, Texas  
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Testimony of Dee Vaughan**

Good morning Chairman Peterson, Ranking Member Lucas and members of the Committee. Welcome to Texas. Thank you for holding this hearing today to allow those of us involved in Texas agriculture an opportunity to offer our views on U.S. farm policy. My farm is located in the northern Texas Panhandle near the community of Dumas. My main crop is corn but I, like many Texas producers, grow multiple crops. I also produce wheat, soybeans, sorghum, cotton, and sorghum seed production. I serve as a director for both the Corn Producers Association of Texas and the Texas Corn Producers Board. I also serve as vice president of the Southwest Council of Agribusiness.

Mr. Chairman, I want to thank you for starting the farm bill discussion now. Sound farm policy, beginning in the 1930s, has been the bed rock foundation providing U.S. agriculture with the stability needed to become the powerhouse it is today. For decades farmers and ranchers have fed and clothed the nation. Now we feed, clothe, and provide renewable energy and products. Our surplus agricultural production is shipped around the world providing essential calories and nourishment for a rapidly growing world population. Consideration of farm policy that affects not only producers, but consumers too, should not be done in haste.

I have now farmed for three decades plus and I have seen a lot of change in agriculture and agricultural policy, most of it for the good, but the changes also created challenges.

To begin I wish to comment on the current commodity title. The direct payment provides stability to farmers and lenders. Since it is a guaranteed payment lenders allow producers to list it on their balance sheet as a receivable or asset. Some lenders use the direct payment and the crop insurance guarantee as a basis for determining how much they will lend to a given farming operation. Though the direct payment program has received some scrutiny through the WTO because of the limits on planting of fruit and vegetable crops on program acres, it still appears to be one of the most trade compliant parts of the commodity title.

For grain producers, while the counter-cyclical payment and marketing loan programs have been helpful in a couple of year since 2002 (2005 for example), they have in the last few years been overwhelmed by the cost of production. If crop prices drop sharply most

producers will be in dire financial straits by the time these programs make payments. We are very fortunate that as commodity prices fell from 2008 levels that the cost of production fell as well, leaving most producers the ability to generate a profit. If we had seen a repeat of the 1970s when crop prices plummeted but input costs remained high the country side would be in an uproar. Since agriculture is very dependent on energy, not only for fuel, but also in the manufacture of fertilizer, crop protection products, and other inputs, we remain very vulnerable to sharp rises in the price of oil, natural gas, and electricity.

I am blessed that my area of the state is predominantly irrigated and for the most part we have enjoyed good growing conditions for the past couple of years. The down state areas of Texas have experienced hurricanes, droughts, and floods causing extensive multi year losses. The new SURE program does not have a good reputation in Texas. It has been very slow in providing relief for some producers, with many producers still waiting. Farm Service Agency (FSA) office personnel are working without usable computer programs resorting to doing the computations by hand. The rules are said to be still in flux and change from time to time compounding the problem. One major issue is that FSA and Risk Management Agency (RMA) records at times do not match exactly which requires further review. Since one of the determinants of SURE is based on the average price of the marketing year, producers must wait a full year to see if they will even qualify. Any help SURE provides may come too late. But, beyond just the timing issue, SURE also just does not work for more diverse or larger farm operations because it requires aggregation of all farms. Therefore, SURE does not work for the majority of irrigated producers, those with a mix of irrigated and non-irrigated production, or those growing multiple crops.

ACRE also has proved to be a very complicated program. It is difficult to explain to absentee land owners. In a state as large and diverse as Texas the state wide loss requirement trigger is a tremendous negative. The loss trigger for a geographic area must be localized, at least to the county level. ACRE is even less appealing to irrigated producers. ACRE requires that all crops on a FSA farm number be enrolled in ACRE

for the duration of the farm bill. Since ACRE does not work for cotton this automatically precludes many producers from choosing this option. ACRE, like SURE, uses a season average market price for determining eligibility. Producers making the decision on whether to enroll in ACRE by June 1 of the current year are speculating on what the markets will do for the next 15 months.

Bottom line for both SURE and ACRE- no lender can count on them and so they are of little benefit to me as producer.

People in and out of government have sought to apply a one size fits all payment limitation. This very narrow view point does not take into account the differences in cost of production, weather risk, the means to produce off farm income, and even the social norms from one region of the country to another. The payment limits should not be reduced further. The rule limiting corporations to one payment limit should be removed. Corporations have definite advantages in many business situations, not the least of which is that it is often the easiest structure to which beginning farmers can be added. If two or more individuals can form a general partnership and receive payments directly attributed to their social security numbers then why can the same individuals not form a corporation and have the same right? The rules that prevent an existing farmer from being able to co-sign financing for a beginning farmer should also be reviewed and modified to help those wanting to enter production agriculture.

Our challenge for the next farm bill is how to modify existing policy so it is functional in an age of highly variable costs of production and revenue, and hopefully this will be done before it is actually needed. We should move forward carefully so that policy is designed that works for all commodities. Perhaps a single farm policy is no longer realistic but we should make sure that no segment is disadvantaged as resources are allocated. It makes no sense for me as a corn producer to seek policy that is not fair to someone else.

Agriculture needs to work together. Rest assured the Corn Producers Association of Texas wants to work with other agricultural groups and the Committee as future policy is developed.

The current loan and countercyclical programs have provided stability to the farm economy for many years until rising input costs made the loan rate and target price obsolete. The simplest fix appears to be to bring the loan rate and target price into line for today's economic reality. Hard numbers that tell a producer and his lender that this is the bottom line have great value. Unfortunately, it appears that the simple fix is beyond the scope of the budget base line.

Perhaps some form of revenue program can be crafted that will work for grains while cotton, sugar, and perhaps others will want to retain the existing marketing loan. Again the word is caution, with thorough study of any proposal for unintended consequences. Revenue can be taken to mean different things. In 2008 many farmers generated substantial gross revenue but their net revenue was small or perhaps even negative because of sky rocketing production costs. To be effective any revenue plan must be reliable, it must be something a producer can take to lenders and say, this is the safety net.

We must be very careful to not rob the commodity title to enhance the conservation programs. Producers and lenders will not be able to support additional investment in conservation cost sharing if the farm is not profitable.

In Texas we currently have about 3.3 million acres of Conservation Reserve Program (CRP). Over 2.7 million of those acres have contracts that will expire by September 30, 2014. The bulk of the acres expire by the end of fiscal year 2012. Due to changes in the criteria for eligibility, most of the expiring contracts are not eligible for a new contract. Much of this land should remain in CRP because it is very subject to wind erosion. This land will be put back into production based on recent experience with contracts that have expired. In addition to the erosion issue, placing this land into production will place additional demand on the Ogallala Aquifer which is the primary source of water for the Texas Panhandle/South Plains region of Texas. Since this land has established program base acres it will also be re-enrolled in the farm program. The eligibility rules should be modified to allow more of this land to remain in CRP.

The Conservation Stewardship Program (CSP) is a program that has received mixed reviews from producers. It appears some of the problems are growing pains including different interpretations of the rules across regions and even county Natural Resources Conservation Service (NRCS) offices. One specific problem relates to the payment limit. NRCS has been applying a payment limit rule that is even more restrictive than the one in place for the commodity title; one payment limit regardless of the number of actual persons involved. This has limited some producer's ability to fully implement all of the practices they would like to undertake. A very positive aspect of the program, especially for Texas, is an emphasis on energy and water conservation. While the CSP appears to have merit as a conservation program it should not be confused as being an economic safety net. Producers will spend the full amount they receive plus some to fulfill the requirements of their contract with NRCS.

The Environmental Quality Incentives Program (EQIP) has been an excellent tool to help crop and livestock producers implement conservation measures. It has been very popular with irrigated producers that have used the cost share program to become more efficient with the use of water and thus able to conserve water while maintaining economic activity. It is very important to maintain local control over the setting of priorities and cost share formulas. It is very important that the conservation title does not serve as a budget reserve to fund other titles. Funds allocated to conservation should be available so producers have access to these programs.

Federal Crop Insurance is very important to Texas producers, and we want to see it improved. Texas is an underserved region and there is concern that the problem will be compounded if the current negotiation of the Standard Reinsurance Agreement does not come to a favorable conclusion for all parties. As a tax payer I want programs to be efficient and funded only at the proper level, as a producer I need good service from my crop insurance provider, and as a producer again, I do not want the Committee to lose the budget baseline for the next farm bill.

To the extent that USDA is concerned that companies are making too much money through crop insurance underwriting gains, then USDA should use its authority to lower rates. Lower rates would reduce the underwriting gains, lower the premiums producers pay and reduce government outlays to subsidize coverage. For example, we believe that some of our crop insurance products are over rated, and thus the premiums are higher than needed to maintain the crop insurance program. A comparison of crop insurance premiums for corn using counties in Minnesota, Iowa, Illinois, and the Texas Panhandle shows that Federal Crop Insurance for irrigated corn in the Texas Panhandle/South Plains region is three to five times more expensive than comparable levels of coverage in the Midwest, despite the fact that the loss ratios are very similar. The Corn Producers Association of Texas has been in contact with officials at USDA and will soon meet with the staff of the Risk Management Agency (RMA) in Kansas City, Missouri concerning the rating of crop insurance for irrigated corn in the Texas Panhandle. We will also be seeking a biotech endorsement (discounted premium) for all corn grown in Texas using biotech traits that demonstrate lower production risk.

Production agriculture is the economic engine for much of rural Texas. While production agriculture does not employ as many total workers as it once did, due to the adoption of technology, the workers it does employ must possess higher skills than before. Computers; crop condition sensors; global positioning system guided tractors, harvesters, and irrigation systems; integrated pest management, and other technologies are now routine on farms. This technology not only requires skilled workers on the farm but highly trained technicians to provide support services. It is getting harder to find local people to fill these positions and some farmers and businesses are recruiting from other states. Production agriculture is also rural development. We should not fall into the trap of believing that rural development will provide the same stability to production agriculture that is provided by the commodity title and Federal Crop Insurance. Rural Development has its own separate role supporting communities and creating new economic activity. Where farmers, ranchers, rural citizens, and taxpayers get the most leverage is when production agriculture is economically healthy and new markets and

businesses are being created through rural development efforts, further expanding the economic activity within the community.

Much of what farmers and ranchers produce within the U.S. is destined for foreign markets. In the balance of trade equation agriculture is the bright spot. It is important for the U.S. to build on this success and work to increase our share of these markets. Market Access Program (MAP) and Foreign Market Development (FMD) funds help producer groups and others to build and maintain these markets. It is important that adequate funding be available through the farm bill. To build new markets often requires that we seek new trade agreements to enable trade to occur in the first place. The Corn Producers Association of Texas supports the bilateral agreements pending for Panama, South Korea, and Columbia. Conversely it has strong reservations about the U.S. offer to the WTO within the Doha round of negotiations. The ambiguous language of a WTO agreement means it is unlikely we will ever be able to craft a commodity title that will go unchallenged by our competitors. We believed our direct payments were WTO compliant and yet they have been challenged. It will thus be extremely difficult to convert the trade distorting subsidies which the U.S. has offered to cut in a way that will allow us to maintain an adequate farm program safety net.

Agricultural research has enabled the constant increase in farm productivity. It allows our nation to enjoy the least expensive and safest food supply in the world. It is what keeps us competitive in a global market place where other exporting nations have fewer regulations, cheaper labor and inputs, and hidden subsidies. If we are to remain a leader in world agricultural production we must support our land grant university system, USDA Agricultural Research Service, and other public research institutions through adequate funding of the National Institute of Food and Agriculture.

Texas, for many years, has maintained a nationally recognized Integrated Pest Management (IPM) program. IPM agents and programs support producers at the local level with crop scouting, localized research, and consulting. When a new problem is detected, often the first person farmers and their crop consultants turn to is the local IPM agent. Local steering committees of farmers, crop consultants, and agribusiness assist the

IPM agents by setting priorities for work and by providing on farm demonstration sites. Prior to 2008 the funding for the IPM program in Texas was two thirds state and one third Federal. The 2008 farm bill changed from formula funding to competitive grant application. With an outstanding program in place Texas was not concerned about any reduction in funding. Since 2008 grant awards have been capped at lower levels each year and Texas in 2010 is receiving less than half of the funding it received in 2007. Since most of the IPM funding goes to pay local agents, the result has been the loss of agents at the local level. The IPM agent that served my county and three other adjoining counties moved over a year ago and the position is still vacant since there are no funds to hire a replacement. At times there are unintended consequences to very small changes in the farm bill. The next farm bill will be an opportunity to address this issue.

The last thing I would like to comment on is the Midas project at USDA. This project will enhance and update the antiquated computer information technology system within USDA. Recently Washington, DC based Midas project leaders and Farm Service Agency (FSA) personnel came to Texas to get feedback from producers about the project. I was very pleased to have an opportunity to attend one of these listening sessions. I was impressed that they spent virtually all of the time listening to our suggestions. We provided a lengthy list of the information producers need online, how the system can help USDA personnel, crop insurance agents, and growers be more efficient, and how electronic delivery can save USDA money. I want to thank the Committee for working to get the necessary funding for the Midas project. I urge the Committee to work closely with USDA to make the new system live up to its full potential.

I appreciate the opportunity to be able to submit these comments to the Committee and that Texas producers will be involved in this process as it moves forward. We are very fortunate that the members of the Committee understand agriculture and rural needs.