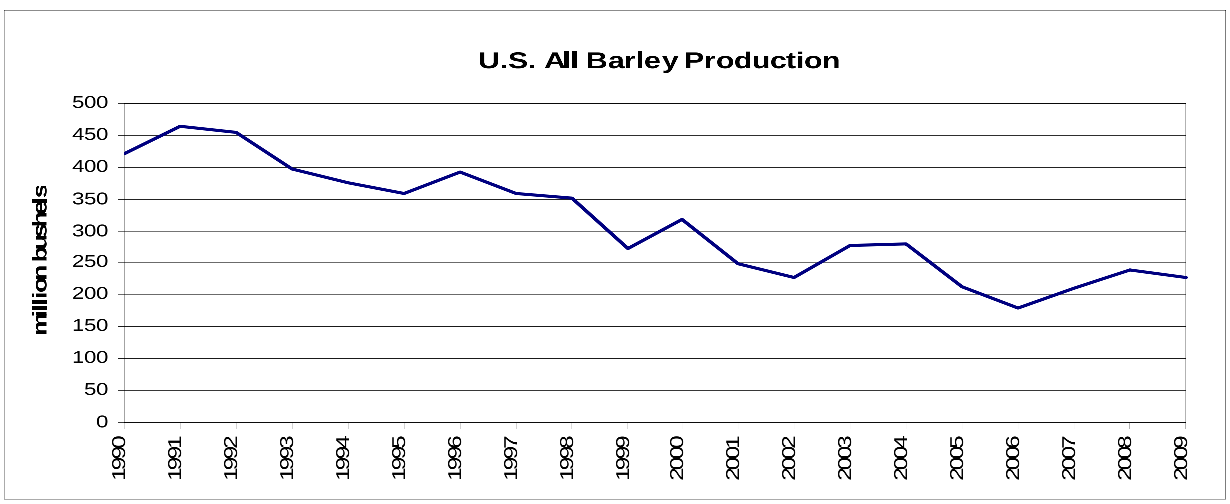
Dave Henderson, President
National Barley Growers Association
before the
House Ag Subcommittee on General Farm Commodities and Risk Management
Review of Commodity Title Programs
June 24, 2010

Mr. Chairman, Members of the Committee, my name is Dave Henderson and I am a farmer from Cut Bank, Montana, where I grow irrigated barley, spring wheat and alfalfa. I currently serve as President of the National Barley Growers Association and I am here today representing U.S. barley producers. Thank you for this opportunity to share our thoughts on existing farm commodity programs.

The United States is the eighth-largest barley producing country in the world and, after corn and sorghum, is the third major feed grain crop produced in the United States. From 2005 to 2010, U.S. grain producers planted almost four million acres of barley each year, contributing over $800 million annually to the nation's economy.

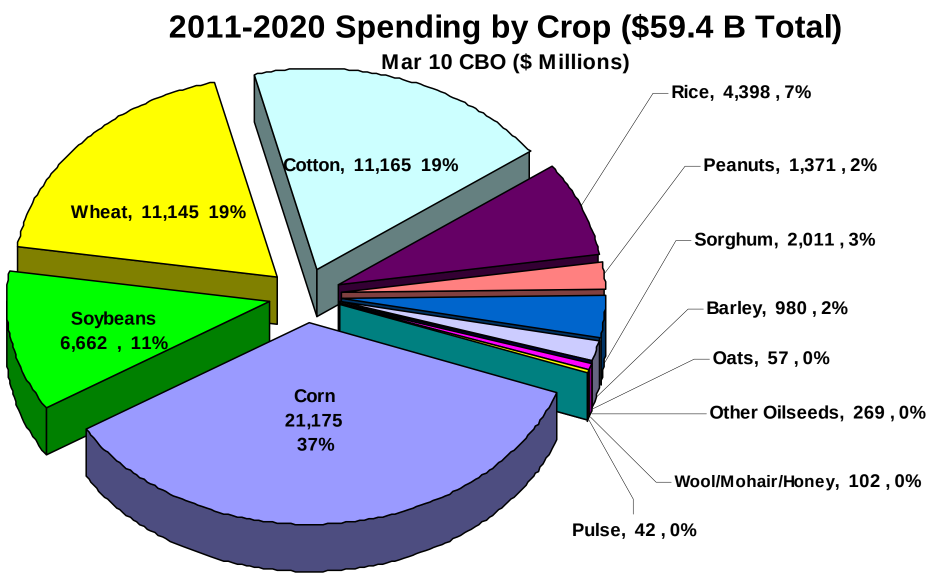
Production is concentrated in the Northern Plains and the Pacific Northwest in states where the growing season is relatively short and climatic conditions cool and dry. Historically, livestock consumed most of the barley produced in the United States, but food and industrial uses have shown continued growth while feed uses of barley have declined. Most U.S. barley today is grown for malting use because of the price premium it commands. In 2009, approximately 75 percent was grown for food, seed and industrial use; 23 percent for feed and residual use; and 2 percent for export.

But U.S. barley production has been in a severe downward trend. Over the past 20 years, the amount of barley grown has declined by nearly 50% and we predict continued loss of acreage and production to competing crops that offer better returns on investment.



Recent commodity price volatility has been frustrating for barley growers just as it has been for producers of other raw commodities. Historically high prices for barley in late 2007 and early 2008 were offset by extraordinary increases in the cost of our agricultural inputs. When, over the next 2 years, commodity prices fell to much lower levels, input costs did not decline by a commensurate degree, if at all. These input costs, and the barley producer's inability to pass them on, are a tremendous threat to the future of the U.S. barley industry.

NBGA also believes that the U.S. barley industry has lost significant competitiveness due, in part, to distortions in federal farm program support relative to other crops. As you can see by the next chart in my testimony, the 2011-2020 projected support level for barley compared to other commodities is relatively low; just 2% of total farm program expenditures.

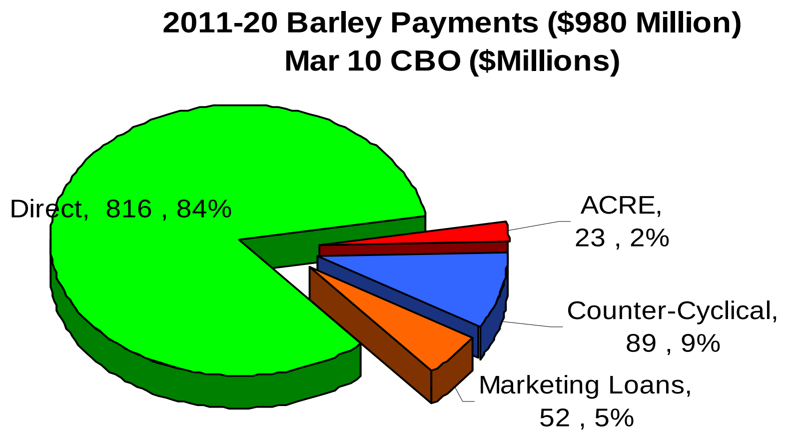


Farm programs are designed to cushion the boom and bust cycles inherent to agricultural production and to ensure a consistently safe, affordable and abundant food supply for the American people. But, while barley growers generally support current farm policy, much of the "safety net" provided by the current farm bill has not been effective for them.

COUNTER CYCLICAL AND LOAN PROGRAM

As shown in the next chart, barley growers receive little support from two key components of the commodity title; the counter cyclical program and the marketing loan program. The target price for barley in the counter cyclical program, though increased slightly in the 2008 farm bill, is set considerably lower than market conditions warrant. As a result, there is very little support in the form of counter cyclical payments.

Severe weather conditions in consecutive years in many barley states have led to significantly lower yields or total crop failure. And though the loan program provides for often necessary short term, low-interest commodity loans, the loan program and the LDP are useless when you have no crop and the loan rate is set too low to be an effective price floor.



DIRECT PAYMENTS
NBGA remains supportive of the direct payment program which is the best means to get much needed operating money into the hands of producers, is easy to administer, requires conservation practices be met for eligibility, and is the most WTO compliant program in the farm bill.

ACRE
Very few barley growers participated in the initial signup for the new ACRE program but our early analysis leads us to believe that, with some modifications, ACRE has the potential to become an effective support mechanism for barley growers, protecting guaranteed revenues when crop prices fall. Growers like the ability to choose whether or not to participate in a revenue-based program like ACRE or the traditional farm program but are frustrated with how complicated the program is and how difficult it is to explain to landowners.

SURE
Implementation of the new SURE permanent disaster program has been slow, frustrating growers who have suffered crop losses and need financial assistance to meet operating expenses in the next crop year. Once USDA is comfortable with the program, we are confident that SURE will provide effective support, protecting barley growers from shallow crop losses that cannot be afforded through regular crop insurance.

CROP INSURANCE
The Northern Plains and Pacific Northwest barley growing regions are susceptible to extreme variability in growing conditions and the risk of failing to produce malting barley that meets higher priced contract specifications is great. The availability of affordable crop insurance that at least meets the cost of production is critical to our barley growers. Crop insurance products currently available to barley growers do not provide adequate coverage compared to other crops, further decreasing barley's competitiveness.

The final rule of the new COMBO crop insurance plan recently released by USDA estimates using a factor of 82.1% of the CBOT corn futures price to determine the 2010 projected and harvest price for barley. Our analysis of USDA NASS pricing data over the past ten years indicates a more appropriate price relationship between barley and corn should be 92%.

NBGA believes improvements can be made to risk management programs in order to adequately address multi-year losses, increase the level of affordable coverage and coordinate USDA grading standards with those stipulated by the barley industry. We have worked hand in hand with the Risk Management Agency on innovative ways to address these challenges and have appreciated their responsiveness and concern for barley's risk management issues.

Mr. Chairman and Members of the Committee, there is no doubt that America's farmers would rather depend on the markets than the government for their livelihoods, but the current economic and trade environments do not offer a level playing field in the global marketplace. Many of our trading partners support their farmers at much higher levels than in the U.S.

At the same time, we face continually increasing production costs. USDA ERS reports the 2009 Barley Total Cost of Production in the Northern Great Plains, including seed, fertilizer, chemicals, fuel, machinery, labor and land, is $301.55. The Total Gross Value of Production is estimated at $260.59 for a calculated net return of -$40.96.

These facts, along with potential changes in the World Trade Organization rules and the increasingly dire federal budget situation, have led us to begin looking at options for the 2012 farm bill. We look forward to ongoing discussions with this committee.

Thank you again to the Committee for this opportunity to testify. If you have any questions, I will be happy to address them.

Dave Henderson, President
National Barley Growers Association