American Soybean Association

Statement by Rob Joslin, President
American Soybean Association

before the

Subcommittee on General Farm Commodities and Risk Management
Committee on Agriculture
U.S. House of Representatives

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Good morning, Mr. Chairman and Members of the Committee. I am Rob Joslin, a soybean farmer from Sidney, Ohio. I serve as President of the American Soybean Association Board of Directors and am a member of ASA's Farm Bill Working Group. ASA is pleased to provide our initial thoughts on farm program priorities for the 2012 Farm Bill.

There is a widely held view that production agriculture in the U.S., and worldwide, has undergone a significant change in recent years in which demand has begun to outstrip supply for various commodities, including soybeans. The increase in prices for feed and food crops in 2007 and 2008 is attributed to a rise in world demand for agricultural commodities to meet food, feed, fiber, and fuel needs. Supporters of this view suggest that farm program supports are no longer important, since prices are expected to remain above historical levels in coming years.

A contrasting opinion is that agriculture markets are cyclical, and that production will respond to higher prices which, over time, will decline. This view is supported by experience in the mid-1990s when, with prices above historical levels, Congress approved scaling back supports in the 1996 Farm Bill, known as Freedom to Farm. Three years later, prices fell to historic lows, requiring emergency payments to supplement the decline in farm income and support. Another contributing factor is the likelihood that agricultural biotechnology and other scientific advances will continue to raise yields and the quality of crops worldwide, offsetting the trends in population growth and energy use of commodities.

ASA believes that farm programs play an important role in underpinning the strength of the farm economy which, in turn, has supported the overall U.S. economy during the current recession. The importance of an effective safety net for farm income has grown as the rising cost of farm inputs has increasingly pressured farm profitability. We recognize that, in the current budget environment, farm programs are a target for interests that either oppose them in principle or want to fund other priorities. Accordingly, ASA is looking for ways to make farm programs more efficient, effective, and defensible.

Marketing Loan and Counter-Cyclical Programs

With regard to current farm programs, ASA has long supported adjusting target prices and marketing loan rates to make them equitable among commodities. Counter-cyclical income support should be based on the relative value of each commodity. Loan rates must also be equitable, or planting decisions will be distorted in years when prices are expected to be near or below loan levels. ASA supported equitable adjustments in target prices and loan rates in both the 2002 and 2008 Farm Bills.

Recently, soybean market prices have been well above loan rates and target prices, highlighting the fact that the soybean safety net falls well below the value of the crop. The current $5.00 per bushel soybean loan rate and $6.00 per bushel soybean target price are not equitable with support levels for other major commodities. Because market prices have been above these levels in recent years, these disparities have not disadvantaged soybean production under the 2008 Farm Bill.

CBO's March 2010 baseline projects outlays of $19 million in soybean counter-cyclical payments, or CCPs, and $82 million in soybean marketing loan gains and loan deficiency payments in FY-2011/20. The total for the two programs of $101 million over ten years – just 1½ percent of total projected soybean outlays – reflects how far below expected prices current support levels are. In order to provide meaningful income support in current markets, they would need to be significantly increased. ASA continues to support equitable adjustments in target prices and loan rates. And we would note that the cost of doing so would likely be moderate, based on continued higher soybean prices projected in the current baseline.

Direct Payments

CBO projects outlays of $5.6 billion in soybean direct payments in FY-2011/20, equal to 84.5 percent of total support for soybeans over the ten-year period. With the wide disparity between current soybean loan rates and target prices and market prices, direct payments represent a basic support for farm income when prices and yields fall sharply. This is particularly true for producers in regions where ACRE and crop insurance participation is low. Direct payments are also the only farm program considered non-trade distorting, or Green Box, under the WTO.

Direct payments drew significant criticism during debate on the 2008 Farm Bill, as commodity prices rose and payments were made regardless of the need for income support. In addition, direct payments are fixed at constant levels and can be factored into land rents, so they often pass through to the landlord rather than benefiting producers who do not own the land they farm, but accept the production risk.

ACRE

CBO projects outlays of $929 million in payments to soybean producers under the Average Crop Revenue Election, or ACRE, program in FY-2011/20, or 14 percent of total support for soybeans during the ten-year period. While we have experienced only one year since ACRE sign-up for 2009 crops, projections indicate it may be a better choice for producers in the largest soybean-growing states than the traditional farm program.

ASA supported including ACRE in the 2008 Farm Bill as an option to the "three-legged stool" of traditional farm program support – marketing loans, target prices, and direct payments. The revenue guarantee provided under ACRE can be strengthened and modified to make it more attractive in regions of the country where participation is low. We believe ACRE can be made to work in tandem with a modified crop insurance program to provide a more effective safety net for all soybean producers.

Among the modifications needed in the current ACRE program, ASA recommends that the Committee consider changing the state loss trigger to a trigger closer to the producer level. This is particularly important to producers in states with higher variability in yields between growing areas within the state, and would functionally improve producer risk management. A producer who experiences low yields might qualify for ACRE payments on his or her farm, but could be excluded from eligibility if overall state yields prevent reaching the state loss trigger. A related question is whether to maintain the farm loss trigger if the decision is made to move the program from a state to a more local loss threshold.

A significant second concern is that sign-up under ACRE requires participation for the duration of the 2008 Farm Bill. This requirement discourages participation by producers who rent their land on an annual basis, and cannot make a multi-year commitment.

A third issue is the 30 percent reduction in marketing loan rates required under the current ACRE program. The loan program is a critical marketing tool for soybean producers in southern states who also grow cotton. Nearly all cotton is placed under the loan, which serves as a floor for price negotiations with cotton merchants. The 30 percent reduction in loan rates undercuts this marketing function, making ACRE a non-starter for southern soybean producers who also grow cotton.

ASA also supports simplifying the ACRE program to make it more understandable and accessible to producers. The amount of paperwork required to participate in ACRE is excessive, and needs to be reduced if participation rates are to increase.

SURE

Preliminary reports from ASA members in some states indicate that the Supplemental Agricultural Disaster Assistance program, commonly known as SURE, will provide substantive relief for losses incurred during the 2008 crop year that were not covered through crop insurance indemnities. At the same time, SURE does not provide adequate disaster relief to producers in regions where participation in crop insurance is low, or at low levels.

Crop Insurance

I would now like to turn to the federal crop insurance program. Crop insurance has become an increasingly important part of the farm income safety net for soybean producers in recent years. ASA does not support including crop insurance reform and reauthorization in the next farm bill. To do so would risk skewing coverage between commodities, similar to the inequitable price and income support levels currently provided under the traditional farm programs. In addition, ASA opposes cuts in the crop insurance baseline. Any reallocation of spending under the program should be used to pay for reforms needed to make it more effective on a nationwide basis.

ASA believes crop insurance should be modified to reflect the lower return per acre and higher input costs in soybean-producing regions that do not participate at meaningful levels. We continue to see a wide disparity in opinions and participation in crop insurance among growers, based on region. Low APHs and high rates make buy-up coverage unaffordable for many Southern soybean farmers. As a result, their inadequate coverage then translates into reduced value from the SURE program.

ASA is concerned by the possibility that income support provided under ACRE, SURE, and crop insurance may overlap, which would make these programs less defensible as Congress looks for ways to reduce the overall cost of farm programs. We encourage the Committee to determine whether and how modifications should be made so that each of these programs plays an appropriate role in supporting farm income when prices and yields decline.

Other Farm Bill Programs

Soybean farmers strongly support programs in other titles of the 2008 Farm Bill, including conservation, research, energy, and export promotion and food assistance programs. We look forward to discussing these important issues in future hearings before the Committee.

Conclusion

That concludes my comments today, Mr. Chairman. ASA looks forward to working closely with you and other Members of the Committee as you prepare to write the next farm bill.

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Farm Operation	Operates a 1000 acre family farm corporation in Ohio raising soybean, corn and wheat with wife Ellen	
Education	Bachelor of Science in Agriculture, The Ohio State University	*1975*
The Ohio Soybean Association		
	• Chairman of Ohio Soybean Association • President of Ohio Soybean Association • Vice president of Producer Education • Vice president of Membership • Testified to House Education and Workforce Committee for Soymilk inclusion in school lunch programs • Director, Ohio Soybean Association • Novartis (Syngenta) Leadership Program • DuPont Young Leader	2005-2007 2003-2005 2001-2003 1999-2001 October 2003 1998 -present 1999 1998
The American Soybean Association		
	• Vice President ASA • Committees experience: o Chair, Membership and Corporate Relations o Public Affairs o Trade Policy	2006 -present 2006 -present 2005 -2006 2004 -2005 2008- 2006 -2007 2007 -present 2007 -present 2007 –present June 2008 June 2007 2006 April 2005

	o and International Affairs o ASA SoyPac o Finance o Strategic Planning • USSEC director, currently Board Secretary • ASA-IM presentation to China Chamber of Commerce • ASA representative to SoyaMex Risk Management Conference • ASA Environmental Leadership Program • ASA representative, Foreign Marketing Service trade mission- Columbia, Venezuela and Ecuador	
Other Activities		
	• Upper Great Miami River Watershed steering committee • 4-H advisor, 20 years • Shelby County Extension Advisory Committee • 4-H Advisory Committee (with service as chairman) • Farm Credit Service Advisory Committee, 9 years	

	• Clinton Township Trustee • Clinton Township Zoning Board, chairman 21 years • Clinton Township Zoning officer • Shelby County Farm Bureau Marketing Chairman • United Way Campaign volunteer-Automotive Division	
Memberships		
	• Ohio Soybean Association • Ohio Corn Growers • Ohio Wheat Growers • Ohio Pork Producers • Ohio Farm Bureau • Heartland Agdeavors • Shelby County OSU Alumni (lifetime member) • Sidney Rotary Club	
Family & Church		
	• Married to Ellen for 26 years • Daughter Gail, enrolled in School of Optometry, Ohio State University • St. Johns Lutheran Church, Sidney, Ohio	