



**Testimony of Kent Pepler
Treasurer, National Farmers Union**

To Review Farm Safety Net Programs in Advance
of the 2012 Farm Bill

U.S. House of Representatives

Subcommittee on General Farm Commodities
and Risk Management

Thursday, June 24, 2010

SUBMITTED TESTIMONY FOR THE RECORD

Kent Pepler

Treasurer, National Farmers Union

House Subcommittee on General Farm Commodities and Risk Management

June 24, 2010

Introduction

Chairman Boswell, Ranking Member Moran and members of the House Subcommittee on General Farm Commodities and Risk Management, I am honored to have been invited to speak to you today. It is a privilege to share with you a few ideas and suggestions that could be helpful in the development of the next food and farm policy for our country.

My name is Kent Pepler and I am here today on behalf of the National Farmers Union. NFU is a national organization that has represented family farmers and ranchers and rural residents for more than 100 years. I serve as treasurer of the NFU Board of Directors and am the president of Rocky Mountain Farmers Union. I farm full-time near Mead, Colo., and grow silage, corn, wheat, sunflowers and alfalfa hay. Until several years ago, I also produced sugar beets, malting barley and feed livestock. I served on the Colorado Farm Service Agency Board of Directors from 1995 to 2001 and spent a few of those years as Acting State Executive Director and Assistant State Executive Director. I also participate on the U.S. Department of Agriculture (USDA) Agricultural Trade Advisory Committee (ATAC) on Sugars and Sweeteners and the Highland Ditch Company Board of Directors.

Our national farm and food policy is of critical importance to all Americans, even as the number of farmers continues to shrink while the population of our country grows. The public must know that if you eat, you are affected by the Farm Bill. Fortunately, this Subcommittee and the Agriculture Committee are dedicated to listening to the opinions of family farmers and ranchers. NFU respects your expertise and hard work. As you continue to prioritize issues for the 2012 Farm Bill, we hope you consider the following observations on the needs of future farm programs.

Since the last Farm Bill was enacted, farmers have endured some of the most difficult economic conditions in decades. The next Farm Bill must address the new realities we face: extreme volatility in market prices for commodities; extended periods of extraordinarily high energy costs; and the ongoing exodus of young people and job opportunities from our rural areas. While the challenges have become greater, our goals remain the same. We want to ensure that generations of farmers and ranchers can raise their families and live in vibrant rural

communities. The Farm Bill might not solve all those problems, but it can take great strides toward strengthening America's farmers.

The Farm Safety Net Programs

There is no question that the Farm Bill is a wide-ranging piece of legislation. It helps to put such large undertakings into perspective. According to projections from the Congressional Budget Office for the years 2010 to 2020, about \$49 billion will be spent on direct payments; \$5.5 billion on countercyclical payments; \$3.2 billion to the new Average Crop Revenue Election (ACRE) program; and \$1.7 billion to marketing loan benefits.¹ Crop insurance programs were slated to receive \$82.8 billion, although after the recent issuance of the 2011 Standard Reinsurance Agreement, this number will be smaller by about \$6 billion.²

Compared to other farm safety net programs, direct payment programs are the least effective way to smooth the highs and lows of the agricultural marketplace. Farmers and ranchers would be better off if federal spending on direct payments was reduced and the funds distributed among the other programs, which would bring improved service to these well-designed but under-funded safety net mechanisms. Federal crop insurance programs, for example, could be extended to specialty crop farmers who are not currently eligible for direct payments. With increased funding, target price supports could be strengthened to provide more assistance to commodity producers around the country. Direct payments are difficult to justify to the general public and federal dollars would be better spent in other farm bill programs.

Countercyclical Payments

As a result of the 1996 Farm Bill's failure to support family farmers, countercyclical payments took on a greater role in the 2002 and 2008 Farm Bills. NFU urges you to place more emphasis on countercyclical payments, crop insurance and the SURE program than on direct payments. By providing farmers a boost when commodity prices fall below the cost of production – and by not providing subsidies when prices are better – countercyclical payments help provide a stable food supply for consumers. When used in combination with effective payment limitations, countercyclical payments are cost-effective while helping farmers in tough times.

Despite the benefits of countercyclical payments, the current Farm Bill provides about nine times more support in direct payments than through countercyclical payments.¹ This needs to change. The next Farm Bill should focus on programs that help to boost prices in tough times, not all the time. The World Trade Organization (WTO) has placed limitations on government assistance for domestic agricultural production and we know that policy makers must consider the implications of our own farm policy on trade. However, in the coming years, changes in the next round of

¹ Congressional Budget Office (CBO), March 2010 Projections for Fiscal Years 2010 – 2020.

² USDA Risk Management Agency, 2011 Standard Reinsurance Agreement, June 10, 2010.

WTO negotiations will be a prime opportunity to adjust the direction of American farm policy toward a system of subsidies coupled to price supports.

Disaster Program

NFU has long been among the leading proponents of a permanent disaster program. The unpredictability and inefficiencies associated with ad hoc disaster programs led to the inclusion of the Supplemental Revenue Assistance Program (SURE) in the 2008 Farm Bill. SURE should make it possible for farmers and ranchers to recover quickly from the devastating setbacks that weather can have on crops and livestock without waiting for piecemeal disaster assistance. However, the current program has been inadequately funded and administrative changes have delayed implementation of rules and regulations.

SURE was a hard-won victory for family farmers and ranchers and it ought to be properly utilized. Back home in the fields, farmers with claims pending since 2007 are still waiting for relief. We urge Congress to fully fund the program and adopt partial advance payments so assistance can be quickly provided in times of desperate need. When your cattle are dying in snowdrifts or your corn crop is flattened by a tornado you need to know the disaster program is there for you, is funded, and responds in a timely manner.

In the next Farm Bill, we need to make sure that we can continue the work that was done with the SURE program in 2008. The distribution of disaster aid must remain linked to crop insurance participation. NFU members welcome more suggestions and discussions about how to streamline and boost the efficiency of the program but, at the same time, we challenge decision makers to make sure that any improvements in SURE do not come at the expense of program delivery. The county Farm Service Agency (FSA) staff that service these programs are pushed to the limits of their resources as it is, and making their jobs unnecessarily difficult should be avoided. Remember that a consistent, predictable and stable back-up plan for farmers struck by hard luck is the most important aspect of having a permanent disaster aid program – any efforts to improve upon it should not interrupt the positive results SURE provides.

Crop Insurance

Crop insurance must remain a cornerstone of farm policy. While we understand the reasoning behind the recent budget cuts to crop insurance, we remain deeply concerned continued reductions in spending for this vital program will cripple crop insurers to the point that some companies may choose to no longer carry it in some areas of the country. In fact, as other parts of the farm safety net shrink, we should be increasing the availability of crop insurance coverage to more crops and to more parts of the country.

When the future of crop insurance is discussed, I ask the members of this Subcommittee to consider the use of the actual production history (APH). All risk management programs should be based upon the APH, and for situations in which the APH is not available, the qualified yield

for a farm should not be set at a lower level than that of country FSA calculations. In order to protect farmers in the event of successive crop disasters, we also urge the establishment of APH yield floors. These common sense approaches to crop insurance will help to ensure the productive potential of a farm is appropriately represented in risk management contracts.

The administration's stated goal to make substantial increases in child nutrition funding is a move which NFU has long supported. Even in 1960, NFU called for the expansion of "workable methods needed to close the gap between what persons can afford to pay for food ... and what they need to maintain an adequate standard of nutrition." We need healthy, well-educated consumers who know more about the origins of their food. To make this possible, funds should not come from crop insurance programs or other parts of the farm safety net, as some have suggested. Child nutrition is estimated to comprise 80 percent of the \$1.1 trillion spent on farm bill programs between 2011 and 2020, while crop insurance makes up less than seven percent of the total expenditures.³ Investment in a stable food supply does not need come at the expense of healthier diets for young people. Both of these causes should be advanced in tandem.

Supply Management Tools

As a result of policy changes in the 1990 and 1996 Farm Bills, there are very few, if any, functioning farm programs that address the issues of supply management and the agricultural economy has suffered as a result. As Americans, we have been very fortunate throughout the years to have an agriculture industry that, with few exceptions, produces more food than we consume. Agriculture remains one of the few industries in which the United States maintains a consistent trade surplus but counting on trade as the only means of releasing excess supply has proven to be ineffective.⁴

Without even a rudimentary system of supply management, our existing farm programs are vulnerable to a very unlikely threat – a bumper crop. Excess supply could result in huge countercyclical payments or revenue insurance payouts. In a time when government expenditures are highly scrutinized, a bumper crop of subsidies could spell disaster for the public's perception of farm policy.

There are many details to be worked out in establishing some sort of mechanism to manage supply, but one aspect of such a system could also serve the interests of national security. I encourage you to explore the possibility of reserves as a strategic and supply management tool. Our nation values energy so much we have a strategic petroleum reserve, which stores enough oil to fuel our country without imports for 75 days.⁵ Food is even more important, and an American food or grain reserve would be a powerful tool to provide security as well as smooth

³ Congressional Budget Office, March 2010 Projections for Fiscal Years 2010 – 2020.

⁴ USDA Economic Research Service, Total Value of U.S. Agricultural Trade and Trade Balance, Monthly. Updated June 10, 2010.

⁵ U.S. Department of Energy, Office of Strategic Petroleum Reserves, "Quick Facts and Frequently Asked Questions."

the peaks and valleys of agricultural prices. When used in combination with supply management techniques and target loan rates that allow for new farmers to enter the industry without creating price volatility, reserves can bring stability to the market and prosperity to the countryside.

In the 2010 NFU policy, our members called for the establishment of “a farmer-owned strategic national reserve for all storable commodities to ensure consumer food security, livestock feed supplies and national renewable energy needs in times of short supply.” To create a functional program, a portion of the national commodity production should be held off the market in times of adequate supply. The reserve would be opened to the market when ending stocks ratios reach a predetermined trigger level and be sold at a value reasonably greater than current market price. Storage rates for these reserve commodities should be paid to the farmer in advance and set at the prevailing commercial storage rate. Proposals for a national reserve, to be used as part of a supply management system, deserve serious consideration in the 2012 Farm Bill.

Conclusion

On behalf of the members of NFU, I urge the Subcommittee to keep in mind the aforementioned concerns as you continue your work on the 2012 Farm Bill. You will hear from thousands of farmers and ranchers across the country in the next two years and I thank you for your ongoing attention. NFU looks forward to continuing this dialogue throughout the legislative process to write a bill that allows our nation’s family farmers and ranchers to find prosperity in an ever-changing rural economy.

Kent Pepler - Biography

Kent Pepler is a fourth generation farmer from Mead, Colorado. His family farm consists of 500 acres of corn, wheat, alfalfa hay, and barley. His family has raised sugar beets and sunflowers in the past, and they have fed cattle, sheep and hogs for three generations. He has farmed the family operation since graduation with a B.S. in Agriculture Education from Colorado State University.

Kent served five years with the USDA Farm Services Agency. He has also served on the boards of directors for the Longmont Co-op, the Sanborne Ditch Co. and the Highland Lake Lateral Ditch Co., and the Colorado FFA Foundation. He is a past president of the Colorado Young Farmers Educational Association.

The Peplers are lifetime members of Rocky Mountain Farmers Union and have participated in RMFU at several different levels. Kent has also served in four federal appointments, several state committees and task forces. In addition, he was a delegate to the state and national Farmers Union conventions and currently serves as Treasurer of the National Farmers Union Board of Directors.

Kent has been married to Colleen for twenty-five years and he and his wife are proud parents of two children, Ashley and Tyson. Their children have participated in the Farmers Union scholarship programs and youth camps.

Their daughter, Ashley, will start law school at Drake University in Des Moines, Iowa, in the fall, and their son, Tyson, is in high school.

**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: Kent Peppler
Address: 4493 WCR #36 Platteville, CO
Telephone: 970-590-3474
Organization you represent (if any): National Farmers Union

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: Kent Peppler

* 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.