American Corn Growers Association
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TESTIMONY PRESENTED
BY
THE AMERICAN CORN GROWERS ASSOCIATION

BEFORE THE

HOUSE AGRICULTURE SUBCOMMITTEE
ON
GENERAL FARM COMMODITIES
AND
RISK MANAGEMENT

THE HONORABLE BOB ETHRIDGE, CHAIRMAN

MARCH 28, 2007

BY
LARRY MITCHELL
CHIEF EXECUTIVE
AMERICAN CORN GROWERS ASSOCIATION

Introduction
Chairman Etheridge, Ranking Member Moran, and members of the Subcommittee on General Farm Commodities and Risk Management, I am Larry Mitchell, Chief Executive Officer of the American Corn Growers Association (ACGA).

We are pleased and honored to have been extended the invitation and opportunity to appear before this committee today. It has been over six years since ACGA has been afforded this courtesy before any committee associated with the U.S. House Committee on Agriculture.

The ACGA has long recognized the daunting task Congress faces in writing our new farm bill, a task made particularly difficult because of the deepening economic depression endured by family agriculture and rural communities in the United States. A primary goal of our organization is to provide leadership on this new farm bill, through positive and specific suggestions for change. Therefore, on behalf of the 14,000 members of the ACGA, I would like to present our views and suggestions on the crop provisions of the Farm Security and Reinvestment Act of 2002 to this committee today.

We wish it noted that our farm bill proposal for the crop title of the next farm bill is much more than a corn proposal. We have always attempted to represent the interests of not only corn farmers, but also all those in agriculture. We believe that all family farmers must work together to find a farm policy that restores prosperity to family farmers and ranchers of all types.

We also understand that corn is the most widely grown crop in the U.S. and has by far the largest production volume of any commodity. It has the largest livestock feed usage, and the largest industrial usage. Therefore, we recognize that feed grain policy has a huge impact on all commodity prices, and also directly impacts the structure of the dairy and livestock industries. The commodity title also impacts our rural communities, our environment, our food system and our federal budget more than any other sector of the overall farm bill.

This is why we have been working with scores of other farm, rural, religious, international, environmental, and wildlife groups over the past year to advance the Food from Family Farm Act (FFFA) with the National Family Farm Coalition and some sixty other organizations. We will present the basic concepts of the FFFA today and ask for your consideration and support for the plan as you advance your endeavor in drafting this year's farm bill. But first, we are obliged to request your consideration of a broader review of which direction we should choose in the next farm bill.

In addition to our support for the FFFA, we take this opportunity to state that ACGA also supports the following farm bill provisions:

- Retention and expansion of the Conservation Reserve Program (CRP),
- Full funding and deployment of the Conservation Security Program (CSP),
- Expansion of the Energy Title of the farm bill,
- Establishment of a standing disaster program,
- Development of a Cellulosic Reserve Program,
- Extension of the Milk Income Loss Contract (MILC),

- Inclusion of a competition title similar to Senator Tom Harkin's Agricultural Fair Practices Act,
- Implementation of the current Country of Origin Labeling (COOL) provision of the 2002 farm bill, and
- Improved delivery and full funding of programs targeted toward limited resource and socially disadvantaged farmers and ranchers.

Ten Questions That Must Be Answered Before We Draft the 2007 Farm Bill
Over the past year, we have been asking the questions listed below of farmers and others in rural America and the answers to these questions have been almost unanimous.

Question -- Are farm bills getting better or worse?
Answer – Worse!

Question -- Are farm bills more or less complicated?
Answer – Much more complicated!

Question -- Are we keeping more or fewer families on the land?
Answer – Fewer families are on the land!

Question -- Are our rural communities improving?
Answer – No!

Question -- Are we exporting more?
Answer – No!

Question -- Are farm bills getting more or less expensive?
Answer – More Expensive!

Question -- For those that actually support the current farm bill, what do they identify as the biggest problem?
Answer – It needs more funding!!

Question -- Will we have more or less funding for the next farm bill?
Answer – Less!

Question -- If we don't change course on U.S. farm policy, will the next farm bill be better or worse?
Answer – Worse!

Question -- Why don't we take a serious look at changing course?
Answer – We must change course to insure the livelihoods of all farmers in the U.S and around the world.

A New Course for U.S. Farm Policy – The Food from Family Farm Act (FFFA)
We must change the course of U.S. farm policy. As a part of the Building Sustainable Futures for Farmers Globally campaign on the new farm bill, sixty organizations (see list in appendix) have endorsed the FFFA and many others are planning to join in the near future.

The Building Sustainable Futures for Farmers Globally campaign calls for U.S. agricultural and trade policies that:

- Ensure food sovereignty,
- Curtail overproduction, raise low commodity prices and end dumping abroad,
- Advance sustainable bioenergy production,
- Promote healthier food through community-based food systems,
- Diminish inequalities both among and within countries and support small scale, family oriented agriculture,
- Transform U.S. food aid policies to promote more flexible and comprehensive aid to developing countries, and
- Respect the rights of immigrants and farmworkers.

FFFA is still a work in progress, but will encompass the following provisions for Title I, the commodity title;

1. Reestablishment of the non-recourse loan program to provide a floor price at the full cost of production for the major, strategic commodities and relieve the burden of tens of billions of dollars in subsidies from the shoulders of America's taxpayers.

2. Reestablishment of a U.S. reserve of the basic storable commodities and a significant portion of that reserve should be a Farmer Owned Reserve (FOR) for

- Domestic Food Security,
- Domestic Energy Security, and
- International Famine Relief.

3. Reauthorize the Secretary to manage over-production and price-depressing surpluses by providing incentives to plant dedicated energy crops on acres which are now, or may be, produced in surplus.

Background on the Food from Family Farm Act
The Agriculture Policy Analysis Center (APAC), at the University of Tennessee, Knoxville, a land-grant university, and ACGA released the groundbreaking research report *Rethinking U.S. Agriculture Policy: Changing Course to Secure Farmer Livelihoods Worldwide* in the fall of 2003 (a copy has been provided with this testimony).

ACGA has worked closely with APAC on this analysis and will continue to advance its findings and seek solutions to the inadequacies in U.S. farm policy identified therein. We ask you to thoughtfully review this research, and to consult closely with its authors, Dr. Daryll Ray, Dr. Daniel De La Torre Ugarte and Dr. Kelly Tiller.

The report concludes that even if the difficult task of negotiating the elimination of global farm subsidies is completed, family-based agriculture will continue to spiral downward as a result of continued low commodity prices. This report goes comprehensively to the heart of the ever more contentious trade issues of farm subsidies in developed countries, low world commodity prices, and global poverty.

The Genesis of the APAC report came from a group of corn farmers at ACGA. For many years, we had been pondering how to quantify several key points that we, as farmers, have observed.

First – Farmers farm. They farm every available acre and produce every pound, bushel or hundredweight possible. That's what farmers do. They will produce as much as they can when prices are high to maximize profits. They will produce as much as they can when prices are low to service debt and survive.

Second – While low prices in many sectors of the economy may drive producers out of business, reduce production and put it back in line with demand, we find that, although farmers are put off the land with low prices, the land stays in production.

Third – Low prices have not expanded our exports and are detrimental to farmers, not only in the U.S., but also around the globe.

Government has been involved in agriculture policy since the beginning of recorded history by expanding production, improving technology, managing stocks, establishing weights and measures, supporting prices, etcetera. There were those seven fat years followed by seven lean years. The Chinese started a grain reserve program in 54 B.C., and operated it for 1400 years. When government-backed military force removed the indigenous people from the land on our continent, government was again expanding agricultural production. The same can be said of the trans-continental railroad, where the government gave away miles of land on both sides of the tracks for settlement and, later, crop production. Then we had the homestead programs, USDA's research and development, land-grant universities and even the federal interstate highway system, which means that today 4,000-head dairies in New Mexico drive down the price of milk in Wisconsin.

Let me repeat this point – government has been involved in agriculture since the beginning of recorded history -- and will continue to do so. We must change course to make government involvement in agriculture work for all of us, not just the processors, vertical livestock producers and merchants.

A good farm program includes not only a good commodity program, but also good programs for conservation, research, rural development, nutrition, credit, and etcetera. Having said that, let me point out the three components of a good commodity program as we envision it:

1. Price support, not subsidies,
2. Tools to manage stocks, and
3. Tools to manage over-production.

Price Support
I know many of you may feel that the difference between price supports and price subsidies seem like a semantic splitting of hairs. But I can assure there is a great difference. The biggest difference is who pays. The user pays for the support and the government, i.e. taxpayers, pays for the subsidy. The best analogy I can give you to share with your urban friends is the difference between the minimum wage, a support program, and food stamps, a subsidy program. And you do not have to be an economist to realize that if we increase the support program, we can reduce or eliminate the subsidy program.

One of the timeliest discoveries in Dr. Ray's work, during these times when so many developing nations are demanding an end of U.S. farm subsidies as a way to improve the economic situation for their farmers, shows that the simple elimination of U.S. subsidies will not help. Such a policy change would devastate U.S. farmers and would even reduce the prices for some commodities worldwide. What would help is a policy to improve prices in the U.S., a world price setter for many commodities, and thereby help farmers worldwide.

Managing Stocks
Managing stocks is not a new government policy. From the Joseph Plan as Henry A. Wallace called the 7 fat years, 7 lean years program, to his Ever Normal Grainery, to the Chinese program I mentioned earlier up to the Farmer Owned Reserve (FOR) we lost in the 1996 farm bill, governments have previously provided the tools to manage stocks with positive results.

One last note on government stocks from the ACGA farmer view of agriculture economics. Did you realize that when our nation went to war four years ago this month, we only had 5 hours worth of corn in the CCC reserve? We only had 8 hours worth of soybeans and 11 days worth of wheat. We had 30 days supply of petroleum in the Strategic Petroleum Reserve, but only 5 hours worth of corn. We support the President's initiative announced during his 2007 state of the union address to expand the Strategic Petroleum reserve and we ask your support for a Strategic Grain Reserve.

Managing Over Production
Tools to manage production are available and used by most every sector of the economy. The generals all use production management – General Dynamics, General Electric, General Foods, General Mills and General Motors. Even both the House and Senate agriculture committees believe in production management by government. During the last farm bill deliberation, they spent hours discussing the loan rate. Their concern was that the higher the loan rate, the more incentive producers have to produce more. An erroneous assumption as reported in the APAC study. But given the fact that they decided to keep the loan rate low in order to curb over-production, it is clear that they support government tools to manage production. Recently the Bush administration also recommended a similar proposal to manage production by lowering loan rates. It is evident that most everyone involved in the farm policy debate supports supply management, but lowering the loan rate is not the best solution to this issue.

ACGA does not advance the notion that the Acreage Reduction Programs (ARP) of the past as the best way of managing overproduction. Nor do we advance the adoption of any production controls until a viable reserve is established as defined above. We do promote giving farmers

tools to voluntarily manage "free stocks" as a primary way to improve farm price within a market-based system.

We also see a need for a policy to advance the cultivation of more energy crops in order to provide alternatives to the over-planting of crops in surplus. Bio-energy crops should be a key in any future U.S farm policy and additional user incentives should be considered for their advancement. This is why we are endorsing Chairman Peterson's proposal for a Cellulosic Reserve Program to provide incentives for farmers to move crop acres which have traditionally been planted to crops in surplus into dedicated energy crops. To understand how this initiative would impact future production management, we suggest a review of the cultivation of soybeans over the past half century. Fifty years ago, few if any soybeans were planted in the U.S. In recent years, annual soybean plantings have exceeded 70 millions acres. We need to ask just how bad would corn, wheat and cotton prices have been in past years had we not planted over 70 million acres of soybeans. What we need in the future is a portfolio of dedicated energy crops to provide the same type of planting alternatives provided by soybeans over the past half century for the next half century.

FFFA and the Federal Budget

With the current improvements in commodity prices, almost any farm program will work within the budget constraints faced by this committee. But we have no conclusive evidence as to whether the new farm gate prices are a bubble, a new plateau or even a new escarpment. Therefore, we must find a way to utilize our baseline smarter and raise the farm safety net above the pavement in the event current prices are a bubble.

Because the FFFA's reestablishment of the non-recourse loan program provides a floor price at the full cost of production for the major, strategic commodities, we would relieve the burden of tens of billions of dollars in subsidies from the shoulders of America's taxpayers. By setting a floor price on our commodities, we would alleviate the need for Loan Deficiency Payments (LDPs). Marketing Loan Gains (MLAs), Counter Cyclical Payments and Fixed Payments. There would be some spending required to manage the strategic grain reserve and the cellulosic reserve program, but these expenditures would be very nominal when compared to the savings realized in other areas. Short of providing a full scoring of the initiative which is not available at this time, we suggest that based on previous expenditures, the FFFA could save $10 to $20 billion annually. Such federal budget savings should be considered closely with any member of Congress claiming to be a Budget hawk – be they conservative Republicans or Blue Dog Democrats. The savings realized by this change in course for farm programs would also provide the resources for fully funding the Conservation Security Program (CSP), expansion and full funding of the farm bill's energy title, funding for the Chairman's standing disaster program, livestock assistance programs and etcetera.

FFFA and the World Trade Organization

Many in Congress, including several members of this committee, have said that the Congressional agricultural committees are going to write the 2007 farm bill, not the World Trade Organization. ACGA supports that position. We also suggest that the U.S. advance the FFFA to our negotiators currently engaged in the Doha Round of WTO negotiations, and suggest a review by the WTO of FFFA. We predict that if the U.S. were to advance a program of higher prices,

supply management and production management, it would be embraced by the developing countries as well as the developed countries as a superior alternative. Let's take a proposal to the table to raise world prices, eliminate subsidies and enhance the livelihoods of farmers globally and see how much interest it garners.

While our farm and trade policy makers have decided time and time again that low prices are the most prescribed cure for our lagging competitiveness in global markets, farmers and livestock producers find that cure to be their biggest disease. To defeat the disease of low prices we need policies that improve prices in the U.S and around the world, establish adequate food reserves and address production adjustments to enhance production of crops in short supply in favor of crops in surplus. There are efforts already underway to bring about such international cooperation on supply management, but those efforts have been limited to the academic and NGO sectors. We need our policy makers to engage in these discussions as well and we suggest that this committee hold a separate hearing to review this critical issue.

Program Delivery
ACGA warns that until we know what programs will be contained in the new farm bill or how it will be administered, and until Farm Service Agency (FSA) computer problems have been mitigated, it is ill-advised to reduce the FSA farm program delivery platform. We urge Congress to postpone any county office closures or reductions in staff until after the farm bill has been passed, enacted and deployed and that a real solution to the antiquated computer system are likewise deployed.

Conclusion –
One Last Question That Must Be Answered Before We Draft the 2007 Farm Bill

Given the new course we have just recommended for the 2007 farm bill, and the current farm bill, which one is better for:

- Farmers?
- Consumers?
- Taxpayers?
- The Environment?
- Rural Communities?
- Farmers in developing countries?

Or, which one is better for:

- The integrated livestock industry?
- The international grain traders?
- The food processors?

We are not asking "which of these farm bills will the Congress pass?". We are asking "which of these farm bills will be better and for whom?" Once we ascertain how members of Congress feel about which farm bill is better for whom, we will then help answer the question "what will the Congress pass?". I am not asking for your answer today, but I am asking you to look closely at our proposal and formulate your answer prior to drafting our new farm bill.

Appendix
Organizations endorsing the Food from Family Farm Act (FFFA) as part of the Building Sustainable Futures for Farmers Globally campaign's farm bill initiative.

American Agriculture Movement, Inc.
Action Aid USA, Washington, D.C.
Federation of Southern Cooperatives/Land Assistance Fund, Atlanta, Ga.
Friends of the Earth US, Washington, D.C.
Institute for Agriculture and Trade Policy, Minneapolis, Minn.
National Family Farm Coalition, Washington, D.C.
Rural Coalition/Coalición Rural, Washington, D.C.
Farm & Food Policy Diversity Initiative, Washington, D.C.
National Campaign for Sustainable Agriculture, Pine Bush, N.Y.
American Corn Growers Association, Washington, D.C.
Maryknoll Office of Global Concerns, Washington, D.C.
Alliance for Responsible Trade, Washington, D.C.
Church World Service, Elkhart, Ind.
Heifer International, Little Rock, Ark.
RAFI-USA, Pittsboro, N.C.
NETWORK/A National Catholic Social Justice Lobby, Washington, D.C.
Agricultural Missions, New York, N.Y.
Grassroots International, Boston, Mass.
Family Farm Defenders, Madison, Wisc.
World Hunger Year, New York, N.Y.
SHARE Foundation: Building a New El Salvador Today, Washington, D.C.
Quixote Center/Quest for Peace, Hyattsville, Md.
International Labor Rights Fund, Washington D.C.
Food First/Institute for Food and Development Policy, Oakland, Calif.
World Neighbors, Oklahoma City, Ola.
Food & Water Watch, Washington, D.C.
Ecumenical Program on Central America and the Caribbean (EPICA), Washington, D.C.
Organization for Competitive Markets, Lincoln, Neb.
Land Stewardship Project, White Bear Lake, Minn.
Land Loss Prevention Project, Durham, N.C.
Missouri Rural Crisis Center, Columbia, Mo.
Campaign for Family Farms and the Environment,
Iowa Citizens for Community Improvement, Des Moines, Iowa
Oakland Institute, Oakland, Calif.
The Second Chance Foundation, New York, N.Y.
Sustainable Agriculture of Louisville, Louisville, Ky.
Oklahoma Black Historical Research Project, Oklahoma City, Okla.
Center of Concern, Washington, D.C.
Sisters of the Holy Cross, Notre Dame, Ind.
United Church of Christ, Justice and Witness Ministries, Cleveland, Ohio
California Black Farmers and Agriculturalists, Sacramento, Calif.
Cumberland Countians for Peace & Justice, Pleasant Hill, Tenn.

Caney Fork Headwaters Association, Pleasant Hill, Tenn.
Network for Environmental & Economic Responsibility,
United Church of Christ, Pleasant Hill, Tenn.
Corporate Agribusiness Research Project, Everett, Wash.
Center for a Livable Future, Johns Hopkins Bloomberg School of Public Health, Baltimore, Md.
Columban Justice, Peace, and Integrity of Creation Office, Washington, D.C.
Ohio PIRG, Oberlin College Chapter, Oberlin, Ohio
Ladies of Charity of Chemung County, Elmira, N.Y.
Church Women United of New York State, N.Y.
Catholic Daughters of the Americas, Corning/Elmira, N.Y.
Missionary Oblates of Mary Immaculate Justice,
Peace and Integrity of Creation Office, Washington, D.C.
International Endorsements
National Farmers Forum, New Delhi, India
Mexican Action Network on Free Trade, Mexico City, Mexico
Instituto Runa de Desarrollo y Estudios sobre Género, Lima, Peru
Small Farmers of Jalapa Coopereative, Jalapa, Nicaragua
Lokoj Institute, Dhaka, Bangladesh
Fiji AgTrade, Suva, Fiji
Observatorio de la Deuda en la Globalización, Cataluña, Spain

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:** Larry Mitchell

2. **Business Address:** P. O. Box 18157

   Washington, D.C., 20036

3. **Business Phone Number:** 202.835.0330

4. **Organization you represent:** American Corn Growers Association

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

   Farmer
   Farm Organization Executive
   Deputy Administrator for Farm Programs, Farm Service Agency, U.S. Department of Agriculture

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

   same answer as question 5

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:**

   Chief Executive Officer

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

American Corn Growers Association

Email - ACGA@ACGA.ORG

http://www.acga.org

Larry Mitchell
Chief Executive Officer
American Corn Growers Association

Since January 2001, Larry Mitchell served as the Chief Executive Officer of the American Corn Growers Association (ACGA), one of the country's most respected voices for corn growers and producers of all crops and livestock.

ACGA's focus is on the farmer. The ACGA Board Directors are corn growers. Its producer members approve all policy decisions. ACGA's 14,000 members are active in 35 states.

Mitchell previously served as Deputy Administrator for Farm Programs of USDA's Farm Service Agency (FSA) and Deputy Vice President, Commodity Credit Corporation. As Deputy Administrator, he was responsible for converting farm program legislation into working policies and procedures that regulate the delivery of FSA's conservation and commodity and emergency programs. Programs within his area of responsibility included the Conservation Reserve Program, production flexibility contracts, commodity and livestock disaster programs, marketing assistance loan programs, and the tobacco and peanut programs. Direct payments and loans to farmers and ranchers under these programs exceed $20 billion annually. Mitchell earlier served as FSA's Director of the Legislative Liaison Staff and as a Confidential Assistant to the FSA Administrator.

Prior to working with FSA, Mr. Mitchell served as Vice President of Government Relations for the National Farmers Union (NFU) in Washington, D.C. His primary duties were serving as Chief Administrator of NFU's Washington office and as their head government relations representative. His areas of responsibility were crops, taxes, aging, farm credit, banking, trade and the futures market.

Mr. Mitchell has also served in the following positions: Independent Policy Consultant and Writer (1993); Director of Federal and State Relations, American Agriculture Movement (1989-1993); Editor, American Agriculture Movement Reporter, Washington, D.C. (1989-1993); Farmer (1971-1989).

Mr. Mitchell grew up on a fifth generation family farm in North Central Texas. He graduated from Arlington (Texas) High School in 1974. In 1978 he obtained a B.S. degree in Plant and Soil Science from Tarleton State University in Stephenville, Texas. He is or has been a member of a number of organizations including – National Spokesman for the Alliance for Rural America, Alternate to the Board of Oversees, CARE; the Leadership Conference on Civil Rights; National Association of Farmer Elected Committeemen; Vice President, American Agriculture Movement of Texas, Inc.; Texas Farmers Union; Regional Coordinator, Farm Aid's Farm and Ranch Congress.

Mr. Mitchell has been an advocate for small businessmen, farmers and rural citizens on the local, state and national levels from 1985 to present on issues concerning production agriculture, private property rights, taxes, banking regulations, environmental protection, health care, and others.

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, 2004.

Name: Larry Mitchell

Address: P. O. Box 18157, Washington, D.C., 20036

Telephone: 202.835.0330

Organization you represent (if any): American Corn Growers Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, 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: None 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, 2004, as well as the source and the amount of each grant or contract:

Source: None 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.