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Testimony for the Record: House Committee on Agriculture

Subcommittee on General Farm Commodities & Risk Management

Hearing on the Formulation of the 2012 Farm Bill: Commodity Programs & Crop Insurance

May 16, 2012

On behalf of the National Barley Growers (NBGA), I want to thank Chairman Conaway and Chairman Lucas, Ranking Members Boswell and Peterson, as well as the Members of Committee, for the opportunity to testify for today's hearing regarding the *"Formulation of the 2012 Farm Bill: Commodity Programs & Crop Insurance."*

I am Scott Brown, President of the National Barley Growers Association. I operate a fourth generation family farm in Soda Springs, Idaho in the southeast region of the state growing primarily malt barley on 70 percent of the acreage. It is an honor to represent U.S. barley growers today, and thank you for this opportunity to comment on the Farm Bill.

Barley is a short-season, early maturing crop grown on both irrigated and dry land production areas in the United States. It is a versatile crop that is grown for malting, human food, and animal feed. Production is concentrated in the Northern Plains states and the Pacific Northwest in areas where the growing season is relatively short and climatic conditions are cool and dry.

In 2011, over 2 million acres of barley was harvested nationwide. From 2008 to 2011, U.S. farmers produced an annual average of 201 million bushels contributing over $936 million per year to the nation's economy.

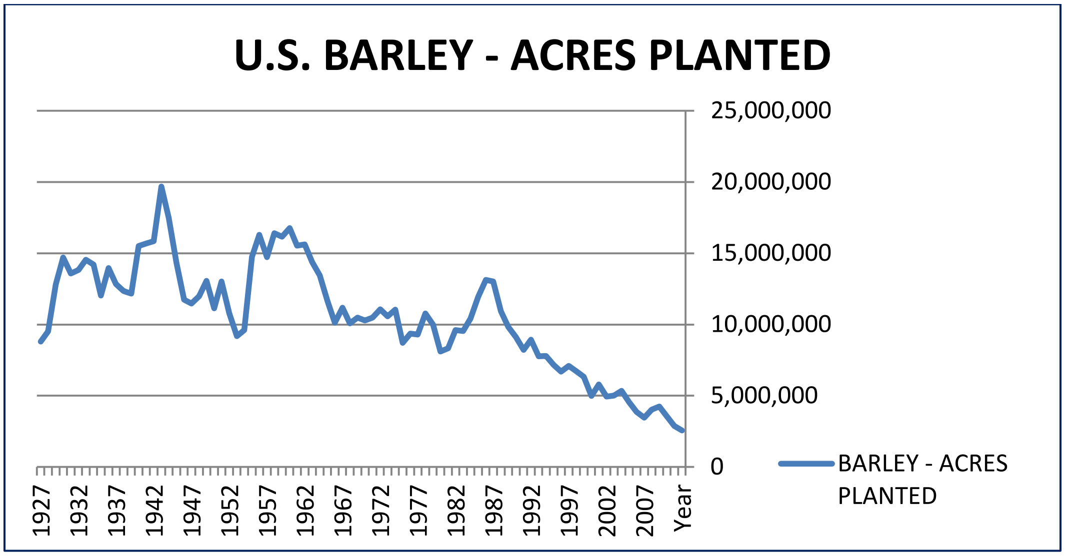
The majority of barley is now grown for malting purposes because of the price premium it commands. Approximately 90 percent of U.S. barley acreage is now planted to malting varieties, a marked departure from past history when livestock consumed most domestically produced barley.

Challenges

U.S. barley producers and the related industry continue to face significant economic, market-driven, and public policy challenges affecting the sustainability of domestic barley production.

Barley production in the United States continues to lose acreage to competing crops that offer more attractive pricing, stronger investment into public and private research and development, and advantageous public policy incentives.

The chart below shows barley acres planted since 1928 and clearly demonstrates an alarming trend that must be addressed if the U.S. is to continue to meet the needs of its domestic industry.



I. Risk Management

The NBGA's highest priority in the farm policy arena is the continuation of, and adequate funding support for, the federal crop insurance program. The program provides a critical risk management tool to handle what we see as an increasingly volatile marketplace.

The 2011 crop year proved to be a disastrous one for key barley producing regions in the Northern Plains. Record snow fall followed by a long period of heavy moisture caused extreme flooding that wreaked havoc on farmers and crop production.

North Dakota provides a strong example of the value of crop insurance to barley producers. In 2010, 720,000 acres were planted to barley and 650,000 of those acres were harvested. By contrast, in 2011 only 400,000 acres were planted; 350,000 acres harvested equating to a 44 percent (44%) reduction in planted barley acres statewide.

This weather phenomenon in 2011 produced a record 211,000 barley acres designated as prevented plant and thus a 62 percent (62%) loss of production from 2010 to 2011. Clearly a major disaster by any standard for one of the top barley producing states in the country. As you can see, crop insurance plays a vital role for barley producers in North Dakota and all major production regions in the United States.

The USDA Risk Management Agency (RMA) numbers show that crop insurance for barley is increasingly popular. USDA RMA liability for barley crop insurance increased from $261 million in 2010 to $441 million in 2011 – a 41 percent (41%) increase in just one year. Acres insured have increased in recent years as have the corresponding premiums paid ($65 million in 2011).

As a bulk commodity, barley is not traded on any public exchange. RMA barley crop insurance policies use pricing derived from market data of competing crops like corn and wheat. The NBGA and its seven affiliate states has worked with the RMA to ensure that barley crop insurance policies adequately reflect the higher value of malt barley. With the help of the current USDA RMA Administrator and his staff, we have made progress to this end. More can be, and is being done to this regard.

With regard to federal crop insurance, the NBGA's policy priorities are:

1. **The NBGA opposes major crop insurance authorization changes within the context of the Farm Bill reauthorization.**

   The NBGA believes that, by and large, federal crop insurance programs, regulations, and processes are beneficial to U.S. barley farmers. There are several efforts underway to modify specific areas of the crop insurance program to benefit barley producers. The NBGA enjoys a close partnership with the USDA RMA to address these initiatives and believes the current authorized process is working. NBGA in particular supports the 508(h) policy development process that was included in the 2008 farm bill.

2. **The NBGA opposes "conservation compliance" and payment limits as a requirement for crop insurance.**

   Tying crop insurance to compliance with federally administered conservation programs and/or payment limitations is strongly opposed by U.S. barley growers. Any mandate to this end would provide a disincentive to participate in the crop insurance and commodity support programs while additionally causing undue additional risk to barley farmers producing in inherently high risk production regions.

3. **The NBGA supports the expanded availability of revenue policies for barley which insure producers for yield, quality, and price risk.**

   The NBGA strongly supports crop insurance revenue policies available since authorization of the 2008 Farm Bill. Specific adjustments to expand the availability of revenue-based policies to barley producers are being addressed by the NBGA and we believe progress is being made.

The NBGA is also very concerned with the crop insurance premium billing dates authorized in the 2008 Farm Bill. Barley is a late-maturing crop and the August 15th premium billing date puts barley producers in the difficult position of paying policy premiums in the middle of the harvest season and before receiving income for a barley crop. The NBGA asks the Committee to strongly consider language to adjust the current premium billing date taking into consideration the unique timing of barley harvest.

The NBGA believes that risk management policy priorities outlined above would provide U.S. barley producers with a more effective risk management portfolio and thus result in sustained and likely increased participation by barley producers in the federal crop insurance program.

II. Commodity Title

The NBGA strongly urges Congress to reauthorize the Farm Bill this year, before the September 30, 2012 expiration of the current legislation. Agriculture production is already one of the most risky enterprises in the economy and barley producers need the certainty provided through this legislation. We ask that the Committee and Congress work in a bipartisan fashion to complete this bill as soon as possible.

The NBGA supports the continuation of a farm program safety net that would protect producers from a multi-year collapse of commodity prices. Although crop insurance revenue programs are able to mitigate price declines that occur during a single growing season, they cannot protect against a multi-year collapse in commodity prices.

However, any authorized farm program must allow and encourage producers to follow market signals rather than planting for the best available farm program payment. And the program must continue to allow and not impede planting flexibility, which has been the most innovative and important farm policy reform ever adopted by Congress.

Planting flexibility has spurred the development of sustainable, agronomically sound rotations in various regions of the country. Farms that have adopted these rotations have increased overall production and profitability through more diversified marketing opportunities and a broader risk management portfolio.

The price component of any safety net should be equitable and based on historical price relationships across all program crops. Historically, safety nets have not been set equitably between crops. And we believe that it is very difficult for them to be set equitably because price relationships between crops continually evolve. For instance, current malting contracts – the majority use for barley – are tracking 90% of current wheat prices. We firmly believe that if rotational crops (e. g. corn, wheat, and soybeans) receive relatively higher target prices compared to barley, and if these target prices are tied to current year plantings, barley acres will fall if prices decline to levels near or below the target prices.

Given the already declining trend in barley base acreage, any trigger that causes further loss of acreage could severely impact the critical mass supporting domestic barley production. The potential that a government program could cause growers to plant a competing crop with a more lucrative support price during a period of low prices has caused great concern to the barley producers and the industry reliant on the crop. The NBGA encourages the Committee to give strong consideration to these concerns.

Finally, the NBGA supports a revenue program to cover shallow losses, with the payment trigger as close to the farm-level as feasibly possible. In my home state of Idaho, I operate a mostly dry land barley farm at six thousand feet above sea level in a low rainfall region. In the northern part of Idaho, dry land barley producers average nearly twice as much precipitation as I do while farming at a significantly lower elevation. These major differences within my state are just two factors that influence the effectiveness and impact of having a large area trigger for payments. We also urge that any revised revenue program address the burdensome landlord concurrence requirement within such a program.

In conclusion, the NBGA understands and agrees that a domestic farm safety net must be defensible to U.S. taxpayers and compliant with our existing trade agreements and obligations.

We ask the Committee not to forget the ultimate goal of federal support for domestic agricultural production – U.S. food, fiber, feed and energy security.

Thank you for the opportunity to submit these comments on behalf of the NBGA and U.S. barley farmers.

Scott W. Brown, President

National Barley Growers Association