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## **National Grain and Feed Association**

1250 Eye St., N.W., Suite 1003, Washington, D.C. 20005-3922

Phone: (202) 289-0873, FAX: (202) 289-5388, E-Mail: [ngfa@ngfa.org](mailto:ngfa@ngfa.org), Web Site: <http://www.ngfa.org>

### **Testimony**

**of the**

## **National Grain and Feed Association**

**Before the**

### **Subcommittee on Conservation, Energy and Forestry**

### **Committee on Agriculture**

### **U.S. House of Representatives**

### **on Farm Bill Conservation Programs**

**April 26, 2012**

Chairman Thompson, Ranking Member Holden and Members of the Subcommittee, the National Grain and Feed Association (NGFA) commends you for conducting this hearing on the conservation provisions of the 2012 farm bill, and appreciates this opportunity to testify.

I am Randy Gordon, Acting President of the NGFA. Our Association was established in 1896, and consists of more than 1,000 grain, feed, processing, exporting and other grain-related companies that operate more than 7,000 facilities and handle more than 70 percent of all U.S. grains and oilseeds. Our membership includes grain elevators, feed and feed ingredient manufacturers, biofuels companies, grain and oilseed processors and millers, exporters, livestock and poultry integrators, and associated firms that provide goods and services to the nation's grain, feed and processing industry. The NGFA also consists of 26 affiliated State and Regional Grain and Feed Associations, and has strategic alliances with the North American Export Grain Association and Pet Food Institute.

The United States is blessed to have the most abundant, most affordable and safest food supply in the world. Our nation also still is the engine that drives the production of key agricultural commodities and products to feed an expanding world population. That demand shows no sign

of letting up. The United Nations currently projects that feeding a rapidly growing global population of more than 9 billion in 2050 will require a 70 percent increase in global food production. And while U.S. producers have harvested near record crops in recent years, domestic demand also has increased – particularly for U.S. corn to meet fuel ethanol demand resulting from the Renewable Fuels Standard mandate and strong crude oil prices.

The long-standing commitment by the United States to free enterprise, U.S. agricultural growth, and working lands conservation programs are essential and critical components to meeting this demand for food, feed, biofuels and exports – and doing so in an environmentally sustainable way.

The NGFA strongly supports efforts by Congress and the Administration to reduce, streamline and better rationalize the plethora of existing conservation programs to make them more effective and efficient. We also strongly support including provisions in the 2012 farm bill that encourage prudent conservation practices by agricultural producers, which serve in their best interest in protecting the viability of cropland for succeeding generations. The NGFA in particular supports conservation programs for working farmlands, and the continuation of programs that idle cropland that is truly environmentally sensitive or necessary to protect water quality, as is accomplished through such programs as the continuous signup provisions of the Conservation Reserve Program (CRP).

However, we believe the 2012 farm bill presents a tremendous opportunity to bring long-needed reforms to the CRP, on which I wish to focus during the remainder of this testimony.

Today's farming practices are dramatically different than what existed when the CRP was established a quarter century ago. Advancements in insect-resistant and herbicide-tolerant seed varieties, conservation and no-till farming, and other agronomic practices have made it possible to farm more U.S. acreage in environmentally sustainable ways. USDA's Economic Research Service, in a report issued in 2011, found that of the world's row crop production grown using conservation tillage practices to protect soil from wind and water erosion, the United States accounted for nearly 75 percent of soybeans, 45 percent of corn and 40 percent of wheat. By contrast, as recently as 1990, only 26 percent of planted acres in the United States were farmed using such conservation tillage practices. Further, because of the introduction of new biotechnology-enhanced crops, farmers no longer have to cultivate the soil several times a year to control weeds, thereby reducing soil disturbance and improving water infiltration. The NGFA strongly believes that current agronomic and technology practices employed by U.S. farmers should guide decisions made by Congress as it devises policies governing the size, scope and role of the CRP under the 2012 and future farm bills.

But in fact, CRP policy under the farm bill and its implementation by USDA has not kept pace with these changes in improved farm production practices. There is strong evidence that millions of acres of productive land suitable for row-crop production that can be farmed in an environmentally sustainable way remain locked up in the CRP. The 2007 Natural Resources Inventory prepared by USDA's Natural Resources Conservation Service (NRCS) – the most

recent data publicly available – indicates that more than 8.7 million acres of “prime farmland”<sup>1</sup> were enrolled in the CRP at that time. Other considerations in determining prime farmland include land use, frequency of flooding, irrigation, the water table and wind erodibility.”<sup>2</sup> It includes all land in Land Capability Classes 1 and 2, and some land considered to be Land Capability Class 3.

While the NGFA believes fragile land that cannot be farmed in an environmentally sustainable way belongs in the CRP, the idling of productive resources through land-idling conservation programs costs jobs, stymies growth and, in the case of land resources, has the potential to impact negatively the cost and availability of food.

Further, the idling of these productive U.S. crop acres in the CRP is contrary to world environmental protection because it encourages shifts in agricultural production to South America and other countries that do not have the type of environmental policies, regulations and farming practices that encourage sustainable food production as exist in the United States. Indeed, in the last decade the United States has had **zero growth** in total planted acreage, while the rest of the world has increased planted acreage by 152 million acres – about 60 percent of the size of total U.S. plantings. Meanwhile, the CRP – in acreage terms – still represents the fourth largest U.S. “crop.” Trends like that not only undermine global environmental protection but also U.S. agricultural competitiveness in world markets.

In short, we believe now is the opportune time for Congress to implement meaningful reforms of the CRP, and focus scarce conservation dollars on working farmlands and the idling of only truly environmentally sensitive acres.

### **Damaging Impact of Idling Productive Farmland**

The CRP is currently capped at 32 million acres under the Food, Conservation and Energy Act of 2008. We hasten to add that this statutory provision is a hard cap, but historically has been treated by USDA in its implementation of CRP as a goal to attain. If, as we believe, the goal of the CRP should be to maximize environmental benefits of enrolled acreage, such an unconditional, over-arching commitment to enroll a specific number of acres at or near the cap is misguided. For instance, the rental rate associated with enrolling acres eligible for the continuous signup provisions of the CRP – such as filter strips along waterways – may be considerably more expensive on a per-acre basis. But the resulting environmental benefits far exceed those associated with enrolling flat land that can be farmed in environmentally sustainable ways.

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<sup>1</sup> NRCS defines “prime farmland as “land that has the best combination of physical and chemical characteristics for producing food feed, forage, fiber, and oilseed crops and that is available for these uses. It has the combination of soil properties, growing season, and moisture supply needed to produce sustained high yields of crops in an economic manner if it is treated and managed according to acceptable farming methods. In general, prime farmland has an adequate and dependable water supply from precipitation or irrigation, a favorable temperature and growing season, an acceptable level of acidity or alkalinity, an acceptable content of salt or sodium, and few or no rocks. Its soils are permeable to water and air. Prime farmland is not excessively eroded or saturated with water for long periods of time, and it either does not flood frequently during the growing season or is protected from flooding.”

<sup>2</sup> National Soil Survey Handbook Part 622, Natural Resources Conservation Service website. Accessed 17.

Continuation of the CRP at its current authorized level creates significant challenges to U.S. agriculture's ability to: 1) adequately meet growing domestic and export demand for grain, feed and grain products; 2) provide opportunities for young farmers, ranchers and tenant farmers to become involved in production agriculture; and 3) increase economic opportunity and quality of life in rural communities.

Let me touch on each of these briefly:

- **Adequately Supply Domestic Demand at Competitive Prices:** While U.S. producers have enhanced productive capacity for particularly corn and soybean production, increases in domestic demand continue – particularly for use as biofuels. Further, despite near-record crop production, grain stocks on a world basis remain comparatively tight. While U.S. corn yields have increased by about 2.5 bushels per acre per year since 1996, such yield growth generally has occurred during benign weather. Further, U.S. carryover stocks of corn and other feed grains are at historically low levels. Expansion of U.S. planted acres could help offset yield variability resulting from weather anomalies, particularly given tightening stocks-to-use ratios.
- **Producing and Competing in Global Markets:** As noted previously, between now and 2050, the world's population is projected to grow by more than 30 percent, resulting in an estimated 2.3 billion more consumers of food and agriculture products. Food security – both physical and economic access to sufficient food – is vital to helping preserve world peace and averting shortages that have led to protests and riots in several foreign countries, as witnessed a few short years ago.

Export markets for grain and grain-based products continue to experience strong demand. In addition, export demand for beef, pork and poultry has been one of the most dynamic growth markets in the last 15 years. And new trade agreements being implemented now with South Korea, Colombia and Panama are projected to expand such demand even further. The United States has the comparative advantage to grow this export business – and do so in an environmentally sustainable way. But that will happen only if our livestock and poultry producers have access to competitively priced grain and protein supplies to fuel that growth. Some U.S. operations already have imported feed ingredients, and the economics of these businesses are shifting investment toward South America. It is imperative that the United States ensure that it has the capacity to meet the demand of these U.S.-based enterprises that create jobs and economic growth here, rather than overseas.

Further, there are increasing indications that more volatile weather patterns may result in drier than normal conditions in important grain-producing regions of the world, including Russia, northern China, some portions of Canada and the U.S. upper plains states, as well as some portions of South America, particularly Argentina. Indeed, U.S. corn production dipped each of the past two years because of weather anomalies. Exacerbating this situation is the simple fact that there currently are not enough arable acres of farmland globally to satisfy the future demand for food. And where farmland is available, the competition for acres between crops is intense. The current size and management of the CRP run counter to

both the need and the opportunity to meet increasing global demand for U.S. agricultural products.

- **Continue to Provide Opportunities to Enter Production Agriculture to Young Farmers, Ranchers and Tenant Farmers:** Young and tenant farmers and ranchers face economic barriers to enter production agriculture, in part because they need to bid against the government for available cropland. Sixty-eight percent of farmers rank land access as the biggest challenge facing beginning farmers, according to a November 2011 study released by the National Young Farmer’s Coalition. The same study found that farmers younger than 30 were significantly more likely to rent land (70 percent) than those older than 30 (37 percent).

Research currently underway for the National Grain and Feed Foundation has found that several states historically have operated the CRP in a way that statewide rental rates closely approximate average cropland rental rates as computed by USDA’s National Agricultural Statistics Service. Rather than rent or sell, many landowners choose to harvest these CRP rental payments, which is detrimental to young and tenant farmers attempting to enter production agriculture or who are struggling to expand and build economic-sized units for their business operations. This is a particularly acute concern to the future of U.S. production agriculture, given the aging demographics of the nation’s agricultural producers. A “right-sized” CRP and programs like the Transition Incentives Program (TIP) can help encourage future generations to enter the farming profession, particularly young and small-scale tenant farmers.

- **Increase Economic Opportunity and Quality of Life in Rural America:** The negative impacts of idling productive farmland in the CRP also manifest themselves at the local rural level. As productive resources are idled, opportunities to make long-term livable wages are drained from rural communities. The CRP, if not right-sized and managed properly with a focus on the most environmentally sensitive lands, slams the door on economic activity that is the lifeblood of rural economies. Idle land reduces economic activity generated by seed sales, tractor sales and servicing, custom harvesting crews, fertilizer and chemical dealers, and hired help. Land-idling programs that pit the government against commercial farmers in bidding for land cause more people to lose jobs and encourage a continued population exodus from rural communities. And landowners who often move away from their rural communities take the money associated with CRP rental payments with them.

A March 6, 2011 article from *The Spokesman-Review* in Spokane, Washington, is just one of many examples of this damaging impact. The newspaper quotes Greg Partch, a county commissioner in Washington State as saying: “CRP is killing our towns. When farmers take a conservation payment rather than plant a crop, they don’t buy fuel and fertilizer, they don’t buy machinery and seed, and they don’t hire help for the harvest. In short, the payments stifle the local economies by suppressing high production agriculture in an area that boasts some of the best wheat-growing conditions in the world.”

This is but one example of the real-world impact that heavy acreage-idling in the CRP – in some cases exceeding 25 percent congressionally mandated maximum cap of the county’s cropland – is having on once-vibrant rural communities.

## Recommendations for Change to CRP

The NGFA believes that the goals of protecting environmentally sensitive land and enhancing the ability of U.S. farmers and ranchers to produce to meet the world's growing demand for food, feed, biofuels and exports are mutually compatible. But to accomplish those twin goals, we believe it is necessary for Congress to reboot the CRP to make it more responsive and right for the times.

As noted previously, the National Grain and Feed Foundation currently is in the midst of a research project that is evaluating the CRP. We anticipate that additional recommendations will flow from the results of that study, which is projected to be completed in late May.

But based upon the findings thus far, the NGFA recommends that the following legislative changes be included in the 2012 farm bill to reform the CRP and facilitate the return to production idled land that can be farmed in an environmentally sustainable way:

- First and foremost, we recommend that the current 32-million-acre maximum CRP cap be reduced significantly. At a minimum, Land Capability Classes 1 and 2 (approximately 7.1 million acres) should be prohibited from future enrollments and re-enrollments. Further, as cited previously, a total of more than 8.7 million farmland acres (including some Land Capability Class 3 acres) of “prime farmland” were enrolled in CRP as of 2007 (the most current data available from NRCS). In the 30 states with the greatest CRP enrollments, approximately 8.5 million acres are considered to be prime farmland. Such good quality land currently idled in the CRP is highly concentrated in several major grain-production states like Kansas, North Dakota, Minnesota, Missouri, Oklahoma and Texas. This land can be can be farmed in an environmentally sustainable way to meet growing food demand.
- Second, eliminate the discretion for USDA to exceed the 25 percent limit on CRP enrollments in individual counties because of the economic damage such enrollments have had on rural communities. There are indications that USDA may be using outdated cultivated cropland data in some counties when determining the 25 percent cap, which we believe Congress should require the Department to recalculate. Further, we recommend that USDA be required to reserve within the 25 percent county limit at least a 5 percent allowance for acres enrolled in the wetlands reserve and continuous sign-up process.
- Third, the NGFA urges that Congress direct that USDA transition to a smaller CRP by reducing the number of “prime farmland” acres enrolled. In managing this transition, we support requiring USDA to offer penalty-free early outs of Land Capability Classes 1, 2 and 3 enrolled in CRP, with producers doing so required to implement prudent conservation practices on such lands. We also believe USDA should carefully manage any reenrollments of acres expiring on September 30, 2012 in a similar manner.
- Fourth, we encourage Congress to consider whether to provide a specific percentage- or acreage-based figure within the CRP reserved for the most environmentally sensitive lands. As of April 2011, the CRP included 5 million acres enrolled under continuous

signup procedures. Some conservation leaders have expressed concern that adequate CRP acreage should be reserved each year to ensure that such environmentally sensitive lands can be enrolled, with some suggesting that as many as 8 million acres of the CRP should be reserved for such high-priority enrollments. We believe this is an issue that warrants Congress's attention as it considers the future of the CRP.

- Fifth, we encourage Congress to include legislative language that would restrict whole-field and whole-farm enrollments in the CRP by requiring such land to meet a more stringent environmental benefits index (EBI) scoring threshold than partial-field enrollments. During the early years of CRP enrollments, whole farms and whole fields were enrolled, which brought in land of varying quality.
- Sixth, the NGFA supports allocating additional available conservation funding for the Transition Incentives Program, currently authorized at \$25 million, for transitioning expired CRP acreage from retired or retiring landowners to beginning or socially disadvantaged farmers. This program quickly reached its capacity after being authorized as part of the 2008 Farm Law, and needs additional resources.

In addition, the NGFA encourages Congress to include, as part of the farm bill process, the following directives to USDA in its implementation and administration of the CRP in the future:

- Direct USDA's Farm Service Agency and NRCS to compile a report within one year of enactment, and updated biannually thereafter, to bring increased transparency to how the CRP is being managed. Among other things, we believe such a report should include: 1) the quantity of acreage enrolled in CRP by Land Capability Class; 2) a compilation of such Land Capability Class acreage by county; and 3) the identity of counties that are at or near the 25 percent enrollment cap. We also recommend that USDA be required to post this report on its website. These data will increase transparency and enable USDA and stakeholders to better analyze the prudent management of the CRP going forward.
- Consider either freezing CRP rental rates for three to five years or implementing a percentage-based limit on rental rates paid for CRP land compared to average county rental rates.
- Limit the number of CRP general sign-ups offered.

## **Conclusion**

The NGFA believes it is important for future conservation policies to focus on: 1) providing access to sufficient acres to meet demand growth, without shorting supplies necessary to grow important demand sectors, such as exports, feed, and domestic livestock and poultry markets; 2) working farmlands, minimizing reliance on idling of productive land resources and strengthening the economies of rural communities while still achieving environmental and other policy goals; 3) continuing to provide future opportunities for young farmers and ranchers, as well as tenant farmers, to be involved in U.S. production agriculture; and 4) minimizing the negative impacts of the CRP in undermining jobs, local rural economies and depopulating rural communities.

The NGFA recognizes the importance of, and supports, strong conservation programs for working farmlands as part of any successful farm policy, and encourages Congress to designate such programs as a priority with scarce available funding.

Thank you for the opportunity to testify, and we look forward to working with you as the Committee addresses these important issues in the farm bill. I would be pleased to respond to any questions you may have.



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, 2008.

Name: Randall C. Gordon, Acting President

Organization you represent (if any): National Grain and Feed Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2008, 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: Not Applicable Amount: \_\_\_\_\_

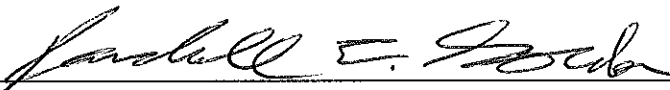
Source: \_\_\_\_\_ Amount: \_\_\_\_\_

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, 2008, as well as the source and the amount of each grant or contract:

Source: Not Applicable Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Please check here if this form is NOT applicable to you: Not Applicable

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.

**Randall C. Gordon**  
**Acting President**  
**National Grain and Feed Association**

Randall C. (Randy) Gordon is Acting President of the National Grain and Feed Association (NGFA).

Established in 1896, the NGFA consists of more than 1,050-member companies that operate in excess of 7,000 facilities that handle more than 70 percent of the U.S. grain and oilseed crop. With more than 350-member companies engaged in feed manufacturing and integrated livestock and poultry operations, the NGFA is the nation's largest feed organization.

He has been with the NGFA for 33 years. Prior to being appointed Acting President in February 2012, he most recently had served as NGFA's vice president for communications and government relations since 1987. In that capacity, he worked on legislative and regulatory policy issues involving grain elevators, animal feed, agricultural biotechnology, food defense and facility security, transportation and other issues. As such, he interacted extensively with FDA, USDA and DHS, as well as state agencies and congressional committees that have jurisdiction over these issues.

Randy also authors the *NGFA Newsletter*, *NGFA E-Alert* and other publications, manages the content of NGFA's web site, writes press releases and conveys the NGFA's views to the media.

In 1999, he received the Distinguished Service Award from the Association of American Feed Control Officials (AAFCO) – one of only 8 industry members to be so honored during AAFCO's 104-year history. He also was honored by FDA in 2005 with an award for his efforts related to preventing the occurrence or spread of BSE in the United States.

He's a Nebraska native and a graduate of the University of Nebraska-Lincoln (UN-L) with degrees in journalism, history and political science. Prior to joining the NGFA on July 1, 1978, he worked at the University's Agricultural Communications Department, where he provided support for its Departments of Animal, Poultry and Veterinary Science and Agricultural Engineering.