Testimony of Brandon Willis
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Before the House Committee on Agriculture
Subcommittee on General Farm Commodities and Risk Management

Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee, I appreciate the opportunity to discuss how farm policy helps farmers in adverse conditions. I commend you for holding a timely hearing on the topic.

My name is Brandon Willis. I am an Assistant Professor in the Applied Economics Department at Utah State University. Prior to working at Utah State University, I oversaw the United States Department of Agriculture's (USDA) crop insurance program as the Administrator of the Risk Management Agency (RMA) from 2013-2017. From 2011-2012, I served as a Senior Advisor to Secretary of Agriculture Tom Vilsack. And from 2009 and 2010, I was the Deputy Administrator for Farm Programs at the Farm Service Agency (FSA).

Natural disasters inevitably impact agriculture. How, and if, we respond to these disasters is where I will focus most of my testimony. There are two primary methods to respond to disasters. First, through Federal Crop Insurance. Second, through ad hoc assistance. During my time at USDA, I worked directly on both. At FSA, I have helped develop and administer ad hoc programs. At the RMA, I oversaw all USDA's insurance programs. I will share thoughts based upon those experiences on how best to respond to disasters, as well as conclude with suggestions on improving crop insurance.

Agriculture Policy's Successes

A few years ago, we heard from some quarters that farm policy was no longer necessary as farm prices were strong and producers could manage the risk of losses stemming from major disasters on their own. Today, we know better. Yes, we may find instances where the safety net could be improved but it gets a whole lot right, too. Our nation's farm policy has a long history of success and to remain successful we need to continue working at it.

Our nation's agriculture policy has benefited America's farmers, ranchers, and taxpayers. We are stronger because of policies that have invested modest amounts into a safety net for farmers and ranchers.

Federal Crop Insurance is a central part of this success and has likely kept more of your constituents in business than you realize. I remember as Administrator of RMA how frequently farmers would tell me that "without crop insurance I would no longer be in business". And those who were in their first few years of farming who often said, "Without crop insurance I could not have received a loan to start farming." Those conversations remind me that for many people crop insurance is the difference between being a farmer or finding another job.

When our first comprehensive farm bill was passed in the 1930s, a significant portion of our population was involved in agriculture. Today, fewer than one percent of Americans derive their primary source of income from farming. Tight and often zero or even negative margins have caused, and efficiency has demanded, fewer people to produce more food for our nation and for people around the world. Fewer people producing food means that the risks inherent in agriculture are not very attractive to most of our population.

As noted earlier, we have heard from some quarters that farm policy is no longer necessary and that it is stuck in a bygone era. I am not here to suggest that our farm policy is perfect but I will say it is pretty good as evidenced by the low cost, high quality, and abundance of food and fiber that really is the best we have ever known in any country in history. And our farm policies of the 1930s and our policies of today do not even resemble one another anymore. What is more, we spend a lot less on farm policy than we used to just a few short years ago and the policies in place today are very market-oriented. In fact, the percentage of the total federal budget comprised by the farm safety net has fallen from 1.463 percent in the 1960s to 0.347 percent earlier this decade and to just 0.26 percent just recently.

The 99 percent of Americans who are not engaged in agriculture have greatly benefited from the farm safety net and the ingenuity of farmers and ranchers. Unlike other sectors that are not – in economics jargon – "perfectly competitive", the logical response to low prices for a farmer can, out of necessity, actually be to produce even more in order to lower the per-unit cost of production in order to stay competitive. According to USDA's Economic Research Service (ERS) since 1948, U.S. agricultural output has almost tripled, up 269 percent. USDA's observed that, "[a]s a result of this transformation [in production], U.S. agriculture has become increasingly efficient and has contributed to the overall growth of the U.S. economy. Output from U.S. farms has grown dramatically, allowing consumers to spend an increasingly smaller portion of their income on food and freeing a large share of the population to enter nonfarm occupations that have supported economic growth and development." The data show that the U.S. At-Home Food Share (i.e., what it costs to eat at home) is the lowest in the world. In fact, since 1930, Americans have consistently been spending less of their disposable income on food.

Agriculture policy has also improved the environment for the other 99 percent of Americans. As a requirement to enroll in any safety net program farmers must comply with certain conservation standards. USDA has found that these standards have reduced the amount of soil erosion on farmland. Between 1982 and 1997, excess erosion dropped sharply on ... farms [that received Federal farm program payments], and the reduction in erosion appears to have been larger on farms receiving payments than on farms not receiving payments, particularly on farms with wind-erodible soils. Overall, a significant share of erosion reduction between 1982 and 1997 is likely to have occurred on land directly subject to conservation compliance requirements. There has been similar success in terms of wildlife and wildlife habitat and water and air quality protection.

In short, our farm policy has a record of success. And one of the reasons for this success is the constant determination of Congress and USDA to make it better.

In the past few years, at times at the direction of Congress, RMA has added significant improvements that allow producers to manage the risk that previously would have been uncovered. For example, the Whole Farm program was added in 2015 as an option for many producers of crops where there was no commodity-specific insurance policy; in 2016 a short-term drought insurance for livestock producers was expanded to cover the continental U.S.; and in 2018 dairy producers were able to purchase coverage to protect themselves against unexpected price declines.

Yet, despite these and countless other examples, there remains work left to do. The past year has certainly provided new examples where insurance must be improved to adequately cover all potential disasters.

I would like to offer a few thoughts, based upon my experience, on how we could continue to improve farm policy, and specifically ideas on how to reduce ad hoc disaster, save taxpayer money, and provide a more reliable safety net for farmers utilizing crop insurance.

Working at the FSA, I gained nothing but respect for the staff that is frequently responsible for delivering ad hoc assistance to our farmers and ranchers. They move mountains to meet tight deadlines to help producers in need. At times, as has been demonstrated recently, ad hoc assistance is necessary due to extraordinary events and losses. But efforts must continue to be made to reduce the need for ad hoc relief through renewed efforts to cover losses through insurance. Ad hoc aid is frequently inefficient and often an inequitable method to deliver assistance. It is slow and uncertain, with payments sometimes coming years after losses occur and frequently in a measure that does not reflect actual losses. Farmers need more reliable options to manage risk, even if it costs them a little more.

History has demonstrated that Federal Crop Insurance is the far more effective way to help. Not just for producers, but for taxpayers as well. With crop insurance, producers have the confidence that they can make investments in their operations to remain efficient and competitive in a world market. It provides lenders the confidence to let farmers put a crop in the ground. Finally, farmers are footing approximately 50 percent of the bill and insurance is designed to pay only a portion of losses. If Congress continues to maintain the goal that insurance ought to replace ad hoc assistance, as I believe it should, I would suggest redoubling efforts toward the development of new and improved products coupled with better risk management education.

There needs to be a focus on expanding insurance options for uncovered risks. A stubborn determination and constant attention will be necessary to continue to improve coverage in this way.

Congress deserves credit for improvements to the Federal Crop Insurance Act made in the 2014 Farm Bill that required new policies to be approved without some of the bureaucratic red tape that effectively halted new policy expansion in the past. Congress should remain vigilant against attempts by the Office of Management and Budget and others to burden USDA with new obstacles in administering the program and in responding to the needs of America's farmers and ranchers. Congress has invested trust in RMA to expand crop insurance to all farmers, ranchers, commodities, and regions of the country and any attempts to limit this charge should be closely scrutinized.

Insurance is at the stage where there is little "low hanging fruit" left to insure. Addressing areas with unprotected risks requires a thorough understanding of both insurance and the crops impacted, relationships with impacted growers and grower groups, and finally, a willingness to think outside the box to develop new insurance options. It will take unique insurance approaches and a diligent focus.

Following the devastating losses from hurricanes in Florida and the Southeast in 2017, I was pleased to see that the 2018 Farm Bill included a provision that required an effort to develop a policy or endorsement specifically for hurricanes and tropical storms. If an effective policy like that had existed at the time, the costly ad hoc assistance provided for 2017 losses might have been avoided.

Historically, most of the new insurance products have been developed by the private sector and approved by the Federal Crop Insurance Corporation's (FCIC) Board of Directors. This process should continue as it has many successes. Coupled with this private development, in cases where significant uncovered risk exists and private products are not being developed RMA should develop products to cover these risks. RMA has the expertise to create successful products.

If Congress wants RMA to create options to address uncovered risk, I believe a relatively small investment will be necessary as the appropriations process has not kept pace with Congress' expectation for continued expansion of crop insurance. In 2014, the Agriculture Committee recognized this fact and provided some funding to help with program integrity operations. If Congress wants insurance to replace ad hoc disaster, we need to develop the insurance products now to address future disasters. A small investment, with clear direction, and an expectation that results will follow will lead to improved insurance products. Likely, this will avoid billions of dollars from being spent on future ad hoc assistance. I can attest that the resources of the RMA are stretched between day to day operations, compliance activities that ensure program integrity, and developing new products. Oftentimes, RMA employees are engaged in all three of these fronts.

Better education and outreach are also necessary to address areas where there is a new policy or low participation. Frequently when producers are not enrolling in crop insurance, it is due to a lack of understanding on how a policy works or clear demonstration of its value.

To this end, the 2018 Farm Bill also consolidated all risk management education efforts into the Extension Risk Management Education centers like the one Dr. Lubben oversees at the University of Nebraska. These centers will now have additional funding to provide grants for crop insurance education as well as other risk management strategies to help producers manage the dynamic business of farming. I hope that NIFA will quickly make these funds available for crop insurance education and make sure that expenditures are highly scrutinized to ensure that the money is well spent in areas that need education.

Currently, RMA provides education on policy details to Approved Insurance Providers who, in turn, train agents on policy details. However, providing information that would help farmers understand the economic value of insurance is minimal. Further, useful information is difficult to find for others who could provide education to producers on insurance, such as state extension.

Now, contrast the lack of information available to farmers with the information available internally at the RMA. When I was briefed by staff, I was always impressed with the data and information available and presented. Unfortunately, most of that information is never made available to farmers and ranchers.

To address this problem, I would suggest that the RMA program experts in Kansas City create and offer an annual webinar to any interested individuals such as extension, agents, and grower groups where they provide information on new and underutilized programs utilizing data and information that can be shared publicly that demonstrates the value of the program and provides necessary background and history. The information from the webinar should be disseminated to all attendees to help them further educate agriculture producers.

In conclusion, I appreciate the opportunity to be here today. I commend your decision to look at farm policy and how its responding to adverse conditions. I look forward to your questions.

Bio for Brandon Willis

Brandon Willis serves as an Assistant Professor at Utah State University and consults with Combest, Sell and Associates. Prior to this, Brandon served as the Administrator of the Risk Management Agency at the U.S. Department of Agriculture, Senior Advisor to the Secretary of Agriculture, Deputy Administrator for Farm Programs at the Farm Service Agency, and as an Agriculture Legislative Assistant in the U.S. Senate.

Brandon earned an LLM in agriculture law at the University of Arkansas, a law degree at the University of Wyoming, and an undergraduate degree in agriculture at Utah State University. Brandon grew up on a sheep ranch in Bear Lake, Utah where he and his wife, Victoria, raise their son, Charlie.