STATEMENT

OF

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BEFORE THE
U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

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Chairman Lincoln, Ranking Member Chambliss, my name is Johnny Cochran. I am a fourth generation cotton and peanut producer from Worth County, Georgia. I have grown cotton and peanuts for 33 years, through six farm bills. My family farming operation is comprised of 1150 acres, with one third in peanuts and two thirds in cotton. We also have beef cattle and timber on our farm.

I appreciate the opportunity to be here today to comment on U.S. farm policy as you review the 2008 farm bill. Stable agricultural policies underpinning our nation's food and fiber production are important to the overall U.S. economy and are a good deal for U.S. taxpayers and consumers. In 2009, spending on all agriculture and conservation programs totaled $13 billion. However, that's less than 1% of the $1.7 trillion of the nation's gross domestic product contributed by consumer spending on food and textile products.

Cotton and peanuts are the cornerstone of the economy of my rural county in South Georgia. All segments of these industries are represented in my home county. We produce, gin, and warehouse cotton in Worth County. We grow peanuts; have peanut buying points, shell peanuts and have the only manufacturing plant of the largest peanut butter producer in the United States. Our county is not alone in the Southeast in its dependency on the cotton and peanut industries. These commodities produce a lot of jobs in Georgia as well as other Southeastern states.

In the State of Georgia, farms and businesses directly involved in the production, distribution and processing of cotton employ almost 21 thousand workers and produce direct business revenue of $2.6 billion.

Peanuts in Georgia employ approximately 50 thousand workers and add $2 billion in direct revenue to the Georgia economy. Cotton and peanuts add a much larger job and economic activity impact to the broader state economy.

Sound and stable farm policy is essential for the viability of the U.S. cotton and peanut industries. Effective farm policy should adhere to these key principles:

1) It should be market-oriented with a goal of promoting quality, efficiency and domestic competition;
2) It should allow for full production to meet market demand
3) It should provide for an effective financial safety net for producers
4) It should ensure the availability of competitively-priced cotton and peanuts to domestic and international end-users; and
5) It should encourage maximum participation without regard to farm size or structure.

I believe the 2008 farm bill meets most of these principles and has worked well for the cotton and peanut industries. I commend the Senate Agriculture Committee for your hard work in drafting the 2008 farm bill. You succeeded in balancing many diverse interests to assure a strong agricultural economy.

The centerpiece for traditional commodity programs has been an effective marketing loan program. It provides a safety net for producers but does not harm the competitiveness of U.S.

commodities. It is a program component that makes sense, that works, and that serves many essential purposes. Because it is well-understood and a fundamental part of commodity policy, the marketing loan gives banks the confidence they need to make critical operating loans available.

With respect to cotton, while the 2008 farm bill maintained the marketing loan and several other program components from prior law, the bill also made many reforms, such as a revision in the calculation of cotton premiums and discounts, placing a ceiling on the payment of storage credits for cotton under loan, and an economic adjustment program for the U.S. textile industry. The bill also reduced the target price for cotton the only commodity to receive a reduction in target price.

The peanut program changed dramatically in the 2002 farm bill. The program moved from a supply-management quota program to a marketing loan program similar to cotton. The 2008 farm bill continued these changes. The program has worked well for the peanut industry.

The peanut loan repayment rate guidelines were established in the 2002 Farm Bill**.** The loan repayment rate has not functioned as it was intended for peanut producers. Congress directed the U.S. Department of Agriculture to consider the following when determining loan repayment rates:

- Minimize potential loan forfeitures;
- Minimize the accumulation of stocks of peanuts by the federal government;
- Minimize the cost by the Federal Government in storing peanuts; and
- Allow peanuts produced in the United States to be marketed freely and competitively, both domestically and internationally.

It is this last variable the Committee included in the 2008 Farm Bill and similar language in the 2002 Farm Bill that has not been adhered to. In setting the loan repayment rate, USDA has not taken into account world market prices. Thus, the USDA posted price we see on Tuesday afternoons is not accurate. I ask the Committee to include language in the next farm bill that will assure that the prices at which our competitors in the world marketplace are selling peanuts for will be considered in establishing the posted price.

The 2012 farm bill debate, however, will take place with several new and increased points of pressure. Record budget deficits will put intense pressure on funding. The WTO Brazil Case puts cotton's marketing loan and counter-cyclical programs under special scrutiny even though the cotton program, as revised by the 2008 bill, has never been evaluated by a WTO Panel. Ongoing negotiations in the Doha Round of trade negotiations could result in a dramatically altered landscape for domestic commodity support. If circumstances arise that make it impossible to maintain a reasonable safety net using existing delivery mechanisms, the cotton industry will look at alternatives.

As evidenced by recent sign-ups, the ACRE program has not been an attractive alternative for cotton and peanut farmers**.** I checked with my local Farm Service Agency office before coming to Washington and we haven't had a single producer sign up for the ACRE program. The support mechanisms within ACRE do not provide an adequate safety net for cotton and peanut farmers when compared to the traditional DCP program. Also, there is reluctance to sign up for ACRE because, once in the program, farmers are committed to it for the duration of the farm bill. If a revenue-based program is to find support among cotton and peanut producers, a more reasonable revenue target must be established. Chairman Lincoln, economists for the cotton and peanut industries are working to evaluate fully our concerns with ACRE in order to develop recommendations for effective modifications to the program.

I mentioned earlier in my testimony that effective farm policy must maximize participation without regard to farm size or income. With the exception of the marketing loan, commodity programs are based on farm yield and farm base, not the total size of farm operation. It is my opinion that each producer should receive the same protection from market gyrations irregardless of the acres farmed. The 2008 farm bill contained significant changes with respect to payment limitations and payment eligibility. In general, the limitations were made more restrictive, and the adjusted gross income test was substantially tightened.

The 2008 farm bill made significant changes regarding payment limits and means testing to determine farm program eligibility. I believe USDA should administer the provisions without further restrictions. Sound farm policy provisions are of little value if commercial-size farming operations are ineligible for benefits.

Conservation programs were strengthened in the 2008 farm bill. The Conservation Stewardship Program and similar conservation programs, such as the Environmental Quality Incentives Program, will lead to improved environmental and conservation practices but should not serve as the primary delivery mechanism for farm program support. The Conservation Stewardship Program is based on acres that are experiencing soil and water savings and should not be limited based on total farm size. This program has also been hampered by overly restrictive payment limitations contrived by USDA regulators – restrictions that we do not believe are supported by the statute. USDA's unilateral decision to exclude commercial-size farming operations dramatically limits the environmental and conservation benefits that are possible with this program.

I want to commend the Committee for including a new crop rotation program as part of the Conservation Stewardship Program in the 2008 bill. Although the regulations were late and the program is just starting, it is an excellent opportunity for producers and will work to protect our soil and water. I hope you will maintain this program in the 2012 farm bill.

I support a permanent natural disaster program as part of the farm bill, but my experience with the SURE program indicates that it cannot provide an effective level of natural disaster assistance. The program does not work well for southern agriculture. Growing multiple crops and diversification on many farms makes it very difficult for southern farmers to qualify for benefits. I recognize the challenge facing Congress to make improvements in this program. Without increased baseline spending authority, there will be no funds to even continue the program in the next farm bill, much less make the necessary improvements for it to be an effective disaster relief mechanism. I don't support reallocating existing spending authority from current farm programs to apply to SURE.

I do however want to commend you, Madam Chairman, for your untiring efforts to pass supplemental disaster assistance. If passed it will provide welcomed support for weather-related losses last year.

Crop insurance is an essential risk management tool for producers. In 2009, approximately 80% of Georgia's cotton and peanut acres purchased buy-up levels of insurance coverage. However, I would like to iterate that insurance products should be viewed as complements to traditional commodity programs not considered as a replacement system for delivering farm program support.

Revenue coverage, enterprise policy rates and group risk products are examples of improved products that can provide a menu of risk options for growers. However, there are a number of improvements that can enhance the effectiveness of crop insurance for Georgia producers. For example, USDA's Risk Management Agency should continually look for ways to move towards rate setting procedures that recognize investments a grower makes that reduce their individual risk. Producers who practice risk-reducing cultural practices, such as planting improved varieties and employing good soil and water conservation practices, are actively working to reduce their risk and increase the productivity.

Other improvements to crop insurance include extending the final peanut planting date beyond its present May 31 deadline. The University of Georgia Cooperative Extension Service has conducted research showing advantages of the later deadline date. Second, re-implement the non-standard classification system which identifies the most egregious abusers of the crop insurance program. Third, allow Georgia producers to participate in the Pasture, Rangeland, and Forage (PRF) program. This program assists livestock producers with pastures and forages in the event of below normal rainfall. PRF is available in our neighboring states of Alabama and South Carolina, but it is unavailable in Georgia.

Continuation of an adequately funded export promotion program, including the Market Access Program (MAP) and Foreign Market Development (FMD) Program, are important in an export-dependent agricultural economy. Farmers don't have the necessary resources to operate effective promotion programs which maintain and expand markets – but the public-private partnerships facilitated by the MAP and FMD programs, using a cost-share approach, have proven highly effective and have the added advantage of being WTO-compliant.

I support a viable bio-fuel industry that helps the United States become less dependent on foreign oil, but it must be recognized that renewable fuels assistance benefits some commodity producers more than others. The support given to bio-fuel crops must be taken into consideration when comparing relative levels of support across commodities, when evaluating payment limitations and before trying to mandate a one-size-fits-all farm program for bio-fuel and non-bio-fuel commodities.

In summary, I believe the cotton and peanut provisions of the 2008 farm bill are working well. I appreciate the opportunity to testify today and look forward to answering questions at the appropriate time.