North Dakota Farm Bureau
Comments to the
U.S. Senate Agriculture Committee
On the Farm Bill

April 3, 2007
Fargo, North Dakota

Good morning Mr. Chairman and members of the committee. My name is Eric Aasmundstad. I am the President of North Dakota Farm Bureau. Thank you for holding a hearing on the Farm Bill in our state.

Continued maintenance of the structure and funding for the 2002 Farm Bill is a high priority for Farm Bureau. The 2002 Farm Bill provides a long-term commitment to U.S. producers. The bill provides a safety net for producers, provides leverage for international trade negotiators and provides needed conservation program support.

Since the WTO talks were indefinitely suspended in July and it is uncertain when the talks will resume, Farm Bureau is seeking an extension of the current farm bill for at least one year. We will support making minor adjustments to the bill in order to comply with recent WTO rulings. In the meantime, U.S. farm policy should continue to help level the playing field with assistance to America's farmers until trade negotiations achieve a truly fair world market.

FARM PROGRAM PAYMENTS:
The United States has tried agriculture policies that idled acreage as a means of improving farm income. They did not work. We idled acres, but we farmed the remaining acres more intensely to make up for the lost market opportunities from idling land. When we idled land, our competitors kept increasing acreage. We must not forget the lesson we learned 20 years ago. In the 1980s, the United States cut back production by 37 million acres and our competitors increased their production by 41 million acres. When we changed our policies in the 1996 Farm Bill to stop set-asides and paid diversions, the whole picture changed. From 1996 to 1999, the U.S. cut back production two million acres and our competitors reduced their production 28 million acres. We must not return to supply management programs.

We also tried storing our way to prosperity. That did not work either. We tried having the Commodity Credit Corporation store grain in bins across the country. We tried having farmers store the grain on their farms. The results were the same. We stored grain and cut acreage while the rest of the world increased production and took our markets. We must not implement a farmer-owned reserve or any federally controlled grain reserve with the exception of the existing, capped emergency commodity reserve.

The 2002 Farm Bill has not increased taxpayer cost. However, even if costs had risen, farm policy has traditionally addressed the goal of producing a safe, abundant, domestic food supply. We've paid for our dependence on foreign oil. Imagine if we had to depend on foreign countries for our food. If consumers think they're getting a good deal by spending less than 12 percent of their disposable income on a nutritious, safe, quality food supply, then they should conclude it's a good policy to provide for a measure of stability in our food production system.

Farm program payments are a public investment in the nation's food, environmental and economic security. They help provide some measure of stability to the volatile business of food production, keeping Americans supplied with the safest and most affordable food in the world. U.S. consumers reap many benefits from these payments, including a top quality, stable and economical food supply that takes less of the consumer's dollar than in any place else in the world. Funding better environmental practices benefits all of society through improved soil, water and air quality. Dollars received by farmers are reinvested in communities and businesses that would often wither without a stable local agricultural industry.

Farm Bureau continues to oppose any changes in current farm bill payment limitations. One of the primary objectives of the 2002 Farm Bill was to improve the financial safety net available to farmers

Proponents of tighter, more restrictive limitations argue that farm programs cause farmers to enlarge their operations. They also argue that a few producers are receiving most of the benefits. This oversimplifies farm economics. Farmers expand in order to achieve economy of scale and to be competitive in domestic and international markets. Randomly established limitations and increased regulatory burdens do not promote efficiency or competitiveness, but they do increase costs and increase the workload for USDA employees.

Despite the seemingly big payments that are always highlighted in press reports and by various "think tanks," the vast majority of farm payments go to family farm operations. In addition to paying for machinery, seed and fertilizer, some of this money goes to pay household bills, interest on farm loans and ordinary living expenses.

CONSERVATION PROGRAMS:
The 2002 Farm Bill provides a strong measure of progress on the environmental front. It is the "greenest" farm bill in history in terms of authorized conservation funding. Improved environmental practices will benefit everyone through improved soil, water and air quality and wildlife habitat. Voluntary and incentive-based programs have historically worked the best for producers.

We need to be careful as we consider a more conservation-based program to keep in mind the income support that the current program provides operators in a volatile market setting. Conservation programs are not a perfect substitute. Some retirement conservation programs--such as the Conservation Reserve Program--actually displace farm income on a dollar-for-dollar basis. Farmers lose operating revenue or rental payments roughly equal to the payments they receive in return for long-term retirement. Some working conservation programs--such as the Environmental Quality Incentives Program (EQIP) or the Conservation Security Program (CSP) --share the costs of environmentally friendly investments in farm capacity. Conservation programs are critical, but they have to work in conjunction with rather than as a substitute for current commodity programs.

We expect programs like the Conservation Security Program (CSP), or programs applying conservation practices on "working lands," to become the linchpin of conservation titles, and possibly an important means of supporting farm income, in years to come. The CSP must be available to all producers, implemented as a nationwide program that is workable, and adequate funds must be appropriated to make it an effective program. Producers must receive assistance to help defray the cost of ongoing environmental improvements and regulations.

RENEWABLE FUELS:

A cornerstone of our nation's energy policy is the major role that renewable fuels can provide. Agriculture can provide fuels that improve air quality and make the nation less dependent on foreign oil. Funding for projects, research and activities that take ethanol, biodiesel and renewable electricity to the next level are important. This would be a win for the environment, a win for rural communities as it brings in new jobs and an expanded economy to rural areas, and a win for farmers as it gives them a new demand for their crops and livestock byproducts. Energy contribution improves the environment, decreases reliance on foreign oil, creates jobs, dramatically increases agricultural markets, and decreases farm program costs as markets grow.

The increased production of ethanol and biodiesel in North Dakota is encouraging. So to is the opportunity for expanding our animal agriculture industry. The synergy between renewable fuels and animal agriculture must be promoted and encouraged if we are to see the best return on the investment dollar. While the farm bill does not directly deal with programs to support livestock, the type of farm policy we develop should enhance livestock production across the U.S. While the farm bill does not directly deal with programs to support livestock, the type of farm policy we develop should enhance livestock production across the U.S

Livestock production often is overlooked as organizations prepare for the next farm bill. As we look at trade in the future, meat and meat product trade should be expected to grow in significance. We need a high quality supply to meet that demand. Regulations that negatively impact opportunities for livestock producers should be reexamined so that our producers can maintain a competitive position in the world.

RESEARCH:

One of the keys to the success of U.S. agriculture has been basic research and an ability to rapidly disseminate that knowledge to those who need it most. In many respects, we have fallen down in public funding in these areas. It appears that most new seed research is conducted with private rather than public funds. Consequently, private dollars go to areas where the markets offer the prospect of the largest return, leaving a number of crops behind. Wheat, oats, barley and several other crops with similar acreages and lesser acceptance of biotech-enhanced varieties have seen very little yield improvement over the last several years. This lack of yield growth is putting several of these crops at an economic disadvantage and is leading to noticeable acreage shifts.

CROP INSURANCE/DISASTER ASSISTANCE:

Farmers place an incredible amount of their equity and assets at risk each year to produce a safe, dependable food supply. Managing that risk through the growing season is critical. The current crop insurance program, though improved, still leaves much to be desired. Hence, there has been a necessity for disaster assistance. North Dakota Farm Bureau has supported disaster assistance, but we do not want to see a permanent disaster program in the next farm bill. Creating a permanent disaster program will only ensure that we will have a permanent disaster.

What is sorely needed is a crop insurance program that provides adequate coverage at an affordable price. Multi-year disasters wreak havoc on the producers' bottom line. The end result is that cost of insurance increases, while coverage for the farmer decreases. Crop insurance coverage for quality losses must be addressed. A producer may have bushels, which render the producer ineligible for payment, but the quality is poor and the value of the crop is far below what is needed. Yet the producer receives no compensation through crop insurance.

We understand the difficulty getting innovative, effective products developed, approved and made available in a timely manner. The Risk Management Agency should streamline their research and development process to deliver products that reflect the changes in farming practices. With the increased emphasis on biofuels, North Dakota farmers are being encouraged to plant crops for that industry. However, they may be reluctant if they are unable to insure those new crops. RMA should develop a "fast-track" system for these crops as they expand into geographic areas where the crops haven't historically been planted.

North Dakota Farm Bureau has promoted a "whole farm" cost of production crop insurance as a means to provide the needed coverage. Our research has led us to believe that this type of risk management can be actuarially sound, affordable and, most important to the producer, effective.

The concept we support considers all commodities produced in a given year including crops and livestock. This spreads the risk across the farm making the coverage more actuarially sound thus lowering the cost. We believe this can be accomplished and we encourage further research into this type of coverage.

The bottom line is that crop insurance reform can be realized, and if properly done, farmers will not need a permanent disaster program.

Mr. Chairman and committee members, thank you for the opportunity to add our input and comments on the farm bill debate.