



**Statement by Bob Henry, Board Member  
Kansas Soybean Association  
Before the  
Committee on Agriculture, Nutrition, and Forestry  
United States Senate**

**2012 Farm Bill Field Hearing  
Wichita, Kansas**

**August 25, 2011**

Good morning Madame Chairwoman, Ranking Member Roberts, and Members of the Committee. I am Bob Henry, a soybean farmer from Robinson, Kansas. I am a member and serve on the board of the Kansas Soybean Association (KSA) and represent KSA on the American Soybean Association (ASA) Board of Directors. In that capacity, I am serving on ASA's Farm Bill Task Force. KSA is pleased to provide our initial thoughts on priorities for the 2012 Farm Bill.

First, I want to highlight the significance and value of soybean production to the economy in Kansas. Kansas produces approximately 138 million bushels of soybeans annually, making it the 9th largest soybean producing state in the country. At an average price of \$12.00 per bushel, the farm-gate value of the soybeans produced in Kansas in 2010 exceeded \$1.6 billion.

Soybean products provide additional value to Kansas as well. Soy meal is used for livestock feed, and soy oil is used for biodiesel as well as biobased products being developed by the chemical industry in Kansas and utilized extensively by the automotive industry.

A stable and thriving soybean industry is important for our country, farmers, and the State of Kansas.

**Commodity Programs, Crop Insurance, and Disaster Assistance**

The KSA board of directors supports the efforts that ASA Farm Bill Task Force is putting forth in attempting to find a solution to agriculture's need for a safety net and balancing that need against the country's current federal budget concerns.

Farm programs play an important role in underpinning the strength of the farm economy, which supports the overall U.S. economy. The importance of an effective safety net for farm income has grown as the rising cost of farm inputs has increasingly pressured farm profitability. Against

this backdrop of increased risk, KSA and ASA are examining changes in farm programs that enhance risk management alternatives for producers. Our efforts are focusing on improvements in crop insurance and ACRE that make these programs more broadly accepted, and on potential changes to loan rates and target prices so they might provide a more realistic safety net should prices tumble.

### Federal Crop Insurance

Crop insurance is a vital part of the farm income safety net for soybean farmers. KSA and ASA believe crop insurance might need to be modified to reflect the lower return per acre and higher input costs for soybean producers in regions that do not participate at meaningful levels. The soybean industry is conducting a survey among soybean producers in different regions to determine why producers choose to participate, or not participate, in crop insurance and what improvements could be made to increase participation.

### Average Crop Revenue Election (ACRE)

ASA supported including ACRE in the 2008 Farm Bill as an option to the traditional “three-legged stool” of farm program support – marketing loans, target prices, and direct payments. We believe the revenue guarantee provided under ACRE can be strengthened and modified to make it more attractive in regions of the country where participation is low. ACRE can work in tandem with an improved crop insurance program to provide a more effective safety net for all soybean producers.

KSA and ASA will examine replacing the state loss trigger with crop reporting districts. Moving the trigger closer to the farm is particularly important in states with high variability in yields among growing areas.

A second concern is that sign-up under the current ACRE program requires participation for the duration of the 2008 Farm Bill. This requirement discourages participation by producers who rent their land on an annual basis from landlords who are unwilling to make multi-year commitments.

A third issue is the 30 percent reduction in marketing loan rates required under the current ACRE program. The loan program is a critical marketing tool for soybean farmers in southern states who also grow cotton. The 30 percent reduction makes ACRE a non-starter for many southern soybean farmers.

KSA and ASA also support simplifying the ACRE program to make it more understandable and accessible to producers. The amount of paperwork required to participate in ACRE is excessive, and needs to be reduced if participation rates are to increase.

We recognize that program changes to make ACRE more effective likely will increase the cost of the program. Thus, the soybean industry also will be analyzing other potential changes to reduce cost. At this time, however, the analysis has not been completed, and we are not in a position to outline the cost effect of these changes.

## Marketing Loans and Target Prices

With regard to current farm programs, ASA has long supported making target prices and marketing loan rates equitable between commodities. Counter-cyclical income support should be based on the relative value of each commodity. Loan rates must also reflect market values, or planting decisions will be distorted in years when prices are near or below loan levels.

The soybean industry is looking at the costs and implications of increasing loan rates and target prices to various percentages of historical five-year Olympic moving average prices. Several economists have noted that the cost of raising loan rates and target prices might be surprisingly small based on projected prices and that increasing current support levels might be an effective way to improve the safety net and protect producers in the event prices fall sharply in the future. As with the examination of options for changes to ACRE, the results of this analysis won't be available until later this year.

## Direct Payments

Due to the wide disparity between current price-based support levels and market prices, direct payments represent a basic support for farm income if prices and yields were to fall sharply. This is particularly true for producers in regions where ACRE and crop insurance participation is low. Direct payments are the only farm program considered non-trade distorting, or Green Box, under the WTO.

## SURE

Preliminary reports from some soybean farmers in some states indicate that the Supplemental Agricultural Disaster Assistance program, commonly known as SURE , will provide substantive relief for losses incurred during the 2008 crop year that were not covered through crop insurance indemnities. At the same time, SURE does not provide adequate disaster relief to producers in regions where participation in crop insurance is low or at low levels.

## **Conservation**

Conservation programs represent the third largest sector in farm bill spending -- \$63.5 billion in FY-2012-2021 in the latest CBO baseline. ASA has historically supported funding for conservation programs on working lands, especially the Conservation Stewardship Program (CSP) and Environmental Quality Incentive Program (EQIP). However, we have concerns that too many soybean farmers are not enrolled in any conservation programs.

The complexity and labor-intensiveness of conservation programs is also a serious issue. ASA supports efforts to simplify and consolidate conservation programs to make them more accessible and useful for working lands. ASA's Conservation Committee is examining ways to achieve these goals.

## **International Trade**

Exports are extremely important to American agriculture and the U.S. economy as a whole. Therefore, we support at least maintaining annual funding for the Foreign Market Development (FMD) program at the current level of \$34.5 million and for the Market Access Program (MAP) at the current level of \$200 million. According to a recent comprehensive study conducted by Global Insight for USDA, the multi-year effect of the increase in market development expenditures by both industry and government under these programs is equal to \$35 in agricultural export gains for each dollar spent. Given the proven success of these public-private partnerships, these programs need to be maintained. Eight thousand jobs are created for every \$1 billion in exports. Agricultural exports create 1.1 million jobs and \$184 billion in economic activity.

Through the World Initiative for Soy in Human Health (WISHH) and the World Soy Foundation, ASA is becoming increasingly involved in international food assistance and development programs. We support continued funding of Title I of P.L. 480 and the McGovern-Dole Food for Education Program, and we oppose disproportionate reductions in food aid funding.

## **Research**

The future of any industry is appropriate research, and agriculture relies on unbiased public research. ASA supports robust funding for USDA research programs, including competitive grants under the Agricultural Food and Research Initiative (AFRI). ASA will continue to urge increasing AFRI funding to the level authorized in the 2008 Farm Bill of \$700 million.

## **Energy**

There are several Energy Title programs in which KSA and ASA has a strong interest, including the Biobased Market Program (Section 9002), the Bioenergy Program for Advanced Biofuels (Section 9005), and the Biodiesel Fuel Education Program (Section 9006). We recognize that the Energy Title programs do not have baseline funding beyond 2012, which creates a significant challenge to extending these programs and building on the benefits they have provided.

The Biobased Market Program continues and expands the federal biobased procurement program and voluntary labeling program. This is an effective and important program for promoting the emerging biobased industry, which has significant potential to enhance agricultural markets, displace foreign petroleum and fossil fuels, and contribute new “green” jobs to the economy. Under the Biobased Market Program, USDA administers the BioPreferred Program, which is a preferred procurement program for all federal agencies.

The soybean industry is also partnering with companies and investing resources into biobased product development. Funding from the farmers’ checkoff dollars, administered by the United Soybean Board and the Kansas Soybean Commission, has provided research funding to Pittsburg State and Kansas State University for the development of soy biobased products.

One example of the great potential for biobased products is the increasing use of soy based foams and plastics in automotive interiors. In 2009 it was reported that Ford was using soy-based polyurethane foam seat cushions and seatbacks in more than 1.5 million Ford, Lincoln and Mercury vehicles, representing a reduction in petroleum usage of approximately 1.5 million pounds. Ford's use of soy-foam headliners on the 2010 Ford Escape and Mercury Mariner was reported to result in a 25 percent weight savings versus traditional headliners.

The Biobased Market Program, established and expanded through previous farm bills, plays an important role in the development of the biobased products industry in the United States. By providing a procurement preference for federal government purchases, the program helps pull products into the market and encourages investment and development of biobased products.

The Biobased Market Program received mandatory funding totaling \$9 million for 2008-2012. With the expansion of the BioPreferred and biobased labeling program, KSA and ASA support providing additional resources for USDA to administer the programs and further promote biobased markets.

The Bioenergy Program for Advanced Biofuels is a program of significant interest and opportunity for biodiesel producers. Biodiesel is the first, and currently the only, advanced biofuel commercially produced in the United States. The biodiesel industry is still working to establish itself in the competitive marketplace with the entrenched petroleum diesel industry, which enjoys the benefit of decades of infrastructure and market development. While adjustments may be needed to reflect the evolving advanced biofuels industry, KSA and ASA believe the program can continue to play an important role in supporting the development of advanced biofuels that displace foreign petroleum, provide environmental benefits, and promote jobs and economic development, particularly in rural America.

The Biodiesel Education Program plays a vital role in helping expand marketplace acceptance and use of biodiesel as a low-carbon, renewable, diesel fuel. It supports technical outreach efforts to engine manufacturers, truckers, and fuel marketers that will eventually allow the use of higher biodiesel blends in conventional diesel applications. KSA and ASA support the continuation of a relatively small investment of a minimum of \$1 million annually for the Biodiesel Education Program in the 2012 Farm Bill.

## **Conclusion**

Madame Chairwoman and Mr. Roberts, that concludes my statement regarding KSA's position on development of the 2012 Farm Bill. We will be pleased to respond to any questions you or other Members of the Committee might have. Thank you for holding this hearing in Kansas and for the opportunity to provide a statement for the record.