

Testimony of North Dakota Governor John Hoeven before the United States Senate Committee on Agriculture, Nutrition and Forestry

Fargo, North Dakota

April 3, 2007

Good morning, Senator Conrad and members of the Senate Agriculture Committee. Thank you for inviting me here to testify. I am John Hoeven, Governor of the State of North Dakota, and I am here today to visit with you about the importance of a long-term, comprehensive Farm Bill with a counter-cyclical safety net and its importance to North Dakota and to our nation's farmers.

We all place a very high priority on maintaining family-based agriculture. Keeping families on farms is critically important to the economies of our states. We must support traditional agriculture with the kind of safety net that will allow them to operate and at the same time to make the types of investments in value added agriculture necessary to diversify their income.

The economic well-being of all our citizens depends on a healthy rural economy. However, rural areas are faced with economic challenges due to the income cycles of farming - cycles greatly influenced by the risk of weather and other perils associated with crop production.

I believe that the next Farm Bill needs to be based on the same principles as the current one. It should be a long-term bill that contains a counter-cyclical safety net that is fair to all crops. The Farm Bill needs to have meaningful risk management provisions that offer producers support when crop losses occur. Also, the bill should have strong programs for value added agriculture, renewable energy and conservation, including incentives to expand biomass opportunities.

A good farm safety net is critically important to our nation. North Dakota is one of the most agriculturally-dynamic states in the nation. Agriculture and associated industries account for \$4 billion of our economy and make up 25 percent of our economic base. We are proud to lead the nation in the production of twelve different crops, including spring wheat, durum, barley, oats, dry edible beans, flax, dry peas, lentils, sunflowers and canola. Crop diversity is important, so that farmers can grow for the market, but the counter-cyclical safety net is also necessary to enable producers to withstand commodity price volatility in the world market.

The counter-cyclical safety net, together with proper risk management tools, will keep our farmers on the land, and rural America strong. An adequate risk management program in the Farm Bill could either take the form of a crop insurance option designed to fill the "gap" between traditional coverage levels and producers' historical yields or it should be a permanent disaster title to support producers who have had losses due to drought, flooding, disease, or some other natural disaster. Both of these options should be explored working closely with our agricultural groups, whose members provide our nation with the safest, most affordable, and abundant food supply in the world. Properly addressing the risk management issue is vital for a

comprehensive and effective Farm Program.

North Dakota producers are big users of the risk management tools that the federal government and the Farm Bill provide, and they appreciate the continued support of those programs. Nevertheless, we have had to advocate for additional help where the support offered by our Farm Bill and crop insurance are not enough to sustain the economic vitality of farmers because of weather-related disasters and deficiencies in the crop insurance program.

In that regard, I appreciate the support of you, Mr. Chairman, and also the other members of this committee, for your efforts to pass an ad hoc disaster program for our producers.

Farmers need to be able to manage against the tremendous risk they undertake every time they put crop in the ground. They need to be able to obtain effective insurance so that when they do suffer a disaster in their fields, they don't also suffer a disaster in their balance sheets.

Producers need to be able to cover for catastrophic losses, and they also need to be able to cover for "shallow losses" that over successive years lead to financial decline. What I call "shallow losses" are the 20 to 30 percent yield or quality losses that farmers cannot adequately insure against. These losses have a real impact on their profitability and a negative impact on their actual production history.

Agriculture producers need to be able to manage the risks of not only diminished quantity, but also reduced quality due to factors beyond their control. The Farm Bill and crop insurance should allow producers to ensure a reasonable level of income that will help reduce exposure to market and crop losses.

We appreciate the income protection tools that were authorized in the late 1990s and that continue to be modified in an effort to assimilate market risk in combination with crop loss. However, these tools remain inadequate or too costly to protect the actual risk undertaken in 2007 and beyond. If these tools were affordably offered to farmers - if farmers could adequately insure their losses like other types of businesses - they wouldn't need to come to Congress seeking ad hoc disaster assistance from year to year. We would have a more stable farm economy.

I am convinced that risk management improvements and legislation aimed at enhancing crop insurance should be considered as part of the forthcoming Farm Bill. Along with the other provisions of farm support legislation dealing with commodity programs, conservation programs and rural development, there should be a risk management or a disaster title incorporating one or both of the options I've discussed.

We need a bill that will ensure income stability and enable our farmers to plan for their future. Continuation of the counter-cyclical safety net and an adequate crop insurance program or disaster title, will keep American agriculture strong. These measures are not only vitally important for our farms, they are vital to our country, in order for Americans to continue to benefit from having the highest quality, lowest cost food supply in the world.

I want to emphasize three additional key points: continued strong conservation incentives, expanded programs to support value added businesses and an enhanced renewable energy title.

Farmers are good stewards of the land, and we, as a matter of national policy, should continue to encourage good conservation practices with the right kind of incentives - incentives geared to working lands. We need to see a strong conservation component in the bill. These programs should be voluntary, incentive-based efforts that will enhance farm and rangeland protection, as well as promote conservation efforts.

Strengthening rural America means expanding business and job opportunities by adding value to our agricultural products. The opportunity to process and target market our high quality crops and livestock through value-added businesses is a logical growth area for agriculture producers. Existing rural development programs authorized in the Farm Bill are effective, but they need to be streamlined to allow for the pace of business today and expanded to accommodate the scale of many of today's projects. Rural development also means supporting the infrastructure that serves the homes and businesses in an effort to grow our value-added businesses. I support additional funds for rural infrastructure that include loans and grants for water and waste water projects, and emergency water assistance grants.

Finally, farmers are a big part of this country's energy solution. We in North Dakota have seen exciting growth in biofuels production from corn and oil seeds, but like the President, and all of you, I envision a time when the fuels that drive America are produced from switch grass or other biomass materials. Like the current Farm Bill, the next one should focus on providing a strong energy title to promote the continued growth of our nation's renewable energy potential.

American farmers are already supplying our country with an environmentally sound, affordable, domestic supply of bio-based fuel and energy. They are helping us reduce our country's dependence on imported petroleum, and at the same time, diversifying their revenue stream to create greater financial security for themselves and greater energy security for our nation. Policy and incentives should be included in the Farm Bill that encourage investments in value-added bio-energy crop systems to help our nation secure energy independence.

Mr. Chairman, and members of the committee, in closing, it is unfortunate that the features of the current Farm Bill and crop insurance together do not adequately protect farmers from crop disasters and chronic wet or dry cycles. While emergency supplemental assistance packages have helped, they fail to provide a long-term solution that could be achieved by supplementing the crop insurance programs to meet producers' needs. The forthcoming Farm Bill, if crafted appropriately, affords us a timely opportunity to manage those risks.

A strong Farm Bill is of the utmost importance to our nation. In its particulars, this legislation will address issues that the citizens of North Dakota and the people of United States have made clear they find critical to our future:

- ? Producing a quality, safe, and affordable food supply.
- ? Supporting an economic sector of vital importance to our region and our nation - agriculture.
- ? Maintaining a wholesome, productive environment.
- ? And, importantly, developing sustainable, renewable energy resources independent of foreign

influence for the long-term security of our nation.

Mr. Chairman and members, I look forward to working with you to create the right plan for our producers and the right plan for America.

Thank you, again, for the opportunity to address this committee. I would be happy to respond to any questions.