

April 16, 2007

Mr. Chairman and members of the Committee, my name is Michael Martin. Along with my wife and daughters, I operate a diversified farming operation which grows wheat, corn, soybeans and sunflowers. Our farm is located near Forbes, ND and our operation includes land in North Dakota and South Dakota. I currently serve as the President of the North Dakota Grain Growers Association. I thank you for this opportunity to provide testimony concerning the upcoming 2007 Farm Bill.

#### Commodity Title

In recent testimony I provide the US House Agriculture Subcommittee on General Farm Commodities and Risk Management. It was demonstrated then that Specialized Wheat farms saw a 58 percent deficit in net income compared to other wheat farms. My reference material for supporting these comments are contained in the December 2005 publication from the USDA Economic Research Service entitled 'Wheat Backgrounder.' The publication makes comparison of farms where different cropping practices are followed. These cropping practices compare 'Specialized Wheat Farms' (farms that have at least half of their total value of production from wheat in 2003) against 'Other Wheat Farms' (those with less than half of their total of production from wheat in 2003). The research comparisons were based on farm data from Kansas and North Dakota.

I would like to draw your attention to the disparity in net far income found on page 29 of the publication. Net farm income for Specialized Wheat Farms, 2003 at \$27,507 is a whopping 58 percent lower than Other Wheat Farms, which showed a net of \$65,481. The entire report can be found at the following link: <http://www.ers.usda.gov/publications/whs/dec05/whs05K01/whs05K01.pdf>

The disparity between the two wheat farm types is quite apparent. It cannot be attributed to any one factor. However it does indicate that Direct Payment and Target Price levels for wheat need to be reevaluated in the upcoming 2007 Farm Bill.

Recent estimates made by the USDA paint a similarly gloomy outlook for the next ten years for the wheat industry in general. All wheat net income for the 10-year projected time frame comes in at forty-nine percent of the average of other major crops (barley, corn, soybeans, rice and cotton) in the US.

USDA TEN YEAR AVERAGE 2007/16  
NET INCOME  
WHEAT CORN BARLEY SOYBEANS RICE COTTON

\$98.21 \$329.31 \$111.91 \$195.26 \$211.02 \$156.84  
CORN, BARLEY, SOYBEANS

AND COTTON AVE NET INCOME \$200.87

Source: <http://www.ers.usda.gov/publications/oce071/oce20071.pdf>

It has been acknowledged by the US Secretary of Agriculture and numerous Congressional Leaders that wheat was not treated equitably in the '02 bill. The 2007 Farm Bill proposal endorsed by the North Dakota Grain Growers Association and adopted by our national organization, the National Association of Wheat Growers, (NAWG) would bring some equity back to the wheat industry. The proposal would raise direct payments to \$1.19 per bushel, and the target price to \$5.29. We at the NDGGA feel that these increases are appropriate in order to return the Wheat industry to a healthy and sustainable state.

Recent studies performed by Texas A&M economists indicate that without upward revisions in price support mechanisms for Wheat, in 10 years even wheat producers who are in healthy financial condition will be at the point of financial collapse. So, the question of what direction Farm Policy takes in the near term will inevitably determine the future existence of North Dakota's number one agricultural commodity.

Some may question then, 'Why plant wheat?' My response would be, "Because it's one of the major staples of the world's food supply. It is important that we maintain a safe, reliable and affordable domestic supply of this crop often referred to as the 'Staff of Life'.

Conservation Title

Mr. Chairman, another major concern with the 2007 Farm Bill is the direction it takes concerning environmental policy. Many in my state have benefited from conservation programs and I personally have benefited from privately funded incentives involving my no-till farming practices. What I fear in placing greater emphasis on conservation title programs is the tremendous cost to our Federal Treasury if all programs are fully implemented.

This financial cost to a future Farm Bill may well mean that Commodity Title programs will not be funded adequately. Conservation program benefits to producers are typically capitalized into a farmer's financial holdings in the form of land values and machinery.

I feel that the Safety Net that past Farm bills have provided may well be lost to Conservation programs. Commodity titles such as Loan Deficiency Payments (LDP's) and Counter Cyclical Payments (CCP's) provide the safety net that is sorely needed by producers when negative market fluctuations and aberrations occur. They not only provide financial stability to producers, but also allow agricultural export trade and infrastructure to perform more efficiently. Also, when market prices are relatively high they can provide huge saving in actual dollars to the Federal Government. I feel that this portion of our Safety Net is the most important part of agricultural policy and should be defended, if at all possible.

In addition, it must be required that all climate change legislation, i.e. carbon credits, clean water

credits, etc, be based on sound peer reviewed science. Our economy cannot afford to make agricultural or business changes made due to purely political decisions.

## Energy title

The recent move toward Biofuels only adds emphasis to the good decisions made in the last farm bills. The ability of our nation's producers to respond to market factors such as the corn demand for ethanol and oilseeds for biodiesel would not be possible without the planting flexibility afforded in recent farm bills. The American farmer has shown throughout history our ability to raise adequate amounts of food, fiber and now Bioenergy fuel supplies.

In return for this adaptability, it is appropriate that our Federal Government provide an adequate Safety Net to agriculture when situations such as market aberrations caused by weather, disease and yes even political decisions both here and overseas throw curveballs at our producers.

In the very near future our producers will be asked to enter into a new phase of the food, fiber and fuel equation. The cellulosic ethanol industry will not be able to grow and develop without the aid of committed producers. It is therefore imperative that forward thinking industry leaders be supported when new ideas and efforts are introduced to move this infant industry forward. One such effort includes a modest proposal being promoted by the National Association of Wheat Growers in their Roadmap to the 2007 Farm Bill:

### TITLE IX - ENERGY

? NAWG supports utilizing Conservation Reserve Program (CRP) acreage, or land to be enrolled in CRP, for the purpose of planting and harvesting dedicated energy crops including, but not limited to, switchgrass. This should be carried out in a manner that maintains the environmental benefits that CRP is designed to achieve.

? NAWG supports the Commodity Credit Corporation offsetting 40 percent of the cost of cellulosic feedstock for the first year of a cellulosic ethanol refinery's life. A similar program intended for other types of biofuel, the CCC Bioenergy Program, expires in 2006. This program should be reauthorized to support cellulosic ethanol feedstocks, including dedicated energy crops or agricultural/forestry residues. The program could be simplified to provide a per gallon payment rate, consider a payment limit per eligible entity and be terminated as cellulosic ethanol becomes commercially feasible.

? NAWG is highly supportive of programs to encourage the development of a viable renewable energy sector, but strongly opposes the diversion of money from other areas of the Farm Bill for these efforts.

In a nutshell this proposal would ask for a commitment from the farm bill's Energy Title to aid the development and technology needed to raise dedicated biomass energy crops. This proposal may well solve the perceived question of which comes first, the chicken or the egg, when it is determined where and when industry will develop new cellulosic ethanol production areas and plants.

I am sure that other worthy initiatives regarding dedicated biomass crops will come forward. The energy title of the Farm Bill must be designed in such a fashion to be flexible enough to allow agriculture and the industry to adapt to new technology and market factors.

Ceres, a biotech research company, is currently involved with research that could incorporate salt tolerance in dedicated energy biomass crops such as switch grass.

In my opinion this genetic modification, if incorporated into a high yielding dedicated Biomass crop, could be a economic boom for portions of ND where alkalinity and saline salt issues are affecting wheat production. The production of salt tolerant dedicated biomass cultivars may well be adopted in areas where irrigation done with less than desirable water quality has led to salt buildups in the soil. A crop rotation involving salt tolerant dedicated energy biomass crops could lead to improved soils and increases in production.

I see this technology also be adapted to soils affected by seasonal excessive moisture problems. These soils are often affected in such a way that farmers are forced to utilize the prevented plant provision of their crop insurance policy. Salt tolerant and water tolerant biomass crops utilized on these soils could be found to be extremely productive as they typically have relatively high water tables throughout the growing season.

In addition, crop insurance may be relieved of some of the costly claims incurred when prevented plant claims are made.

It is also apparent that in order for the Cellulosic ethanol industry to thrive, there will have to be an abundant supply of conventional biomass crops, i.e. Wheat, barley, oats straw and corn Stover. It is my experience that where I farm with yearly rainfall amounts in the 16-18 inch range, that crop residue has to be removed in order for soils to be able to warm and dry the following spring. I have personally seen reduced crop emergence and the resultant reduction in crop yields when crop residue is not removed.

I cannot claim that this problem is universal in a no-till farming situation, but logic concludes that excessive crop residue will slow warming and drying of the soil. The farther east you go in North Dakota, in many cases, conventional tillage is still the norm rather than the exception. The removal of excessive crop residue may not only generate additional income per acre in these areas, but allow minimum and no-till farming techniques to be implemented in areas such as the Red River Valley. Conventional tillage now practiced in this area leaves the soil bare and susceptible to wind and water erosion.

## Summary

Mr. Chairman, in summary, we must take a hard look at history when looking to the future regarding agricultural policy. The recent relative strength in commodity prices must not be assumed to be a new plateau in prices. We need only to look at the following chart reflecting historical wheat prices to prove that point.

It is quite apparent that the price levels we are now seeing have been exceeded twice in the last 25 years. The decline in prices following those price peaks shows the need to be prepared for what most certainly will occur in the future.

Mr. Chairman, thank you again for this opportunity to present testimony to the committee