

**Testimony of David Schemm  
before the Senate Committee on Agriculture, Nutrition and Forestry  
2012 Farm Bill Field Hearing in Wichita, Kans.  
August 25, 2011**

Madam Chairwoman, Ranking Member Roberts and Members of the Committee, thank you for the opportunity to address you today. My name is David Schemm, and I farm on the far Western edge of Kansas, near Sharon Springs. I produce wheat, sorghum and corn on a 15,000 acre dryland farm, along with my wife, Lisa, and our two teenage sons. I serve as President of the Kansas Association of Wheat Growers, and am honored to have the opportunity to submit comments regarding the future of our country's farm policy.

First, I would like you thank you for finding a path forward in the recent deficit reduction debate that will involve the appropriate committees of jurisdiction. We hear all too often that the general public is becoming more removed from the farm and to put our future in the hands of those that do not understand agriculture's unique vulnerabilities would be difficult to fathom.

Wheat is an important crop for Kansas. Last year, farmers planted just under nine million acres, with high hopes of being able to take advantage of good prices. Unfortunately, Mother Nature had different ideas than many producers did, and many areas of our state received less rain over the past twelve months than they did in the dust bowl days of the Great Depression. While many of our producers struggle with record dryness, still others have seen record rainfall and flooding. I can think of no better year in my 18 years as a producer to highlight the role the federal government plays as a partner in my operation. We count on the federal government for research and development to address production challenges we face; for an aggressive free trade agenda to allow us access to world markets for our products; and for a functioning safety net to address risks out of our control, such as those we have seen this year.

We know that the challenges you face in Washington are startling, and wheat producers share your concern about a large federal deficit and weak economy. We recognize the probability that the 2012 Farm Bill will be smaller in dollars than the 2008 bill. I hope that with careful consideration of the role of the federal government, we can evaluate the programs we have in place and end this debate with a 2012 Farm Bill that provides an equal or better safety net for our food supply.

**Kansas Farms and the 2008 Farm Bill**

Although our nation's economy as a whole continues to struggle out of our most recent recession, the agricultural economy is a bright spot. Farm income is up, and farmers are earning more of their income from the marketplace than ever before in recent history. Strength in our agricultural sector in the face of nearly unprecedented market and weather volatility makes a strong case for the federal government to continue its commitment to production agriculture. The safety net provided by the 2008 Farm Bill, isn't going to make a farmer rich, or even provide a return on their investment, but the safety net does keep farmers and ranchers on the farm and gives them the ability after a disaster, crop failure, or weak market to farm another year.

There are six programs in the current bill that Kansas wheat producers see as contributing to that safety net.

The direct payment is one of the most reliable farm programs our producers have had. Many producers use it to secure operating loans, buy up the level of coverage of their crop insurance higher than they might have otherwise, or in the worst of years, use it to put groceries on the table. The direct payment has also received strong support from wheat growers in the past, as it is the most World Trade Organization-friendly of our current suite of farm programs. With the United States exporting 35 million metric tons of wheat this past marketing year, trade compliance is an important consideration when writing the 2012 bill.

The federally subsidized crop insurance program is another oft-cited piece of our farmer's safety net. It represents a partnership between the federal government and the wheat farmer - with each entity responsible for a portion of the cost. This program has grown in importance to many of our producers over the last decade and now is a program many of my neighbors would struggle to farm without. In Sharon Springs we average less than 20 inches of rain each year and other parts of western Kansas average less than 14 inches annually. Crop insurance gives us the certainty to plant a crop in the fall, when we can't be certain Mother Nature will come through for us. Crop insurance does have challenges though and that is why we are hesitant to rely solely on it as a safety net. It doesn't offer protection against large shifts in local market prices, which at times last summer were \$2.00 off the price on the Kansas City Board of Trade. Revenue coverage can also deteriorate after multiple years of low prices or disasters. Nevertheless, crop insurance is an important component of the safety net.

The marketing loan program has been used sparingly by wheat producers since the last farm bill. It is designed to place a floor under prices, and allows farmers some flexibility in marketing their crops. For example, it is tied to local prices, so when historically-wide basis levels occurred, some producers were able to use this program to cover input costs as they came due after the crop, while they waited for basis levels to tighten. However, the low loan rate can force this program to be one of last resort for producers.

The counter-cyclical program also strives to create a floor price that producers will receive. However, the floor price is now set around half the cost of production - and therefore hasn't been an effective part of our safety net in a decade.

The SURE program was new in the 2008 farm bill and in Kansas has been heavily criticized by farmers for the level of complexity and for its lack of timeliness in making payments. Those two items aside, SURE does have the ability to fill the gap that exists between crop insurance levels and lost income. I have also been told that the SURE program is one that will expire before the 2012 farm bill and therefore will have no baseline funding in the future. If the program could be reworked so that it provided the same coverage, in a simpler manner and without waiting for the marketing year to end for payments to be made, I think the program could prove beneficial.

The ACRE program is one that has garnered little participation from Kansas wheat producers, with less than 2% of wheat acres in 2009 enrolled in the program. This low participation rate among

Kansas producers can likely be attributed to multiple causes. Certainly, one of the major concerns for wheat producers in Kansas is the presence of a state-level trigger. In Kansas, where our annual rainfall ranges from above 45 inches in the southeast to under 15 in the southwest the necessity to trip a state-level loss trigger has proven to be too much of an unknown for a large number of our producers to commit to the program, which would require them to give up 20% of their direct payment.

### **The 2012 Farm Bill**

I hope that by highlighting the myriad of farm programs today and how they are viewed by wheat producers, you will understand that there isn't a "one-size-fits-all" farm program. Each of these programs has a slightly different goal and protects against different risks. Our country's farmers are unique individuals on unique operations. One program that works well for me, may not work for my neighbor, let alone a farmer in another state. As you work on the future of farm legislation, please remember that flexibility and variety in programs provides the best protection.

While many challenges lie ahead in crafting the 2012 Farm Bill, and while it may seem that we have many complaints about the 2008 bill, I am often reminded by our members that right now, we have the best farm safety net in history. It is my hope that we don't lose track of that thought as we begin work on the 2012 bill. Can changes be made to make programs more efficient or more functional? Yes. Should we take a hard look at all of the programs in the bill to ensure the public that their tax dollars are well spent? Absolutely. But I also hope we can remember that our agricultural success of today was built on the safety net of yesterday.

I would like to thank you for coming to our state to hold this farm bill field hearing. Field hearings show your commitment to hearing firsthand from farmers and ranchers about the effect of farm legislation on individuals across the country. It has been an honor to submit testimony and speak on behalf of wheat producers. I look forward to any questions you may have.