STATEMENT BY JOHN SWANSON
NATIONAL SUNFLOWER ASSOCIATION BOARD OF DIRECTORS

On behalf of the

NATIONAL SUNFLOWER ASSOCIATION AND THE U.S. CANOLA ASSOCIATION

before the

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
UNITES STATES SENATE

April 25, 2007

Good morning, Mr. Chairman and Members of the Committee. I am John Swanson and have grown sunflower on our farm near Mentor, Minnesota since 1972. I currently serve on the Board of Directors on the National Sunflower Association as the representative of the sunflower seed industry. I have been involved with sunflower hybrid seed research and marketing throughout the US growing regions and have worked with sunflower development in more than 30 countries. I have also served on the U.S. Canola Association Board of Directors in the past, and am representing both organizations today. Thank you for the opportunity to appear before you today.

Mr. Chairman, the U.S. sunflower and canola industries have a bright future if farm policy impediments to increased production are mitigated. Both oils are low in saturated fat - one of the "bad" fats - and high in unsaturated fats - the "good" fats. Both crops have high oleic varieties that are stable enough to not require hydrogenation to increase shelf life, so they contain zero trans fat as well - the other "bad" fat. Since the FDA required the labeling of trans fat content in January, 2006, the food industry has been scrambling to find enough stable, healthy oils to meet their growing needs, since 9 billion pounds of partially hydrogenated vegetable oils are currently used annually and need to be replaced. And our industries are working to help meet this demand.

In fact, the U.S. sunflower industry decided in the early 1990's to take control of its future by developing superior oil characteristics into the entire sunflower crop. The private seed companies, USDA ARS and several key food manufacturers took the lead in this very expensive process. This was a challenging effort, but the industry has now entirely changed to NuSun sunflower. NuSun varieties have a balanced fatty acid profile, making them ideal for use in food products and food service applications that require healthier oil with higher stability and longer shelf life.

NuSun varieties also require no partial hydrogenation in these applications, meaning they contain no trans fat. Following FDA's decision to require trans fat to be labeled on food products in 2006 and actions or proposals to eliminate trans fats in the food product and manufacturing industry, demand for NuSun sunflower has exploded. A number of major U.S. and Canadian food companies have switched their product formulas to include NuSun in order to avoid trans fat. You can walk down the potato chip isle in your grocery store and see the healthy, beautiful sunflower faces on many of the bags. There is more demand for low saturated and stable oils coming from other users. This is an enormous opportunity for the sunflower industry, after 25 years of work, to find our place in the oils market--and the industry does not want to lose it. Moreover, if the sunflower industry is to meet consumer demand for healthy oils, an adequate and stable supply of sunflower seed oil must be provided.

The canola industry also decided to highlight the healthy qualities of canola oil when it successfully petitioned the U.S. Food and Drug Administration for a Qualified Health Claim. The FDA approved the claim in October 2006, based on the ability of canola oil to reduce the risk of coronary heart disease due to its unsaturated fat content, and demand for canola oil has increased as a result. The canola industry is also increasing the number of high oleic varieties available in response to the food service industry's desire for zero trans fat solutions as city and state governments move to ban the use of trans fat in restaurants.

Canola oil is also an excellent candidate for biodiesel production because it has the highest cetane ratings and the lowest cold flow properties (gel point) of any biodiesel feedstock. Finally, canola and sunflowers are the highest-yielding oil crops on a per-acre basis.

While demand for sunflower and canola oil is high, production of these crops has not responded. A major reason is that support levels for minor oilseeds under the current farm program are discouraging producers from responding to market demand. The minor oilseed marketing loan rate of $9.30 per hundredweight is only 82 percent of the Olympic average of season average prices in 2000-2004. The loan rates for commodities that compete with sunflower and canola are much higher: The soybean loan is 95 percent; corn is 92 percent, wheat is 86 percent, and the dry pea loan rate is 120 percent of the same price average. As a result, sunflower acreage has fallen 47 percent since 1998, from 3.5 million to 1.9 million acres, even as market demand has called for a major increase in sunflower production. Canola lost 47 percent of its acreage from 2002 to 2004, from 1.5 million to 865,000 acres, and was still down 31 percent in 2006.

Sunflower and canola were also disadvantaged when target prices were established in the 2002 Farm Bill. The minor oilseed target price of $10.10 per hundredweight is $0.80 higher than the $9.30 loan rate. But since the minor oilseed direct payment is also $0.80, the effective target price is $9.30 - identical to the loan rate. So there is no way counter-cyclical payments can be triggered for minor oilseed producers.

Minor oilseeds are also unable to receive equitable crop insurance coverage when compared to other crops. Producers are telling us they are unwilling to plant sunflowers or canola, even as minor oilseed bids exceed the market price indexes of competing crops, because their crop insurance coverage provides a more lucrative safety net should a crop failure occur. And since loan rates play a role in setting price elections, it is imperative that the inequitable minor oilseed loan rates are corrected in the 2007 Farm Bill.

Together with the American Soybean Association, we strongly support adjusting marketing loan rates to a minimum of 95 percent of the Olympic average of prices in 2000-2004, or $10.71 per hundred weight for minor oilseeds; and target prices to a minimum of 130 percent of the same price average, or $14.66 per hundred weight for minor oilseeds. It is absolutely critical that these adjustments be made in the 2007 Farm Bill if our industries are going to survive and be able to supply the healthy oils the food industry and consumers demand.

Thank you for your consideration of our views.

John Swanson
Board Member, National Sunflower Association