

STATEMENT BY
USA DRY PEA & LENTIL COUNCIL
TO THE
U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
HEARING CHAIRMAN KENT CONRAD

APRIL 3, 2007

Introduction.

Mr. Chairman and members of the committee, my name is Paul Thomas. I am a farmer of dry peas, lentils, wheat, barley, corn and minor oilseeds from Velva, North Dakota. Today, I am testifying on behalf of the USA Dry Pea and Lentil Council, a national organization representing producers, processors and exporters of dry peas, lentils and chickpeas across the northern tier of the United States.

The pea and lentil industry believes it is critical for the United States to provide a solid safety net to U.S. producers during periods of low prices and natural disasters. The 2007 Farm Bill should continue to encourage farmers to take advantage of market opportunities and reward them for being good environmental stewards. Today agriculture is enjoying some of the highest commodity prices we have seen in years. Some farmers in my neighborhood are actually bringing the "P" word back into their vocabulary. The "P" word in this case is not a yellow "pea" or a green "pea" but the "P" as in PROFIT. I hope it never ends. But some day it will and, when it does, our farm policy must protect farmers from continued subsidized competition, high tariffs, phyto-sanitary trade barriers and exchange rate manipulation. As Congress writes a new farm bill we ask that it include the following programs in the Commodity Title:

2002 Farm Bill- Pulse crops entered the farm program family in 2002. Our organization would like to thank you, Senator Conrad, and your colleagues in the Senate and House for creating the Pulse Marketing Loan/LDP program. The program has provided a needed safety net for producers of dry peas, lentils and chickpeas across the northern tier. In the 2007 Farm Bill we seek to be included and treated equally with other farm program commodities.

Title I - Commodity Programs

Marketing Loan Program/LDP- The marketing loan/LDP program provides the best safety net for U.S. pulse farmers facing dips in market prices. The table below shows the pulse loan rates set by law in the 2002 farm program and our request to continue this program at the same levels in the 2007 farm bill:

Pulse Marketing Loan History and 2007 Farm Bill Request

Pulse Crop Loan Rate Basis (by law) 2002-2003 2004-2007 2007 Farm Bill Request

Dry Peas Feed Peas/\$cwt. \$6.33 \$6.22 \$6.22

Lentils No. 3 grade/\$cwt. \$11.94 \$11.72 \$11.72

Small Chickpeas No. 3. Grade /\$cwt. (below 20/64ths round hole screen) \$7.56 \$7.43 \$7.43

Large Chickpeas (New Program) No. 3 Grade/\$cwt. (above 20/64ths round hole screen)
\$18.00

Large Chickpeas- The 2002 farm bill created a marketing loan program for small chickpeas.

Our organization supports the creation of a marketing assistance loan program for large chickpeas in the 2007 farm bill. We ask that the loan rate be set at \$18.00/cwt. for large chickpeas. The loan rate should be based on a No. 3 grade large chickpea that stays above a 20/64ths round hole sieve.

2. Pulse Energy Conservation Incentive Payment (PECIP).

To reduce our dependence on foreign oil, we support a strong energy component in the 2007 Farm Bill. The most effective way to reduce our dependence on foreign oil is to encourage U.S. farmers to implement a sound energy conservation strategy. To encourage energy conservation, we propose the creation of a Pulse Energy Conservation Incentive Payment (PECIP).

Dry peas, lentils and chickpeas are legumes that do not require the use of nitrogen fertilizer in the production cycle. In fact, university research shows that the production of dry peas, lentils and chickpeas provides a 40 pound per acre nitrogen credit for the next crop in the rotation. In addition to conserving energy, pulse crops also fix nitrogen in the soil which provides a significant offset to "Green House Gas" emissions. The program would be delivered as a direct payment to those producers who plant energy conserving crops like dry peas, lentils and chickpeas. The payment would be based on multiplying the nitrogen credit saved by planting a pulse crop (40 lbs/ac.) times the current cost of nitrogen fertilizer (\$0.38/lb.). The payment would be roughly \$15.00 per acre for pulse crops with current nitrogen fertilizer prices.

Pulse Energy Conservation Incentive Payment (PECIP)

Pulse Crop Nitrogen Credit

Lbs./Acre Cost of Nitrogen

(\$ per lb.) PECIP

\$/Acre

Dry Peas, Lentils, Chickpeas 40 lbs \$0.38/lb \$15.00/Acre

As Congress works on providing new incentives for the creation of biofuels, we ask that equal weight be given to providing incentives to produce pulse crops that conserve our energy resources.

3. Pulse Direct Payment Program

Pulse crops are grown in rotation with wheat, barley and minor oilseeds across the northern tier of the United States. Each crop in the rotation has a direct payment except for pulse crops. We support the creation of a direct payment for dry peas, lentils and chickpeas equal to the direct payment received for wheat. The current direct payment for wheat is \$0.52 cents per bushel. The table below establishes a pulse direct payment based on the current wheat direct payment program.

Pulse Direct Payment Program

Crop Pulse Direct Payment Avg. Yield Per Acre (10 yr) (bu./lbs) Direct Payment Per Acre

Wheat (\$/bu.) \$0.52/bu. (\$0.86/cwt.) 40 bu.

(2400/lbs) \$20.00

Dry Peas (\$/cwt.) \$1.05/cwt. 1900/lbs \$20.00

Lentils (\$/cwt.) \$1.67/cwt. 1200/lbs \$20.00

Chickpeas (Small and Large) (\$/cwt.) \$2.00/cwt. 1000/lbs \$20.00

Pulse Base Acres- Our organization supports the creation of a USDA/FSA base for dry peas, lentils and chickpeas in the 2007 Farm Bill in order to receive a direct payment. Producers should be allowed to sign up their current vegetable base for the pulse direct payment program.

4. Pulse Counter-Cyclical Program

The counter-cyclical program provides an additional safety net to producers facing a downturn in the market. We support the creation of a pulse counter cyclical program for dry peas, lentils and chickpeas equal to 130% of the pulse loan rates established in the 2002 farm bill. The following table shows the Pulse Counter Cyclical Target Price based on 130% of the pulse marketing assistance loan rates.

Pulse Counter Cyclical Program

2007 Farm Bill Request

Pulse Crop Counter Cyclical Based On Loan Rate 2004-2007 Pulse Counter Cyclical Target Price (130% Loan Rates)

Dry Peas Feed Peas/\$cwt. \$6.22 \$8.09/cwt.

Lentils No. 3 grade/\$cwt. \$11.72 \$15.24/cwt.

Small Chickpeas No. 3. Grade /\$cwt. (below 20/64ths round hole screen) \$7.43 \$9.66/cwt.

Large Chickpeas No. 3 Grade/\$cwt. (above 20/64ths round hole screen) \$18.00* \$23.40/cwt.

* Large Chickpeas were not included in the 2002 Farm Bill. The \$18.00/cwt. on large chickpeas is a suggested loan rate level for Large Chickpeas for the 2007 Farm Bill.

5. Remove Chickpeas from Fruit & Vegetable List.

Producers need planting flexibility to respond to market signals. Over 90% of the chickpeas produced in the United States are grown in WA, ID, MT, ND, and SD. Currently chickpeas are classified as a vegetable crop and are not eligible to be planted on farm program base acres. The growers producing chickpeas in the northern tier primarily produce program crops that are eligible to be planted on farm program base acres. The USADPLC supports the inclusion of chickpeas (Small and Large) as an eligible crop to be planted on farm program base acres in the 2007 Farm Bill.

In summary, the USA Dry Pea and Lentil Council believe the 2007 farm bill should continue the current pulse marketing assistance loan program with the addition of large chickpeas. We believe the safety net for pulses should be expanded to include a pulse direct payment and counter cyclical program. We ask Congress to consider our Pulse Energy Conservation Incentive Payment program to encourage producers to conserve energy.

We also have several suggestions on how to improve conservation, market development, food aid, and crop insurance for the pulse industry. These suggestions are provided in my complete testimony.

I would like to thank the committee for the opportunity to speak to you today, and I would be happy to answer any questions.

Title II - Conservation Programs

The USADPLC supports farm policy that rewards producers for managing their soils based on long term environmental sustainability on working lands. We offer the following suggestions on how to improve existing conservation programs in the 2007 farm bill:

Conservation Security Program (CSP). The USA Dry Pea & Lentil Council (USADPLC) supports equal access and full funding of the CSP program to provide incentives to farmers to achieve improvements in soil, air and water quality. USADPLC supports continuing the CSP with the following improvements:

- a. Fully fund the Program. CSP should provide equal opportunity to all producers without artificial restrictions to access based on funding limitations. Restricting the program to a limited number of watersheds every eight to ten years gives significant economic advantage to those producers in the watersheds selected.
- b. Realistic Nitrogen Credit. The current credits for planting an N fixing crop like legumes are not realistic in an annual cropping system. The base requirement exceeds the value of any crop planted for Nitrogen replenishment. There should be a credit to the producer for any reduction of N use due to the rotation.
- c. Develop a wildlife credit for annual cropping. Annual cropping provides year around cover for many animals. Producers should be encouraged to utilize measures that provide increased wildlife habitat.
- d. Increase technical staffing for CSP. USDA is implementing this new program while cutting staff. The data collection requirements and the self evaluation process required by the program are daunting for most producers. In addition, NRCS is tasked to provide technical support and distribute funds. USADPLC supports the use of FSA to distribute funds and administer finances and to at least maintain current staff levels at both NRCS and FSA offices to facilitate full implementation of the CSP program.

Title III - Trade

Market Development

MAP & FMD- The Market Access Program (MAP) and Foreign Market Development (FMD) Program have allowed our industry to penetrate new markets around the world. We support an increase in MAP program funding to \$325 million and an increase in the FMD program to \$50 million in the 2007 Farm Bill.

Food Aid

Our organization fully supports the continuation of the U.S. P.L. 480 Title I, P.L. 480 Title II, McGovern-Dole Food for Education, and Food for Progress food aid programs. These programs serve as a bridge between the United States and developing countries and help feed starving people with nutritious food from American farmers and food processors.

We believe that U.S. food aid funds, provided by the American taxpayer, should purchase only U.S.-produced commodities for the nation's food aid programs. Therefore, we do not support the use of P.L. 480 Title II funds for local commodity purchases overseas.

In light of the importance of these humanitarian U.S. food aid programs to their recipients

overseas and to the U.S. agricultural community, we request Congress to:

1. Reauthorize P.L. 480 Title I. This government-to-government program provides U.S. agricultural commodities to developing countries on credit or grant terms. Concessional credit sales are available to those eligible countries that choose to participate in them for food aid purposes. In addition, Title I funds are a major funding source for Food for Progress, which is discussed more below.

1. Reauthorize P.L. 480 Title II. This program provides for the donation of U.S. agricultural commodities to meet emergency and non-emergency food needs in other countries, including support for food security goals. We support a program that is predictable and sufficient to address growing global needs for both emergencies and non-emergencies.

2. Reauthorize Food for Progress' (FFP) Commodity Credit Corporation (CCC) Funding. The FFP program provides for the donation or credit sale of U.S. commodities to developing countries and emerging democracies to support democracy and to assist with the expansion of private enterprise. In addition to its CCC funding, FFP also has received as much as 40% of its funds from P.L. 480 Title I. In the President's FY2008 budget proposal total FFP funds have been decreased by the amount received from Title I, leaving only CCC as the program's funding source.

3. Reauthorize and Give Permanent Authority for Administration of the McGovern-Dole Food for Education (FFE) Program to the U.S. Department of Agriculture. The FFE program helps support education, child development, and food security for some of the world's poorest children. It provides for donations of U.S. agricultural products, as well as financial and technical assistance, for school feeding and maternal and child nutrition projects in low-income, food-deficit countries that are committed to universal education. In the 2002 Farm Bill, the President has the authority to designate the administering federal agency. We believe this authority should be given to the U.S. Department of Agriculture permanently.

Title VII - Research

To compete successfully in the global economy we need to increase our investment in agricultural research. The USDA Agriculture Research Service and our Land Grant Universities have faced flat or decreasing budgets for years. We support increasing agricultural research budgets in the next farm bill.

Title X - Crop Insurance

Our organization supports establishing Federal Crop Insurance programs for all dry peas, lentils, and chickpeas that manage risk at an affordable price. We recommend the following issues be addressed to improve crop insurance for pulse producers:

1. Pulse Long Term Revenue (LTR) Coverage-

The 2002 Farm Bill required RMA to develop new "revenue" policies for non-program crops. Revenue coverage is not presently an option for producers of dry peas, lentils or chickpeas. Our organization has been working with RMA to create a "revenue" program for pulses since 2001. Our commodity was chosen to participate in an RMA initiative to develop a new revenue based insurance program for pulses. Unfortunately, we still do not have a revenue insurance program for dry peas or lentils. The 2007 Farm Bill needs to put additional pressure on RMA

to create new programs for minor crops with firm deadlines.

2. APH Crop History- Pulse producers are required by RMA to have 4 years of production data to establish an Actual Production History (APH). Pulse crops are grown in a 3, 4 and sometimes 5 year crop rotation. It could take 12 to 20 years to establish an APH for a new grower. Last year RMA created a pilot program in North Dakota that would allow producers to generate an APH history in a shorter amount of time. Under the "Personal T Yield" pilot program a producer can generate production history each year for all units across his farm even if the unit did not produce pulses. This pilot program needs to be expanded to all growing regions raising pulses in the 2007 Farm Bill.

3. Optional Unit Structure Written Agreements-

Background- In 2005/2006 the RMA rewrote the Optional Unit Structure Written Agreements to make them consistent throughout the country. There are many farms across the northern tier of the U.S., especially in the PNW, that do not fit the existing U.S. Rectangular Survey System that splits unit divisions based on sections or section equivalents. The rectangular survey system may work in flat regions of the country, but it fails miserably in the hills and valleys across the northern tier where producers farm outside section lines due to the varied topography. The RMA has decided to raise a "unit" under these agreements from 160 acres to 320 acres. The 320 acre unit sized is not fair to producers who face highly variable topography. Optional Unit Structure Written Agreement size should be lowered from 320 acres to a 100 acre minimum for those areas of the country with varied topography.

I would like to thank the committee for the opportunity to provide this testimony to you today.