KANSAS FARM BUREAU
The Voice of Agriculture

STATEMENT OF STANLEY R. TOWNSEND

U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

"Fundamentals and Farming: Evaluating High Gas Prices and How New Rules and Innovative Farming Can Help"

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Good morning Chairwoman Stabenow, Ranking Member Roberts and members of the Senate Agriculture Committee. I appreciate the opportunity to testify this morning about the role of energy prices and production on my operation.

My fellow panelists have a broad range of experience in the development and regulation of energy. I'm here today as a member of the Kansas Farm Bureau to give the committee my perspective on the impacts of energy prices in the field and the management practices my family employs to mitigate costs and manage risk. Kansas Farm Bureau represents nearly 40,000 farm and ranch families across our diverse state who live, raise their families, and earn a living in today's challenging economic climate.

My name is Stan Townsend. I have the privilege to have married my sweetheart of 31 years and have two grown and married daughters and four grandsons' ages 4 to 11 months. We are a 6th generation family farm. Much of our operation consists of ground never operated by anyone other than a Townsend, some dating back to the original Patent from the U.S. Government. Currently the 7th and 8th generations of our family are helping or growing up on our farm where we raise corn, wheat and pinto beans which we process and package. We also have a feedlot which can hold up to 999 head of cattle.

It seems that today many businesses face increasing margins due in large part to increasing fuel costs and inflation. Farming has not been spared that scenario. Investors view land as a potential safe haven resulting in land values 50% higher than they were just a short time ago. In 1988 a new tractor ran $41,000. Today that machine costs $281,000. Back then, the chemicals we use to protect our crops were $7.00 per acre. Today that product is $30.00 per acre. Our NH_3 fertilizer cost has more than doubled over the last 12 months despite decreasing natural gas prices.

Inconsistent input costs, even when coupled with high demand and high prices for our commodities require us to strategically plan for the future through diversification and solid marketing. That strategy is especially true when it comes to petroleum based products. Bulk diesel today costs nearly 14 times what it did in 1988. That reality has a significant impact on our operation which relies heavily on trucking to transport our products to market. Those freight costs have doubled in the last year specifically related to increasing fuel costs.

There are segments of our society that seek to disparage the development of the ethanol industry and point to the price of corn as a result of development and as the sole reason for increases in the cost of food at the grocery store. In reality, as a livestock producer, I understand the impact of the increased corn prices. That's part of the reason we produce the corn we do, it allows us to feed our stock without entering the market to purchase that feed. Ethanol has also provided us with the unique opportunity to incorporate the use of high quality DDGs into our feed cycle. Using the co-product is one of the many ways we can mitigate our costs and remain profitable. In fact estimates show that as much as 60% of original corn inputs can be returned as DDGs.

We also frequently fail to recognize the benefits of ethanol at the gas pump. Without its inclusion in our fuel mix each of us would face gas prices 40 to 60 cents higher at the pump.

One of our non-traditional attempts to diversify our operation involves packing and marketing our pinto beans. This effort provides our operation a direct connection between the farm and the grocery store consumer. It also offers a unique perspective on the true culprits in the increasing cost of our food supply. Again, the answer can be found in the input costs for petroleum based products. Our one pound packages of dry edible beans contain 8 cents for packaging, 20 cents for trucking, and 30 cents worth of beans which is divided between the processor and the producer. Yet another example of the very tight margins across our family operation.

At this point I would be remiss if I didn't mention the litany of other regulatory costs that directly impact our operation. From environmental regulation to tax paperwork, we spend countless hours ensuring compliance with the latest efforts of our government. Recently, we've become very concerned about the impact on our operation in simply providing health insurance reform documentation – 1099 reporting requirements to be blunt.

My family has been sustained by this land for 6 generations over 130 years. We've endured drought, hail, whatever the debacle of that particular generation might have been. Beginning in 1715 when Townsends from Townsend Hollow in up-state New York took a risk and headed west. On the Welsh side of our family, their presence in the Great Plains dates to the Cheyenne Indians of which my Great Grandmother was a member. This farm is my home and my livelihood. I only have to look into my grandsons eyes to be reminded of my duty to ensure that my indebtedness or bad decisions don't impact their future on this land. I continue to hope that our generation will learn that lesson and apply that knowledge to our government. The future of the next great generation is at stake.

Thank you.