Welcome to Texas. Thank you for holding this hearing today to allow those of us involved in Texas agriculture an opportunity to offer our views on U.S. farm policy.

My farm is located about 70 miles northwest of Lubbock in Bailey County. My main crop is corn but I, like many Texas producers grow multiple crops. I produce cotton, wheat, soybeans, peas, and peanuts.
The 2002 Farm Bill is very popular with farmers. I believe it has lived up to what it was designed to do and what farmers must have, a safety net during times of low prices. I support extending the 2002 Farm Bill and its budget baseline. Preserving the budget base line is very important. If it is necessary to re-write the farm bill I hope that many of the basic concepts of the 2002 Farm Bill will be included. The system of direct payments and counter-cyclical payments, combined with the marketing loan, has provided the level of support growers need during times of low prices while saving tax payer's money when prices are adequate. Corn growers worked very hard to ensure farmers were able to update base acres and yields during the 2002 Farm Bill development. Because of this effort farmers were able to update their counter cyclical payment yields and base acres. This was a major improvement but it still left many of our producers stuck with very low direct payment yields. Farm program rules in the 1980s and 90s placed caps on how crop yields could be updated. In my area many producers were forced to continue using non-irrigated county yields for sorghum even though they were growing irrigated corn. Consequently today you see many farms, including one of mine, with direct payment yields of 27 bushels while actual production is well over 200 bushels per acre, about 1/8th of actual. A similar farm right across the road may have a 175 bushel direct payment yield which is substantially better but still far short of actual production. This situation affects corn farmers in many areas of the country but it also affects the producers of other crops too.

There has been a lot of talk about increasing direct payments under a new WTO agreement since these payments can be designated green box. If the direct payment yield is not adjusted then many producers and land owners will be disadvantaged under this plan. Of course the fruit and vegetable planting exclusion issue raised in the Brazilian cotton case will have to be resolved as well.

Another idea that has been advanced is to decouple the marketing loan by making it based on historical production. The marketing loan is the foundation of the farm program safety net providing direct support when prices fall. Many producers are taking advantage of new crop technology to change cropping patterns to adjust to local climatic and economic conditions. For example, producers in my area are adding cotton to their farms but if they lose the marketing loan because they have no base acre or yield history they will be left completely to the extremes of the global market. Other commodities face the same problem in other areas of the country. The marketing loan program should be maintained on actual production, changing to historical production will deprive many producers of the planting flexibility started in the 1996 Farm Bill. The 2002 Farm Bill (and its predecessors) does not address the significant challenge of rapidly inflating energy prices and other expenses of production. Since 2001 we have seen the cost of irrigation double, the cost of diesel and gasoline triple, and the price of nitrogen fertilizer more than double. The volatility of these markets has made planning and marketing difficult. A terrorist act, war, or hurricane at just the wrong time will be catastrophic. Obtaining even a modest direct payment in the form of disaster legislation to help farmers recoup a small percentage of their increased financial outlay has been impossible. The farm bill or crop insurance should look at the production expense risk associated with modern agriculture. Due to where I live I am not too worried about my home or vehicle being destroyed by a terrorist act but I can lose a life time of work if natural gas were to reach levels where it could not be used during the summer crop production months.

The commodity title has the most affect on the farmer's bottom line but I do not want to imply that I am not interested in the other titles.

Growers need conservation programs that help them to resolve environmental problems on working lands. The livestock sector, my largest customer, also needs conservation programs to help them remain competitive with global competition like Brazil. The EQIP program was expanded in the 2002 Farm Bill and the results have been very positive, not only for agriculture, but for all of society. One direct result from my area is that farmers have been able to implement water saving technology helping producers to maintain production while saving a precious natural resource. Here in Texas the NRCS has sought input from growers and other stakeholders within the local conservation district to determine what conservation practices will provide the most benefit per dollar expended under the EQIP program. This local involvement has led to approval of practices that are solving problems. Prior to this local effort, growers were provided a list of approved practices for a region or even the entire state and if it did not fit their conservation need there was no recourse. This has been a great improvement. The CSP program has been a disappointment in that too few water sheds have been allowed into the program and the rules have made entry into the program very complicated. Some have argued that CSP and similar programs will replace the commodity title as a means of complying with future WTO agreements. Most farmers including myself are very suspicious of this plan because it will not be a program that responds to low prices. Most producers believe that conservation programs will remain to be cost share rather than income producing or supporting.

I believe the Research Title must be structured and funded at levels to ensure the continuation of basic and applied agricultural research. Research, performed by U.S.D.A.'s Agricultural Research Service and land grant institutions like Texas A&M has enabled the United States to have the most efficient farms in the world. We still have problems like drought tolerance and mycotoxins to resolve but also new opportunities for U.S. agriculture. Agriculture has always provided food and fiber but today we know we can also provide renewable fuels and products in an environmentally sound manner.

Research has enabled this and only additional research will allow us to continue into the future. With global competition increasing, now is not the time to cut back on research.

The 2002 Farm Bill for the first time included an Energy Title. I believe that this title should be expanded to encourage faster development of renewable energy from crops and bio-mass. Often farms and ranches lie within the trade territories of rural electric co-operatives. These co-operatives have done an outstanding job over the years making sure farmsteads and rural residences had electric power. Today these same co-operatives could be providing assistance in developing value added agriculture and renewable energy in rural areas. Some are active supporters, some are complacent about getting involved and even worse, some are impediments to development. Perhaps economic incentives could be added to the Energy or Rural Development titles to encourage the electric co-operatives to be more supportive. Allowing other power companies access to the co-operative's trade territory when the co-operative displays no interest in meeting local needs would also be appropriate.

I also support keeping the Nutrition Title in the Farm Bill to maintain the linkage between agriculture and nutrition; the linkage between rural and urban stakeholders.

I have just touched on the high points of farm policy but I want to switch gears now just a bit from the actual farm bill and its various titles to how U.S.D.A. compiles and reports economic data about farming. This discussion is relevant to our topic this morning because the data is used in ways that undermine support for the farm program, both in the public at large and even among farmers.

Specifically, combining non-farm income with farm income and reporting it all as farm household income distorts the true economic health of U.S. agriculture and its profitability. Many farms, as defined by U.S.D.A., are rural residence farms where the farmer's major source of income is from non-farm sources. Farm household income, as figured by U.S.D.A., recently has been said to be higher than the average city cousin's household income with the implication that therefore, there must be room to cut the farm program budget. Many commercial farmers do not have the ability to take off farm jobs and are totally dependent on their farm's income. Farm income must also allow for return on investment for the large capital outlay farmers have in land and equipment.

Another example is that U.S.D.A. considers any entity that sells a minimum of $1,000 of agricultural product a farm. We all know that these are not commercial operations but that distinction is lost on the media and public when someone states that the majority of U.S. farmers do not receive program benefits or the majority of benefits go to the largest operations that need it least. This practice by some, of creating winners and losers, haves and have-nots, is counter productive to producing good agricultural policy for the people of the United States.

We are dependent on the world for our energy; only sound agricultural policy will prevent us from following the same road in food and fiber. Thank you for this opportunity to comment.