

Testimony of

Clay Mitchell

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Agriculture, Nutrition, and Forestry**

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Chairman Roberts, Ranking Member Stabenow and Members of the Senate Committee on Agriculture, Nutrition, and Forestry:

I appreciate the opportunity to share with you my experience with implementation of the Agricultural Act of 2014 (the "Farm Bill"). My name is Clay Mitchell. I am a corn and soybean farmer from Buckingham, Iowa. As I scramble to adjust to the crash in grain prices and titrate the costs on my farm, the implementation of the Farm Bill is providing critical stability to the policies that affect my operating and investment decisions. It also provides critical stability to conservation incentives that tip operations like mine into sustainable systems.

I started farming full time in 2000 when corn prices averaged below \$2 and non-land farming costs were \$200 per acre. According to the Economic Research Service, the average farmer in our Heartland Region was unprofitable from 2000-2006. During the subsequent commodity bubble, we had a 29-month run from 2011-2013 when corn prices averaged over \$6.50 per bushel and non-land farming costs were \$500 to \$600 per acre. Today we have corn prices in the mid-three dollars per bushel. We have 2007 corn prices but 2013 costs, which are still \$500-\$600 per acre. I concur with economists who predict that this year we will have the largest drop in farmer income since the Great Depression.

My farm rests in an interesting place in the spectrum of American grain farms. Iowa is productive, but with innovative technology and strict agronomy, we have pushed our 10-year average yields into the highest tier in the state, far above 200 bushels per acre. Like most Iowa farms, it is rain-fed, meaning that I do not have the expense of irrigation. All of which is to say that my break-even cost is as good as it gets in this business. In an economic-only analogy, I am the equivalent of Saudi Arabia in oil production and the new areas that got converted to corn over the last decade, where break-even costs are much higher, are the Canadian tar sands.

Agriculture Risk Coverage

I put great effort toward dynamically adjusting my operation to changes in grain prices beyond static considerations of diminishing returns. How can I preserve returns of \$2 per bushel corn by maintaining as much yield as possible with very low expenditures, and when we have \$8 corn, can I take the lid off of yields using technologies and exotic agronomics that are too expensive to use at lower prices? We can respond to the market with farming systems that work over that whole range. It is the rapid shifts in revenue that hurt.

In rural communities that depend on grain production, farmers are the shock absorbers of grain revenue volatility. Cash rents are extremely stable relative to commodity prices. We have seen in the past several years input prices that appear to have unhinged from grain prices. The Farm Bill gave us the opportunity to sign up for either the Price Loss Coverage (PLC) or Agriculture Risk Coverage (ARC) programs to help with revenue drops.

To help with program selection, extension agents, the Farm Service Agency (FSA), Farm Credit, and agricultural journalists put together many calculators, seminars, and articles. They helped me determine that the ARC program was better suited to my farm than PLC. When it came time to sign up, my local FSA office in Tama County was organized and courteous. I hear a lot of older farmers say they wish their social security office could operate as efficiently as the FSA office.

Crop Insurance

Crop failures are less common on my farm than in most of the country. They are once-in-a-lifetime events. Even so, I spend between 5 and 15% of my non-land production costs on crop insurance. For a family like mine that has been farming here for 13 generations and has a long look, a once-in-a-lifetime crop loss is much too frequent to bet the farm. Because an entire crop investment can be lost, our downside case grows in direct proportion to the crop investment. In the absence of crop insurance, my cropping decisions would be so dominated by the chance of crop failure, however rare, that I would be forced to trim my crop investment to suboptimal levels. The crop insurance that continues in the Farm Bill is more than a smoothing tool; it is an enabler for optimal cropping.

The Risk Management Agency (RMA) has been collecting big data on grain production before it became a fad in our industry. The best data on the distributional form of farm-level yields comes from RMA data, and the RMA has a tremendous ability to study relationships between farming practices and these distributions. I am very excited that RMA is beginning to recognize the importance of soil conservation on yields. As the RMA is newly seeking to study the relationship between sustainable practices and yield stability, I am hopeful that they will be able to underwrite actuarially sound advantages to practices like cover cropping.

Conservation Stewardship Program

Historically, some conservation programs have carried some inherent unfairness and perverse pre-enrollment incentives by disqualifying farmers who are already engaged in the intended practices. The Conservation Stewardship Program (CSP) is special because it rewards good practices regardless of history. The CSP takes a complete conservation inventory of the farm and rewards the net aggregated conservation practices with a 5-year contract with regular audits. I ended my first 5-year CSP contract in 2014 and have re-enrolled for 2015-2020. My farm has been in no-till for decades, but the CSP program was the enabler for me to adopt cover cropping. In Iowa, these two practices make the difference between losing several tons or more of soil per acre per year and holding and improving soil. Whereas most farmland in the world is in a constant state of decline that ultimately leads to abandonment, with these practices, a farm is like an oil well that never runs dry, productive in perpetuity.

Conservation Reserve Program

The Farm Bill authorized early termination of Conservation Reserve Program (CRP) contracts under limited circumstances. The deadline for that opportunity was January 30, 2015. My

father inherited a CRP contract that entered its ninth year this year, and we took the opportunity to end the contract. That will enable us to begin some land improvements this year. We will do direct seeding into the CRP sod, maintaining the soil benefits that were created during the CRP term.

Wetland Mitigation

While we all value the many benefits of America's wetlands, let us be clear that within farmed cropland, an affirmative wetland determination and agricultural production value are at extreme cross-purposes. Not only do too-wet soils cause grain yield to collapse, but they also impede timely operations in the whole field. Drainage is the improvement that has had by far the largest positive benefit to America's farmland values. In drafting the Farm Bill, both houses of Congress considered the devastating effect that affirmative wetland determinations can have on farmland owners, while at the same time considering the value that wetlands bring to our landscapes.

By funding wetland banking and encouraging rules to allow a 1-1 wetland mitigation ratio, the Farm Bill is on track to a balanced solution. As of today, we have fields pocked with small wetlands and are awaiting mitigation rules that are still being written. If the wishes of Congress are followed, we expect our grain yields and resource use efficiency to improve by 30%, and at the same time, wetlands that are outside of cropping areas can flourish with diverse and native species.

Beginning Farmers

The social fabric of my community depends upon a polypoly of farmers; that in turn requires beginning farmers to replace retiring farmers. In most of the programs we have discussed, the Farm Bill gives a much-needed preference to beginning farmers.

With the drop in commodity prices, planted acres should and will drop back in marginal areas. Where it is cost effective to plant, there will be no vacancy in farmland. There is never vacancy in American farmland. But sustainable practices and a legion of farming families exist on that landscape on the cusp of policies in the Farm Bill.

Thank you for allowing me the opportunity to share my thoughts and for your commitment to farming families.

Respectfully,
Clay Mitchell