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The Honorable Senator Pat Roberts, Chairman
The Honorable Senator Debbie Stabenow, Ranking Member
Committee Members
U.S. Senate Committee on Agriculture, Nutrition & Forestry

Chairman Roberts, Ranking Member Stabenow and members of the U.S. Senate Committee on Agriculture, Nutrition and Forestry, thank you for conducting your first formal field hearing on the 2018 Farm Bill, *Hearing from the Heartland: Perspectives of the 2018 Farm Bill from Kansas*, here in our state. We are pleased to welcome you back home, Senator Roberts, for this important meeting.

Farmers, ranchers, agribusinesses and those serving these constituencies have a vested interest in federal farm policy. The agricultural industry is the backbone of our great state's economy, so we appreciate having this hearing in Kansas.

Our Association, Members, and our Members Involved in the Hearing Today

The Kansas Cooperative Council (KCC), founded in 1944, is a voluntary statewide trade association representing all types of cooperative businesses with operations in Kansas. Our members include agricultural marketing and supply cooperatives, rural electric and telecommunications cooperatives, members of the Farm Credit system, and insurance and risk management cooperatives. We are pleased that various co-op industries are represented here today and are taking part in the industry panel. Frontier Farm Credit is a direct member and Nemaha-Marshall Electric Cooperative is connected to our association through our member, the Kansas Electric Cooperatives, Inc. We appreciate their presence here and their willingness to share thoughts and concerns on behalf of their sectors of the Kansas cooperative community.

At the time we prepared this statement, we understood that one of our larger local farmer cooperatives, MKC, and DFA, one of our regional members, will be submitting written comments individually. MKC will share perspectives from a grain handling and ag supply cooperative, while DFA will share insights from the dairy sector. Other co-ops may comment, as well. Whether other cooperative entities appear as formal conferees today or provide written comments, we appreciate their contributions to the official record of today's hearing and we commend their testimony to you.

Our agricultural cooperative members include the traditional grain elevator and agriculture input providers. These local co-ops range in size from a single location operation to those with multiple facilities spread across several counties. Although the concrete silo is a popular image of "the co-op," our agricultural membership is broader than just that. Servi-Tech Laboratories is a technologically advanced agronomy and laboratory service provider. We are pleased that their President & CEO, Greg Ruehle, will be presenting additional comments today on behalf of Servi-Tech and the Kansas Cooperative Council.

As the committee knows, the provisions of the Farm Bill drive agriculture policy and influence on-farm operational decisions and related industry decisions. Components in past farm bills helped encourage the growth of the cotton industry in Kansas. Over time, cotton acreage has expanded to support four gins and one warehouse in our state. Two of the producer-owned gins in Kansas are members of the Kansas Cooperative Council, as is the regional marketing cooperative they participate in, Plains Cotton Cooperative Association (PCCA). The Kansas Cotton Association (KCA), an invited conferee for the hearing today, is an associate member of the KCC. With KCA's participation today, we will note that their comments, both Tom Lahey's presentation and their written testimony, will provide a more expanded description of their challenges with the existing Farm Bill and the cotton industry's needs moving forward than what we present today. As we noted in regard to other members above, we respectfully draw your attention to KCA's concerns, as cotton is an important segment of our Kansas agricultural cooperative landscape.

To further illustrate the diversity within the agricultural cooperative sector, we have the top three U.S. farmer-owned cooperatives in our membership. Their interests include, among other things, dairy production and marketing, animal feed, crop inputs and petroleum refining and distribution.

The industries represented within our membership all have connections of varying degrees to agriculture producers and agribusinesses. Thus they are, or can be, affected by federal agricultural and rural policies. That makes most all of our members a stakeholder, in some fashion, in the discussions regarding the next Farm Bill. Therefore, we are very appreciative of the opportunity to have a representative on the industry panel today and to submit these written comments, as well.

Need for Increased Emphasis on Working Lands Programs

Our agricultural cooperatives, which are owned and controlled by farmers and ranchers, have a particularly close connection to farm programs. As you know, our grain handling members rely on grain production to sustain their businesses. They need grain to handle, market or store. Obviously, weather or pest outbreaks can impact the quantity and quality of grain coming into the elevator. But, farm policy also impacts what is planted and the number of acres planted.

Historically, Kansas has been among the leaders in the number of acres enrolled in the Conservation Reserve Program (CRP). Initially, the program was designed primarily to address issues such as erosion. Over time, the CRP program has expanded beyond that initial framework to address other concerns including enhancement of wildlife habitat.

Our association has long-standing concerns with the CRP program's blanket requirement that enrolled land must be idled for the term of the contract. We believe a "working lands" model where stewardship concerns are addressed through integration into active production is a far better approach, as it achieves environmental benefit while preserving economic productivity. While we do acknowledge that idling certain acres may be the appropriate option for some ground, we would prefer a system where that determination is made on a field-by-field basis and not mandated.

We strongly advocate for addressing more of our environmental goals through working lands programs. We also encourage better cost-share opportunities for producers willing to participate in working lands programs under voluntary public-private partnerships which advance stewardship of our natural resources.

The stewardship goal should be the main driver for participation rather than payment/cost-share availability.

In late 2007, Kansas embarked on a targeted water conservation initiative and, to accomplish the program goal of reducing irrigation, entered into a Conservation Reserve Enhancement Program (CREP) agreement with the United States Dept. of Agriculture (USDA). As you know, CREP is a specialized program under the Conservation Reserve Program (CRP). As a specialized CRP program, producers enrolling in the CREP program had to quit farming that land and place it under a cover crop. The goal of Kansas' particular water quantity CREP was water conservation, and that goal could have been accomplished by converting to dryland production if the land was capable of sustaining that practice. But, under the terms of the CREP agreement, the land had to be idled no matter what. We do acknowledge that a significant portion, maybe even all the top tier acres actually enrolled, might not have been well suited for dryland production in most weather years. But, it is troubling to our members that there is not even the possibility to consider whether dryland farming could be appropriate on some acres.

The concern is magnified for us because the decision to enter into a CREP was largely driven by cost rather than stewardship. At the time, the cost-share available under the CREP program allowed the state to leverage federal dollars on an eight-to-one ratio. Kansas could draw down 80 percent of the funding through USDA with a 20 percent match. That match could include state dollars, local support and even state in-kind support to reach the 20 percent threshold. Nowhere near that amount of federal cost-share support was available under working lands programs, so Kansas pursued the CREP, because that is where the money was.

We believe it is entirely possible for environmental programs, and the associated funding, can be designed so that stewardship goal, not the amount of matching funds drives decision making. We respectfully encourage your committee to keep this in mind as you work through the details of the 2018 Farm Bill and:

- Adjust conservation programs to allow for a greater degree of crop production where that is not significantly inconsistent with the conservation goal sought; and
- Channel conservation program funding more heavily toward working lands programs where conservation and crop production can co-exist.

We do recognize we are asking you to consider greater emphasis on working lands programs that continue agriculture production at a time when we have tremendous amounts of grain in this state still in temporary storage after bountiful 2016 harvests. And, we do recognize that conservation programs that idle land, in essence, can influence supply and thus commodity prices. So it may seem counter-intuitive to some that we place so much emphasis on working lands programs over those that take land out of production. But in a longer-term view, we think that a blanket policy to idle every acre enrolled in a program, no matter what the conservation goal of that particular enrollment may be, is an unnecessary restraint.

Importance of Farm Credit System to Cooperatives and the Need to Maintain Jurisdiction within the Ag Committees

The Kansas Cooperative Council membership includes Farm Credit associations in Kansas and their lending bank, CoBank. The Farm Credit System was created with a unique mission, ownership structure and authorizing legislation as compared to many other financial institutions. As you know, jurisdiction over the system rests in your committee and your House counter-part. We continue to believe that this is

the proper venue as the Ag Committee is best suited to understand the challenges faced by the Farm Credit System owners – their farmers, ranchers, and cooperative members.

The Farm Credit System is an important financial partner in rural Kansas and rural America. The system is there to support our rural cooperatives, as well as individual producers.

Crop Insurance

Crop insurance is an important component of an overall risk management plan and safety net component for many producers. The additional economic stability that comes with that ripples beyond the farm gate to area agribusinesses and the rural economy when producers are still able to pay their bills at the co-op and buy groceries.

Rural Utility Service (RUS)

Rural Utility Service loans and loan guarantees are vital to our rural utility members, their local member-owners, and rural communities. The RUS serves as a reliable source of credit for rural electric cooperatives (RECs) and RLECs. Loans through RUS allow local RECs and RLECs to upgrade systems, improve capacity, increase efficiency, and meet the increasing demands of 21st century customers.

Rural Economic Development loans and grants link cooperatives with their local communities to spur economic development, retain jobs and create new employment opportunities. Adequate funding for RUS loan programs is important in sustaining rural Kansas and rural America.

Improvements to Rural Infrastructure

Improving our nation's infrastructure appears to be an important component of President Trump's agenda. Rural America has many needs that might be addressed under infrastructure improvement plans. In Kansas, our infrastructure needs include repairing roads and bridges and expanding broadband. Nationally, agriculture shippers are also active in seeking improvements to our nation's locks and dams. The Farm Credit system, RUS, and other USDA Rural Development program areas have a strong history of supporting rural community infrastructure improvements, and with the additional emphasis this administration seems ready to focus on infrastructure needs, such entities can become even more important players in this space.

Funding

Under the 2014 Farm Bill consideration, voluntary funding reductions resulted in an estimated \$23 billion over 10 years, based on calculations at that time that would be redirected to deficit reduction. The January 2017 baseline estimates indicate that just nutrition and crop insurance alone will spend approximately \$100 billion less than anticipated. So, it is vitally important that the budgetary savings coming out of the 2014 Farm Bill be recognized when we look at funding components of the 2018 bill.

Other Overall Concerns

In preparing these comments, our rural telecommunications interests noted the overarching paperwork burden associated with participation in government programs. We trust that many of our cooperative members would echo the same concern, whether they are participating in a program that falls under the Farm Bill or any other area. To that extent, where there are opportunities for this committee to encourage streamlining of processes and paperwork, whether in Farm Bill legislation or by direction to agencies administering Farm Bill programs, it would be helpful to our members.

Thank you for the opportunity to provide comments on in preparation for the 2018 Farm Bill. As a state heavily dependent on the broader agricultural economy, federal farm policy has a significant impact on many of our co-op members and their local cooperative member-owners.

Sincerely,

James L. Jirak

James L. Jirak, Chairman of the Board
Kansas Cooperative Council

Leslie J. Kaufman

Leslie J. Kaufman, President/CEO
Kansas Cooperative Council

Greg Ruehle

Greg Ruehle, President CEO
Servi-Tech Laboratories