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House Agriculture Committee Hearing
“A 2022 Review of the Farm Bill: Commodity Group Perspectives on Title 1.”
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Provided by:



OVERVIEW

Today, the House Agriculture Committee held a [hearing](#) entitled “A 2022 Review of the Farm Bill: Commodity Group Perspectives on Title 1.” The witnesses were President of the American Soybean Association Brad Doyle, Director of Economics at the American Sugar Alliance Robert Johansson, Vice President of the National Association of Wheat Growers Nicole Berg, Jaclyn Ford of the National Cotton Council, Verity Ulibarri of the National Sorghum Producers, Clark Coleman of the National Sunflower Association, Jennifer James of USA Rice, President of the National Corn Growers Association Chris Edgington, and Meredith McNair Rogers of the U.S. Peanut Federation.

Below is a summary of the hearing prepared by Delta Strategy Group. It includes high-level takeaways from the hearing, followed by a summary of opening statements and witness testimony and the Q&A portion of the hearing.

Key Takeaways

The following is a summary of the key topics explored in today’s hearing. Each is discussed in further detail in the Discussion section below.

- Witnesses and members alike highlighted rising production costs, primarily fertilizer, associated with ag commodities. Jaclyn Ford of the National Cotton Council noted that, despite very high cotton prices, margins remain at break-even levels due to input costs.
- Witnesses praised the ability for producers to choose between USDA’s Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs on an annual basis to accommodate changing needs and volatile business conditions.

- Committee Ranking Member GT Thompson (R-PA) said that Congress and USDA should stop entirely focusing on changing climate practices while producers deal with other major issues such as high production costs, inflation, and supply chain bottlenecks.
- Ford and Rep. Dusty Johnson (R-SD) said that the Committee should consider creating a more permanent solution for disaster relief funding instead of relying on ad hoc relief as disasters occur.

SUMMARY

Opening Statements and Testimony

Chairman David Scott (D-GA)

We should reflect on the 2018 Farm Bill and try to understand what is and what is not working for commodity producers to prepare for the 2023 Farm Bill.

Ranking Member GT Thompson (R-PA)

Before we can even consider the 2023 Farm Bill, we must have an understanding of how the 2018 Farm Bill is performing and how we can improve upon it going forward. We should fight to avoid bickering and a lack of consensus between stakeholders in Farm Bill legislation, which we have seen hurt the bill in the past. There may be some differences of opinions leading into the 2023 Farm Bill, but we must fight back against this conflict and find common ground.

Agriculture is a major component of our national security, as clearly seen during the pandemic. The average consumer may have seen things go back to normal from the pandemic, but, for our farmers, there remains spiking energy and input costs and other difficulties exporting their products.

Representative Cheri Bustos (D-IL)

This hearing is an important component of determining the effectiveness of current commodity programs. Through our previous hearing with Under Secretary Robert Bonnie, we gained a greater understanding of USDA's positions on encouraging commodity production, and hearings such as these are a vital tool when considering how to shape commodity programs in the future.

Representative Austin Scott (R-GA)

The crisis in Ukraine further illustrates the significance of ag products in national security. Producers take on extreme risks every year to take on loans to plant seeds and produce the commodities they depend on for their livelihoods. I am concerned in how

much we rely on assistance, such as disaster relief, outside of the Farm Bill to protect our farmers. 239,000 operations in our country generate 90 percent of our country's food supply and food exports.

Brad Doyle, President, American Soybean Association

Based on feedback, it is clear that improvements are needed to improve the Title 1 safety net for soybean farmers. An in-depth survey found the soybean reference price has been insufficient, particularly during the China trade war. During the height of the trade war, U.S. soy stopped flowing into the Chinese market, leading to prices falling 20 percent. 2005 is the last time that PLC payments were triggered for soybeans. If soybeans did not qualify for help from Title 1 during the trade war, it is hard to understand how Title 1 could ever help soybean farmers.

Soybean farmers were provided little access to the ARC safety net because their measurements are based on base acreage, which accounts for only a small percentage of planted acres. Our members' top two suggestions were increasing the soybean reference price for calculating ARC and PLC payments and providing an option to update base acres.

Robert Johansson, Director of Economics, American Sugar Alliance

Consumers benefit from sustainably produced, reasonably priced sugar. Unlike other food items, there were no empty shelves for sugar during the pandemic. Sugar producers are threatened by subsidized foreign sugar dumped into American markets. Sugar policy must maintain an effective domestic industry. The U.S. sugar program is operated at zero cost to taxpayers. USDA projects zero cost for the next ten years. However, prices have not kept up with rising production costs and inflation. Margins continue to be squeezed every year as operating costs increased.

Sugar has also been impacted by weather-related disasters. The Wildfire and Hurricane Indemnity Program Plus (WHIP+) is not authorized for the disasters of last year, leading us to call for new efforts to improve standing disaster coverage.

Nicole Berg, Vice President, National Association of Wheat Growers

These programs can be improved going into the next Farm Bill. Wheat is a principle food grain produced in the U.S. and a significant American export. Challenges such as rising prices, availability of fuel, and increased tool prices are threatening our domestic industry. Despite high wheat prices, USDA projects net income to decrease 7.9 percent in 2022 due to input costs, weather-related disasters, and inflation. High prices will also not last forever.

As part of the 2018 Farm Bill, growers supported increases in funding for ARC and PLC. One such improvement was the ability for farmers to make annual elections between the two programs. According to USDA data, we have seen a major shift of wheat farmers from ARC to PLC. USDA has provided good education tools for farmers, but there are still improvements to be made to increase farmer understanding of these programs. Wheat farms lose money producing wheat when factoring in total cost, so ARC should be more effective for farmers.

Jaclyn Ford, National Cotton Council

U.S. planted cotton acreage will increase this year due to rising prices, but higher input costs and supply chain burdens have resulted in significant increases in production costs. We will see a 35-40 percent increase in production costs largely due to increased fertilizer costs. Transportation and logistics issues continue to impact cotton shipping operations despite high international demand. An effective safety net must consist of effective commodity policies that includes price or revenue protections and a strong and accessible suite of crop insurance products tailored to producer needs. The ARC and PLC programs have worked well for farmers and should have continued support in future Farm Bills. Ag markets are cyclical and an insurance safety net is imperative for periods of low prices.

We are opposed to any further tightening of payment limits and program eligibility requirements, which are already too restrictive in today's competitive markets with state-subsidized competition. The cotton loan program must ensure that we remain competitive in global markets. The stability of the textile industry can be attributed to the benefits of economic adjustment assistance in recent years. This industry is vital to produce products for the defense industry and average consumers. While we recognize budgetary constraints, the Committee should consider a permanent crop disaster program or increase insurance coverage levels that are cost effective for producers.

Verity Ulibarri, National Sorghum Producers

As we see increasingly erratic weather patterns, Title 1 will continue to grow in importance for all farmers and producers. We are thankful for the support of crop insurance, the cornerstone of the modern farm safety net. There is still much work to be done, however, such as improving rewards for drought resistance crops like sorghum. We have had the ability to collaborate on an irrigation insurance product that enables sorghum farmers to ensure higher yields. Under current yield and rating structures, many producers are penalized. Changes to ARC and PLC have been productive as a whole. Increased input and fertilizer costs have been detrimental for our farmers.

Clark Coleman, National Sunflower Association

The Title 1 program is the backbone of stability for American producers. Input costs are experiencing significant increases, and loans and insurance are vital to ensure our continued stability. Income and revenue protection being tied to base acreage instead of planted acres has allowed more consistency for farmers. As a producer, it is important to be able to make decisions based on pricing signals.

Current issues with input prices serve as a signal to promote domestic fertilizer production. If market prices move to loan rates, it will be difficult to recover costs. Supply chain disruptions prevent producers from capitalizing on current high prices. Staff shortages in Farm Service Agency (FSA) offices are highly concerning, and FSA should have further resources.

Jennifer James, USA Rice

Producers have been leaders in promoting efficiency and lowering greenhouse gas emissions. Farmers work to ensure profitability is structured in a way that preserves conservation priorities. Title 1 is the true safety net for rice in America. Our international markets are competitive due to non-competitive foreign business practices. U.S. farm policy must level this playing field. Price loss coverage has been the most effective coverage for rice. PLC does not look sufficient for rice markets as we have not seen the same increase in prices that other commodities have. PLC benefits to rice are down nearly 75 percent over the last few years. PLC reference prices are no longer relevant for rice. Fertilizer prices have also been a major issue for producers, particularly rice producers.

Meredith McNair Rogers, U.S. Peanut Federation

Over the last year, production costs have increased drastically and farmers are using the equity in their land and their 401k to cover these costs. The projected peanut total cash flow has risen drastically to accommodate these input costs. Fertilizer costs have doubled over the last year. Since the last farm bill, peanut planted acres have barely increased, but production has increased drastically due to peanut yields.

Chris Edgington, President, National Corn Growers Association

Today's futures and cash prices appear strong, but there is no indication that these prices will continue to rise or even stay the same. At the same time, input costs have continued to rise steadily. Tariffs on fertilizers have been particularly difficult for farmers. Weather-related disasters have also been a significant concern for producers. Expanding disaster programs for uncovered risk losses have been vital. Our focus is on tools geared towards revenue for growers. The ARC and PLC programs have remained important tools for corn

producers. FSA has provided flexibility with producer signup and has reduced reporting burdens on producers.

Discussion Topics

USDA Safety Net Programs

Thompson (R-PA): What is the importance of the government safety net in maintaining domestic commodity production? *Edgington:* Crop insurance is our most important tool. Post-Application Coverage Endorsement (PACE) will be an important tool for producers as well.

Costa (D-CA): How is cotton treated in ARC and PLC programs? What lessons should we focus on regarding crop insurance? *Ford:* Payments will not kick in this year due to high prices, but the PLC has worked well in the past. We should focus on margins and rising input costs. Prices are high, but input costs have risen to lower margins; *Doyle:* We invest in creating demand for our products, but we need government tools to lower risks. Lenders need the assurance from programs like ARC and PLC.

Brown (D-OH): Is it more efficient to use USDA's online tools to apply for safety net programs now? How could Congress improve these programs for marginalized farmers? *Coleman:* The online programs are helpful, but it should be easier to come in and work in person with the FSA; *Doyle:* We encourage diversity in our membership. We have instituted many programs to encourage more diversity in our group; *Berg:* Wheat growers are working to bring in anyone who would like to work with us into our membership.

Crawford (R-AR): Are reference prices still accurate for producers? *James:* No. Our market prices have risen above reference prices.

Kuster (D-NH): Are USDA online tools effective for producers? *Doyle:* The pandemic required us to use these online tools, and anything we can do on USDA's website makes us more efficient. We do have concerns over cybersecurity. Streamlining application processes and data input is beneficial; *James:* Internet access in rural areas would improve this process.

Fischbach (R-MN): Would some of these programs be necessary if it was not for unfair international practices? Why is WHIP+ beneficial to producers? *Johansson:* There is a great deal of foreign market subsidization that results in overproduction, product dumping, and artificially low prices. We meet high labor and environmental standards here, and, on a level playing field, we would prove more efficient than any competitors. We see massive hits to our markets from freezes our hurricanes, and WHIP+ has been very beneficial to producers dealing with these issues

LaMalfa (R-CA): How is the flexibility to switch between PLC and ARC helpful? *James:* The PLC is a vital tool for rice dealing with depressed prices and rising input costs. The crop insurance program is important, but we depend on the PLC to exist.

Bustos (D-IL): Has crop insurance yield data improved the efficacy of the ARC program? Has the streamlining of federal applications improved the acreage recording process? What are the metrics Congress should use to evaluate the effectiveness of ARC and PLC? *Doyle:* Yes, it has increased accuracy. The pandemic made meetings with the FSA difficult. Anything that makes data input more efficient and easier is good for producers. We should address reference price, but it should not drive planted acres decisions; *Edgington:* We have made strides with crop insurance to ensure it works for the farmers as they produce yields. We could continue to improve this with better technology; *Johansson:* Looking at loan rates and how close they are to production costs would be a valuable metric.

Baird (R-IN): Should safety nets kick in at higher reference prices? *Doyle:* Break even prices are several dollars higher than reference prices. We make our decisions prior to planning, and that makes it difficult to respond to major changes. We should raise reference prices; *Edgington:* This is an area that is still under study. If we had a stable market every year, that would be easy, but there is significant volatility; *James:* The reference price does not work for rice; *Ford:* We are working to set appropriate reference prices, but it takes a long time because cotton is different throughout the country.

Schrier (D-WA): How do Title 1 programs work for wheat farmers? Are there potential benefits for American farmers from ongoing disruptions? Are there ways to sustain necessary changes for the Title 1 program? *Berg:* There is a lot of change in FSA staffs, and there needs to be training for quality assurances in these programs. We need to be able to get back into offices and meet people in person. Wheat production is experiencing extreme volatility during the Russia/Ukraine crisis. Streamlining the process of applying to programs would benefit farmers, as would expanding education programs for farmers.

Feenstra (R-IA): How can we improve crop insurance through the FSA? *Edgington:* The PACE program will benefit producers. This leads to producers being more efficient with nitrogen usage. Ins

Bishop (D-GA): How important is base acre enrollment to farmers? What are our options to create permanent disaster relief programs? *McNair Rogers:* We are evaluating different options to improve this now; *Coleman:* Specialty crops need insurance numbers that protect us on marginal years.

Johnson (R-SD): How could we alter the Title 1 in the Farm Bill to further increase the reliability of disaster relief payments and make it more permanent? *Doyle:* It would depend on how it was designed. Crop insurance is the most vital tool for soybean producers. We do not have a strong preference between ad hoc and permanent disaster relief at this time; *Edgington:* We tend to support ad hoc programs, because there are many years where we do not need the support. We have solid safety net programs for most commodities.

Craig (D-MN): Should the PLC program's reference price be changed to better benefit soybean growers? *Doyle:* PLC is a safety net that we turn to when times are bad, but times are pretty good right now. I am not qualified to provide an exact reference price, but we are studying this issue now. Any support of renewable fuels would benefit our industry.

Axne (D-IA): How does the ability to choose between PLC and ARC benefit farmers? *Edgington:* It is beneficial because it helps account for volatility. There is room for improvement in educating farmers on their options and which program would benefit their needs the most.

Cammack (R-FL): Should base acreage concerns in the PLC be readdressed? *McNair Rodgers:* We should update base acreage in PLC qualifications.

Production Costs

Scott (D-GA): Should commodity support programs like PLC be more responsive to pricing changes such as rising inflation and input prices? What decisions will producers make regarding ARC and PLC due to these factors? *James:* Yes. Inflation has grown 7 percent this year, which will eventually impact American producers; *Ford:* Cost determines which programs producers choose to participate in. Costs have risen steeply, especially in response to the Ukraine crisis. We need more support to deal with this.

Scott (R-GA): How have tariffs exacerbated rising input costs? *Edgington:* Profits for input producers are rising. One of the things we have learned is that input producers do not see us as their customers. They are selling to distribution networks. Our pushback has surprised them, because we have never pushed back before. These producers have had tremendous profits while competing with countries that subsidize fertilizer. There has been an increase in producer concentration, and companies are controlling large majorities of these markets.

LaMalfa (R-CA): What can Congress do about rising input costs? *Ford:* Margins should be taken into consideration when reference prices are made.

Allen (R-GA): How should Congress deal with rising production costs? *James:* If something is not done, rice farmers will take massive losses this year; *Ford:* The PLC program has worked well for us in the past. We are at a break-even point, even though cotton prices are at very high levels. We need to reevaluate the reference price; *Edgington:* It is difficult to evaluate whether we have reached a new price parameter for input costs. Farmers do not want USDA help every year, but we need help; *Berg:* Input costs have gone up dramatically in products like Round Up; *Doyle:* We need to bring manufacturing back to the U.S.

Letlow (R-LA): How does the increase in fertilizer cost impact producers? How can the Farm Bill better react to unprecedented events? *James:* Producers are facing incredible increases in fertilizer costs, and it will lead to an increase in hundreds of millions of dollars in increased cost for rice producers. Nitrogen prices offer a particularly large challenge.

Climate Concerns/Renewable Fuels

Thompson (R-PA): How do other countries stack up against our environmental practices? *Johansson:* Conservation has been the best way to deal with growing emissions. Our efficiency has improved drastically, but we have seen excessive subsidies from other countries leading to less efficient products being dumped in our markets; *Edgington:* We are improving water quality and land-use efficiency. Efficiency and quality are better improved by conservation than specific climate issues.

Feenstra (R-IA): How can the ethanol industry increase energy independence? How can the Farm Bill benefit biodiesel? *Edgington:* Ethanol is a fantastic product that provides energy and cleans the environment. We should bring back year-round E15 sales. We also have great biodiesel products available. These products can be used for vehicles today, which offers energy independence benefits; *Doyle:* Tax credits for biodiesel refineries would be beneficial.

Other

Rush (D-IL): How can we ensure that government programs do not discriminate against minority farmers? *Doyle:* It is about opportunity and communication. We have reached out to minority grower groups about welcoming them into our membership.

Carbajal (D-CA): How is the current sugar program allowed producers to invest in their own operations? How have supply chain bottlenecks specifically impacted the sugar industry? *Johansson:* The sugar program has been beneficial in increasing productivity and efficiency. Supply chain disruptions have had a large impact on sugar producers, especially as we compete with foreign competitors with unfair subsidy and market practices.

Cammack (R-FL): How is the American sugar program significant for the industry when competing? *Johansson:* We need assistance because the international market for sugar is full of unfair subsidies and trade practices. There is nothing fair about sugar markets. India was just found guilty of pouring \$14 billion into its sugar industry. If there was a fair international market, the sugar industry would need very little help because we are much more efficient than the rest of the world.

Hayes (D-CT): How do government payments function for small farmers? *Edgington:* The formula for payments is based off of acreage and yield.

Adams (D-NC): How can minority farmers be helped to navigate the application processes for government support programs? *Ford:* We advocate that everyone use more technology in the application process. We are working with the National Black Growers Council to form a closer relationship between our groups. This has been impacted by in-office shutdowns due to the pandemic.