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Ray Testifies At House Field Hearing On '12 F.B.

In this testimony Darryl looks at how various policy instruments like ACRE and Direct and Counter-Cyclical Payments function under extreme conditions. As Darryl says, "Any farm policy or no farm policy at all works just fine in times economic stability with little stress. But how does it perform when prices plummet and remain "low" due to successive years of production outrunning demand? Or "We lived through both extremes within the period of a decade: low prices for several years beginning in 1998 and a price explosion a decade later. It is, of course, during these extremes that economies of agricultural sectors are the most disrupted and long-term price incentives are the most distorted."

In addition examining those programs, he argues for a more traditional type program that includes a grain reserve. Addressing the accusations levied against such programs he testified, "So to those who claim that inventory management programs including grain reserves are too expensive to consider, my question is: compared to what?"

- "Compared to the billions of dollars of economic losses of the livestock, dairy and ethanol industries because there were no grain reserves to help affect the market?"

- "Compared to additional millions of people worldwide who were forced into poverty because of the price of staples? Compared to the future 'low' US crop prices that almost inevitably follows major crop price run-ups?"

- "Compared to the losses to farmers worldwide who have experienced (and most likely will experience future) low prices but who receive no payments?"

- "Compared to the other impacts of dumping commodities on the world market at below the cost of production including the Brazilian cotton case?"

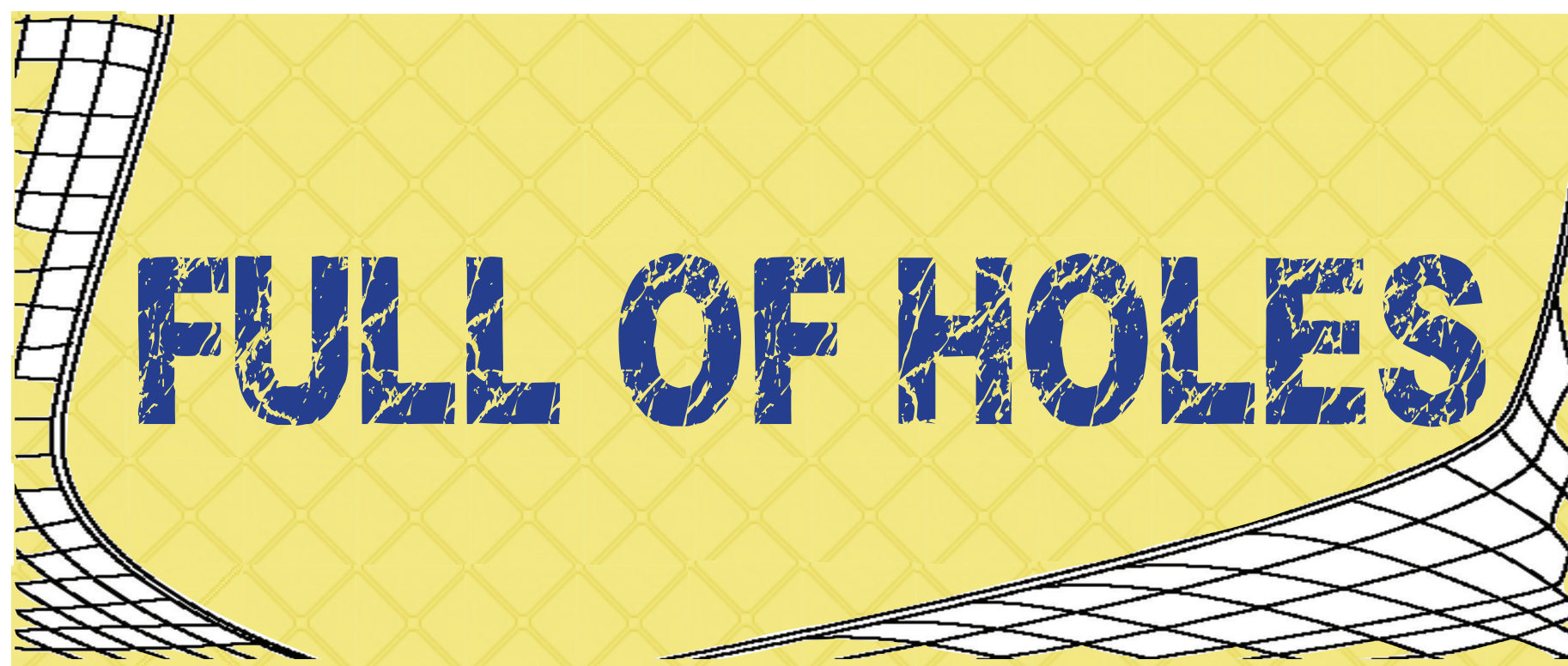
A full copy of his written testimony can be accessed at: <http://agpolicy.org/present/2010/RayTestimonyMay2010.pdf>

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Proposed Crop Insurance Cuts Could Damage Farmers' Safety Net

BY LISA HARE
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In President Obama's battle over health care reform, much political capital was invested, and a lot of taxpayer money will be spent making sure people can have good health insurance coverage.

But debate over another type of insurance has cropped up.

As part of the 2012 Farm Bill negotiations, USDA officials are pushing for a \$7 billion cut in crop insurance spending.

"They're pulling the rug right out from under us," said Ronnie Holt, a crop insurance agent from Texas and current chairman of the Crop Insurance Professionals Association.

Farmers fear an upheaval in coverage, and insurers are concerned such deep cuts will harm thousands of workers in the crop insurance business.

"Crop insurance is an integral component of the financial safety net for rural America and is crucial to helping producers manage risk," said Rep. Stephanie Herseth Sandlin (D—S.D.) in a recent phone interview.

Tuesday, Herseth Sandlin was joined by a bipartisan group of 11 members of the U.S. House Agriculture Committee for a field hearing in Sioux Falls designed to gather input directly from area producers on the 2012 Farm Bill. The hearing was held at Augustana College in Sioux Falls, and included testimony from a diverse group of producers representing agricultural and rural interests, including grain production, biofuels and forestry products.

"Congress passes a new Farm Bill every five years, and it's critical that factors affecting South Dakota are heard and understood as this legislation is drafted," Herseth Sandlin said.

Among the many issues crucial to the new Farm Bill, the federal crop insurance program was one topic which garnered comments at the hearing.

"It's an understandable concern," Herseth Sandlin said.

The USDA's Risk Management Agency (RMA) is currently in the process of renegotiating the Standard Reinsurance Agreement (SRA), which outlines the relationship between the Federal Crop Insurance Corporation and the 15 crop

insurance companies that deliver the insurance program to producers.

The 2008 Farm Bill authorized RMA to renegotiate the SRA for the 2012 Farm Bill.

"I have some concerns that the proposed cuts in the SRA could undermine the availability of crop insurance and, consequently, financing for producers, as well as jeopardize many rural jobs and economic activity connected to delivering crop insurance," Herseth Sandlin added.

"Initially, growers shunned crop insurance because of its expense and poor performance," Holt said. "Even those that had coverage experienced delays in collecting for damages in a timely fashion, and there was a sea of paperwork. Many producers felt like insurance companies were working against them, not for them."

But without proper insurance coverage, farmers were turning to Congress for disaster assistance on a regular basis.

"That prompted an overhaul of the insurance business," Holt added.

In 1996, crop insurance was revolutionized when insurers developed, and the government approved, a new kind of policy, called Crop Revenue Coverage, that protects against fluctuations in a grower's revenue. Four years later, Congress improved its partnership with crop insurers with a new law that provided aid to growers, which helped higher levels of crop insurance become more affordable.

Ironically, the USDA championed these changes in crop insurance and for years encouraged insurers to expand coverage into new crops and states outside of the Corn Belt. That way, the government could use the private sector to leverage a relatively small investment — roughly \$6.4 billion in 2009 — for a tremendous amount of reliable coverage for farmers. This helped reduce the taxpayer exposure by shifting risk to private insurers, and enabled the government to leverage a small investment into a large amount of coverage.

Crop insurance companies, their agents and growers responded, and total liability insured by crop insurance has grown from \$13 billion in 1990, to \$31 bil-

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DOUG SOMBKE

lion in 1999, to \$80 billion in 2009.

Today, many farmers and ranchers buy crop insurance to protect themselves from bad weather and slumping market conditions. Last year, the government was able to parlay \$6.4 billion into more than \$80 billion in protection for growers — about 1.2 million policies were written in 2009.

But, now the USDA is changing its tune.

"The crippling cuts would dramatically change the way companies and agents do business, potentially limiting future insurance options for farmers and certainly harming rural economies," Holt explained in his recent testimony at a field hearing for the House Agriculture Committee meeting on the new Farm Bill. This past week in Sioux Falls, South Dakota Farmers Union (SDFU) president Doug Sombke also testified at a hearing of the House Agriculture Committee on the drafting of the 2012 Farm Bill.

"South Dakota is extremely fortunate to have this field hearing in our state," Sombke said. "It gives agricultural producers the chance to speak directly to the decision makers in Washington, D.C."

He added that federal crop insurance is essential to the livelihood of producers.

"If America wants to keep its affordable and safe food supply, we need to keep crop insurance levels where they are in the next Farm Bill," he said.

The proposed cuts have struck a nerve all across the nation's ag sector.

In a letter last month to Agriculture Secretary Tom Vilsack, Iowa's members of the House of Representatives wrote: "We know you, as our former Governor, understand the gravity of the situation to Iowa. Crop insurance is a key safety net that underpins agriculture, one of Iowa's primary drivers of economic growth and opportunity."

A similar letter protesting cuts was sent by the American Farm Bureau

Federation and associations representing the corn, soybean, wheat, rice, dairy, sugar, peanut and barley industries.

In that letter, the farming community asked Vilsack to abandon proposed cuts and "allow Congress to address this issue legislatively in order to preserve the budget baseline."

Aside from the threat to farmers from cuts in the policies they rely upon to weather unexpected storms, another damaging aspect of the proposed cuts would be on the farmers' ability to gain access to capital. Without crop coverage, many of them would be hard pressed to secure the loans needed run their operations.

"Perhaps the worst part (of the proposed cuts) is, it could harm producers' ability to get bank loans since crop insurance is used for collateral," Holt said.

Rep. Randy Neugebauer (R—Texas) said that he hopes the Farm Bill will provide updates to crop insurance guidelines.

"What we hear time and time again from our producers is that the current crop insurance program is not working well for them, it doesn't cover the risks that they are taking, it doesn't give them adequate coverage, doesn't give them very many choices," he said. "Ideal would be to see better coverage, more flexibility and a tool that allows producers to manage those risks."

Neugebauer added that it would be nice to have a "one size fits all" Farm Bill, but it's obvious that one size does not fit all.

House Ag Committee field hearings concluded last week, though the Committee will continue to collect public comments about the Farm Bill on its Web site, through June 14, as part of the Committee's Farm Bill field hearing record. Those wishing to comment can visit: <http://agriculture.house.gov/inside/feed-backform.html>.

"My intention is to get this bill out of the house by December of 2011 and try to get this bill done on time," said Ag Committee chairman Rep. Collin Peterson, (D-Minn.)

One Sheepish Admission: My Animals Are Spoiled

BY RITA BRHEL
P&D Correspondent

My sheep are spoiled.

It's a little amazing how much you forget when you've been away from farming for a few years. Things like feed rations slip your mind when you're living in town and the only animal you're feeding is the cat. And I was one of those farm kids who were intimately involved in the operation — I had 100 ewes for my FFA and 4-H projects. Raising sheep is nothing new. So, I was surprised how much I've had to relearn these past six months of being back in the business.

I first clued in that my feed rations may be a little off when a producer from the next town over came by to purchase one of our goats to provide milk replacer for his bumper lambs. He didn't hide any emotion in his face as he exclaimed, "Wow, your ewes are in really good con-

dition." I thought proudly, Yes, they are. Later, I told my dad the comment and he translated it for me: "Your sheep are fat." I began to look at my ewes a little differently after that.

They were used to getting fed dairy-quality alfalfa hay twice a day, because that's what we feed the goats, and if we were late getting out the door, they'd stand there bleating at the top of their lungs. Now, instead of rushing out there to feed them, I yelled at them from the back door to "Eat your sticks!" See, what they tended to do was to eat the leaves off the alfalfa and leave the stems. Yeah, OK, they're spoiled.

It became quite obvious when we ran out of alfalfa and so did our supplier. To get by until the fence was up and ready to hold animals in the pasture, we bought some grass hay. The sheep were so excited for their hay, but when my husband Mike pitchforked some of that

grass into the feeder, they stopped dead in their tracks. "What in the world is this?" their eyes implored us. Usually the ewes dive into the hay. This time, they looked at it, smelled it, looked back up at Mike, and baaa-ed. And then refused to eat for several days. Instead, they started complaining as soon as they saw movement in the house in the morning and wouldn't stop until the lights were out at night.

We had to feed the grass hay for a week, and I think perhaps they nibbled at it when they had nothing better to do, but those sheep would not eat it. Sympathizing, I would hand-feed weeds and Mike would dump the mowed grass clipping in their feeder. Still not good enough, they just looked at us and baaa-ed.

We did finally get the fence done, good enough anyway to get the sheep out. I lock them up every evening as we

didn't put up electric fence yet, so I'm not confident that a coyote wouldn't get one in the night. When I go out in the morning to let them out, they're so excited — jumping and running and frolicking like lambs. And as soon as I open the gate, they explode out into the grass, running from spot to spot, nibbling here, tasting there, and running somewhere else to graze. They don't even mind the goats joining them, whereas in the dry lot, they'd pummel any goat that would dare to even look their way.

They're still spoiled. I still feed corn, mostly so I can get them into the dry lot to lock the pen at night. Just the fact that they're locked up at night is babying them. So maybe I haven't learned as much as you thought I would from this, but the lesson I'm taking home is that I at least know I'm even spoiling my sheep at all.