



Southwest Council of Agribusiness

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Dear Representative:

On behalf of the Southwest Council of Agribusiness (SWCA), thank you for your leadership and dedication in successfully crafting and moving Farm Bill legislation into conference committee. We know that this has been a long and difficult process and that you and your staff have been on the front lines. We are truly grateful for your extraordinary efforts in the face of so many challenges.

The Southwest Council of Agribusiness is a consortium of 17 farm organizations, 28 lenders, and 73 Main Street businesses located in five states, including Colorado, Kansas, New Mexico, Oklahoma, and Texas. The farm organizations comprising the SWCA represent corn, cotton, wheat, peanut, cattle, dairy, sorghum, and rice producers and the Main Street businesses span the full spectrum from implement and auto dealers to radio stations and grocery stores. The SWCA is dedicated to promoting sound farm policies that work effectively for our region where agriculture remains critically important to the whole economy.

As you prepare for conference, we would like to offer our thoughts concerning the Commodity, Conservation, Trade, Crop Insurance, and Miscellaneous Titles, as well as livestock issues and regulatory relief.

COMMODITY TITLE

In general, we strongly support the commodity title contained H.R. 2642 because it meets the fundamental purpose of providing protection in the event of multiple years of depressed crop prices. While we have serious misgivings about the adequacy and equity of any shallow loss revenue program, we appreciate provisions in H.R. 2642 that help mitigate these concerns in making this option available to producers that want it. Given the radical shift in U.S. cotton policy proposed by the industry and adopted in the Farm Bill and the uncertainty as to the timing of the new policy's universal availability, we support the vitally important transition provided in H.R. 2642. We also renew our support of U.S. sugar policy contained in H.R. 2642 and S. 954, especially in this environment of depressed prices, as well as the dairy title provided in S. 954 and the payment limitation provisions of H.R. 1947 as reported by the Committee.

More specifically, we offer the following recommendations for your consideration:

We support Section 1101 of H.R. 2642 providing a transition for cotton producers. Cotton producers are losing Direct and Countercyclical support, are subject to a significant reduction in their loan rate, and are afforded in their stead a crop insurance policy that only covers the second twenty percent of a loss triggered on an area-wide rather than individual farm basis. At the urging of the industry, there would also be no price protection against multiple years of low prices for cotton producers. These are sweeping changes. Moreover, there is uncertainty as to when the new policy can be implemented and another element of uncertainty surrounds the timing of its availability to all cotton producers.

With respect to Section 1105 of H.R. 2642 and S. 954, we recognize the value in using historical base with respect to Commodity Title policies. However, we also understand that using historical base is prone to criticism and difficult for lawmakers to defend and for the public to understand. Importantly, neither the Senate provision nor the House provision returns agriculture to the days when producers were forced to farm for the Farm Bill rather than for the market or agronomic conditions. Instead, in the case of shallow loss revenue programs under S. 954 and with respect to both price loss coverage and revenue loss coverage in H.R. 2642, full planting flexibility is maintained with benefits simply following the planting decision of the producer. Far too much has been made out of this issue which is certainly not worth losing a Farm Bill over. **Whatever the conference decides to do with respect to this issue, there should be consistency in the treatment of price loss coverage and revenue loss coverage, and to the extent a new shallow loss program is tied to planted acres, special care must be taken to minimize distortive effects among crops.**

We generally support Section 1107 of H.R. 2642 providing producers a choice between price loss coverage and revenue loss coverage. We believe that reference prices are critical to making both options meaningful to producers. We would support inclusion of a mechanism to ensure that reference prices do not become outdated as has been the case with respect to the last two Farm Bills. The two options are treated in the same way for World Trade Organization (WTO) purposes. The chief economist at the U.S. Department of Agriculture estimates a remote two percent chance of either policy causing the U.S. to exceed its annual Aggregate Measure of Support (AMS) limit. Analysis indicates that price loss coverage would have no influence on planting decisions in the current crop price environment and an infinitesimal influence in a down market. We urge the exclusion of the cap on total obligations and expenditures provision contained in H.R. 2642 because it frustrates the objective of providing protection in periods of multiple year low prices and compounds the cuts made to the Commodity Title which are roughly \$17 billion to \$18 billion.

We greatly appreciate the inclusion of Section 1107 in S. 954 providing a framework to protect producers in the event of multiple years of depressed prices. However, the reference prices established for commodities are inadequate to aid producers in the event of a collapse in prices. We believe the reference prices contained in H.R. 2642 are more appropriate if this peril is to be meaningfully addressed in the Farm Bill.

We oppose Section 1108 of S. 954 in its current form. We are concerned that, as crafted, the shallow loss revenue options would fail in the key objective of the Commodity Title, which is to mitigate the risks associated with multiple years of depressed prices, a peril not covered by Federal Crop Insurance. The inclusion of reference prices as proposed in Section 1107 of H.R. 2642 would alleviate some of our concern but not all of it because there is still a donut hole in price protection between the bottom rung of shallow loss protection and the loan rate. Still, we recognize that some farm organizations desire to have a shallow loss option and we are amenable to this as a caveat emptor option though we believe this program would fail producers and taxpayers if ever put to the test in a down farm economy and threatens to undermine Federal Crop Insurance. We also recognize that some of our membership is concerned that the shallow loss revenue options contained in the Senate Farm Bill would distort planting decisions so we urge the conference committee to address this concern.

We support inclusion of Section 1207 of H.R. 2642 maintaining special marketing loan provisions for upland cotton. We recognize that these provisions were omitted in the Senate bill for purely technical reasons.

We are in full support of Section 1301 of H.R. 2642 and S. 954 maintaining strong U.S. sugar policy. We represent farm organizations which have sugar producer members. We appreciate that U.S. sugar policy operated for a decade at no cost to the federal treasury, that distorted world markets necessitate a measured domestic policy response, and that the current collapsed market affecting U.S. sugar farmers further evinces the need to maintain current policy.

We support Subtitle D of S. 954, the Dairy Title, and the dairy title contained in H.R. 1947 as reported out of Committee. Longstanding federal dairy policy has become more a hindrance than a help, ineffective in helping producers in down markets and unable to stop meddling in good markets. These provisions replace an outdated, ineffective system with a market-oriented risk management tool producers may voluntarily participate in. The plan developed by dairy producers and included in the Senate-passed Farm Bill and the Farm Bill reported by the House Committee will result in the most market-oriented outcome despite reflexive, first blush reactions from those who oppose the stabilization mechanism.

We oppose Sections 1603 and 1603A of H.R. 2642 and Sections 1603 and 1604 of S. 954 establishing new and unworkable payment limitations and actively engaged requirements. We support the payment limitation provisions contained in H.R. 1947, as reported by the Committee. Distilled down, the proposed actively engaged rules stand for the proposition that family members who do not contribute physical labor are not part of the family farm. This would come as news to the thousands of spouses, parents, children, and siblings who do their share to keep the family farm afloat by sharing in the risk of farming, handling the books, doing the marketing, or all of the other various and sundry aspects to running a farm. The proposed payment limitations are every bit as punitive establishing limits not seen for a half century. Adoption of these provisions would render the Farm Bill safety net useless to the very full-time farm families that the legislation is designed to help. Given the revamped Commodity Title only provides a benefit in the event a producer suffers economic loss, we view the whole notion of payment limitations as having outlived their usefulness.

We support Section 1604 of H.R. 2642 that establishes the adjusted gross income test generally applicable to the Commodity Title. For the same reasons expressed above, we believe this means test is no longer necessary. However, we prefer this section over Section 1605 of S. 954. This will mark the third occasion since 2008 when the means test has been lowered.

CONSERVATION TITLE

We generally support the provisions of Title II which consolidate and streamline conservation programs but we strongly believe that more assurances are required to ensure that regions struggling with successive years of extreme drought and, therefore, coping with water shortages are necessary. The 2002 Farm Bill's Ground and Surface Water Conservation Program and the 2008 Farm Bill's Agricultural Water Enhancement Program have proved crucial to these regions. We urge the conference committee to consider clarifying the Conservation Stewardship Program, the Environmental Quality Incentives Program, and the Regional Conservation Partnership Program to address the needs of drought-stricken regions, and place a greater emphasis upon optimizing water-use efficiency, a key global issue for the future.

TRADE TITLE

We generally support the provisions of Title III in H.R. 2642 and S. 954, including the Market Access Program (MAP) and Foreign Market Development Cooperator Program (FMD) provisions. We also greatly appreciate the two bills' rejection of proposals that would divert food aid away from the traditional use of U.S. produced foodstuff. However, we oppose Sections 3008, 3201, and 3207 of S. 954 that, among other things, provide an additional \$60 million for a "local and regional purchase" (LRP) program and other diversions of resources from customary use of U.S. agricultural goods.

CROP INSURANCE TITLE

In general, we support the crop insurance provisions of H.R. 2642 and S. 954 because, by and large, they protect Federal Crop Insurance while making some important improvements that will benefit growers while safeguarding a highly effective private sector delivery system. Producers on the ground and their representation in Washington have consistently called on Washington to first, do no harm relative to Federal Crop Insurance. We appreciate that Washington has generally followed this guidance thanks in no small part to your leadership on this issue. That said, we do have serious misgivings over the introduction of new shallow loss revenue programs in the Commodity Title not only because of their inherent deficiencies noted in the Commodity Title section of this letter, above, but because it may play into the plan of longstanding foes of Federal Crop Insurance who have advocated these kinds of programs in place of crop insurance. Shallow loss revenue programs, however crafted, are no substitute for Federal Crop Insurance.

We offer the following specific recommendations.

We support the provisions in Section 10001 of H.R. 2642 that ensure crop insurance agents receive information from the Farm Service Agency in a timely fashion to avoid producer disqualification for FSA benefits or crop insurance due to unintentional discrepancies. However, we strongly oppose the crop insurance disclosure requirements imposed on Members of Congress. This is the camel's nose under the tent for extreme groups intent on creating the same mischief for Federal Crop Insurance as they have created for the Commodity Title. The provision also runs counter to the longstanding equal treatment of Members of Congress as citizen legislators vis-à-vis everyone else. This is a dangerous precedent with implications far broader than Federal Crop Insurance.

We support Section 10003 of H.R. 2642 making available individual, group, or margin coverage alone or in combinations of two or three. We also support the House section's stronger language intended to ensure that the supplemental coverage option is available to all producers.

We support Section 10006 of H.R. 2642 and Section 11004 of S. 954 making permanent the current premium discount on coverage by Enterprise Unit.

We support Section 10007 of H.R. 2642 and Section 11005 of S. 954 making separate Enterprise Unit coverage available by irrigation practice.

We support Section 10009 of H.R. 2642 providing for an adjustment in Actual Production History to address declining yields and coverage due to multiple years of disasters. The higher yield plug and more immediate relief provided by this section are especially important to regions of the country

continuing to reel from successive years of severe drought. In point of fact, we hope that even more can be done in this regard given the severity of the drought situation in the areas the SWCA represents where producer APHs have declined sharply, substantially increasing policy deductibles. Recently, we have seen the Risk Management Agency work to address lagging yields through trend yield adjustments. We would urge conferees to encourage the Agency to find similarly effective solutions for eroding APHs.

We strongly oppose Section 11009 of S. 954 which appears to make more difficult the private policy submission approval process under section 508(h) of the Federal Crop Insurance Act. The 508(h) provides a critically important avenue for producers to create risk management products that work to address their unique perils subject to limited statutorily required criteria. Making this process more cumbersome by giving broader discretion to the Board of Directors and the Agency in the approval process is going in the absolutely wrong direction.

We support Section 10012 of H.R. 2642 requiring that future negotiation of Standard Reinsurance Agreements (SRAs) be budget-neutral. The section further requires that any small savings achieved in the SRA must be devoted to premium support for farmers, administrative and operating expense reimbursement for private sector delivery and adjustment of claims, as well as pilot programs. We support these specific designations for any savings achieved in an SRA.

We oppose Section 11035 of S. 954 that would nationalize native sod provisions that are now confined to the Prairie Pothole region.

We support Section 10014 of H.R. 2642 that makes different coverage levels available by irrigation practice. This is an extremely important issue to the region where irrigated acreage requires greater coverage than non-irrigated acreage due to substantially different costs between the two that producers need to be able to cover.

We support Section 10016 of H.R. 2642 and Section 11013 of S. 954 providing a stacked income protection plan for producers of upland cotton. In the few areas where there are differences between the House and Senate provisions, we urge adoption of the more prescriptive House provisions that provide greater certainty for growers. We strongly support the inclusion of a reference price in the stacked income protection plan but recognize that an understanding between the domestic industry and Brazilian counterparts resulted in this component being dropped. As such, we are very concerned that there is no price protection for producers of upland cotton under these provisions except for that price established under crop insurance each year which is simply meant to reflect current market conditions. As previously stated, due to the radical shift in U.S. cotton policy and questions concerning the timing of the availability of the new policy, we strongly support the transition policy provided under the Commodity Title. To the extent that conditions allow for the fortification of the stacked income protection plan for producers of upland cotton in order to address the peril of multiple year low prices, we would strongly support this effort.

We support Section 10018 of H.R. 2642 providing authority to correct errors. This sections preserves the current ability for agents and companies to correct honest errors while expanding this ability to other defined areas where unintentional errors can and do result in the producer losing crop insurance for that crop year. We are concerned that Section 11015 of S. 954 is too ambiguous to provide meaningful relief.

We support Section 10017 of H.R. 2642 and S. 954 providing a new revenue insurance option for peanut producers.

We support provisions of Sections 10020 and 10021 of H.R. 2642 and Sections 11028 and 11025 of S. 954 that direct the development of effective coverage for sweet sorghum, biomass sorghum, and sugar cane.

We strongly oppose Section 11033 of S. 954 that seeks to impose an unprecedented adjusted gross income means test on Federal Crop Insurance. The limit would only be lowered over time excluding more and more full-time farmers from crop insurance until crop insurance loses any and all value to these producers who are the heart of agriculture in the United States. The amount of premium support reduction is by no means “small” as has been suggested by proponents. This does not involve a 15 percent reduction in premium support but a 15 percentage point reduction. Meanwhile, the safeguards may be heeded or ignored by an Administration, depending on its disposition, because they depend on questions that lend themselves to subjective answers.

We strongly oppose Section 2609 of S. 954 that would impose conservation compliance requirements on Federal Crop Insurance. For many producers, conservation compliance would simply be a redundant set of regulations that are already imposed by the Commodity Title. For livestock or crop producers that do not participate in the Commodity Title, conservation compliance will impose first ever regulations on them. We would observe that for all producers, these requirements are subject to change by an act of Congress or by regulatory fiat. For examples, legislation is now pending in Congress to ratchet up requirements and the Department of Agriculture recently contemplated changing wetlands delineations.

LIVESTOCK ISSUES

We generally support the handling of livestock issues in H.R. 2642 and S. 954, including the exclusion of a livestock title. We strongly oppose restrictions on the ownership and marketing of cattle.

We also support the maintenance of livestock disaster, conservation, trade (specifically, Market Access Program and Foreign Market Development), and research initiatives in H.R. 2642 and S. 954.

We further support building on the groundwork laid by section 11105 of H.R. 2642 to bring U.S. Country of Origin Labeling into WTO compliance, the provisions of Section 11102 of H.R. 2642 to clarify the rulemaking authority under the Packers and Stockyards Act, and Section 2610 of H.R. 2642 requiring economic impact analysis of programs concerning the lesser prairie chicken.

REGULATORY RELIEF

We strongly support Section 9013 of H.R. 2642 that eliminates redundant permitting requirements under the Clean Water Act.

We strongly support Section 11324 that provides regulatory relief for producers under the Spill Prevention, Control, and Countermeasure Rule.

Thank you for your consideration of our views on these issues. And, thank you once again for all of your leadership and support on behalf of U.S. farmers and ranchers in successfully moving the Farm Bill into conference committee. Completing the Farm Bill this year in order to provide rural America five years of certainty will pay economic dividends as farmers and ranchers and industries dependent on agriculture might once again focus on what they do best confident in a strong farm law going forward.

Sincerely,

A handwritten signature in black ink, reading "R. L. Bearden". The signature is written in a cursive style with a large initial "R" and "L".

Rickey Bearden
President