



Oct. 25, 2011

The Honorable Debbie Stabenow
Chairwoman
Committee on Agriculture, Nutrition and Forestry
328A Senate Russell Office Building
Washington, DC 20510

The Honorable Frank Lucas
Chairman
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Pat Roberts
Ranking Member
Committee on Agriculture, Nutrition and Forestry
328A Senate Russell Office Building
Washington, DC 20510

The Honorable Collin Peterson
Ranking Member
House Committee on Agriculture
1305 Longworth House Office Building
Washington, DC 20515

Dear Chairs and Ranking Members:

The National Association of Wheat Growers (NAWG) has been working with its members across the country to formulate our priorities for federal investments into agriculture as our nation continues to address its serious fiscal challenges. We have chosen to keep our discussions closed over the past several months in part due to the uncertainty surrounding the role and process of the Joint Select Committee on Deficit Reduction. However, as you continue your discussions with regards to farm policy and work with the Committee Members, we believe now is the point to publicly share our priorities.

Federal fiscal responsibility is important to our growers because we know a functioning and solvent U.S. government is one of many factors that help us maintain thriving farms, strong rural businesses and a secure domestic food supply. Our nation's wheat farmers are proud to produce enough wheat to supply the nation's domestic needs and provide 30 percent of the world's wheat exports, making the U.S. the world's largest wheat exporter. As you and Members of the Joint Select Committee weigh agricultural policy decisions in the coming weeks, we are encouraged to hear you recognize that farm program spending is not the reason the federal budget is in the sorry state it is in.

Our highest priority for federal investment in agriculture programs is the portion of crop insurance premiums subsidized by the federal government, the public part of one of the most well-functioning public-private partnerships undertaken by our government. NAWG strongly opposes any reductions to the baseline available for the federal crop insurance program. More than 85 percent of non-irrigated wheat acres planted in the U.S. is covered by crop insurance. We believe crop insurance is essential to the farm safety net and the reliable production of an abundant food supply.

Historically, NAWG has been one of the strongest champions of the direct payment program because it is simple, relatively easy to understand and the most World Trade Organization-friendly of our farm

programs. This program was established with a promise from the U.S. government tying international markets to future declines in direct payment support. We understand this program has lost significant public support, but we believe it is unsound, from both a public policy perspective and an agricultural economics perspective, to eliminate this program beginning in federal fiscal year 2012.

The direct payment program, while controversial, has undergirded rural America for 15 years, and any reduction to it should be done in a responsible, staged manner. As you prepare to make this momentous policy decision, please be aware that this depletion of support into rural communities would have effects not just on farmers and their business operations, but also on banks, rural business partners like equipment and seed dealers, and the rural tax base that supports public services like schools. We believe a phase-down of the direct payment program, perhaps over as few as three years, would allow farmers, their landlords and lenders and rural economies to adjust.

Correspondingly, during this timeframe, NAWG calls on Congress and the Administration to live up to the promise to open world-wide markets for wheat through bilateral and multilateral agreements such as the recently signed free trade agreements. A significant step towards this goal would be to expeditiously finish negotiations and enact legislation to implement the Trans-Pacific Partnership.

Wheat farmers have viewed the direct payment as assistance in covering the portion of risk that crop insurance does not cover. Most wheat farmers are only able to afford to protect 65 to 70 percent of their revenue risk through the federal crop insurance program and buy-up coverage options. As you move forward in forming a safety net program based on revenue to help fill the gap between that 65 or 70 percent and a reasonable level of risk, please consider our priorities:

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|---------------------------|---|
| <u>Trigger mechanisms</u> | First priority -- On-farm trigger; by-commodity revenue |
| | Second priority -- On-farm trigger; whole farm revenue |
| | Third priority -- County trigger; by-commodity revenue |
| | Fourth priority -- County trigger; whole-farm revenue |

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| <u>Acres</u> | Priority to use planted acres over base acres |
|--------------|---|

As we've considered farm policy options and proposals, our farmers have been acutely aware that the revenue programs proposed would not protect them from situations in which there are large, rapid commodity price declines accompanied by slower input price declines. This has been apparent in the recent marketing year 2009/2010 as world wheat production recovered from historic shortages, sending the price downward even as input prices and energy costs remained high. Historically, a fixed price protection has been allowed through the counter-cyclical program, but target prices have been too low in recent years to offer real protection for wheat farmers. As a revenue program is developed, we look forward to further development of a target price component that would cushion farmers, who are price takers, in disastrous price decline situations.

NAWG strongly supports publicly-funded agricultural research, which provides the foundation for variety development for all six classes of wheat produced in the U.S. Federal funding for agriculture research has been slashed in recent funding cycles, but we know dollars spent on this infrastructure reap tremendous rewards. These dollars support rural and local communities; our nation's ability to be a world leader in agricultural production; farmers; the food production chain; and the American people at large, who depend on a stable supply of safe and cheap food. According to a recent CAST paper analyzing the return on investment to agricultural research, these results are highly quantifiable, showing every dollar spent on public research and extension returns \$32 to society. In the next revision of federal agriculture

legislation, NAWG would like to see authorization of a cereal research initiative for wheat, barley and oats, incorporating mandatory and discretionary funding, which would address critical needs of the cereal industry and of global food security.

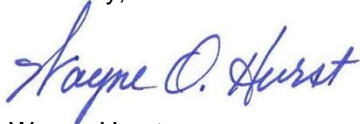
As stated above, expanding trade opportunities is critical for U.S. wheat farmers. Recent studies of export development programs show that producer dollars combined with the Market Access Program (MAP) and the Foreign Market Development (FMD) program return \$115 to the economy for every \$1 spent, and the total economic gain to the U.S. economy from increased market development activity was \$1.1 billion per year from 2002-2009. MAP and FMD, as well as the export credit program, are essential parts of our industry's export promotion strategy, and we call on you to reauthorize these programs at current levels.

The farm bill authorizes a multitude of programs to supplement the conservation efforts agricultural producers undertake to maintain their land year-to-year and generation-to-generation. While we recognize the importance of federal spending on improving air, water and soil on private lands, we believe that at a time when every dollar must be examined, these programs are less impactful on food security goals and the overall economy than others we have described. We believe maintaining a functioning farm safety net should be prioritized over private-land conservation in general, and specifically request you carefully examine the efficiencies that can be achieved by consolidating and streamlining these programs.

Going forward, we believe conservation programs should continue with the voluntary, cost-share framework that has provided win-win situations for farmers and society. We request priority be given to production-based investments versus land retirement-based investments, and we specifically support reducing the acreage cap for the Conservation Reserve Program (CRP) through market-based approaches such as rental rates and flexibility of use provisions and by allowing contracts to expire on schedule. Enrollment or re-enrollment of acres should be strictly prioritized using the environmental benefit index, the highly erodible land designation, consideration of soil type indicators and competitive bidding to protect only the most sensitive lands.

On behalf of the nation's wheat farmers, I appreciate your attention to these priorities. We are committed to working with you and the vast array of other stakeholders to federal agriculture programs as you outline a path forward through these serious and uncharted fiscal times.

Sincerely,



Wayne Hurst
President
Burley, Idaho

cc: Members, House Agriculture Committee, Senate Agriculture Committee