



National Association of Wheat Growers

**Testimony of Erik Younggren
on Behalf of the National Association of Wheat Growers**

**Before the House Agriculture Committee
Subcommittee on General Farm Commodities and Risk Management**

**Hearing to Review Implementation of the
Food, Conservation and Energy Act of 2008**

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Chairman Boswell, Congressman Moran and Members of the Subcommittee, my name is Erik Younggren. I am a fourth-generation farmer from Hallock, Minn., where I produce wheat, sugar beets and soybeans in operation with two of my cousins. I am an active member of the Minnesota Association of Wheat Growers' Board of Directors and currently serve as secretary-treasurer of the National Association of Wheat Growers (NAWG), a federation of 20 state wheat grower associations.

First let me thank you for holding this hearing. We appreciate the work of this Subcommittee – particularly those efforts that went into crafting the Food, Conservation and Energy Act of 2008 and your efforts to maintain a strong safety net for farmers across the country.

I appreciate this opportunity to offer NAWG's thoughts on behalf of wheat growers on the status of the implementation of this vital piece of legislation.

Program-Wide Implementation Issues

Considering the vast competing priorities and limited dollars which with Members were faced during the crafting of this legislation, we believe Congress passed a strong and balanced farm bill. We were particularly pleased that Congress maintained the direct payment – the single leg of the three-legged safety net that is predictable on producers' balance sheets, and the most World Trade Organization (WTO) compliant of the three traditional Title I programs. In addition, Congress' dedication to maintaining a strong federal crop insurance program was paramount, particularly as the utility of new programs such as the Supplemental Revenue Assistance (SURE) program and the Average Crop Revenue Election (ACRE) program continues to be dependent on a healthy and reliable crop insurance component.

Since passage of the legislation, we have appreciated the willingness of USDA to hear and respond to our concerns regarding implementation. We also would like to express our sincere gratitude to the dedicated Farm Service Agency (FSA) employees who are doing yeoman's work to sort through these rules and regulations and effectively communicate to producers.

However, I would be remiss to not relay the extreme frustration currently felt in the countryside regarding implementation of the 2008 Farm Bill, particularly regarding newly created programs and significant rule changes. It has been more than a year since the bill was initially passed, and growers are frustrated with the lack of quality information on how (or when) these programs will be put in place and how they might function for individual operations.

The content of the rules has a great bearing on the potential effectiveness of these programs. At this point in the process, many farmers across the country are being required to make management decisions that will impact the future of their farming operations without knowing what is needed to comply with relevant rules.

If I could leave you with one message today, it would be that farmers need to know the rules. A safety net is not a safety net if farmers inadvertently disqualify themselves due to program complexities or lack of information.

Despite substantial and commendable efforts expended by local FSA employees, it is clear that they have not been given adequate training in these new, complex programs in order to relay that information effectively to growers. This situation is made even more challenging by the fact that, in some cases, there is no information to give because implementing regulations are not yet available or, in the case of payment eligibility, criteria continue to evolve.

In addition to the complexities of individual programs, producers and FSA employees alike are just beginning to recognize the complexity of how they interact. The amount of analysis that will be required to determine how each management decision will impact future program payments, disaster eligibility and profit margins is overwhelming. Very little has been done to date to aid producers in understanding or interpreting these interactions or impacts.

Many in the private and association sector are in the process of offering educational tools to producers to help them during the farm program sign-up process. These tools and opportunities are also available to FSA employees, but we see USDA as holding the primary responsibility for educating FSA staff about the implications this policy will have for growers and their operations.

We recognize that the needs of USDA's Farm Service Agency are great. The agency's computer systems are drastically inadequate to handle even basic crop reporting functions, let alone complex programs such as SURE and ACRE. And we recognize that there are limited resources to remedy these inadequacies.

We pledge our assistance to you in Congress and to those in the Administration to ensure that sufficient resources are available for IT upgrades, employee training and other needs imperative to implementing these programs.

Though there are a number of specific farm bill implementation issues in which we take great interest – crop insurance, payment eligibility requirements and ACRE being a few– for the purposes of this hearing, I would like to focus on one main topic of great interest to our members: implementation of the SURE program. The American Soybean Association, National Barley Growers Association, National Cotton Council and USA Rice Federation have provided input for this statement and have associated their organizations with the remarks that follow.

Supplemental Revenue Assistance (SURE) Program

Considering wheat-growing areas span from Washington state to Virginia, and from Minnesota to Texas, there is likely to be some form of disaster in wheat growing country every year, be it drought, flood or some other untimely visit from Mother Nature.

Wheat growers have long been thankful for the recognition of Congress that there needs to be some form of assistance related to these severe crop losses. Historically, assistance has come in the form of *ad hoc* disaster programs, often passed long after the event occurred and implemented even later. We were pleased to see the SURE program created to relieve some of the reliance on less timely and fiscally burdensome *ad hoc* disaster programs.

As you know, the SURE program was designed to supplement the revenue protection producers can purchase from private crop insurance companies. Though SURE may provide

lower levels of benefits than previous *ad hoc* programs for some producers, growers have been generally supportive of the program's creation. However, that support is currently tempered by frustration related to its complexity and delayed implementation.

The most significant frustration related to the SURE program is the current lack of rules. We believe that a high percentage of wheat growers will try to meet those eligibility requirements over which they have control (such as ensuring that they meet the insurance purchase requirements), but the lack of rules makes it difficult for growers to make well-informed risk management decisions or estimate any potential 2008 payments.

We recognize the complexity of the SURE program and appreciate USDA's commitment to expedite the rulemaking procedures for this program along with other farm bill initiatives. We also wish to provide some specific feedback relating to the administration of SURE that will impact the quality and effectiveness of the program. We hope that these suggestions will have the support of Congress and be adopted by the Administration.

Timing

We strongly urge the Administration to issue SURE rules as soon as possible, and if possible, in advance of the Aug. 14 deadline by which growers are required to make farm program election decisions. Several pending questions related to details of the SURE program, including which insurance price election will be used in the SURE calculation, will play into producers' determinations of whether or not to sign up for the ACRE program.

In addition, knowing the rules prior to the Sept. 30 crop insurance deadline will be particularly important for winter wheat farmers as they may desire to change coverage levels in order to improve coverage under the SURE program. The 2008 year will be a great test year in wheat country considering the losses experienced in parts of Kansas, Oklahoma, Texas and the Northern Plains, but it would be beneficial to understand how these losses will be paid under the SURE program to help inform farmers of its utility prior to the Sept. 30 crop insurance deadline.

Calculation of Total Farm Revenue

According to statute, total farm revenue includes crop insurance indemnities, but the decision to use net versus gross is left to the discretion of the Secretary. This determination will have a significant impact on the utility of this program to our producers, especially for those farmers purchasing higher crop insurance coverage levels.

Previous crop disaster programs have utilized net crop insurance indemnities as a matter of practice – that is, they reduce the gross indemnity by the crop insurance premium paid in order to arrive at the net indemnity payment. This practice has encouraged growers to increase coverage levels and supplement coverage in a way that covers shallow revenue losses. Conversely, use of gross crop insurance indemnities will reduce the incentive – or in some cases even work as a disincentive – for farmers to purchase buy-up coverage.

Based on precedent established under previous crop disaster programs as well as the practical implications related to use of net versus gross crop insurance indemnities, we believe USDA should use netted out farmer-paid crop insurance indemnities for purposes of calculating total farm revenue under SURE.

Definition of "Farm"

The SURE program creates a new definition for "farm," which includes "the sum of all crop acreage in all counties that is planted or intended to be planted" by an "eligible producer." An "eligible producer" is defined as a person, a corporation or a partnership, whichever is applicable.

We understand the program was designed to look at the "whole farm," but that is not as simple as it may sound. There have been many questions related to how this new definition will be interpreted and applied, especially as it relates to landlord and tenant relationships as well as for those involved in multiple farming operations. USDA should take these scenarios into consideration and clarify what constitutes a "farm" for purposes of the SURE program.

NAP Coverage Requirements

Following the spring freeze in Oklahoma and disasters in parts of Texas and Kansas, a great deal of confusion ensued in wheat country related to insurance purchase requirements for SURE eligibility. Much of the confusion was related to unclear requirements regarding NAP or other insurance coverage on second crops planted after freeze or other disaster conditions. This issue was largely traced back to a difference between RMA and FSA definitions of a double crop, and USDA has been working to remedy this discrepancy.

We thank USDA for their recent efforts to address this specific issue. However, there are other instances in which growers are required to making decisions related to NAP coverage without ample information or understanding of the requirements, or they are subject to unrealistic timelines under which they must choose coverage. For example, NAP deadlines may emerge before some growers have determined what crops they will plant.

To prevent future instances of confusion, we urge USDA to further clarify NAP coverage requirements and consider giving reasonable leeway in decision making out of consideration to regional and operational diversity among growers.

Conclusion

Cumulatively, these issues speak loudly to the need for regulations to be published without further delay. Producers are being expected to make planting decisions absent clarity on the programs and should not be forced to deal with unnecessary uncertainty in addition to the uncertainties already presented by markets, prices and weather.

We look forward to continuing to work with Congress and USDA both prior to and following issuance of the SURE regulations to ensure that these clarifications are made and the program is implemented in a way that will maximize its utility and effectiveness as another piece of the farm safety net.

We greatly appreciate the role you have played in both creating this bill and ensuring that the Administration implements it as you, the authors, intended. We pledge our support to both this Subcommittee as well as the Administration to ensure that the utility of all 2008 Farm Bill programs is fully realized.

Mr. Chairman and members of the Subcommittee, I thank you for this opportunity to testify.