October 16, 2019

The Honorable Sonny Perdue
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, D.C. 20250

Dear Secretary Perdue:

As you know, many farmers in the Northern Tier states are currently suffering serious crop damage caused by an unusual wave of harsh, adverse weather, heavy rains, flooding, and high humidity, coming directly in the middle of this year's 2019 harvest season. Major locations in the Northern Plains have shattered records for September rainfall, have faced historically early and significant snowfall, and are facing more rain and cooler weather in the forecast. Much of the resulting damage takes the form of quality loss factors such as sprout damage, low falling numbers, mold, mildew, etc., to wheat, barley, soybeans, canola, sunflowers, dry beans, chickpeas, and lentils, among others, causing farmers to be severely penalized with deep price discounts when they deliver what remains of their crop to the elevator.

To help these producers in need, the undersigned organizations respectfully ask that USDA make available the fullest appropriate disaster assistance under the recently-enacted Wildfires and Hurricanes Indemnity Program Plus (WHIP+) as well as under other applicable USDA programs. Additionally, we urge you to provide flexibility in the crop insurance program to assist growers who face severe quality problems and who might not be able to harvest their crop because of abnormal weather conditions.

The new WHIP+ program, as announced by USDA in its September 13, 2019 *Federal Register* release, applies WHIP+ coverage to all crops experiencing "qualifying disaster events," defined to include flood and related conditions occurring in calendar years 2018 and 2019, in counties that receive Presidential or Secretarial disaster/emergency designations, or in other counties where a farmer can document the disaster event. We understand that USDA is making WHIP+ available on fall 2018 prevent plant acres that were impacted by excessive rains, which we appreciate and believe provides important assistance to those growers. We believe that this provision also applies to the Northern Tier areas where excessive rainfall in 2019 has caused crop losses.

Regarding the issue of losses, the WHIP+ regulation appears to exclude quality losses from the program (except for wine grapes), providing that quantity or value of a crop "will not be reduced for any quality consideration unless a zero value" is established (7 CFR 760.1505(g)). We believe this is an arbitrary distinction that may seriously disadvantage grain producers in the Northern and Central Plains directly affected by the weather disasters targeted by the program. Quality losses caused by excess rains, floods, and resulting crop diseases are just as real, tangible, and immediate to producers as any other form of crop damage, a fact that prompted Congress to include language in last year's 2018 Farm Bill mandating USDA's Risk Management Agency (RMA) to improve its grain quality coverage (Farm Bill section 11122).

The quality-related damage now unfolding across a wide swath of small grain country is extreme. In some instances, farmers are receiving less than half the elevator price for their grain, if local markets will take it at all, as a result of weather-induced quality loss. Crop insurance is available for growers, but, depending on coverage level and yield, the adjustment under crop insurance policies to account for quality loss might sharply limit any potential indemnity, or not trigger one at all despite the very real damage resulting from low prices for the grain. The attached example shows how this can occur.

Assistance provided through the Additional Supplemental Appropriations for Disaster Relief Act of 2019 was intended to provide assistance for farmers impacted by natural disasters. Through direction in this legislation, we appreciate that USDA has made WHIP+ available to growers impacted by severe weather events. We believe these losses fit within the criteria established by the legislation. And to avoid the potential for overlap of assistance, any crop insurance indemnity that is triggered would be subtracted from a farmer's WHIP+ payment.

We recognize that WHIP+ regulations appear to provide some relief in this regard both (a) by permitting affected growers to base their WHIP+ production calculations on FCIC crop insurance calculations that already reflect adjustments for quality loss under RMA rules (FSA Handbook 1-WHIP, section 110(D)) and (b) by recognizing the lost value for crops put to secondary uses (such as grain for feed) or salvage as a result of covered disasters (FSA Handbook 1-WHIP, section 116 and 117). Here too, we would appreciate some further confirmation on how USDA sees the systems applying to the current situation in the Northern Tier and Central Plains.

We urge USDA to provide assistance through WHIP+ or other mechanisms to growers suffering significant quality loss resulting from excessive moisture. In doing so we ask that the price impacts of this quality loss be considered, including situations where a grower either has no market in which to sell poor quality grain or the grower must take a significant price reduction.

We appreciate your urgent attention to this matter and would be happy to meet with you to answer any questions or to discuss possible options that can help our farmers.

Respectfully,

American Soybean Association
National Association of Wheat Growers
National Barley Growers Association
National Farmers Union
National Sunflower Association
US Canola Association
US Dry Bean Council
USA Dry Pea & Lentil Council

Example:

The Farmer plants 2019 crop Durum;
FCIC Projected price = $5.98 per bushel; Harvest price = $5.24;

- APH = 40 bushels per acre;
- FCIC coverage level = 70%;
- Guarantee = 40 x .70 x $5.98 = <u>$167.40 per acre;</u>
- 2019 actual yield = 64 bushels per acre;
- Falling Numbers (FN) = 60. The FCIC discount factor for FN < 200 = .50 (if unsold 60 days after end of insurance period, a likely outcome given the large volume of feed-quality durum);
- The 50% discount factor results in a downward adjustment of the farmer's yield to 32 bushels per acre;
- Actual revenue-to-count for FCIC purposes is then 32 x $5.24 = <u>$167.68 per acre.</u>
- <u>Since $167.68 is slightly higher than the farmer's guarantee of $167.40, no FCIC indemnity is due.</u>

The feed durum price at the elevators is currently $2.50 per bushel for limited volume. This will likely decline further because there are just too many feed durum bushels out there and not enough elevator storage space or demand. We've heard some offers as low as $1.00/bu. At the same time, quality durum is currently drawing as much as $7.50 per bushel.