

April 23, 2012

The Honorable Debbie Stabenow
Chairwoman
Committee on Agriculture, Nutrition and Forestry
United States Senate
Washington, DC 20510

The Honorable Pat Roberts
Ranking Member
Committee on Agriculture, Nutrition and Forestry
United States Senate
Washington, DC 20510

Dear Chairwoman Stabenow and Ranking Member Roberts:

The American Farm Bureau Federation commends you for moving forward in a bipartisan fashion to write the 2012 Farm Bill. Overall, we place a high priority on your decisions to:

- Stand firm on utilizing the figure of \$23 billion in savings suggested to the Joint Committee on Deficit Reduction last fall as the committee's reduction target for this bill;
- Protect and strengthen the federal crop insurance program and not reduce its funding;
- Develop a commodity title that attempts to encourage producers to follow market signals rather than making planting decisions in anticipation of government payments; and
- Refrain from basing any program on cost of production.

While the draft legislation addresses many of our policy priorities, it is our sincere hope there will be additional opportunities to make adjustments and refinements to improve this legislation. Some of the areas we believe would benefit from additional policy work include:

- Improving the equity across all commodities. The variety of program options continues to raise concerns that some programs will cause planting decisions based on farm program benefits that accrue more beneficially to a particular crop;
- Addressing the net effect of the "Agriculture Risk Coverage (ARC) Eligible Acres" provisions to ensure a true "planted acres" approach and avoid recreating "base acres" issues that raise equity and planting distortion concerns. While we support the requirements in the

Committee Print to eliminate “double dipping” between either ARC or Stacked Income Protection Plan (STAX) with crop insurance, we still have concerns about an 89 or 90 percent coverage level being so high at the farm level as to induce fraud or abuse, as well as the fact that the federal government should not be covering losses that could be managed through the normal course of business; and

- Re-instituting current payment limitations and the Adjusted Gross Income provisions in current law.

Fundamentally, Farm Bureau continues to support a single program option for the commodity title that extends to all crops. We believe the safety net should be comprised of a strong crop insurance program, with continuation of the marketing loan program and a catastrophic revenue loss program based on county level losses for each crop. We are confident our approach can easily be tailored to meet the committee’s goals to provide a safety net that meets regional and commodity differences while also meeting the established savings target.

Catastrophic loss events are typically beyond any producer’s control, and endanger the financial survivability of the farm – the type of events that in the past have prompted enactment of ad hoc disaster programs. Having a catastrophic loss program in place would protect farmers from these situations and extend benefits only when needed, rather than potentially being a supplemental source of annual income.

Under our plan, each producer of a program crop, as well as producers of apples, potatoes, tomatoes, grapes and sweet corn, would be provided a coverage level equal to 80 percent of the last five years’ Olympic average county revenue. As you no doubt recall, we have discussed a 70 percent coverage level for several months.

However, after receiving some numbers from the Congressional Budget Office recently for a 70 percent program, we now believe it is possible to provide support at the 80 percent revenue level of coverage for all program crops and the five fruits and vegetables. In addition, we believe there would be enough money to increase the coverage for those participating in the Noninsured Assistance Program (NAP) from 50 percent loss coverage to 70 percent. This would save \$15 billion from the commodity title to apply towards budget deficit reduction. To be clear, this is based on the premise of eliminating authority for the direct payment program, the counter-cyclical program, Supplemental Revenue Assistance Payments (SURE) and Average Crop Revenue Election (ACRE), as your draft bill proposes.

We do want to point out policy areas in the bill supported by Farm Bureau, which include:

- Elimination of Direct Payments, Counter-cyclical Payments, ACRE and the SURE program;
- Maintaining the current marketing loan program;
- Rejection of any provision linking conservation compliance with crop insurance;

- Improvements to the crop insurance program whereby enterprise unit coverage will be able to be purchased separately for irrigated and non-irrigated acres, the Risk Management Agency will be allowed to collect data from other sources besides the National Agricultural Statistics Service, and the yield plug used in disaster years is increased from 60 percent to 70 percent;
- Mandating that the Risk Management Agency develop a revenue insurance program that meets the needs of peanut producers by 2013;
- Eliminating the dairy price support program and the Milk Income Loss Contract program and using the funds associated with those programs to offer a voluntary gross margin insurance program for dairy producers;
- Maintenance of the current sugar program;
- Inclusion of the Supplemental Coverage Option (SCO) whereby program crop producers, as well as producers of specialty crops, could purchase a county level revenue policy on top of their individual crop insurance coverage to cover all or part of a producer's deductible portion of their individual insurance policy;
- Restoring the critical non-program crop disaster programs, such as the Livestock Indemnity Program, Livestock Forage Program and the Tree Assistance Program, to provide those producers with some basic risk management tools to help address catastrophic losses;
- Allowing for separate coverage for irrigated and non-irrigated crops for SCO, STAX and enterprise unit crop insurance;
- Achieving the vast majority of necessary reductions in conservation funding from the land retirement programs rather than working land programs;
- Consolidating conservation provisions under 13 programs, rather than 23, and focusing on administrative savings and simplicity in the remaining programs;
- Expansion of the State Block Grants for Specialty Crops program and funding for research for specialty crops as well as technical assistance at USDA; and
- Authorization for a public/private foundation to solicit private donations to enhance research for meeting expanding global demand for food.

While we sincerely appreciate your work on the new farm bill in a timely fashion, it is our hope that you will afford opportunities to make additional adjustments to the farm bill as more detailed analyses highlight areas that would benefit from further simplification and refinement. Again, the areas we believe would benefit from additional policy work include:

- Improving the equity across all commodities;

- Addressing the net effect of the “ARC Eligible Acres,” which appears to take us right back to a “base acres” approach; and
- Re-instituting current payment limitations and the Adjusted Gross Income provisions in current law.

With these concerns and hopes for additional policy work noted, Farm Bureau sees many provisions in the committee’s draft farm bill that address our core principles for rational, acceptable farm policy. We urge the Senate Agriculture Committee to pass the bill as a vehicle to move the farm bill to the Senate floor in a timely manner.

The importance of completing a farm bill cannot be overstated. Be assured that we will do everything we can to help improve this bill as it moves forward. Thank you for considering our views.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bob Stallman', with a long horizontal flourish extending to the right.

Bob Stallman
President