



STATEMENT BY BILL FLORY
Before the
United States Senate
Committee on Agriculture, Nutrition and Forestry

**“Economic Challenges and Opportunities
Facing American Agricultural Producers Today”**

April 25, 2007

Good morning, Mr. Chairman and Members of the committee. I am pleased to be able to speak before you today. My name is Bill Flory. I am a fourth-generation farmer from north Idaho. I grow three classes of wheat, barley, blue grass, timothy hay, garbanzo beans and timber on rainfall of 26 to 40 inches annually. Our average field slopes range from a few percent to over 25. I have been fully direct-seeding for the past six years. In 1994, I was president of the Idaho Grain Producers, and in 1998, I was president of the National Wheat Growers here in town. Currently I am on the Idaho Soil Conservation Commission.

It is an exciting time in agriculture; new opportunities are presenting themselves just as the substance for this farm bill is being debated. During the last several years, American Farmland Trust conducted an extensive research and outreach campaign with hundreds of farmers, ranchers, policy experts, academics, environmentalists, nutritionists and rural activists. American Farmland Trust asked questions such as what are the challenges and opportunities for your industry; how will globalization impact your business; what are the needs you are not getting addressed; and how is the current farm bill getting things right? What they have learned and I have observed during that process is a dynamic picture of agriculture.

Mr. Chairman, agriculture has evolved dramatically, and the future holds out even greater change. The 2007 Farm Bill should therefore serve as a bridge for our nation as we evolve and develop our thinking on how we support producers, help the environment and ensure an adequate food, fiber and new fuel supply for our nation. That is what farm bills are really about—not the next planting season, but rather they are about the next five years, the next ten years and the next generation. Let me share some thoughts on how this farm bill can propel us forward toward the future.

Protecting Against Disaster

Members of the Committee, as I have mentioned upfront I make my living as a grain producer—so I know that farming is a risky business. When I grow wheat and barley, my production is inherently prone to swings in prices and yields that I have no control over,

which produce significant variations in my revenue. From that perspective, farm policy has had an appropriate role in helping provide a safety net of steady, reliable income assistance when disaster hits, and tools to manage risk. Unfortunately, existing commodity programs are narrowly focused on supporting prices, not revenues, and as such large numbers of producers have fallen through the safety net.

For example, in situations when yields are low but prices are high, the current programs do not make payments even though they are needed. Thus, in years of drought or flood, a farmer might have a significant drop in the yields and a drop in revenue. However, if prices remain high, the drop in revenue might not be covered by the current program. This has happened time and again to wheat, barley, sorghum and other producers during the last five years. This is a major hole in the safety net and has left out tens of thousands of American producers in their time of need. I don't think that we need any more proof of this hole in the safety net other than to look at the recurring need and requests for ad hoc disaster assistance—if the safety net was working well, wouldn't these problems be taken care of?

The 2007 Farm Bill is an opportunity to repair this hole in the safety net. In order to do so, the safety net should target revenue (price multiplied by yield) rather than targeting price, as existing programs do. Creating such a system will build upon experiences we have learned and provide greater protection to producers. The government would provide a per acre payment based on projected national revenue, which would be forecast each year before planting. After harvest, government payments are made to farmers based on the difference between the actual national average revenue and the earlier projected revenue. Under such a system, the government covers nationwide drops in revenue due to natural disasters and/or price fluctuations during the course of the growing season based on actual market conditions. Such a system therefore would provide protection to producers for disasters, drought, etc. weeks or months after harvest is completed rather than having producers wait years, if they receive anything at all, as we do under the current ad hoc system.

Just as importantly, such a system would be based on market prices rather than on government set targets and as such would eliminate the inequities created by a system that sets target prices higher for some than for others. Finally, by removing these market-wide risks, we also can gain tremendous efficiencies in the crop insurance sector—the result of which will be lower taxpayer costs and reduced producer premiums on individual insurance coverage. Producers can protect themselves against individual/local risk through insurance, and the government will protect against global or national risk via a government payment.

This concept was developed by Dr. Carl Zulauf of Ohio State and has been identified by American Farmland Trust as a replacement for the LDP and CCP programs. As you know, a variation of this idea also is being championed by the National Corn Growers Association, and the Administration's farm bill proposal also has put forward a revenue-based safety net. We look forward to exploring the concept of revenue protection as the farm bill debate moves ahead.

Examples to Illustrate Integration of National Revenue Deficiency Payment with Individual Farm Revenue Insurance: Corn 2004

Farmer's Expected Yield:	145.0 bu./acre
Plant Insurance Price:	\$2.83/bushel
Farmer Expected Revenue:	\$410/acre
Farmer Selected Insurance Coverage Level	75%
Farmer's National Revenue Deficiency Payment:	\$85/acre

	Situation 1	Situation 2
Farmer's Realized Yield:	120 bushels	100 bushels
Harvest Insurance Price:	\$2.05/bushel	\$2.05/bushel
Farmer's Realized Revenue:	\$246/acre	\$205/acre
<i>FARMER INSURANCE PAYMENT:</i>	<i>\$0/acre</i>	<i>\$17.50/acre</i>

Calculation - Situation 1: $(\$410 \times 0.75) - \$246 - \$85 = -\23.50 (no payment)

Calculation - Situation 2: $(\$410 \times 0.75) - \$205 - \$85 = \17.50

Rewarding Stewardship

Farms and ranches account for nearly half of all the land in America. These acres are used to produce food, fiber and now energy and, as every Member of this Committee knows, are vital to the security and welfare of this country. These acres also have a tremendous impact on our nation's natural and human environment. Most farmers are good stewards—no one that I know wants to leave their land worse off for their children and grandchildren than when they got it from their parents and grandparents. In fact, the producers I know are likely to want to do more to conserve and protect their land and the resources on that land than to do less.

When the 2002 Farm Bill was signed into law, many in the farming community believed that the Conservation Security Program (CSP) had great potential to be a broad-based stewardship reward program—a way to support those farmers who are good stewards of the land, and to inspire others to reach higher levels of environmental performance. Unfortunately, for a variety of reasons, CSP has not fulfilled that promise. Mr. Chairman, I am a Tier III CSP producer, and so I strongly believe in the concept of a rewards program. I believe that this concept is alive and well out in the countryside but it is in need of significant help and nurturing. I urge this Committee to re-commit itself to finding a workable "green payments" program as an additional stream of income to reward producers across the landscape for their stewardship of our nation's resources.

Mr. Chairman, I thank you again for this opportunity to appear before this committee to discuss a vision of how the 2007 Farm Bill can push our nation forward.