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June 4, 2012

The Honorable
United States Senate
Washington, DC 20510

Dear Sen. :

The American Farm Bureau Federation commends the Senate Committee on Agriculture, Nutrition and Forestry for moving forward in a bipartisan fashion to write the 2012 Farm Bill. Overall, Farm Bureau places a high priority on the committee's 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 make planting decisions in anticipation of government payments; and
- Refrain from basing any program on cost of production.

While the legislation addresses many Farm Bureau policy priorities, it is Farm Bureau's sincere hope there will be additional opportunities to make adjustments and refinements to improve this legislation. Some of the areas Farm Bureau believes would benefit from additional policy work include:

- 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 Farm Bureau supports the requirements to eliminate overlap between either ARC or the Stacked Income Protection Plan (STAX) with crop insurance, there are still concerns about an 89 percent farm-level ARC coverage level being greater than is appropriate for federal level support, recognizing that low level losses can 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. Farm Bureau believes 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. Farm Bureau is confident its approach can easily be tailored 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 Farm Bureau's 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, Farm Bureau has 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, Farm Bureau now believes 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, Farm Bureau believes 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 the committee's draft bill proposes.

Farm Bureau feels strongly that any savings resulting from reductions of Direct Payments, Counter-cyclical Payments, ACRE and the SURE program be used to meet budget targets from commodity programs, strengthen crop insurance, and restore livestock and tree disaster programs.

Farm Bureau-supported policy areas in the bill include:

- 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;

- A pilot program for reduced premium weather insurance was introduced in the committee bill to provide for private corporations to develop and offer weather insurance. Farm Bureau encourages its adoption as a risk management solution for all crops;

- 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 part of the 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 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.

In summary, Farm Bureau appreciates the timely consideration of this bill on the Senate floor but believes the bill should be further improved by:

- Addressing the net effect of the ARC Eligible Acres provisions, which appear to take us right back to a "base acres" approach; and

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

With these suggested improvements, Farm Bureau believes S. 3240 moves toward the organization's core principles for rational, acceptable farm policy. Farm Bureau encourages the Senate to pass the bill.

Completion of the farm bill in a timely fashion will allow for planning and an orderly implementation. Thank you for considering these views.

Sincerely,

Bob Stallman
President