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Before the U.S. House Committee on Agriculture

"A 2022 Review of the Farm Bill: Commodity Group Perspectives on Title 1"

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Good morning, Chairman Scott, Ranking Member Thompson, and distinguished members of the committee. Thank you for the opportunity to provide testimony on Title I of the 2018 Farm Bill.

I am a soybean farmer from Arkansas and serve as president of the American Soybean Association (ASA).

Founded in 1920, ASA represents more than 500,000 U.S. soybean farmers on domestic and international policy issues important to the soybean industry and has 26 affiliated state associations representing the 30 primary soybean-producing states.

<u>Soybean Economic Impacts</u>
The U.S. soybean industry has a positive impact on the U.S. economy.

In 2021, over 87 million acres were planted to soybeans in the United States with a record-high production total of 4.44 billion bushels according to USDA.

Soybean production alone accounts for close to 150,000 jobs (full-time soy equivalent), more than $6 billion in wages and $86.5 billion in revenues, according to a 2019 study by the United Soybean Board and National Oilseeds Processors Association. This does not include secondary soybean markets and supporting industries like biodiesel, grain elevators, feed mills, ports, rail, refining, barge and more, which brings soybean's national revenue impacts to a significant $115.8 billion. New markets and new uses for soy continue to develop thanks to farmer investments in research and promotion by the soybean checkoff and federal investment in market development programs.

Soybeans have long been U.S. agriculture's top export crop. Foreign markets were destinations for more than 50% of U.S. soy production in the last marketing year. Even with ongoing efforts to diversify and open new markets, our commercial export relationship with China is critically important, as it is the largest importer of soybeans in the world. Almost a third of all soybeans grown in the United States are destined for China under normal trade conditions.

In addition to a steady supply of production inputs and predictable regulatory environment, we rely on domestic and global markets for the success of soybean farmers.

When those markets fail or when significant economic disruptions occur, we rely on policymakers to ensure that a supportive farm safety net is in place.

<u>Farmer Feedback-Gathering Process</u>
Each year, ASA sets the annual policy priorities of the organization through a thorough resolutions review and adoption process. This process is currently underway and will culminate in a session of voting delegates at our annual meeting during the Commodity Classic farm trade show next week. Feedback regarding Title I has been received through this process.

In addition, ASA has recently taken greater steps to gather farmer feedback in preparation for development of the next farm bill.

Since early 2022, ASA has held 12 virtual farm bill listening sessions – both by region and by topic - with interested soybean farmers and state soy affiliates across soy's 30-state growing region. An in-depth farm bill survey was administered to soybean growers in late 2021. And, ASA has a farm bill-specific email address set up for those interested in sharing additional written feedback.

Farm bill feedback gathered from these steps will be developed into a set of farm bill principles and shared this spring with the committee.

<u>Title I Feedback From Farmers: Improvements Are Needed</u>
While crop insurance is not a part of Title I, ASA must share for the record the high importance of crop insurance to soybean farmers. Soybean farmers consistently communicate that this is the most effective component of the farm safety net when viewed more broadly. This risk management tool allows farmers to elect coverage annually based on their own risk tolerance and responds accordingly when losses are triggered. Crop insurance must remain affordable for producers.

While crop insurance provides a safety net for risk within a growing season, it does not protect against longer-term structural risks. Title I is intended to do this, but the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs, specifically, need improvements to provide the intended protection. An effective soybean safety net does not exist today.

As noted earlier, China is a significant importer of soybeans, importing almost one in three rows of soybeans produced in the United States. During the height of the China trade war in 2018, U.S. soy stopped flowing to the market during the peak export period that fall. Soybean prices fell by about 20%, but the producers of the crop received no PLC payments and little from ARC under the Title I safety net. USDA stepped in with ad hoc, temporary support to farmers through the Market Facilitation Program (MFP).

The example above provides context to what we are hearing from farmers. They have consistently shared two deficiencies regarding the Title I farm safety net programs of ARC and PLC:

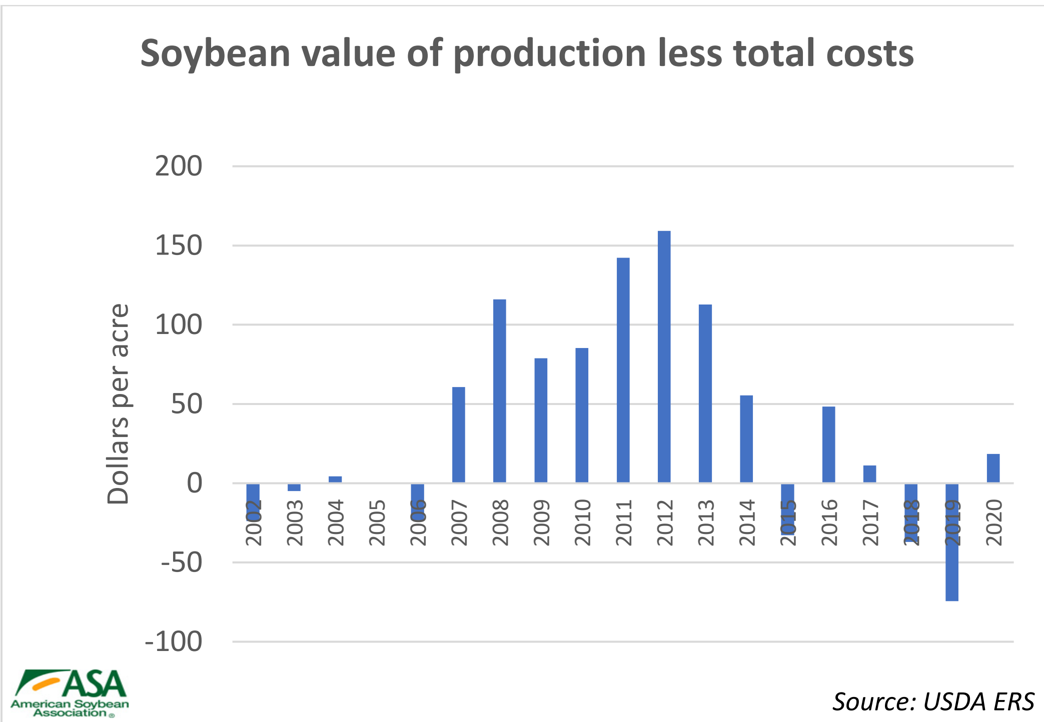
1) Soybeans have an insufficient reference price, on which ARC and PLC benefits are calculated.
2) Soybeans have a low level of base acres, the historical acreage on which ARC and PLC benefits are provided, relative to planted acres.

When survey respondents were provided options to improve the Title I farm safety net for soybeans, the leading two selections were related to those concerns; specifically, 1) increase the soybean reference price for calculating ARC and PLC, and 2) provide the option to update base acres.

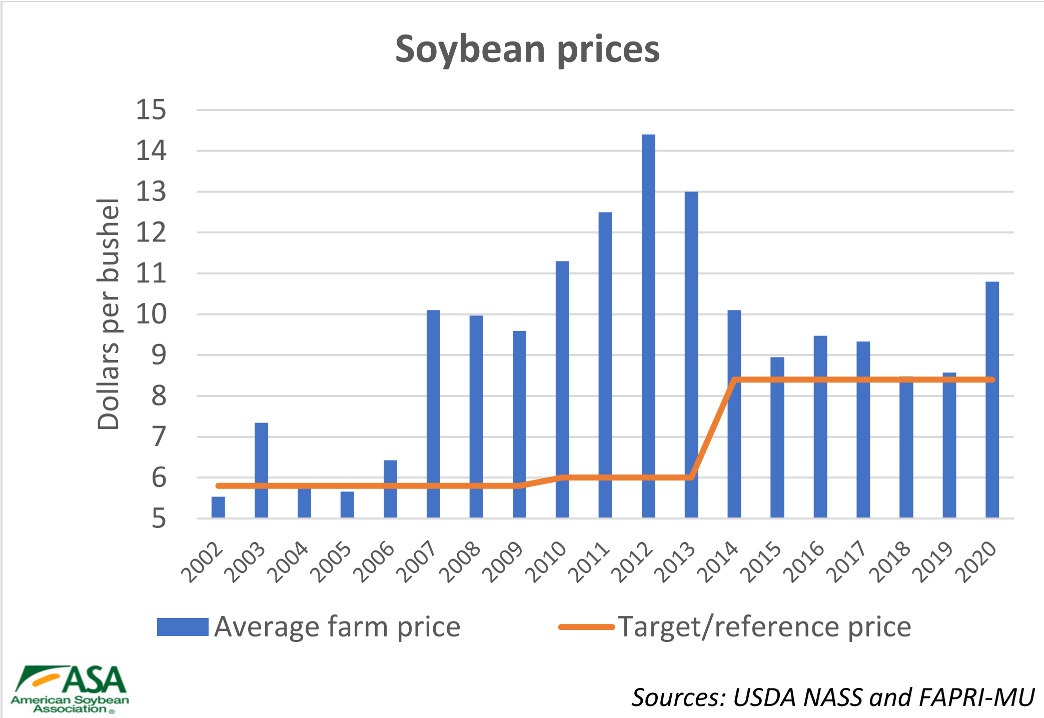
Importantly, farmer feedback also suggests that a combination of remedies to address these deficiencies is needed. For example, if an option to update base acres is allowed, it may not be exercised if the reference price for soybeans remains where it is currently set.

Soybean Reference Price: Increase Is Needed

Farm safety nets are not created for the good times, but instead the bad times. Currently, we are experiencing strong soybean market prices, but agriculture is cyclical. An effective safety net is needed for the times when prices decline. During the trade war, soybean farmers experienced negative margins for their crop. USDA's Economic Research Service estimated it cost soybean farmers $37 more per acre in 2018 to produce than was received from the sale of the crop and $74 more in 2019.



If there were ever a time that the farm safety net was designed for, it was the trade war in 2018 and 2019. Factors well outside farmers' control structurally shifted, collapsing much of the demand for U.S. soybeans. Despite a large drop in the price producers were receiving which resulted in negative margins, the reference price for determining Title I benefits was set at such a low point that PLC payments never triggered. In fact, 2005 is the last time a PLC or CCP payment - the predecessor program - was triggered for soybeans.



Support prices were increased starting with the 2014 Farm Bill, but this price increase did not fully reflect the increased operating costs. While prices during the trade war remained above those from the early 2000s, a higher price is necessary to offset the higher cost of inputs. According to data from the Food and Agricultural Policy Research Institute at the University of Missouri (FAPRI-MU), operating costs have approximately doubled during this time. As a result, farmers experienced significant losses and received few ARC payments and no PLC payments. If soybeans, the second-largest crop by area in the U.S., did not receive help through Title I during this critical situation, it is hard to imagine a scenario where the Title I safety net could provide meaningful help with the current reference price.

<u>Soybean Base Acres: Option to Update Base Acres Is Needed</u>
The data clearly demonstrates the disparity in soybean planted acres compared to base acres, the historical acreage on which ARC and PLC benefits are provided.

In 2021, soybeans were planted on over 87 million acres in the United States. By comparison, soybean base totals 52.5 million acres. 34.5 million acres of planted soybean acres were not protected by the soybean provisions of ARC and PLC in 2021. While some of these 34.5 million soybean acres may have been corn or wheat base, for example, farmers' concerns are very real and important to share with you. These other crops may not correlate well with the losses being experienced on the farm.

ASA's farm bill survey results showed that 84% of respondents would like the option to update base acres, and less than 5% oppose the option. Commentary shared throughout our listening sessions includes these scenarios:

- A young, beginning farmer who has only 10% base acres on his or her farm, providing little access to the ARC/PLC farm safety net.
- Greater adoption of no-till conservation practices has enabled farmers to cultivate row crops in new areas that have no base.
- Small farmers have transitioned out of tobacco production and have no crop base.
- Farmers have exited the dairy business and moved into production of other crops.
- Farmers have lost cropland to residential or industrial development and sought other areas to cultivate.

To be clear, ASA supports maintaining planting flexibility and the approach of decoupling acreage to ensure compliance with trade commitments. Providing farmers an option to update base acres in a trade-compliant manner can be achieved.

<u>Additional Title I Farmer Feedback</u>

Although our testimony has focused on two specific areas of concern regarding the Title I farm safety net, we share with the committee additional feedback on needs:

- Clear direction that if a standing disaster assistance program is created, the financial protection provided by Title I programs and crop insurance should not be reduced to fund the disaster program.
- Support for review of Farm Service Agency staffing and information technology (IT) capabilities in advance of eventual farm bill implementation. Of note, this applies to USDA more broadly as well to ensure implementation readiness.
- Support for modernizing IT systems to better allow farmers to share data and access programs.
- Support for the option to update program yields.
- Support for allowing ARC payments to trigger more easily.
- Support for the ARC cap on payments from the current 10% of the benchmark.
- Support for reviewing marketing loan rates.
- Support for increasing payment limits.
- Opposition to eligibility restrictions based on farmer size.

<u>Conclusion</u>

Thank you again for this opportunity to share the American Soybean Association, and in turn our farmers', views on Title I farm programs.

The soybean industry stands ready to work with the committee in crafting a farm safety net that is effective for soybean farmers.