nebraska farm bureau federation

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STATEMENT OF THE NEBRASKA FARM BUREAU FEDERATION TO THE GOVERNOR'S LISTENING SESSION REGARDING THE 2007 FARM BILL

Presented by

Don Batie
Second-Vice President

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Good evening, Governor Heineman, Director Ibach and others in attendance tonight. I am Don Batie, a farmer near Lexington, Second-Vice President of the Nebraska Farm Bureau Federation and currently serving as the chairman for the Nebraska Farm Bureau 2007 Farm Bill Task Force.

As the state's largest farm organization, Farm Bureau takes great pride in its policy development process to formulate positions on critical issues facing Nebraska farmers and ranchers. Because we are a general farm organization having a cross section of members growing all commodities raised in Nebraska, we believe that we are uniquely positioned to provide input on the next farm bill.

However, Farm Bureau's policy development process is still very much in its infant stages at this point in time. As a part of our process, Farm Bureau's 2007 Farm Bill Task Force will be drafting policy recommendations this fall to share with our members as we begin to debate and vote on various policies for the next farm bill. Nevertheless, we hope to provide you with our basic philosophy and raise some possible issues that may need to be addressed as we formulate the next farm bill.

Our long-term policy goal is to "level the playing field" so farmers and ranchers are allowed to compete in open markets without tariff and non-tariff barriers, without export subsidies, without currency manipulations and without production-distorting domestic subsidies. Frankly, most if not all producers in Nebraska will state that they would rather get their income from the marketplace rather than government payments which could occur if all nations removed all barriers of trade and leveled the playing field for U.S. producers.

However, bridging the gap between where we are now and where we want to be in the future will require time and transitional policies. The short-term reality is that we will continue to need income support as revenues decline below the cost of doing business – which is currently the case for many producers raising crops today.

Our ability to compete in global markets will be affected greatly by the outcome of the ongoing Doha round of trade negotiations in the WTO. We believe that the results of the negotiations must be known and taken into account before we begin making changes to the current farm bill.

Any attempt to modify the current program prior to the completion of the Doha round could place U.S. farmers at a serious competitive disadvantage.

There has been a great deal of discussion in farm policy circles about the unintended consequences of the current and past farm bills and how that impacts the next generation of farmers. Clearly, government support has had an impact on land costs and cash rents which is often cited as a factor limiting opportunities for young farmers entering agriculture.

If traditional farm policy is reformed to address these unintended consequences, these reforms will have to move cautiously over a period of time to avoid a major impact on the value of farmland. A majority of farmers' own personal retirement investments are tied up in the value of their land. A sudden decrease in land values would wreak havoc on producers' balance sheets as well as the balance sheets for the entities which provide agricultural financing.

As we look forward to the next farm bill, one issue that we see as a growing problem with the current program is that, too often, our farm policy focus is only on prices. The focus should really be on revenue which takes into account both prices and yields. It is total revenue above costs that really determines a producer's bottom line.

As many Nebraska producers have faced severe drought the last five or so years, weaknesses have shown up with the current farm program. The problem is that it tends to overcompensate when it should not and undercompensates when we need more assistance. Our current system of providing income support for producers originates from a hodgepodge of programs within the farm bill, crop insurance program and ad hoc disaster programs.

To address the issue of supporting revenue rather than prices, maybe consideration should be given to combining the farm program with the crop insurance program to support revenue at a basic level. The Risk Management Agency has expanded a couple of pilot programs called the Adjusted Gross Revenue (AGR) and the Group Risk Income Protection (GRIP) policies that attempt to address revenue needs of a producer rather than just prices. These types of programs may also be more WTO friendly as we deal with rules governing domestic trade distorting subsidies.

Much focus in Nebraska continues to be centered on tighter payments limitations but we think the whole discussion of payment limitations oversimplifies a deeper policy question. Our current farm program system is based on production and maybe consideration should be given to providing assistance to producers rather than production. Again, policy changes addressing this issue will be difficult and a transition to this type of reform should be over a period of time.

Continued examination should be given to enhance society's environmental objectives through the farm bill. Voluntary and incentive based programs have historically worked the best for producers. As more producers and policymakers begin to discuss ideas to move towards more "green payments," a word of caution may be in order on how these payments will be distributed in Nebraska particularly in the flat, irrigated areas that rely heavily on farm program payments at this time.

Finally, we believe rural development which enhances livestock production and other value-added projects should continue to be a key ingredient in the next farm bill.

Thank you again for giving Nebraska Farm Bureau the opportunity to provide some comments on the next farm bill. I would be happy to answer any questions you may have as time allows.

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