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

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Chairman Scott, Ranking Member Thompson, and Members of the House Agriculture Committee, thank you for the invitation and opportunity to testify today.

My name is Chris Edgington. I live and farm in St. Ansgar, Iowa, where multiple generations of my family raise primarily corn and soybeans. I graduated with a Bachelor of Science degree in animal science from Iowa State University.

I currently serve as the president of the National Corn Growers Association (NCGA). Founded in 1957, we are a farmer-led trade association that works with our affiliated state associations to help protect and advance corn growers' interests. The NCGA mission is to create and increase opportunities for corn growers and our vision is to sustainability feed and fuel a growing world.

On behalf of the nearly 40,000 dues-paying corn farmers nationwide and more than 300,000 corn growers who contribute to corn promotion programs in their states, thank you for your public service and dedication to agriculture, rural America, and the farm economy.

This morning, I will summarize key challenges corn growers face, our reflections on commodity programs, and thoughts on development of the next farm bill.

Farm Economy and Challenges Facing Corn Growers

Corn and corn products remain critically important to the U.S. agriculture economy, serving to supply rising domestic needs for food, feed, and energy. In 2021, U.S. growers planted over 93.4 million acres of corn, which produced over 15.1 billion bushels with a value projected at $82.3 billion. Nearly 40% of the corn grown in the U.S. is used for livestock feed and another roughly 40% is used for food and industrial purposes, including ethanol production.

Since the passage of the 2018 Farm Bill, agriculture has faced volatility in the marketplace with periods of low prices and higher prices. In 2020, corn prices fell below $3 during the peak of COVID-19, where we saw significant demand destruction for corn, livestock, and ethanol products. Today's futures and cash prices appear strong, however there are no assurances that commodity prices will continue to trend upwards or stay at their current level. In fact, during the recent U.S. Department of Agriculture (USDA) Outlook Forum, USDA projected that corn prices would decline in 2022 to an average of $5 per bushel. This would represent an 8.3% decline from the average price of $5.45 per bushel in 2021.

While farmers are fairly optimistic regarding potential returns with current market prices, rising input costs are a major concern. Early in February, USDA's Economic Research Service (ERS) forecasted that net farm income for all of agriculture will be $113.7 billion in 2022. These estimates represent a decrease in net farm income of $5.4 billion (4.5 percent) compared to 2021. While income from cash receipts is expected to be strong, ERS highlighted that higher production expenses are expected to counteract their net effects, along with lower direct government payments.

The Purdue University/CME Group Ag Economy Barometer for February 2022 captures the squeeze that producers are feeling on their farms. Last month's results had the second-lowest sentiment reading since July of 2020, which was during the height of the early stages of the pandemic. According to the report, "concerns about rising input costs and ongoing supply chain disruptions contributed to weakness in the current conditions index."

Specifically, fertilizer prices have soared to record levels, and several companies have unfortunately made a bad situation worse for growers by applying for tariffs to be applied to imports of phosphate and nitrogen fertilizers, respectively. NCGA and our state affiliates continue to focus on addressing high input costs, including direct requests that the companies voluntarily withdraw their tariff petitions.

Biofuels

Ethanol production and demand for low carbon fuel provides an important market for corn growers. For the 2021 corn crop, 5.3 billion bushels are expected to be used for ethanol production. This includes more than 1.1 billion bushels of distillers grains co-products returned from ethanol production to animal feeds. Between 2016 and 2021, U.S. corn ending stocks have averaged more than 1.5 billion bushels annually, illustrating availability of additional feedstock to increase renewable fuel production, while continuing to meet and exceed current demands for food, feed, and exports.

Since Congress expanded the Renewable Fuel Standard (RFS) in 2007, farmers have increased corn production, not by bringing additional land into production, but through higher yields that have resulted in more production on less land and with fewer resources. Planted corn acres in 2021, at 93.36 million acres, were just less than planted acres in 2007, the year the RFS was expanded, at 93.5 million acres, yet production is forecast to increase by 15.9 percent for 2021 compared to 2007. Corn production has increased because crop yields have increased from an average of 150.7 bushels per acre in 2007 to 177 bushels per acres in 2021. With the average yield in 1980 at 91 bushels per acre, productivity growth is a long-term trend; domestic corn production has grown steadily at a 25-year average rate of around 2 percent, or 250 million bushels per year.

These yield increases are due to corn farmers adopting conservation and best management practices, along with technology advances. These improvements reduce the carbon intensity of both the corn feedstock and renewable ethanol, while also protecting and enhancing soil and water quality.

Weather Related Disasters
Widespread drought and intense heat impacted much of the corn belt during the 2021 growing season. Unfortunately, those conditions have continued into 2022 for many producers across the country. According to the U.S. Drought Monitor, as of February 22, 2022, approximately 31% of corn production is located in areas experiencing drought. Growers across the plains states and the Southeast are still facing severe and extreme D2 and D3 drought conditions, right as planting season kicks off.

In 2020, growers across Nebraska, Iowa, Illinois, and Indiana suffered major losses due to the devastating derecho. The storm and accompanying damaging winds hit millions of acres of highly productive crop land in August before corn harvest could begin.

Corn production was also heavily impacted in 2019 by wet weather conditions during planting season with flooding and excess moisture across the high plains and throughout the Missouri River Basin. The unusually wet spring prevented many farmers from accessing flooded fields. Nationwide, 2019 set a record with over 19 million acres of cropland reported as prevented from being planted. This included over 11 million acres of corn that were reported as prevented from being planted.

Federal crop insurance plays a significant role in resilience in the wake of natural disasters. According to the Risk Management Agency (RMA) Summary of Business, in 2021, corn growers purchased coverage on over 83 million acres and companion and endorsement policies on an additional 10 million acres nationwide. These risk management policies represent liabilities over $52 billion.

Producers appreciate efforts by the Committee to extend and improve disaster programs for 2020 and 2021 for risks and losses that are uncovered by federal crop insurance. We look forward to USDA's implementation of this assistance this year.

Farm Bill Commodity Programs
NCGA has a long history of advocating for market-orientated farm policies, including commodity and crop insurance programs that help growers manage their risks. Our focus continues to be on accessible and defensible tools geared towards revenue, which factors in both yield and price risks that growers may face throughout the growing and market seasons.

During the 2018 Farm Bill, we supported increasing the opportunities for producers to choose between the commodity programs. In 2019, producers were able to elect between the Agriculture Risk Coverage County (ARC-County), ARC-Individual, and Price Loss Coverage (PLC) programs for the 2019 and 2020 crop years. Producers now have an annual opportunity to change their elections, which started in 2021. Growers are currently working with their Farm Service Agency (FSA) offices ahead of the March 15, 2022, deadline for program elections for the upcoming crop year.

Corn producers have already used this new opportunity to change their elections based on market conditions. According to FSA data, for the 2019 and 2020 crop years, around 75% base acres nationwide for corn were enrolled in PLC, 19% were in ARC-County, and 6% in ARC-Individual. For the 2021 crop year, 51% of corn base acres were enrolled in PLC, 47% in ARC-County, and less than 2% in ARC-Individual.

We support the continued ability for producers to choose between programs, instead of being locked into a five-year irreversible decision. We appreciate that commodity program sign-up periods are now similarly timed with crop insurance decisions.

For the 2020 crop year, the ARC and PLC programs issued a combined $41.3 million in payments to corn growers, including $27.3 million through the ARC-County and $14 million through ARC-Individual. The PLC program did not trigger for corn farmers in 2020. For the 2019 crop year, the programs issued a combined $1.56 billion in assistance for corn growers, including $1.1 billion through PLC, $280 million through ARC-County and $183 million through ARC-Individual.

The design of the programs, combined with the delay in payments until October following the marketing year, results in only two years of payment data to evaluate. However, NCGA appreciates the Committee and USDA's work to provide more transparency to payment components. FSA now regularly publishes key information regarding benchmark prices, yields, revenues, and market average prices for both programs.

While neither commodity program is expected to trigger for many corn producers in 2022, this reflects the counter-cyclic design of the commodity programs. However, if conditions were to change through the growing and marketing seasons and result in a sharp decline in commodity prices along with major yield losses, the commodity programs could provide some level of assistance.

ARC-County and ARC-Individual

NCGA supported the development of the ARC-County and ARC-Individual programs and their continuation. During implementation of the 2014 Farm Bill, producers experienced large differences between payments in similarly situated counties. To minimize future county-by-county differences, in the 2018 Farm Bill we strongly supported shifting the primary source of yield data for the ARC-County program from the National Agricultural Statistical Service (NASS) to aggregated data from RMA. NCGA also supported requiring assistance be determined by physical location of the farm, not administrative counties.

We are thankful for multiple improvements to the ARC-County program including provisions incorporating trend adjusted yields and increasing the transitional yield, i.e., yield plug. Given the nature of a county-based program, growers continue to experience some disparities in payments to producers in different counties, but there is now more confidence in the structure and data that supports the program.

PLC and MALs
The 2018 Farm Bill kept the statutory reference prices for the PLC program and raised loan rates across most commodities. For corn, the PLC reference price is set at $3.70 and the loan rate under the Marketing Assistance Loan (MAL) program was raised from $1.95 to $2.20. The PLC program has historically provided more limited support for our growers than the ARC-County program. However, for the first two years of the 2018 Farm Bill more corn base acres were elected to PLC, reflecting the low-price environment for those years and producers' ability to change elections more frequently.

Given the continued trend of increased corn yields year after year, growers appreciated the option to update PLC yields on a farm and crop basis in 2020. The new effective reference price provision has not yet triggered for corn.

While use of MALs is small among our members, the program remains an accessible commodity program tool for corn growers without base acres. According to FSA, in 2019, there were 13,777 MAL loans issued for 782.8 million bushels of farm stored corn and in 2021 there were only 5,675 loans on 435 million bushels.

Farm Bill Implementation
FSA continues to be a great partner with producers and commodity organizations. Implementation of the current farm bill has been fairly smooth, helped by familiarity of the programs, lengthy sign-up periods, and increased transparency of the program components, as well as USDA fact sheets and additional resources on farmers.gov. We commend the Committee for continued support of web-based decision tools that help facilitate growers' education and evaluation of commodity programs and options.

Overall, the quality of customer service at the county offices can depend on whether there is adequate and experienced staffing. NCGA is supportive of providing resources for implementation and staff training, which makes a positive impact on the roll out of changes to commodity programs. While the COVID-19 pandemic has been difficult for face-to-face interactions with growers, we appreciate agency efforts to provide flexibility with producer sign-ups. USDA deserves credit for continuing to implement and administer commodity and disaster programs.

NCGA encourages the continuation of the Acreage and Crop Reporting Streamlining Initiative (ACRSI) and similar efforts to improve the farmer customer experience and create greater efficiency for multiple USDA agencies. The agencies are already working closer to together and should continue to share common data and best practices.

Opportunities exist to build upon the lessons of the pandemic and to further reduce the reporting burden on producers. USDA can continue to find more ways to use data already submitted to the department or for farmers to submit additional information electronically, which may reduce the number and length of in-person visits to county offices.

NCGA Farm Bill Process
NCGA and our state affiliates are gearing up to provide additional input and farm bill recommendations. Throughout our homework phase and policy development process, we are grounded in our grassroots process. The listening phase with our members has already begun with several state associations holding or planning listening sessions and collecting direct feedback from growers.

We will be data driven in our efforts. NCGA has already commissioned and conducted a nationwide survey of grower members and non-members on the usage and views of risk management tools and conservation programs. Grower led Action Teams continue to hold discussions on programs and have sought out additional analysis that will be helpful in developing future priorities. We look forward to sharing with the Committee the results, lessons, and key findings of this work in the months ahead.

Next week, corn growers will gather in New Orleans at the annual Commodity Classic where growers will propose, debate, and vote on updates to our policies. Later this summer will we gather for a second "Corn Congress" session. We look forward to working with the Committee as NCGA develops more formal policy priorities throughout the year.

Program Evaluation
We understand that complexity of the farm economy and commodity programs require constant education of members of Congress on the importance and structure of the safety net. There will also be important conversations and considerations regarding the ability to accurately explain and defend farm programs to growers, taxpayers, and other interests. NCGA will continue to highlight lessons we have learned from the past, including when some have the mistaken belief that commodity prices will always stay high.

Thank you to Representatives Cheri Bustos and Austin Scott for including corn growers in previous General Farm Commodities and Risk Management Subcommittee round table discussions on farm safety net programs. As the Committee continues oversight of USDA and evaluates the structure of safety net programs, we appreciate additional opportunities to provide feedback. Please do not hesitate to reach out for growers' perspectives at future hearings, listening sessions, roundtables, and farm tours.

In closing, NCGA recognizes the difficult task ahead for the Committee to develop the next farm bill. We understand that there will be continued budget challenges and varied approaches to confronting current issues impacting agriculture. We appreciate your consideration of our views regarding commodity programs and the need for producers to have access to effective risk management tools.