TESTIMONY
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General Farm Commodities and Risk Management Subcommittee
U.S. House of Representatives
Commodity in Focus: Stress in Cotton Country
By
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Introduction

I am Kent Wannamaker a sixth generation producer from Saint Matthews, South Carolina. My farming operation consists of 2500 acres of cotton, peanuts and corn. I have ownership interests in a cotton gin, a peanut buying point and a cottonseed rail handling facility. Currently, I serve as President of Southern Cotton Growers. Southern Cotton Growers, Inc. represent thousands of cotton producers throughout Alabama, Georgia, South Carolina, North Carolina, Florida, and Virginia. Southern is the largest pure cotton producer's organization in the United States in terms of States represented.

I first would like to thank Chairman Crawford, Ranking Member Walz, and Members of the Subcommittee for the opportunity to present these views regarding the state of the U.S. cotton industry.

My state and farm recently endured the wrath of Mother Nature in the form of historic rains and floods. My area received around eleven inches of rain while some areas of the state received 25 inches. Our crop literally started out with a drought and ended with a flood. To compound matters, the rains and floods occurred in October at the beginning of harvest when all the inputs have been put into the crop. The situation in my area is truly dire. We have been working with the insurance companies and the Risk Management Agency (RMA) to make sure appraisals are correct, consistent and handled by knowledgeable appraisers. I recently attended a meeting in South Carolina with RMA Associate Administrator Tim Gannon and appreciate him taking time to come to our state. One of the requests made at the meeting and echoed in a letter to the RMA Administrator from the National Cotton Council has to do with the timing of indemnity payments. Current indemnity procedures require a producer who is accepting an appraisal to destroy the crop prior to receiving their indemnity. I understand the basis for this procedure is to ensure compliance with crop insurance procedures that minimize moral hazard within the program. However, in this special circumstance, many producers will not be able to destroy the crop for many weeks, thus not receiving their indemnity until a much later date. This issue is compounded with the end of the year approaching and many farm and machinery notes coming due. The request to RMA is to allow a producer facing these circumstances the opportunity to pledge to destroy the crop at the earliest date possible or provide documentation at a later date that the crop was destroyed but allow for indemnity payments to be made prior to crop destruction. Getting the indemnity payments due these producers in the timeliest manner is extremely important.

Implications of Unified Payment Limitation
One of the most challenging issues from the 2014 law has been the imposition of the unified payment limit on the marketing loan program. Unlike previous farm bills, this is the first time a single, unified limit has applied to multiple programs – marketing loan program, Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC). This fact, coupled with the direct attribution provisions that were first instituted with the 2008 Farm Bill, has resulted in an extremely complex and challenging task for USDA's Farm Service Agency (FSA) to be able to accurately and timely track the accrual of marketing loan benefits to an individual producer. Since producers can and do market their cotton (and other crops) using multiple marketing channels – marketing cooperatives, private merchants, direct marketing – the complexity of tracking marketing loan benefits through these multiple transactions in a timely manner has proven to be beyond the capability of FSA's current systems.

For producers of multiple crops, the implications of the unified payment limit will be particularly harmful as a portion or all of a producers' payment limit could be used for marketing loan benefits as the crop is marketed throughout the year. In many cases the exact time of loan redemption is out of the producers' control if the commodity is marketed through a cooperative or a private merchant that has the option to redeem the loan commodity at any time. Now that ARC and PLC payments for the 2014 crop have been paid, many producers have found themselves with either no limit left for the payments or only eligible to receive a portion of the payments they are eligible for. In the worst case, a producer receives payments in excess of the limit and is required to repay a portion of the payment to USDA.

NCC has worked closely with FSA over the past year to help facilitate information sharing between FSA and industry marketers in an attempt to develop more accurate and timely tracking of loan benefits. In addition, we continue to be concerned about the long-term impact on marketing decisions as producers see the impact of this unified payment limit. The Fiscal Year 2016 House Agriculture Appropriations bill includes language that directs USDA to operate the marketing loan program as they did prior to the 2008 farm bill beginning with the 2015 crop. This provision allows USDA to issue marketing certificates and will allow the program to function as intending since its implementation nearly 30 years ago. Unfortunately if this provision is not included, it is likely that some cotton will be placed in the marketing loan for the full 9 month term and then be forfeited to USDA, rather than being forward contracted or actively marketed during the year. This practice will lead to cotton being locked in the loan program, disrupting cotton flow to the market and to end users, and leading to potentially greater government costs.

Resistant Weeds
Production costs are always a concern for cotton producers, especially during times when cotton prices are low. Producers struggle to minimize crop inputs but are often forced to allocate additional funds in response to pest pressure from plant diseases, insects and weeds. The cotton industry recognizes the importance of preserving crop protection materials that function differently from each other in the way they control pests. For example, producer's reliance on glyphosate alone created tremendous selection pressure on weeds to single out the few plants, particularly a few palmer amaranth, that contained genetic abilities to survive the glyphosate

applications. This example is not the first time some weeds were selected out of a weed population demonstrating survival of the fittest. Scientists explain that the diversity of the genetics in weed populations is so great that there are likely weeds resistant to herbicides that have not been discovered. The importance of this is to understand that production practices must use multiple herbicide modes of action, which means additional herbicide products rather than just one product. Scientists tell us that this approach will minimize the isolation of resistant plants that then produce offspring of weeds resistant to the single mode of action.

Producers have changed weed control practices in order to combat resistant weeds, but that has dramatically increased the cost of production. Scientists warn that there are few chemistries currently available for weed control and no expectation of new products on the market for many years. Producers recognize we must preserve the materials available, but we must have flexibility to accommodate individual farm needs that differ in geographic location and environmental influence. Regulatory mandates that attempt to identify management practices for all farms will not work – it is not a case of one size fits all. Weed management and resistance management should be emphasized and promoted through educational efforts. Federal agencies should recognize the need for multiple crop protection practices and chemistries in order to achieve a diverse, sustainable production system. Novel, genetic approaches that expand the use of current products which have been safely used for many years should be encouraged. The Environmental Protection Agency (EPA) should be encouraged to understand that low usage of a product should not be interpreted as a lack of need, but that it may fit particular important needs. Additionally, EPA should be encouraged to understand each product removed from use increases reliance on fewer remaining products and decreases resistance management options. EPA should be encouraged to refrain from mandating resistance management practices that reduce producer flexibility and do not consider the needs of different geographic systems. USDA should be encouraged to streamline the regulatory process for transgenic plants in order to expand the opportunities for additional pest control practices. Extension Service experts should be encouraged to provide the scientific educational material related to resistance management that addresses the needs of their respective state. Producers must have educational assistance to determine scientific practices that accomplish the needs of their farm and flexibility in those practices in order to identify cost effective, sustainable production practices.

Pollinators

An additional development that has intensified over the last several years is the challenge to control damaging insect pests with minimum impact on another insect – managed honey bee colonies. The cotton industry recognizes the harsh challenges the beekeeper industry is facing, but is concerned that some groups are misrepresenting the science of multiple factors contributing to honey bee decline in order to focus attention solely on crop protection products. The cotton industry compliments USDA and EPA for their multiple efforts to discuss the research demonstrating multiple factors and urges the agencies to continue their focus on the broad issues rather than isolating the focus on crop protection practices alone. The cotton industry additionally encourages the development of a scientifically reliable measure of the status of managed honey bee colonies. The cotton industry compliments EPA on their recognition that most of the issues of concern at the farm level can be avoided just by having a more clear communication process between crop producers and beekeepers. The cotton industry has urged it's producers to become engaged in these communications and to work with a broad group of stakeholders including extension service, state departments of agriculture, other crop producers, beekeepers, and others involved in the use of crop protection materials to develop local practices and communications plans that work for the needs of the area. Such plans, sometimes identified as state pollinator protection plans, bring together local parties in order to collaboratively identify local needs and local solutions that provide coexistence of all.

The cotton industry is troubled by the recent decision of the Ninth Circuit Court that vacated the registration of a crop protection product because the court did not believe EPA had sufficiently shown no harm to bees, and further notes the court did not consider the benefits of the chemistry as EPA is mandated to do under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) risk-benefit analysis. The cotton industry in concerned the court's decision will alter the registration and registration review process of EPA creating additional costs and delaying timely review of necessary crop protection tools. The cotton industry understands that honey bees are managed property and are often congregated in close proximity to managed crops. This practice is not new, and both industries have coexisted for many years. However, the removal of crop protection products will not allow a continuation of crop production and scientists have stated the removal of pesticides alone will not solve the decline in honey bee health.

The cotton industry is appreciative of the National Strategy that has identified multiple partnerships to address multiple factors causing honey bee decline. The cotton industry is encouraged that the plan seeks to expand beekeepers access to public lands and parks, and seeks to improve public/private partnerships to enhance pollinator habitat. The cotton industry compliments USDA Natural Resource Conservation Service (NRCS) programs to encourage the expansion of pollinator habitats on farms, but urges NRCS to expand the plant selection beyond native plants. Honey bees are not native to the U.S., but were brought here because of the ability to house the bees in boxes that could be managed for pollinating some crops. Therefore, improving honey bee habitat should not be limited to native plants that have limited supply and are costly, but should be broadened to include clovers and other, lower cost plants known to be favored by honey bees. Although it is estimated that one out of every three bites of food involve pollinators, we must remember we cannot sacrifice the other two bites. The cotton industry believes local communication and cooperation between crop producers and beekeepers, along with expanded affordable habitat will provide continued coexistence of the two industries. Additionally, USDA should be encouraged to increase research focus on the control of the multiple pests of honey bees and their hives as well as technology improvements that would provide beekeepers better ability to monitor hive health.

Cottonseed

Others have mentioned the proposal by the National Cotton Council and other cotton organizations that requests that the Secretary designate cottonseed as an 'other oilseed' and be eligible for the ARC and PLC programs, and I want to echo my strong support. As you are aware this proposal would not require any legislative changes nor would it reopen the farm bill. It is a request that the Secretary use the authority given to him in the farm bill to designate 'other oilseeds'. This action is desperately needed to provide stability in the cotton industry and in addition from calls for action within the cotton industry 50 agriculture lenders from the Southeast have contacted the Secretary requesting he take action. In my state we have seen acreage decrease by over 15% in just one year. This is causing a strain on the cotton infrastructure as it is much harder to make a gin or a warehouse cash flow with that type of single year reduction in volume. Cotton farmers have experienced a significant decline in the market since passage of the 2014 farm bill and I believe the economic situation facing the industry warrants the Secretary's approval of this request. As I mentioned earlier, in my state and on my farm, we have experienced a devastating flood this year. Crop insurance was there to help us when we needed it but unfortunately does not mitigate the multi-year price decline. As we all recognize, the Committee and others have worked to strengthen and enhance the role of crop insurance to respond to weather-related disasters since Congressionally approval of ad hoc disaster assistance is no longer seen a politically viable. Yet, crop insurance alone is not equipped to address long-term price declines as currently being experienced in the cotton industry. Therefore, the cottonseed policy is needed to help provide price support for cottonseed. I thank all the Members of this Subcommittee who have signed Chairman Conaway and Ranking Member Peterson's letter to the Secretary in support of this program and I encourage you to contact the Secretary directly as the situation in cotton country is dire.

Conclusion

As you have heard from my testimony and that of others, the US cotton industry is at a critical junction and any assistance from Congress and the Administration is needed to help us weather this economic and regulatory storm. I appreciate the opportunity to testify before this Subcommittee and commend the Chairman and Ranking Member for holding this important hearing to better understand the many issues facing the cotton industry. Thank you for the consideration of my views and am happy to answer questions at the appropriate time.