Written Statement
Dr. Bradley D. Lubben
Extension Associate Professor, Policy Specialist, and
Director, North Central Extension Risk Management Education Center
University of Nebraska-Lincoln

Before the House Agriculture Committee
Subcommittee on General Farm Commodities and Risk Management
June 20, 2019

Chairman Vela, Ranking Member Thompson, and distinguished members of the Committee, I am honored and thankful for the opportunity to appear before you today. The topic for today's hearing on "How Farm Policy Helps Farmers in Adverse Conditions" is certainly timely and relevant. In my role as an Extension policy specialist and as Director of the North Central Extension Risk Management Education Center at the University of Nebraska-Lincoln, I come before you to share information on current agricultural conditions, the portfolio of agricultural policy tools, and the role of risk management education to help producers manage though the current situation.

You have undoubtedly heard and read of the dramatic flooding and storm losses in Nebraska that occurred in March as part of the Bomb Cyclone event. Blizzard conditions hit the western part of the state while substantial rainfall in the eastern half of the state fell on top of a large snowpack sitting on top of saturated, frozen soils, resulting in dramatic runoff and flooding. The storm and resulting flooding sadly resulted in loss of life, loss of livestock, loss of property, and catastrophic damage to farmland and grazing land in the affected areas. While the state and its producers have worked hard to recover in the three months since the storm, we are still tabulating losses that are expected to be in the hundreds of millions of dollars each for crops and livestock in the state. Existing farm commodity programs, crop insurance programs, and standing disaster assistance programs will help fill the void as will the ad hoc disaster assistance recently signed into law. But, they will not completely eliminate the loss nor the financial challenges that producers were facing even before the storm event in March.

Based on the work and estimates of USDA's Economic Research Service released in March, net farm income was projected at $69.4 billion nationally for 2019, up from 2018, but still 44% below the record of $123.4 billion set just six years ago in 2013. The current economic downturn has been compared to the 1980s for reference, and in real terms, national farm income projections have been at multi-year lows not regularly seen since the 1980s, although the recent average is comparable to the late 1990s-early 2000s. In Nebraska, the downturn has been even more dramatic with projected farm income for the state at just $2.4 billion in 2019 based on our own extrapolation of U.S. data to the state level (USDA-ERS estimates at the state level are only available through 2017 at present). That number is up from 2018 as well, but is still off by two-thirds from the $7.4 billion-plus record farm income in 2011 and again in 2013. Like the United States as a whole, real net farm income in Nebraska is at its lowest level since the late 1990s-early 2000s, a period not so coincidentally, when farm income suffered due to lost export market demand and Congress responded with ad hoc emergency assistance.

It should be noted that these farm income projections were made as of early March amid continued trade conflict and uncertainty, but before the storm events and dramatic flooding losses this spring and before the continued wet conditions hampered planting progress to date. The damage in Nebraska was dramatic, although we have witnessed the strong resiliency of Nebraskans with recovery underway. That is thanks in part to relief from standing disaster assistance programs, including a wide portfolio of federal programs authorized in previous legislation and implemented through USDA, particularly the Farm Service Agency. The standing disaster assistance programs have provided a range of needed help, from emergency loans to assistance for repairs of storm and flood damage to partial reimbursement for lost feed and livestock.

Crop insurance programs and particularly prevented-planting coverage have also provided substantial protection for producers facing the challenge of late planting or no ability to plant at all. Unfortunately, there are many areas where prevented planting is widespread, including areas of Nebraska that are still flooded along the Missouri River, but even more so in Iowa and Missouri along with flooding and wet conditions in other parts of the country. Crop insurance plays an important role in providing assurance to these producers in a time of stress and uncertainty. However, there are also many lingering questions about the interaction of crop insurance, planting decisions, and both the agricultural disaster assistance recently passed by Congress and the Administration’s announcement of additional trade assistance for producers.

In a larger context, the federal farm income safety net provides a broad mix of support and protection for producers, including commodity programs, crop (and livestock) insurance, and standing disaster assistance programs as well as any ad hoc assistance programs such as the recent developed agricultural disaster assistance and trade assistance programs.

Commodity programs authorized in successive farm bills provide income support and risk protection for producers of program commodities. Crop producers face a new enrollment decision later this year between Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC) for the 2019 and 2020 crops, but importantly, those programs will not provide any potential financial assistance to producers before October 2020, after the 2019 crop marketing year is complete. Commodity program support to be paid this calendar year comes from the 2018 crop program under the previous farm bill and is expected to be smaller by comparison. On the livestock side, dairy producers are signing up now for a Dairy Margin Coverage (DMC) program that should provide substantial protection from the risk of low milk price-to-feed cost margins. These commodity programs have transitioned greatly since the first farm bill in 1933, from initial price support and supply control programs to income support programs with an increasing emphasis today on managing risk as opposed to directly supporting income.

The increased focus on risk management includes not only the design of commodity programs, but also the increased investments in crop insurance. Dramatic growth in crop insurance availability, tools, coverage, support, and adoption has propelled crop insurance to the point that it is commonly thought of as the foundation of the farm income safety net. This success was a large part the reason that crop disaster assistance was not included when standing disaster assistance programs were permanently authorized and funded in the 2014 Farm Bill. Previous ad hoc efforts to deliver ag disaster programs on an annual or semi-regular basis culminated in the development of multi-year authorization of disaster assistance in the 2008 Farm Bill, including the SUpplemental REvenue (SURE) Assistance Program for crop disaster losses. That authority expired in 2011 and when the 2014 Farm Bill eventually provided both permanent authority and funding for ag disaster assistance, SURE and crop disaster assistance were not included given the broad gains in crop insurance.

While crop disaster assistance was not authorized prospectively in the 2014 Farm Bill, there have been continued calls for crop disaster support since, including the effort to pass what became the 2017 Wildfires and Hurricanes Indemnity Program (WHIP) in the Bipartisan Budget Act of 2018. The current ad hoc agricultural disaster assistance recently passed by Congress adds to the list, providing support for crop losses in 2018 and 2019, including crops in storage and prevented planting losses as well. The ad hoc trade assistance provided in 2018 and announced again by the Administration for 2019 also provides substantial support for producers for lost market opportunities amid the on-going trade conflicts and uncertainty.

With the multiple parts and occasionally competing elements of the farm income safety net, it can be challenging for producers to make sound and informed management and marketing decisions. While commodity programs and insurance programs may be the primary parts of the safety net, the disaster programs and any ad hoc assistance programs can add to the protection, but also the uncertainty. Prevented planting coverage under crop insurance is generally straightforward, even if it is complex. The additional support coming from the agricultural disaster assistance package is beneficial, but also adds some uncertainty to the analysis of trying to plant late into unfavorable conditions versus claiming prevented planting coverage. Add to that the trade assistance package and discussion of potential, limited benefits for prevented planting and the complexity for producer decision-making is compounded.

To support the effective implementation and use of the entire portfolio of farm income safety net policies and programs, it is also important to support risk management education that helps producers make improved decisions. Risk management education has been part of the policy discussion since at least the 1990s and was formally authorized in the Agricultural Risk Protection Act of 2000. I have the privilege of serving as the director of one of the regional centers that has been competitively awarded funding from USDA's National Institute of Food and Agriculture to deliver a competitive grants program in our respective region for producer-focused, results-based agricultural risk management education projects. Across the country, these projects help producers manage the full range of marketing, production, financial, legal, and human risks on their operations. Through more than 1,300 funded projects since 2001, the program has reached hundreds of thousands of producers and helped them achieve risk management results that inform their decisions and change their practices to better position their operation for success.

In conclusion, thank you for the opportunity to discuss current agricultural conditions and the role of policy tools and risk management education to help producers manage though the current situation. I look forward to any questions and comments.