

Testimony of Bart Davis, Doerun, GA
on “Reviewing the State of the Farm Economy”
before the House Agriculture Committee

Subcommittee on General Farm Commodities and Risk Management

May 9, 2019

Washington, DC

Introduction

Good morning Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee. Thank you for holding this hearing and for the opportunity to provide a perspective on the current economic conditions for farmers in southwest Georgia that I believe are reflective of what crop producers across the Southeast are currently experiencing. I especially want to thank Congressman Austin Scott, who represents the district I live and farm in, for the invitation to be here today.

My name is Bart Davis and my family, and I farm in Doerun, Georgia, where I was born and raised. Our family farm began with 500 acres producing cotton, peanuts, wheat, soybeans, hogs, and beef cattle. Today, Davis Family Farms includes my wife Paula, our sons Trey and Jedd, and daughter Lakyn. We farm approximately 3,100 acres of cotton, 1,600 acres of peanuts, 300 acres of corn, along with hay and beef cattle.

We all know and appreciate that agriculture is a highly cyclical business, more so than most other industries, due to the impact of Mother Nature on our productivity and the global commodity markets where we sell our products. It is this cyclical nature of farming that has driven the evolution of farm policy over the decades and the need for Congress to maintain an effective safety net for family farms through the farm bill and crop insurance. I would like to thank you and the other leaders and Members of the House Agriculture Committee for the work done over the past three years to address the immediate policy needs of cotton producers by bringing cotton more fully into the safety net for 2018 under the previous farm bill and then protecting that policy as part of the new farm bill for the next five years.

Economic Conditions

South Georgia is one of the leading regions for both cotton and peanut production. The current price outlook for these commodities is bleak, just as is the case with many major crops including corn, rice, sorghum, soybeans and wheat. The current economic climate in agriculture makes it difficult for crop producers to remain viable and service our debt, much less earn a positive margin. This economic situation is the result of multiple factors that have combined to create almost the perfect storm for crop producers in most parts of the country.

First, commodity prices have generally been flat to trending downward due to multiple factors including the global supply/demand situation, trade policy uncertainties, strong crop yields and large production volumes in other major producing countries. Cotton prices are projected to

decline for the 2019 crop year back to the average level observed for the 2014 through 2017 crops. In addition, cottonseed prices are continuing to decline, averaging less than \$150 per ton in most areas. Lower cottonseed prices reduce revenue for producers, and at these price levels, likely result in out of pocket costs for ginning expenses paid by the grower. Second, most major crop producing regions of the U.S. have been hit with severe natural disasters the past two years – ranging from the hurricanes in the Southeast and south Texas to drought in the Southwest to wildfires in the West and flooding in the Midwest. Third, the trade uncertainty and export market disruptions caused by retaliatory tariffs are stifling exports, which are critically important for most commodities.

Natural Disasters and Disaster Assistance

As you know, portions of Alabama, Florida, Georgia, North and South Carolina were struck by devastating hurricanes and flooding last fall. Hurricane Florence hit the Carolinas followed by Hurricane Michael that hit south Alabama, the Florida panhandle, and my region of Southwest Georgia, which was in the heart of the devastation.

The magnitude of these storms was so severe that we had wind speeds never experienced before as far inland from the coast. The timing of the hurricanes could not have been worse, striking just as most of our crops were ready to harvest and the most exposed to damage and loss. This was especially true for our cotton, which was expected to be one of the best yielding cotton crops in the history of Georgia. The University of Georgia, Georgia Department of Agriculture, National Cotton Council, American Farm Bureau Federation, and others have developed estimates of the crop losses of approximately \$600 million in cotton and cottonseed losses in Georgia alone, plus \$74 million in indirect losses. Across the Southeast region, estimates range between \$700 and \$850 million in cotton and cottonseed losses.

Since the hurricanes struck the Southeast last fall, producers and their lenders across the region have been agonizing over how to move forward with the 2019 crop. While some of last year's crops were salvaged, production was down 40% statewide, and many fields suffered a complete loss. Some of what was salvaged was such poor quality that the cotton could not be ginned, or if it was ginned, the poor lint quality resulted in heavy price discounts. For months my fellow producers and I, along with our lenders, thought Federal disaster assistance would be made available to partially offset the historic losses we experienced. We never anticipated that now, seven months post-hurricanes, we would still be waiting and wondering what will happen.

I am encouraged by the recent reports of progress toward resolving the disagreements that have held up Congressional passage of a disaster bill that can be signed by the President and enacted into law. I am very grateful for the House passing several disaster assistance packages and want to recognize the leadership and support on this issue by both Representative Scott and Chairman Bishop on the Agriculture Appropriations Subcommittee.

Given the uncertainty around an agriculture disaster assistance package, some lenders have not provided operating loans and credit lines to producers to put in a crop this year. Other producers have been forced to seek alternative or more expensive financing options. Producers and lenders were counting on a Federal response, just like we have always seen by Congress any time a

natural disaster of this magnitude has struck any part of our country. On behalf of my fellow producers, our families, and the rural communities across the Southeast where agriculture is the backbone of the local economies, I implore Congress and the Administration to resolve the remaining differences to ensure a disaster bill with agriculture assistance is enacted in the coming days. Otherwise, many producers will likely not be able to remain in business.

Farm Bill and Crop Insurance

The Agriculture Improvement Act of 2018 (2018 Farm Bill) and Federal crop insurance provide a strong foundation for the farm safety net and risk management. The 2018 Farm Bill included important updates and refinements to the policies included in the 2014 Farm Bill. These include an optional yield update beginning in 2020, greater flexibility to select between ARC and PLC coverage during the years covered by the farm bill, enhancements to crop insurance, and greater customization of risk management tools for cotton by selecting between ARC/PLC, STAX, and SCO coverage.

However, these policy tools are not equipped to adequately respond to the losses producers suffer when catastrophic natural disasters hit. Coupled with the lost export markets from the ongoing trade disputes, it is clear that supplemental assistance is needed across the agriculture sector for producers to withstand the economic pressures they are currently facing.

Trade Policies and Negotiations

U.S. agriculture generally, and the cotton industry specifically, are heavily reliant on robust export levels. For cotton, more than 80% of the crop is exported as baled cotton lint and most of the remainder is exported as cotton yarn and other textile products produced by the U.S. textile industry. The industry's top export markets are Vietnam, China, Indonesia, Pakistan, Turkey, and Mexico.

The cotton industry strongly supports Congressional passage of the U.S.-Mexico-Canada Agreement (USMCA). The agreement continues duty free access for U.S. cotton and cotton products and maintains a yarn-forward rule of origin for textile/apparel products. USMCA also includes a specific textile chapter that helps close existing loopholes in the rules of origin while improving customs enforcement to address transshipment of apparel goods that do not qualify for preferential access to the U.S. market.

The current trade dispute with China and the resulting retaliatory tariffs on U.S. cotton and cotton yarn are increasingly harming the U.S. cotton industry and our long-term market share in China. The immediate impact has been roughly a 75% decline in market share in China, while Brazil has quadrupled its market share in the market. This lost market share has reduced overall export sales and shipments, further depressing U.S. cotton prices. While it is important to act to address China's policy abuses and the impacts on our trading relationship, U.S. farmers cannot continue to withstand the economic impact of the trade dispute on our bottom-line. The Market Facilitation Program (MFP) provided by the Administration for cotton and other commodities produced in 2018 has helped partially offset our market losses. However, those of us that

suffered either total or partial crop losses due to last year's natural disasters were not able to fully benefit, or some not at all, from the MFP.

Our industry urgently needs a resolution to the trade uncertainties with China. With prospects for increased production in 2019, U.S. cotton must have improved access and increased market share in China. Otherwise, we are likely to experience further declines in market prices and increased economic pressure on cotton producers. Among agricultural commodities, cotton is unique since the only markets for the crop are in countries where a textile industry exists, so finding and opening new markets is relatively limited for cotton compared to most other commodities that are either food and/or feed crops.

Conclusion

As the agriculture industry continues to struggle with depressed commodity prices; trade disputes, retaliatory tariffs, and lost market share; and crop losses and infrastructure damage from hurricanes and other natural disasters, I believe it is critical for the House Agriculture Committee and other Members in Congress to take action by providing the much-needed assistance that will help producers in the near term withstand the economic downturn occurring in our sector.

While the farm bill and crop insurance continue to serve as the foundation of agriculture's safety net, these policies are not designed to adequately respond to the losses created by historic natural disasters, trade disputes, and punitive tariffs in multiple, top markets critical to U.S. agriculture exports.

Thank you for taking the time to examine the state of the farm economy and to hear directly from producers being impacted across the country. I also want to thank you for being advocates of U.S. agriculture. I would be pleased to respond to any questions.