Statement by Mike Clemens
On behalf of the American Soybean Association, National Barley Growers Association, National Sunflower Association, and U.S. Canola Association
Subcommittee on General Farm Commodities and Risk Management U.S. House of Representatives

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Mr. Chairman and Members of the Committee, thank you for the invitation to testify today. I am a producer from Wimbledon, North Dakota, where we grow sunflowers, soybeans, corn and wheat on our farm, and we have grown canola and barley in past years. I am also Chairman of the National Sunflower Association. Today I am here on behalf of the American Soybean Association (ASA), the National Barley Growers Association (NBGA), the National Sunflower Association (NSA), and the U. S. Canola Association (USCA).

While the immediate concerns of each association vary, as farmers we support a strong, national crop insurance program that ensures that all producers can obtain affordable coverage. I will briefly discuss the major issues for each commodity and ask that my full statement be included in the hearing record.

Sunflowers and Canola
In general, sunflower and canola producers are pleased with RMA's overall response to their needs. Sunflower and canola growers commend RMA for the rapid implementation of the "similar crops" amendment, which was included in the FY2006 Agriculture Appropriations Bill. The amendment gave RMA the legal authority to use similar crops in developing the three years of production history necessary for obtaining a written agreement to insure a crop. We also thank the Members of Congress who supported and worked to make this change to the underlying crop insurance statute, including Chairman Moran and other members of this Committee. As a result of this work, we expect producers outside the traditional growing areas for these crops will have the ability to diversify crop rotations on their farms. This will result in acreage increases for the minor oilseed crops.

However, we do have some further concerns regarding the crop insurance program. Sunflower growers believe that the formula used to determine the Revenue Assurance (RA) price election for sunflowers needs to be restructured for it to be a useable program. Traditionally, the RA price election has been determined based upon the Chicago soybean oil futures contract; by dividing the October CBOT soyoil futures price by two and subtracting one. However, sunflower prices have largely divorced themselves from this traditional formula. While RMA has taken this new relationship between soyoil and sunflower prices into account when developing Actual Price History (APH) price elections for oil sunflowers, they have yet to revise the RA formula. Canola growers are concerned with the method used to set the APH price election for canola. Currently, RMA uses the USDA projected canola price, i.e. the season average expected price for both winter and spring canola, because NASS does not distinguish between fall and spring planted canola. And because the earliest sales closing date for fall seeded canola is August 31st, the price election by law must be announced by June 30th, or almost a year prior to the time-frame spring canola is planted, which currently comprises over 95 percent of the canola crop.

This time lag has led to canola APH price elections that have radically departed from other spring seeded oilseed crops, as well as the market price. RMA has stated in the past that they are developing a product that would address these concerns by providing all canola growing regions with yield or revenue coverage that recognizes three different price discovery periods to match the respective available sales closing dates now in place. RMA predicted that this new product would be available for either the 2006 or 2007 crop, but it has yet to be put in place, to our knowledge.

Canola growers are also concerned about the wide variance minor oilseed APH price elections have had in recent years. Notably, canola has a $9.65 per cwt. for the 2006 crop year (the RA price is $10.90 per cwt.), while flaxseed was set a $13.00 per cwt. price election. Oil sunflowers are at $11.75 per cwt. While current new crop market bids for all minor oilseeds are close to the minor oilseed loan rate of $9.30 per cwt, canola and sunflowers contracts have been available at higher levels. However, new crop flax bids have not exceeded the loan rate. In the future, we urge RMA to more carefully monitor new crop price opportunities for these minor oilseeds, while limiting the variance between price elections as much as possible.

Barley

Barley growers believe that currently available crop insurance policies offer only limited risk protection for barley producers, which has been a contributing factor in the sharp decline in U.S. barley acreage during the past 20 years – down 73% from 11.9 million acres in 1986 to less than 3.3 million in 2005. Malt barley producers are particularly concerned with the lack of effective risk protection for their high value specialty crop, which comprises about 60% of the U.S. barley market. We see a wide gap in crop insurance coverage for malt barley, primarily because quality standards are different between the insurance policies and end user standards. This is particularly so in North Dakota and Minnesota where we have been plagued by Fusarium Head Blight, a fungal disease that results in the accumulation of DON in the barley seed and lowers the quality of crop. Many growers, including myself, have stopped planting barley entirely because of this. We need these contradictions in quality standards between crop insurance coverage and the marketplace removed. We also urge the RMA to work with us to approve a DON rider to specifically insure our growers against this disease peril.

Soybeans

The American Soybean Association strongly supported RMA's decision to fund the soybean rust surveillance and reporting system. The sentinel plots and on-line, real-time data system are a proven success in helping farmers understand where soybean rust has been confirmed and making decisions about if and when to apply fungicides. USDA's Economic Research Service confirms that this system saved farmers millions of dollars from applying unnecessary fungicides and that the value of the information in 2005 likely exceeds the $2.4 million that RMA provided to develop it.

Soybean farmers remain committed to the surveillance and reporting system and have provided significant funding through their check-off dollars to set up hundreds of sentinel plots, in addition to those funded by RMA. In 2005, state and national checkoffs spent $389,000 to set up 400 sentinel plots. In 2006, they are spending $368,000 on 165 sentinel plots, with more money spent per plot than in 2005.

The ability of the Federal crop insurance program to cover losses due to soybean rust has concerned ASA. RMA Administrator Gould previously reported to this Subcommittee that, to date, no 2005 crop insurance claims have been submitted that list soybean rust as a primary or secondary cause of loss. Anxiety about how RMA will handle rust seems to have lessened this spring as growers made decisions about buying policies for 2006. Nevertheless, the ability of the program to cover widespread losses due to soybean rust remains untested.

The American Soybean Association strongly believes that losses due to soybean rust should and must be covered through the crop insurance program. The policy clearly states that soybean rust, as a disease, is an insurable peril.

An issue that unites all farmers is concern about multiple years of loss that lead to declining actual production history (APH). The grower is then faced with the double-whammy of lower crop insurance guarantees and higher premium costs. ASA supports the Agency's efforts to solve this national problem through changes in the existing policy or the establishment of new policies.

Again, thank you for the opportunity to provide this testimony. We appreciate the Subcommittee's attention to the continued success of the crop insurance program.

Mike Clemens
Chairman, National Sunflower Association