Testimony of
Rob Larew, President

Submitted to the
U.S. Senate Committee on Agriculture, Nutrition, and Forestry

Subcommittee on Commodities, Risk Management, and Trade

“Commodity Programs, Credit, and Crop Insurance – Part 1: Producer Perspectives on the Farm Safety Net”

May 2, 2023
106 Dirksen Senate Office Building
Washington, DC
Good morning, Chairwoman Smith, Ranking Member Hyde-Smith, and members of the Senate Subcommittee on Commodities, Risk Management and Trade. Thank you for the invitation to testify before this subcommittee and for the opportunity to provide testimony from National Farmers Union (NFU). Founded in 1902, NFU is a grassroots organization that advocates on behalf of family farmers, ranchers, and their communities. There are more than 220,000 Farmers Union members nationwide, and our operations range widely in size, type, and production method.

This Committee has an opportunity and the responsibility to make meaningful and lasting reforms in the 2023 Farm Bill. Family farmers and ranchers face many emerging challenges which have affected our farming operations since the passage of the 2018 Farm Bill. These include natural disasters made more severe and frequent due to climate change, serious threats to our food security stemming from a global pandemic and a food system that lacks resilience, and a volatile market roiled by geopolitical conflict. These threats can and should be directly confronted by policymakers in the next farm bill.

Farmers Union members from around the country met in March 2023 at our 121st national convention. Through a grassroots policy development process, delegates at the NFU convention adopted policy on a wide range of topics and identified three special orders of business: “Family Farming and the 2023 Farm Bill,” “Family Farming and Dairy Policy Reform,” and “Fairness for Farmers.” Drawn from these priorities, NFU’s policy views on the next farm bill center on enacting an effective farm safety net, bolstering diverse income streams for family farmers and ranchers and our communities, and ensuring a competitive and resilient food system.

The Farm Safety Net

The farm economy is cyclical, and commodity price and input cost volatility are among the chief reasons that family farmers and ranchers are forced out of business. Farm bills should be written with tough times in mind so that programs serve as a safety net. Farm programs work best when they are forward-looking, and we need a farm bill that takes stock of the current farm economy while also anticipating future needs.

The last farm bill was evolutionary, not revolutionary. Important changes were made to existing safety net programs, like Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC), marketing loans, and crop insurance, but adjustments were mostly minor and technical. The commodities and crop insurance titles of the 2018 Farm Bill have largely functioned as designed. However, since 2018, there have been many challenges. Farmers experienced a period of low commodity prices and a rapidly deteriorating export market due to a unilateral trade war with China. In the following years, the Covid-19 pandemic and the Russian invasion of Ukraine further upended markets and disrupted supply chains. The resulting reverberations throughout the economy, especially with supply chain disruptions for inputs like nitrogen,
potash, and phosphorus, led to unusually high levels of price volatility across the agriculture sector.\(^1\) \(^2\)

In addition to reacting to changes in the farm economy, this Committee and other lawmakers should prepare for an expected downturn in the farm economy. The latest farm income projection from the U.S. Department of Agriculture (USDA) predicts a 20.7 percent decline in net farm income for 2023 as compared to 2022.\(^3\) Additionally, farmers and ranchers on average receive only 14.3 cents of every dollar that consumers spend on food. Corporate concentration in agriculture and food supply chains have created uncompetitive agricultural markets that drive down the farmer’s share of the retail food dollar while also raising costs for inputs. While we must take steps to address these conditions that lead to depressed prices for farmers, we should also recognize the vital importance of the farm bill to support the viability of family farmers and ranchers.

There have been significant changes to the farm economy since passage of the 2018 Farm Bill. Family farmers and ranchers are counting on Congress to make the corresponding corrections and adjustments to make the farm safety net stronger. With an eye toward building a more resilient farm and food system, there are a series of important and helpful alterations that should be made to commodity and crop insurance programs.

NFU was among the more than 400 organizations that sent a letter to the House and Senate budget committees in support of ensuring that the agriculture committees have sufficient resources to write the 2023 Farm Bill. A significant portion of the assistance directed toward farmers and ranchers over the last five years came through ad hoc programs and is not reflected in the farm bill baseline. Programs like the Market Facilitation Program, Coronavirus Food Assistance Program, Wildfires and Hurricanes Indemnity Program-Plus, and Emergency Relief Program were badly needed. However, ad hoc programs provide uncertain and inconsistent relief. The next farm bill should allocate additional funding for a farm safety net that sufficiently protects farmers from severe market disruptions and extreme weather events.

Supply chain disruptions and global inflationary trends have significantly increased farmers’ cost of production. High input costs increase a farmer’s breakeven price for a given crop. It is imperative that farm safety net programs reflect that breakeven price. We urge Congress to increase marketing loan rates and other price-based triggers, such as those in ARC and PLC, to reflect higher costs of production.

---


NFU is an active participant in the Crop Insurance Coalition, and we believe that the risk protection provided by public-private partnership of today’s crop insurance sector is cost-effective and timely. The next farm bill should ensure that crop insurance products are even more accessible for specialty crop producers and for those with diverse and innovative production systems. Farmers Union members see promise in the Whole Farm Revenue Protection (WFRP) insurance product, as its flexibility and reach could be of great assistance to many diversified farmers. However, the recordkeeping and planning requirements for WFRP are often overly burdensome and make it difficult for small and very diversified farms to participate. We hope the next farm bill will remove these barriers and will expand the use and adoption of WFRP.

NFU supports innovations such as providing crop insurance discounts to farmers for planting cover crops or using other conservation practices that increase resiliency and decrease risk. The next farm bill could extend the Pandemic Cover Crop program and pilot similar programs for other practices. Farmers should be appropriately incentivized and rewarded for taking steps to reduce risk in their operations.

Farmers Union members support the authorization of a program that incentivizes farmers to voluntarily remove marginal or environmentally sensitive agricultural land from production on an annual basis in exchange for crop insurance protections. The 2018 Farm Bill created the Soil Health and Income Protection Program (SHIPP) pilot program as a subprogram pilot under the Conservation Reserve Program (CRP), which could serve as a template for an effort for a more permanent program through the next farm bill. SHIPP offers farmers a short-term, flexible land idling option. ⁴ We encourage the Committee to authorize a more permanent CRP option and to explore ways to give farmers more flexibility to leverage SHIPP for both soil health concerns and low commodity prices.

We support providing farm program participants with the option to enroll in both ARC and PLC which would protect against losses due to declines in price as well as revenue. This dual enrollment option would simplify the process for farmers and would remove a great deal of the uncertainty from the annual ARC/PLC election. Furthermore, Farmers Union members support a voluntary update to base acres. This option was last made available in 2014, ⁵ and we believe that farm owners should be provided the chance to adjust their program acres in accordance with their actual plantings in recent years.

An additional concern about the ARC/PLC program is the delay between the end of the crop year and the delivery of farm program assistance. For many farmers, more than a year can pass before these payments are made, which adds stress to an already difficult financial situation. We encourage Congress to consider advance payments for ARC/PLC similar to those provided under the previous Counter-cyclical Payment Program.

As previously noted, the series of ad hoc disaster programs in the last several years comprised a large portion of the recent farm safety net. The performance of all these programs will be instructive for lawmakers when considering changes or additions to the existing emergency programs. USDA was required to implement this assistance programs very quickly and with limited personnel, which sometime hampered their effectiveness. Farmers Union members call for more resources to be dedicated to hiring, retaining, and training quality staff for USDA field offices. Disaster programs must also be written with appropriate eligibility and payment caps, provisions that incentivize the use of sustainable and climate-smart farming practices, and with safeguard to avoid practices that would undermine crop insurance.

Dairy farmers have experienced boom and bust price cycles for decades. Since 2003, the number of U.S. dairy farms has decreased by 60 percent – or more than 42,000 farms – due to low margins for milk production. These volatile cycles are triggered by an imbalance between supply and demand. When milk prices are high, dairy farmers respond by increasing production to meet the demand. But when prices are low, dairy farmers also respond by increasing production, which floods the market and drives prices down further. The substantial price swings that result make it difficult to manage a business and plan for the future.

To reduce dairy farm closures and improve the outlook for US dairy farmers, NFU supports the inclusion of the Dairy Revitalization Plan, a growth management strategy that coordinates milk production growth among all dairy producers to stabilize prices. This program would increase farmer profitability by elevating milk prices, preventing overproduction, and reducing milk price volatility. It would also facilitate beginning farmer entry, reduce government expenditures, respond to global market conditions, have national and mandatory participation, allow for planned growth when the market can accept additional milk, prevent production base from acquiring value, and invite meaningful farmer input in development, implementation, and governance. Additionally, it would include changes to the Class I pricing formula to revert to the higher value of Class III or Class IV.

According to a recent study, had the Dairy Revitalization Plan been enacted in the last farm bill, milk prices would have been higher by an average of $1.41/cwt. between 2014 and 2021. The degree of variation in prices above or below the average milk price would have been reduced

---


by approximately 50 percent during the study period. Income was higher for farms that stayed within allowable growth across all levels of production.9

NFU supports continued prioritization for projects benefiting beginning, veteran, and socially disadvantaged farmers and ranchers and supports expanding new entrepreneurial opportunities within the Rural Development grants and loans programs. The average age of farmers continues to increase, and a majority of the nation’s farmland is changing hands due to the aging farmer population. Programs must be enacted and funded to address the unique barriers that face beginning farmers and ranchers, with special emphasis on returning military veterans, and ensure that they have a chance to sustain a viable livelihood through farming or ranching. Congress should support the Young Farmer Success Act, a bill that could incentivize young people to enter agricultural professions by making them eligible for the Public Service Loan Forgiveness program.

Many veterans must face service-related disabilities and transitional issues soon after ending their military service. In recent years, there has been a movement to help veterans become farmers and many efforts are underway to provide them with agricultural education opportunities. The GI Bill – which helps veterans pay for college, graduate school, or other training programs – is meant to help veterans with this transition, but veterans who make use of their GI Bill benefits can lose years of eligibility for USDA veterans’ programs. After receiving priority access to USDA programs through the 2014 Farm Bill, the 2018 Farm Bill included a five-year sunset clause to the USDA definition regarding veteran access for Farm Service Agency, Natural Resources Conservation Service, and Risk Management Agency programs. To better address this problem, NFU supports allowing veteran farmers to exclude certain years from their beginning farmer status if they were serving in full-time active duty in the military and while they are enrolled a post-secondary education program.

There are various causes of stress among farmers and their families, including volatility in the farm economy, the financial risk involved in agriculture, weather unpredictability, and the changing climate. NFU has joined with the American Farm Bureau Federation, Farm Credit, and Michigan State University to offer stress training courses to our members and neighbors,10 and is continuing to work collaboratively with these partners to provide other resources. On the legislative front, NFU supports the Farm and Ranch Stress Assistance Network (FRSAN) as a key federal program that helps address the mental and behavior health challenges facing our communities. The 2023 Farm Bill should reauthorize FRSAN and make sure it receives additional resources to meet the ongoing and increasing need. FRSAN funds regional service provider networks that connect individuals engaged in farming, ranching, and other agriculture-related occupations to stress assistance programs. Services provided or coordinated through FRSAN


include telephone hotlines and websites, farm stress training programs and workshops, support groups, and outreach services. As more than 60 percent of rural Americans live in areas with mental health professional shortages, FRSAN is essential for serving populations where the need is great, and resources are limited.

**Diversified Marketing Opportunities for Rural America**

We know that federal investments in agricultural programs through the farm bill, along with infrastructure improvements, are an important part of ensuring the long-term viability of rural economies. We support revitalizing local and regional food and energy systems, increasing wealth and asset-building in rural communities and encouraging entrepreneurship, innovation, and diversification in farming and ranching. We also know that farmers and ranchers are already playing an important part in combating climate change, and economic considerations should further incentivize these actions.

**Climate-Smart Commodities**

Climate change is affecting our farms and ranches. Farmers Union members tell us they want more tools and assistance to make their farms more resilient in the face of a changing climate, and they also want to implement practices that will help them be part of the solution. We support approaches that are voluntary, incentive-based, and rooted in science. No matter what, the practices we implement to address climate change must support the viability of our operations, because we cannot advance climate-smart agriculture if we are out of business. We strongly support farm bill conservation programs, and we hope to see a farm bill conservation title that increases mandatory conservation program spending to support programs that are historically oversubscribed and underfunded. Nevertheless, more is needed to support farmers and ranchers and to tackle the climate crisis.

USDA’s Partnerships for Climate-Smart Commodities is an innovative initiative that can create new market opportunities for farmers, ranchers, and foresters, while tackling climate change. The initiative will provide technical and financial assistance to producers to implement climate-smart production practices on a voluntary basis on working lands; pilot innovative and cost-effective methods for quantification, monitoring, reporting and verification of greenhouse gas benefits; and develop new markets for the resulting climate-smart commodities. NFU, along with members of the Food and Agriculture Climate Alliance (FACA), advocated for the pilot projects created by this initiative, and we are excited to see some of them underway this year.

---

13 Food and Agriculture Climate Alliance. [https://agclimatealliance.com/](https://agclimatealliance.com/).
USDA expects this initiative will expand markets and create new revenue streams for farmers, reach more than 25 million acres of working land over the next five years across the U.S. in a multitude of production systems, sequester 60 million metric tons of carbon dioxide equivalents over the life of the projects, involve nearly 100 universities (of which 30 are minority serving institutions), and leverage, on average, 50 percent of the federal investment with non-federal funds.15

If done right, USDA’s Partnerships for Climate-Smart Commodities will be a win-win for farmers’ bottom lines and our environment.

**Biofuels**

NFU is a strong supporter of biofuels. Farmers have a long history of innovation to meet the needs of the country, including expanding production into additional markets. The biofuels and renewable energy markets provide farmers with incentives to continue to work toward sustainable farming practices and to implement climate mitigation measures. Farmers should continue to be supported in these efforts through projects assisting the biofuels industry and promoting access to those markets, as well as supporting projects that reduce the carbon footprint on their farms, mitigate the effects of climate change, and innovate agricultural practices.

The growth of the biofuels market, through use of higher ethanol blends will provide significant benefits to the rural community and beyond, including substantial reductions in greenhouse gas emissions. Ethanol blends also reduce emissions of carbon monoxide, particulate matter, and air toxics compared to burning petroleum gasoline. NFU strongly supports programs that support and grow the use of biofuels.

**Local Infrastructure**

Better infrastructure and greater investment in regional food systems are needed to continue building a more resilient food supply chain in our county. USDA has invested $1.7 billion since the beginning of the Biden-Harris Administration through the ReConnect Program that provides grants for broadband deployment. The roll out of high-speed internet is ongoing and NFU supports its continuation so that family farmers and ranchers may use up-to-date technologies and communicate in real time to sell their products and remain competitive.

Local and regional marketplaces, with their shorter supply chains, can help farmers capture a larger share of the retail food dollar and provide consumers with access to fresh, healthy produce. Value-added activities are important for rural economic development and farm income. Programs like the Local Agriculture Market Program (LAMP), an umbrella program for the Farmers Market and Local Food Promotion Programs have proved vital during the pandemic and especially during the recent supply chain disruptions.

---

To improve access to these growing markets, Congress should pass the Local Farms and Food Act, introduced by Senators Sherrod Brown (D-OH), Tina Smith (D-MN), Peter Welch (D-VT), and John Fetterman (D-PA). The bill makes changes to LAMP, the Gus Schumacher Nutrition Incentive Program, and the Senior Farmers Market Nutrition Program that will increase program access to underserved areas and among small producers. Investments would also strengthen local and regional food systems infrastructure and promote local economic development in both rural and urban communities.

**Fairness for Farmers**

In 2021, NFU launched the Fairness for Farmers campaign, which is an effort to shed light upon the devastating impact that monopolies and near-monopolies have on family farmers and ranchers. The campaign calls for legislative action including diversifying marketing opportunities, improving price discovery and transparency, antitrust enforcement, and reforming the Packers and Stockyards Act (PSA). Many of these priorities could be addressed through the inclusion of a competition title in the 2023 Farm Bill.

Very few firms control the market for farm inputs (such as seeds, crop protection, fertilizer, and equipment manufacturing), processing (including livestock slaughter and processing), food manufacturing, wholesale distribution, food service, and grocery retail. Farmers and consumers are on either end of this consolidated supply chain and are comparatively numerous and decentralized. The small set of large, consolidated firms in the middle of the supply chain wield immense market power over farmers and consumers.¹⁶

The trend toward greater consolidation of the farm and food system has been ongoing. The four-firm concentration ratio (CR4), which specifies the market share for the top four firms in an industry and is a commonly used metric for illustrating market concentration, has risen precipitously among meatpackers and poultry processors. From 1977 to 2019, the CR4 for beef packers that slaughter steers and heifers rose from 25 to 85 percent.¹⁷ ¹⁸ For pork, the increase in CR4 from 1976 to 2019 was 33 to 67 percent.¹⁹ For broiler chickens, the CR4 increase from 34

---


percent in 1986 to 53 percent in 2019,\textsuperscript{20} and as the level of national-level industry consolidation may be lower for broilers, concentration is often much higher in localized markets.\textsuperscript{21}

Increasing consolidation and declining competition pervades other sectors as well. As of 2015, the top four firms for corn and soybean seeds controlled 85 percent and 76 percent of the market, respectively; this compares to 59 percent for corn seed in 1975, and 42 percent for soybean seed in 1988.\textsuperscript{22,23} Four firms account for approximately 84 percent of the global herbicide and pesticide market,\textsuperscript{24} and just two companies manufacture about half of the tractors and other essential farm machinery used by farmers.\textsuperscript{25} Market share in retail grocery is also heavily consolidated, with the top four retailers controlling approximately 65 percent of sales in 2018.\textsuperscript{26} As corporate consolidation in our food system has marched steadily forward, farmers have watched as their choices decline and their market power falter.

**Packers and Stockyards Act Enforcement**

The PSA became law in 1921 to protect livestock and poultry producers from unfair, deceptive, and monopolistic practices in the marketplace. But the law has not kept up with changes in the livestock industry, which has seen rampant consolidation, reduced market transparency, and the rise of unfair contract terms for farmers and ranchers. Rulemaking is underway at USDA to better enforce the PSA, which will provide additional protections for producers in livestock and poultry markets, clarify what conduct or actions by meatpackers violate the PSA, and require poultry companies to be more transparent in their contracting practices.

Updating the PSA is essential, but the statute and rules must be complemented by adequate enforcement. Congress should pass the bipartisan Meat and Poultry Special Investigator Act (S.346), introduced by Senators Tester (D-MT), Grassley (R-IA), and Rounds (R-SD). The bill would establish an independent office at USDA – the “Office of the Special Investigator for Competition Matters” – to enforce the PSA and prevent abuses by meatpackers.

**Cattle Market Reforms**


\textsuperscript{25} Ibid.

In the last 15 years, the level of cash or “spot market” trades in the cattle market has declined dramatically in favor of “Alternative Marketing Agreements” (AMAs). Congress passed legislation in 1999 to address concerns about AMAs and high levels of concentration in meatpacking, which resulted in livestock mandatory price reporting (LMR) for most transactions. LMR has helped with price discovery, but the erosion of the cash market for cattle is undermining its benefits. The cash market serves as the basis for pricing through AMAs and the thinly traded cash market is susceptible to manipulation by packers. Preserving a robust cash market is essential for true price discovery. Reduced market transparency is also an issue because the packers’ control of the market gives them significantly more information than cattle producers. LMR helps to ensure all market participants have access to some basic information, but more transparency is needed.

The Cattle Price Discovery and Transparency Act of 2023 (S. 228), led by Senators Deb Fischer (R-NE), Jon Tester (D-MT), and Chuck Grassley (R-IA), includes several provisions to address these issues. The bill would establish regional minimums for cash trades, as set by USDA through a public process, to improve price discovery in cattle markets. It would require 14-day slaughter reporting, expedited reporting of carcass weight and cutout yield data, which will give producers insight into the market and leverage when negotiating prices. It will also enact a permanent cattle contract library to afford greater insight into AMAs used in the market.

**Product Labeling**

NFU supports reinstating mandatory country of origin (COOL) labeling for beef. Clear and accurate food labels are an important tool that helps consumers make informed decisions and allows farmers and ranchers to differentiate their products and promote a fairer, more competitive market. We need conspicuous, mandatory, and uniform labeling for food products throughout the processing chain and reauthorization and full implementation of mandatory COOL for agricultural, aquaculture, and wild-caught seafood products.

Congress should pass the American Beef Labeling Act (S.52), introduced by Senators Tester (D-MT), Thune (R-SD), Booker (D-NJ). The bill would reinstate mandatory COOL labeling for beef sold in grocery stores by inserting “beef” and “ground beef” back into the existing 2002 law, which continues to require COOL for other foods, such as lamb, chicken, fish, nuts, fruits, and vegetables. This legislation would promote a fairer, more competitive market for America’s cattle farmers and ranchers and quality family-sustaining jobs for meat processing workers. A consolidated and uncompetitive beef packing industry is exploiting consumers, workers, and ranchers alike and American consumers deserve the right to choose.

In March of 2023, the U.S. Department of Agriculture (USDA) released a proposed rule with new regulatory requirements to better align the voluntary “Product of USA” label claim with consumer understanding. Under current voluntary labeling rules, meat can be designated a “Product of USA” if it is processed domestically, but born, raised, and/or slaughtered in another country. This misleading claim puts domestic producers at a competitive disadvantage while preventing consumers from making fully informed decisions about the products they buy.
While truthful and accurate voluntary labels are important to producers and helpful for consumers, they are not a replacement or substitute for COOL.

**Competition Research**
We know that corporate monopolies dominate agricultural markets, disadvantaging farmers, ranchers, consumers, and our communities. We also know many solutions we need right now: better enforcement of our competition and antitrust laws, updates to these laws that reflect the structure of our markets and economy, greater transparency and price discovery in commodity markets, and accurate and transparent labeling. But we can do an even better crafting solutions if we have more information. Congress should support the bipartisan Livestock Consolidation Research Act of 2023, introduced by Senators Smith (D-MN) and Grassley (R-IA). This legislation recognizes that we have a patchwork of data and research on consolidation in the livestock industry. Their bill directs the USDA Economic Research Service to comprehensively study the impact of corporate consolidation in the livestock industry on farmers, ranchers, and consumers to form a stronger base for future policy solutions. NFU would like to see this concept extended to all aspects of food and agriculture markets and supply chains.

**Conclusion**

Farmers Union members are committed to helping this subcommittee write the strongest 2023 Farm Bill possible. While this testimony centers on provisions related to family farm viability, NFU has policy positions related to the other titles of the farm bill, ranging from research to trade to energy to credit. We support a strong nutrition title that provides assistance to millions of food insecure Americans, and are mindful that nutrition programs can also help to spur the growth of new and diversified marketing opportunities in production agriculture. Most of all, we know that a farm bill coalition gains strength by bringing in additional allies and supporters, and that a farm bill coalition becomes weaker when it is divided.

NFU policy states, “our spirit of cooperation must continue to grow and not have limits. Our challenge is to take this knowledge and spirit and incorporate it into meaningful policy through legislation on local, state, and national levels.” By working together, we can ensure that family farmers and ranchers and everyone involved in agriculture has a farm bill that protects our food security and our economy. Thank you for the opportunity to provide this testimony. NFU stands ready to continue to work with the subcommittee to address these issues and would be happy to answer any questions.