

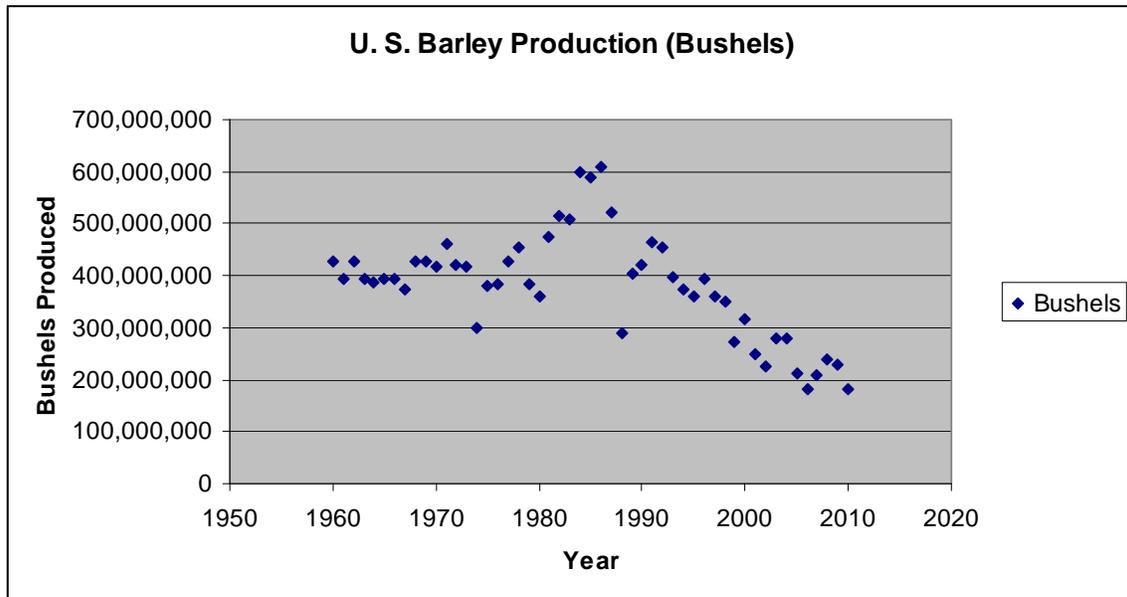
**North Dakota Barley Council  
Farm Bill Field Hearing Testimony  
Monday, October 11, 2010  
Mohall, North Dakota**

**Overview**

The following testimony is presented by Steven Edwardson, Executive Administrator, North Dakota Barley Council. The testimony, which is focused on stabilizing barley production, is divided into three components: 1) barley trends; 2) farm policy impact on barley; and 3) barley risk management via improved crop insurance programs. This testimony is in a point outline format, thus providing specific facts regarding the current status and future direction of barley as a crop enterprise.

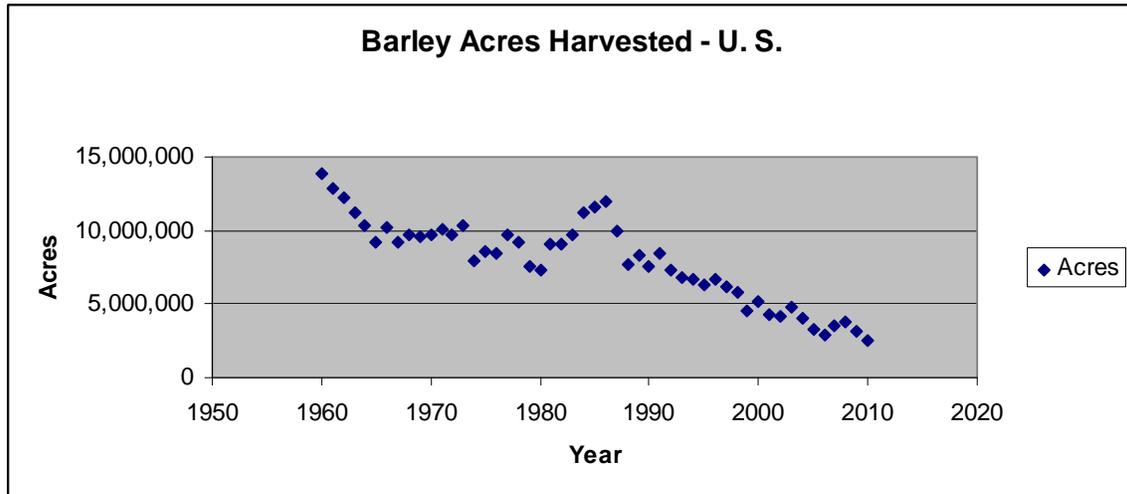
**Barley Trends**

- North Dakota is the largest producer of barley in the United States, accounting for approximately 35% of national production (source: USDA-NASS).
- Nationally, barley production has been trending downward, as evidenced in the following chart (source: USDA-NASS).

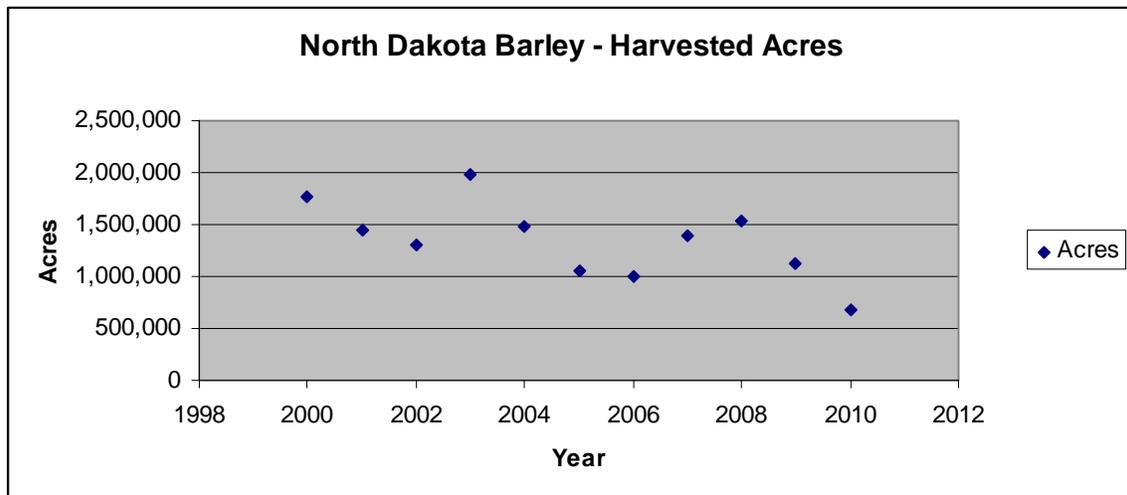


- Since the mid 1980's, barley production has fallen from approximately 600 million bushels to approximately 200 million bushels (a decrease of approximately 65%).

- The number of acres of barley harvested in the U. S. has fallen dramatically as well, from approximately 11.4 million acres in the mid 1980's to approximately 2.4 million acres in 2010. This is a decrease of approximately 75% (chart data source: USDA – NASS).



- North Dakota barley acres have followed a similar trend, as evidenced in the following table (source: USDA – NASS).



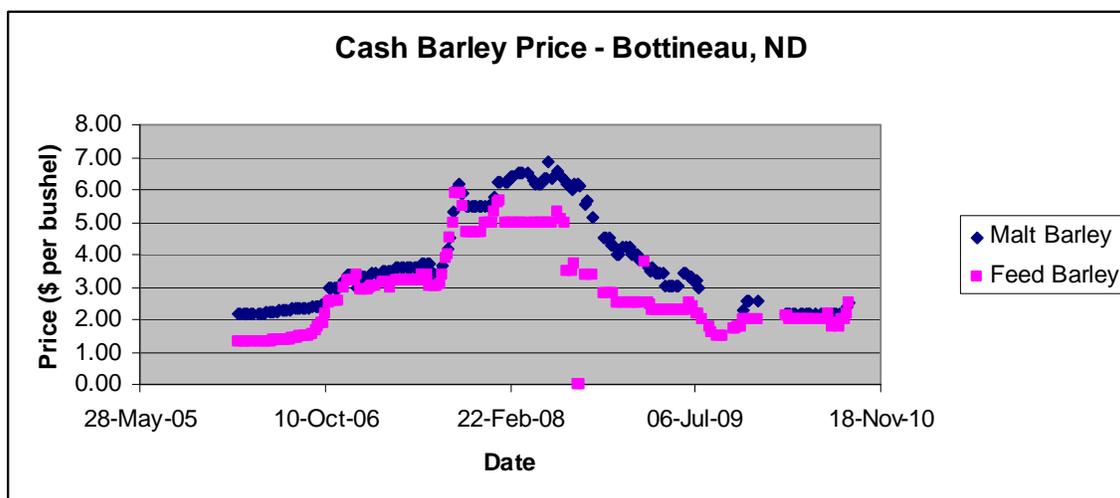
- North Dakota barley acres have exhibited more volatility in recent years due to a number of factors, such as: 1) more focus on achieving malt quality; 2) less utilization of feed barley due to increased use of corn; 3) competition in global markets (namely Japan) for feed barley exports. In general, acres devoted to barley have been trending downward.

- Production trends for North Dakota barley are also exhibiting volatility, but in general are trending downward. Barley production in North Dakota has decreased approximately 50% since 2008, as evidenced in the following table (source: USDA – NASS).

PRODUCTION TRENDS FOR NORTH DAKOTA BARLEY  
Source: USDA - NASS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Yield</b>											
--Bushels per acre	55	55	45	60	62	54	49	56	56	70	65
--Kilograms per hectare	2,956	2,956	2,419	3,225	3,333	2,903	2,634	3,010	3,010	3,763	3,494
<b>Area Planted</b>											
--Acres	1,900,000	1,500,000	1,600,000	2,050,000	1,600,000	1,200,000	1,100,000	1,470,000	1,650,000	1,210,000	720,000
--Hectares	769,500	607,500	648,000	830,250	648,000	486,000	445,500	595,350	668,250	490,050	291,600
<b>Area Harvested</b>											
--Acres	1,770,000	1,450,000	1,300,000	1,980,000	1,480,000	1,060,000	995,000	1,390,000	1,540,000	1,130,000	675,000
--Hectares	716,850	587,250	526,500	801,900	599,400	429,300	402,975	562,950	623,700	457,650	273,375
<b>Production</b>											
--Bushels	97,350,000	79,750,000	58,500,000	118,800,000	91,760,000	57,240,000	48,755,000	77,840,000	86,240,000	79,100,000	43,875,000
--Metric Tonnes	2,119,568	1,736,369	1,273,700	2,586,592	1,997,859	1,246,267	1,061,526	1,694,784	1,877,674	1,722,217	955,275

- Volatility in barley prices, coupled with export market limitations, better profitability from competing crops (e. g. corn, soybeans, wheat, canola, etc.), and gaps in crop insurance coverage have collectively contributed to price decreases, thus making barley too risky for growers to include as a crop enterprise. The graph below depicts weekly cash prices for barley in Bottineau, ND from January 2006 through August 2010.



## **Farm Policy Impact**

- Allocation of federal funding to barley is relatively minor. Barley receives approximately 2% of total farm program expenditures, as evidenced in the following Table (source: CBO).

### **2011-2020 Spending by Crop (\$59.4 B Total)**

Mar 10 CBO (\$ Millions)

<b>Crop</b>	<b>Funding (Millions)</b>	<b>Percent</b>
Oats	57	0%
Barley	980	2%
Other Oilseeds	269	0%
Pulse	42	0%
Wool/Mohair/Honey	102	0%
Sorghum	2,011	3%
Peanuts	1,371	2%
Rice	4,398	7%
Cotton	11,165	19%
Corn	21,175	37%
Soybeans	6,662	11%
Wheat	11,145	19%

- Direct payments account for 84% of farm program payments allocated to barley, as evidenced in the table below (source: CBO). Marketing loans are utilized sporadically, and are typically utilized when prices are low and growers need to generate cash flow while waiting for market prices to improve. The loan rate for barley was increased from \$1.85 per bushel to \$1.95 per bushel in the 2008 farm bill, and needs to be higher if it is to be utilized effectively.

### **2011-20 Barley Payments (\$980 Million)**

<b>Program Component</b>	<b>Funding (\$Millions)</b>	<b>Percent</b>
ACRE,	23	2%
Marketing Loans	52	5%
Counter-Cyclical	89	9%
Direct Payments	816	84%

- As Congress begins discussions on the 2012 farm bill, it will be necessary to evaluate the various components of the current farm program to develop mechanisms which harmonize programs and provide a holistic safety net for growers. ACRE, SURE, loan programs, and crop insurance each have strengths and weaknesses that need to be carefully evaluated for developing a comprehensive risk management program.

## **Barley Risk Management**

- Growers need risk management tools for barley that are reflective of market conditions and production practices. In the 1980's, the majority of barley planted in the U. S. was utilized for feed. Since 2005, the majority of barley planted in the U. S. is utilized for malting and brewing. This shift to malt barley has resulted in a shift in pricing for growers, but this shift is not fully recognized in crop insurance.
- Stabilization of barley production will require development of risk management tools that are inclusive of the following components:
  - Price: research needs to be conducted to develop a new price derivation mechanism for barley crop insurance that is reflective of the shift from feed barley to malt barley. At present, USDA-RMA utilizes a factor of 0.821 multiplied by the CBOT December corn price. This factor was adequate when the vast majority of barley production was feed barley. With more malt barley being contracted and less feed barley being produced, the price derivation procedure needs to be updated to be more reflective of current market conditions (which may require correlation with spring wheat instead of corn).
  - Margin: growers need to protect their gross margin. Next generation crop insurance products are targeting margin coverage, thus providing an mechanism for indirectly insuring energy costs (e. g. fuel), fertilizer, and pesticides (many of which are petroleum based). A margin coverage concept for spring wheat is currently in development. Barley needs a similar product.
  - Disaster: environmental conditions beyond the control of the grower can result in complete crop failure (e. g. drought). Consideration needs to be given to harmonizing crop insurance with disaster assistance. SURE provides a positive step. Further refinement of SURE with enhanced crop insurance can significantly enhance the safety net for growers.

## **Summary**

Providing growers with a holistic safety net is critical to maintaining stability in agricultural production and the supply of human food and livestock feed. Improved risk management products are a primary component of a safety net, and will assist in preventing further erosion in the downward trend of barley production.