Statement by Ryan Pederson, President
Northern Canola Growers Association

USDA Farm Bill Hearing

Mohall, ND October 11, 2010

Good afternoon. My name is Ryan Pederson and I farm in Rolette, ND, where I raise canola, wheat, barley, flax and soybeans in partnership with my father. I serve as President of the Northern Canola Growers Association and as 2nd Vice President of the U.S. Canola Association. I would like to offer the following comments on the next Farm Bill and how it may affect our industry.

Canola has enjoyed a solid reputation as a healthy vegetable oil as it has the lowest saturated fat of any vegetable oil on the market. The recently published U.S. Dietary Guidelines even acknowledged that Americans should consume more of the good fats, like those found in canola oil. North Dakota produces 90% of the nation's canola and the industry has been attempting to grow the acres here and in other states to meet consumer demand. However, we still depend heavily on imports to meet the demands of the American consumer.

Over the past ten years Canola has seen a wide variation in planted acres. In 2010 there were over 1,500,000 acres planted to Canola, similar to the 2000 level. However, within this time frame Canola acres have fallen as low as just over 700,000 acres. If we are to provide adequate domestic supply for the American consumer we need policies in place to first help stabilize, and then increase production of Canola both in North Dakota and other states.

We understand that Congress must look at ways to make farm programs more defensible and efficient in the next Farm Bill. I would like to offer the following comments on key provisions in the Farm Bill that affect canola growers.

Marketing Loan Program

Canola growers, along with other oilseed organizations, have long supported adjusting target prices and marketing loan rates to make them equitable among commodities. Recently, canola market prices have been well above the minor oilseed loan rate, indicating that the safety net from this program is nowhere near what it used to be.

CBO's March 2010 baseline projects $28 million in outlays in canola marketing loan gains and loan deficiency payments through the year 2020. This represents 10% of total support for canola through this time period. The total projected outlays reflect how far below expected prices current support levels are. In order to provide meaningful income support in current markets, they would need to be significantly increased. The NCGA continues to support equitable adjustments in target prices and loan rates. And we would note that the cost of doing so would likely be moderate, based on continued higher canola prices projected in the current baseline.

Crop Insurance

We feel that agriculture has already endured significant cuts in the crop insurance program as approximately $3.9 billion was trimmed recently. A significant portion of that cut was allocated to deficit reduction, which shows that agriculture has already made some necessary contributions to aid in our nation's deficit problem. This has to be taken into account when cuts are demanded of growers during the discussions of the 2010 Farm Bill.

A sound crop insurance program is critical to growers to protect against losses that can result from factors beyond our control. It is even more critical as input costs continue to increase at rates beyond the rate of inflation. The NCGA opposes cuts in the crop insurance baseline. Any reallocation of spending under the program should be used to pay for reforms needed to make it more effective on a nationwide basis.

Direct Payments

Direct payments have been a stable source of assistance for producers. Estimates of total direct payments provided through 2020 for the ‘other oilseeds’ portion of the Farm Bill are $166 million, or 62% of total support for other oilseeds. However, we do understand that direct payments are hard to defend given the current budget situation facing our country. If changes to direct payments are to be made, we would ask that these funds be redirected into additional risk management tools such as crop insurance.

ACRE

We would like to see the ACRE Program focused at a more local level than is currently the case. At present, a grower would have to meet a farm trigger level and a state trigger level would also have to be met in order for payments to be made through ACRE. If the state level trigger could be localized more to perhaps a crop reporting district level (of which there are nine in North Dakota) or even a county level, participation in ACRE would increase as more growers would see the benefit of the program. As it stands now, no canola growers have received a payment from the ACRE Program, although the CBO projects total support from this program will be $29 million through 2020 for ‘other oilseeds’. This would represent 11% of expected support.

Also, the 30 percent reduction in marketing loan rates as a mandatory requirement for participation in the program is a roadblock that currently makes it difficult for growers to choose to participate. If this reduction were eliminated, it may also increase participation in the program.

The NCGA also supports simplifying the ACRE program to make it more understandable and accessible to producers. The amount of paperwork required to participate in ACRE is excessive, and the complexity is daunting according to reports I have heard from fellow growers.

CSP

Such programs as the Conservation Stewardship Program have been gaining interest in my area. Programs such as these seem easily defendable as farmers are often required to make capital investments to participate, and do demonstrate the commitment to our natural resources that farmers have always had. However, these programs should not be developed in a way to exclude proactive producers who are already practicing conservation activities from receiving payments, and only give payments to those who adopt the practice once enrolled in a program. Additionally, conservation programs should not be implemented at the expense of risk management programs, as conservation programs do not provide any type of counter-cyclical support.

Summary

As a young producer, I am fortunate enough not to remember to 80's and the terrible struggles many producers went through. However, I am often reminded by my father that things are not always going to be "*this good*", and that with the ever increasing costs of inputs things can go bad in a single season. With that in mind as I look to the next farm bill I feel that we must make improving the risk management tools within the farm bill the top priority.