

**Testimony of David Cleavinger**  
**Texas Wheat Producers Association**  
**Before the U.S. House Committee on Agriculture**  
**May 17, 2010**

Mr. Chairman, Rep. Neugebauer, Rep. Conaway, Rep. Cuellar, and other Members of the Committee, welcome to the great Lone Star State of Texas. On behalf of the Texas Wheat Producers Association (TWPA), I would like to first thank you for allowing me the opportunity to appear before you today to discuss the priorities of wheat growers regarding the 2012 Farm Bill and the future of U.S. farm policy.

The Texas Wheat Producers Association was founded in 1950 with the sole purpose of providing a strong unified voice for Texas wheat producers. The TWPA currently represents over 500 farm families across the state and we continue to grow on an annual basis.

Texas has a long history of production agriculture, and while we are not the largest wheat production state in the U.S., we are arguably the most diversified in terms of production, weather, geography and exports. Texas wheat producers harvest nearly 99 million bushels of wheat per year on average, the majority of which is comprised of hard red winter wheat. Although Texas is largely recognized for its beef, cotton and corn production, sixty percent of our 99 million bushels of wheat are exported annually through the gulf coast.

As a lifelong farmer and rancher in Deaf Smith County, my operation consists primarily of wheat, but also includes corn, cotton, and grain sorghum, along with stocker and grower cattle.

Federal farm policy and its impacts on American farmers and consumers is the focus of the Committee's field hearing today. Mr. Chairman and Members of the Committee, I hope to leave you here today with a better understanding of where Texas wheat growers are in regard to policy and farm programs.

**Farm Support Programs**

***Budget Baseline***

The TWPA is well aware and very concerned with the possibility of a severely constrained budget baseline for future federal farm programs. U.S. farm policies, along with efficient and innovative farmers, have helped to minimize safety net expenditures which have chipped away at the baseline for these programs. As I am sure you are well aware, the Congressional Budget Office (CBO) projected commodity program spending for the current farm bill will be less than one-quarter of one percent of the federal budget. For each American that is about 25 cents out of every \$100 dollars paid in taxes. U.S. farm policy as a whole costs Americans just three cents per meal or nine cents a day (Farm Policy Facts). These costs are minimal in comparison to other countries' annual income expenditures on food alone. I would attest that the farm safety net must continue to be robust and the farm bill budget baseline must be maintained and preserved in

order for consumers to continue to enjoy a safe, abundant and affordable food supply as they do today.

### ***Farm Programs***

Texas farmers widely participate in federal farm support programs and view them as vital to ensuring the continuance of the agriculture industry in light of its inherent risk and increasing volatility. The Direct and Counter-cyclical Payment (DCP) program and marketing loan programs are widely utilized by Texas producers. In the instance of wheat growers, we have served as a cost saving measure within the marketing loan program due to the fact we use the least amount within our industry.

During the 2008 Farm Bill process, farm programs faced pressure to be reformed, reduced or eliminated. The TWPA along with other commodity groups focused very heavily on maintaining the Direct Payment and with help from the House Agriculture Committee we were successful in doing so. While the TWPA is open to looking at possible new ways of maintaining a safety net for producers, we still see the net benefit the agricultural industry receives from direct payments.

Direct Payments have been very essential in ensuring the vital support farmers need to continually meet the demands of the agricultural industry. Over the years, Direct Payments have allowed producers to continue to purchase needed equipment, seed, chemicals, parts, and fuel from dealers and suppliers. In looking at a farm forward reaction, due to farmers being able to utilize direct payments in the aforementioned way, small business owners, coops, tractor supply stores, and many others are able to stay in business and lead to creation of jobs and opportunities in rural communities.

The TWPA is well aware that Direct Payments are constantly under scrutiny and attack, but let me remind the Committee that the reliability of this program cannot be overlooked in meeting the needs of producers that are unable to utilize other federal safety net programs. As Congress looks toward crafting new Farm Bill legislation, the TWPA asks that careful consideration be given to the Direct Payment program.

In addition, Texas wheat producers continue to gather knowledge and experience with newer farm programs like ACRE and SURE. According to the FSA, 930 farms were enrolled in ACRE in 2009. Of those 930 farms 897 carried wheat acreage. However, we believe this degree of enrollment was largely influenced by the extenuating wheat cropping conditions in 2009 and the extended deadline to elect and enroll in the program.

Despite the current enrollment levels, the program is still very complex and confusing to producers. It is our recommendation that as the ACRE program goes forward the complexity and paperwork involved with the program be reduced and that payments be made to producers in a more timely manner. There is also concern over the timeliness of both the program sign-up for SURE and the delivery of payments to eligible producers. However, we do recognize the SURE program as an improvement in terms of predictability over an *ad hoc* disaster program.

As seems to be a recurring theme in any farm policy discussion, farmers in Texas and all across the country say they are inundated with the amount of paperwork they complete when signing up for farm programs. There is also frustration with the inconsistency in rules and regulations associated with the programs. In addition, as the process of signing up for farm programs is moving more toward an online process, the lack of education on how to utilize this system and the stiff penalties associated with unintended mistakes are making producers more hesitant to move in that same direction. These programs are meant to assist producers; however, the cumbersome process provides strong disincentives to participate. I would urge this Committee to explore these issues and try to address them.

Lastly, the TWPA opposes farm program payment limitations. With regards to the Adjusted Gross Income (AGI) eligibility tests for producers to receive payments, farmers today – whether on a small or large operation – can easily accrue expenditures that far outweigh their gross income. The cost of fuel and fertilizer can be extremely volatile, and the cost of equipment today can seem outlandish to someone unfamiliar with the capital-intensive nature of modern farming. Likewise, we may see significant increases in seed costs in the near future as there continues to be progress in developing commercially viable biotech wheat products. In light of this, it is the recommendation of the TWPA that we maintain the current level of AGI of non-farm income at \$500,000 and on farm income at \$750,000 instead of looking toward a 25 percent cut as has been proposed by the Administration.

### **Crop Insurance**

The Texas Wheat Producers Association supports maintaining a strong crop insurance program as an important risk management tool for farmers. Federal premium cost sharing encourages participation and is critical to a successful program.

According to the Risk Management Agency (RMA), in 2009 nearly 6.4 million acres – or 76 percent of the state's total wheat acres – were covered by one of the various available forms of federal crop insurance. Texas grain production is very diversified in large part due to climatic weather conditions and also by soil types that vary across the state. Because of this diversification and the inevitability to predict and control acts of Mother Nature, be it drought, hail storm, tornado, or even a freeze, Texas' participation in the federal crop insurance program is very high.

Because of the high enrollment rates among Texas producers, and the need to have a viable, reliable program, the TWPA has always encouraged RMA to require crop insurance companies to interpret and apply crop insurance rules and regulations in a uniform and timely manner.

That being said, as we look toward the future, the ongoing Standard Reinsurance Agreement (SRA) negotiations are a cause for concern for our growers. We understand and agree with the Administration's desire to find budget savings. However, the USDA's draft SRA proposal seeking \$6.9 billion in cuts over ten years to federal crop insurance programs could severely affect the scope of the program. A reduction of this magnitude could significantly reduce the

accessibility, competitiveness, and quality of crop insurance and thus have a negative impact on the agriculture industry.

The TWPA understands that negotiations between insurance providers and the RMA are ongoing. We certainly support a mutually agreeable and expedient outcome, so long as it does not hinder the competitiveness and the quality of crop insurance coverage to producers. In addition, we believe any savings achieved through these negotiations should be captured in a way to maintain the agriculture budget baseline.

### **Conservation**

Texas and U.S. farmers have consistently worked to be good stewards of the land with which we have been so richly blessed. Texas producers have worked at implementing practices that reduce erosion and maintain water quality and water management. The conservation program that our growers have expressed the most interest in is the Conservation Reserve Program (CRP).

#### ***Conservation Reserve Program***

The TWPA is very supportive of the use of CRP as a natural resource tool to better preserve soil quality and reduce soil erosion. We also recognize the erodibility index of 8 as a guideline for establishing CRP eligibility, but we encourage flexibility to enroll land that does not meet the erodibility index of 8 when environmental or economic benefits justify. We also encourage more priority designation and more access to wind and water points in areas where applicable.

In the Panhandle and Northern High Plains Region of Texas where I live, roughly 507,000 CRP acres will be due for re-enrollment, termination, or extension by October 2010. In 2009, 680,000 acres were expired and in 2008, 78,000 acres expired. The TWPA would encourage the Committee to work closely with the USDA – FSA and NRCS with regards to the potential impacts of producer decisions as the October deadline approaches and future CRP acres expire.

### **Trade**

Lastly, I would like to leave you with some thoughts to consider about trade. The TWPA is very supportive of a robust trade agenda including passage of the current pending free trade agreements and more open trade with Cuba. Trade is essential to our market especially since the U.S. typically exports 50% of the U.S. wheat production and 60% of Texas's wheat crop. Given the large carryover stocks that are currently in play and looking at the current wheat crop conditions nationwide, having viable international markets for our wheat is vital. It is more important now than ever to maintain and grow our markets: if we fail to do this, our competitors will capitalize on the opportunity.

The U.S.- Colombia FTA is a prime example. Where the U.S. once boasted maintaining roughly 85 percent of the Colombian market, estimates now show that our share could fall as low as 30 percent if Canada, one of our leading competitors, approves a free trade agreement before the U.S.. That in itself is simply unacceptable, especially when we continue to hear on a regular

basis from our foreign buyers that the U.S. has the highest quality and most readily abundant supply of wheat but we cannot export it because of a lack of competitive trading conditions.

Cuba proves another example of the potential for Congressional action to significantly benefit the Texas economy. According to a study conducted by the Center for North American Studies which was supported by Texas AgriLife Research, implementing a bill like H.R. 4645, the Travel Restriction Reform and Export Enhancement Act of 2010, would increase Texas agricultural exports to Cuba by \$18.4 million annually. This would nearly double agricultural exports from Texas to Cuba compared to 2009.

Mr. Chairman and Members of the Committee, there are many other critical areas of interest affecting Texas wheat farmers, including estate tax policy, research funding, rail transportation, and environmental regulation. The TWPA looks forward to engaging further in these discussions with the Texas congressional delegation and the House Agriculture Committee as these issues continue to unravel.

In closing, when looking at constructing the 2012 Farm Bill, Texas wheat growers are seeking a robust safety net that reflects the realities of today's production system, that helps them manage against the risk of volatile weather and market conditions, and supports their stewardship efforts on our nation's soil.

Again, the Texas Wheat Producers Association is privileged and honored to represent over 500 family farming operations before this Committee today. We look forward to working with you, your staff, and the rest of Congress to ensure that production agriculture can and will continue to provide a safe, abundant and affordable food supply for the U.S. and for the world.

If Members of the Committee have any questions I would be more than happy to respond to them.

Thank you.



Committee on Agriculture U.S.  
House of Representatives  
Required Witness Disclosure  
Form

House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: David Cleavinger

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Telephone: 806-426-3385

Organization you represent (if any): Texas Wheat Producers Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: N/A Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:

Source: N/A Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Please check here if this form is NOT applicable to you: \_\_\_\_\_

Signature: David Cleavinger

\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

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Committee on Agriculture  
U.S. House of Representatives  
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: David Cleavinger
  
2. BusinessAddress: 5994 FM 809 Wildorado, TX, 79098
  
3. Business Phone Number: 806-426-3360
  
4. Organization you represent: Texas Wheat Producers Association
  
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:  
5<sup>th</sup> generation farmer and rancher operating 4,500 acres of wheat, corn, cotton,  
grain sorghum, along with stocker and grower cattle; Former President; National  
Association of Wheat Growers; Executive Board, Texas Wheat Producers Association
  
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:  
Training: Wheat Organization Leaders of the Future (WOLF); Wheat Industry  
Leaders of Tomorrow (WILOT); Texas Agriculture Lifetime Leaders (TALL)
  
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:  
Executive Committee Member, Texas Wheat Producers Association

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.