



**House Agriculture Subcommittee Hearing
Subcommittee on General Farm Commodities and Risk Management
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Chairman Leonard Boswell: ...order, and I'd like to thank everyone for joining us here today as we review the farm safety net programs established in the 2008 Farm Bill. I would especially like to thank our witness today, Under Secretary Miller, who will provide valuable insight into this issue and help us move forward in developing the 2012 Farm Bill. I very much look forward to hearing your testimony.

Being here from Iowa, a state with over 92,000 farms and over 38 million acres in production, I understand the challenges that farmers and those in the agriculture business are facing today. With our ranking number one in the nation in pork, egg, corn, and soybean production, the farm bill affects a great deal of the state. Much of Iowa's economy is directly or indirectly tied to agriculture in some fashion. We are proud of our strong tradition of feeding and now fueling the world.

That is why it is so important for us to construct a bill that will not only help Iowa move forward, but the rest of the country, or world, for that matter. Those of us involved in agriculture are facing unprecedented times. In the past five years, many have reaped record high prices for their products, only to have the bottom fall out and stay out for years. Input costs continue to rise even as commodity prices do not. Now, more than ever, an adequate safety net is essential to assure that we have the safest, most plentiful, and most affordable food supply in the world. With 90 million people being added to the world population each year, we need to find ways to do more on less.

We're beginning to see the positive effects of farm safety net programs that were established in the 2008 Farm Bill. Take, for example, the ACRE program, which

established a new revenue guarantee for farmers in states that fall short of its revenue per acre mark. Thus far the program has not reached the enrollment we had hoped for, so I'm interested to find out today how many Iowans have enrolled in ACRE and how the USDA plans to encourage interest for this program, and what we in Congress can do to improve and simplify the program in the next farm bill.

Disaster programs have been essential to our nation's farmers. In the last farm bill, Congress established the SURE program to protect crop producers from incurring significant losses from natural disasters. Farmers in Iowa have taken advantage of this program, and now it stands as one of the major recipients of SURE program funds for the last two years. However, because the SURE program is so complicated, and is based on so many different variables, it has faced many challenges in its implementation. I look forward to hearing more on this program from Under Secretary Miller, and next week from the commodity groups.

Any discussion of the farm safety net would be incomplete without a mention of crop insurance. Signup and buy-up levels for crop insurance products are at high levels, demonstrating that farmers appreciate having additional options to help them manage their risk. However, certain regions and certain crops are under represented. Looking ahead, we need to see how we can make this program work for more producers.

Additionally, I have to say that pulling funding out of the program makes the task much more difficult. Budgets are tight, but tight budgets do not mean we must jeopardize the risk management tools that we have today or put in question what improvements we could make in the future.

We are making great strides to help the American farmer, and I look forward to hearing more about these valuable programs from our witnesses today. Thank you again, Under Secretary Miller, for your leadership in agriculture, and for speaking before the committee. Your testimony will be central to us as we continue to move forward with the 2012 Farm Bill. At this time I'd like to recognize my friend and Ranking Member Mr. Moran.

Rep. Jerry Moran: Mr. Chairman, thank you. Thank you for calling this hearing to review farm policy in advance of the next farm bill, and I look forward to hearing from Under Secretary Miller and his colleagues about the current farm bill implementation, any suggestions that the Department of Agriculture may have for the new farm bill.

I do want to express my concern that the subcommittee or the full committee is not having a hearing to review what we are told is the final draft of the standard reinsurance agreement. According to USDA, it would like to proceed with the crop insurance companies to sign this document within 30 days, and while I realize that a new reinsurance year is almost upon us, I am troubled that the

department is rushing to finalize the process at a time in which they've advanced some new ideas and further extended some of their thoughts in previous drafts into this third draft.

I am particularly concerned about the new method of determining administrative and operating, A&O subsidies, a new and more rigid cap on agent commissions, and they have inserted other miscellaneous provisions that have never appeared in previous drafts. And I had hoped that the House Agriculture Committee or this subcommittee would hold a hearing so that we could get an update on the specifics of this third draft. It does not appear that that is going to happen.

The Agriculture Committee has sat by quietly, as I think it should, and let the negotiations pursue. But I now think it's an appropriate time for us to review what they tell us is the final draft. I hope that my colleagues on this committee will ask questions and make comments regarding crop insurance in the SRA agreement and that the Department of Agriculture will take our opinions and comments seriously. So I would again encourage my colleagues today to make certain that if you have concerns with the presumed final draft of the SRA, that those concerns are expressed. It's my understanding that the companies are being briefed on this third draft in Kansas City tomorrow, and I think we should have little fear that we would be prejudicing the process by expressing our concerns.

More related, perhaps, to the hearing before us, I'd be interested in hearing from the department about how this final draft will affect the baseline for the next farm bill. We've received assurances from the department that whatever the results are that the baseline will be protected, and I can't tell from what I've seen in the draft that that is the case. So Mr. Chairman, I'm happy to be here and participate in this hearing, and I look forward to the testimony of our witnesses, and I thank you again for the manner in which you always treat me, and appreciate the way you conduct this committee.

Chairman Boswell: Thank you very much. I want to request the other members, according to policy, if you will, submit their opening statements for the record so the witnesses may begin shortly. But before we do that, I think we have a new member on the committee that's joined us. Mr. Moran, would you like to introduce him?

Rep. Moran: Mr. Chairman, thank you very much. I'm honored to introduce to my colleagues on the committee and the folks who have joined us for this hearing our newest committee member and the newest subcommittee member, Mr. Rooney from Florida. Recognizing Florida's agriculture is significantly different from Kansas or Iowa, I very much appreciate the point of view and diversity that Mr. Rooney will bring to our committee, and I would welcome him and look forward to working with him, and again appreciate the way this subcommittee and generally our full House Agriculture Committee works together to see that we develop quality farm policy for agriculture across the country, and I welcome Mr. Rooney to this subcommittee.

Chairman Boswell: Okay, well, thank you. We'd like to welcome our witnesses to the table, and the Honorable James Miller, Under Secretary for Farm and Foreign Agricultural Services, U.S. Department of Agriculture, Washington, D.C. That's quite a title, so had to get that all out. We're anxious to hear what you've got to share with us. Please begin.

Mr. James Miller: Thank you, Chairman Boswell, Ranking Member Moran, members of the subcommittee. Thank you once again for the invitation to appear before this subcommittee, and for the opportunity to discuss the implementation of the farm safety net programs of the 2008 Farm Bill. Joining me today are Bill Murphy, the administrator of the Risk Management Agency and Jonathan Coppess, the administrator of the Farm Service Agency.

The Department of Agriculture has implemented the majority of the farm safety net programs authorized under the farm bill since its enactment. In addition to the \$12.5 billion paid to farmers through direct and counter-cyclical payments and marketing loan benefits, we have also disbursed more than \$1.1 billion under the five new permanent disaster programs. Also, on June 10th, USDA released the final draft of a new standard reinsurance agreement to insure the crop insurance program remains accessible, affordable, and sustainable. Today I will focus on a few of the farm bill's safety net programs, USDA's support of the dairy industry and the federal crop insurance program.

Turning first to the farm bill programs, at Secretary Vilsack's direction, when he first took over the position of Secretary of Agriculture, he asked USDA to prioritize the implementation of the farm bill programs to allow for the most rapid distribution of benefits to the largest number of producers. The remaining regulations that have yet to be implemented are moving through the process relatively quickly, and we are close to having the Title 1 and Title 12 programs of the 2008 Farm Bill fully available to our stakeholders.

In terms of the 2008 Farm Bill, the Average Crop Revenue Election program, or ACRE, as the chairman mentioned, is a new program based on revenue risk as opposed to commodity price risk. It provides an alternative to traditional farm programs and depends on both a state and farm level trigger. In 2009, 8% of the eligible farms, representing about 13% of base acres, enrolled in ACRE. For the 2009 crop year, we expect about \$400 million in ACRE payments to be made, of which about three-fourths will be paid to wheat producers across the country.

The Supplemental Revenue Assistance program provides assistance to producers for losses due to natural disasters. SURE is significantly different from previous disaster programs in that losses and revenues are calculated based on all of a producer's cropland compared to ad hoc disaster programs of the past that were made on a crop by crop basis. The SURE program also encourages producers to purchase crop insurance and provides additional protection to producers for quality losses.

As of June 1st, payments for 2008 crop losses totaled more than \$800 million, including about \$284 million in additional payments under the Recovery Act. For 2009 crop losses, SURE signup and payments will occur later this year, and for the 2010 crop losses, SURE signup and payments will occur in 2011.

In addition to the Crop Disaster Assistance program, we have implemented the Livestock Indemnity program, Livestock Forage program, and Emergency Assistance for Livestock program, ELAP. Upon signup, both the indemnity program and the forage program payments can be delivered relatively quickly to assist our livestock producers. FSA has already made about \$87 million in LIP payments and \$258 million in LFP payments to date. FSA is also compiling ELAP applications so that \$50 million in annual funding can be prorated among the eligible producers. Payments for both the 2008 and the 2009 eligible losses will be issued later this summer under that program.

Turning briefly to dairy, since late 2008, USDA has spent or committed more than \$1.5 billion to aid our struggling dairy producers. This includes more than \$900 million paid under the Milk Income Lost Contract program and emergency payments totaling \$290 million provided in the 2010 Agriculture Appropriations Act. We have also expedited the \$60 million cheese purchase authorized under that same legislation. In addition, USDA temporarily increased the purchase prices under the Dairy Product Price Support program during the August to October 2009 period, and reactivated the Dairy Export Incentive program.

This spring Secretary Vilsack established the Dairy Industry Advisory Committee to examine the dairy market and explore new program ideas and other ways to assist our dairy producers. The committee held its second meeting in Washington June 3rd and 4th, and is continuing its work through the coming months.

In addition to our FSA programs, federal crop insurance administered by the Risk Management Agency is a vital component of the farm economic safety net. As I mentioned, on June 10th, USDA released the final draft of the new standard reinsurance agreement and announced \$6 billion in savings over ten years from the modifications contained in that agreement. Two-thirds of this savings will go toward paying down the federal deficit, and the remaining one-third will support high priority risk management and conservation programs.

In 2009, the federal crop insurance program provided about \$80 billion in protection on over 264 million acres. The Risk Management Agency projects indemnity payments to producers for their 2009 crop losses will be about \$5.1 billion, and we expect the level of coverage for 2010's crop year will be about \$79 billion, or comparable to the level of coverage that we've seen in recent years.

Since the enactment of the Agriculture Risk Protection Act of 2000, participation in the federal crop insurance program has grown, and it has become a key component insuring the ability of many producers to finance their operations.

More producers are purchasing buy-up policies with lower deductibles, along with a tremendous increase in the purchase of revenue coverage. RMA has been able to accomplish this growth in participation and in the implementation of new policy options for both traditional and specialty crop farmers in an actuarially sound manner.

Mr. Chairman, let me conclude by stating how proud I am of our staff in both the Risk Management Agency and the Farm Service Agency. Their hard work and dedication to agriculture in our national office as well as service centers throughout the states truly epitomize a level of service and professionalism that represents the best of public service. In particular, I want to thank the FSA personnel in our county offices throughout the country.

As one who has spent many hours in my own county FSA office in the past, and now as part of the management team of the Farm Service Agency, I can attest to the work ethic, the commitment to our producers, and the outstanding contribution to the successful implementation of these programs that have been made by these men and women throughout the United States. This has often occurred in the face of some pretty significant obstacles, and some of those obstacles, I must have to admit, I need to take full responsibility. But nonetheless, they have just a tremendous job in implementing a very complex and difficult 2008 Farm Bill.

As we work toward the beginnings of developing 2012 farm legislation, I look forward to working with you, Mr. Chairman, with Ranking Member Moran, and all of the members of your committee in order to find ways that we can strengthen production agriculture through the various elements of the farm economic safety net, while also working to build a much brighter future for all of our rural communities.

This is going to be a tremendous challenge, but one for which I believe we can be well prepared, and one that I pledge the support of the agencies that I oversee. And on behalf of the Secretary, the support of USDA, and working in a collaborative fashion, to develop the best possible 2012 Farm Bill, recognizing the many challenges as well as opportunities that we will have the opportunities to discuss over the next weeks and months. Thank you once again for the opportunity to appear before the subcommittee today. I and my colleagues will be pleased to respond to any questions that you may have. Thank you.

Chairman Boswell: Well, thank you, and appreciate your strong statement. I do believe that you feel the way you said you feel, that you're absolutely committed to production agriculture and all the things that you have just mentioned. One of the things you mentioned, of course, as the primary risk management program of the nation's agricultural producers is the federal crop insurance program, and there's a lot of concern floating around out there. And I can understand why you brought Mr. Murphy with you, and Mr. Coppess, you're welcome as well to be here to be with us.

But I guess I'll just start off with just a short point. If that's the case, what you've just said, do you believe that removing six billion from our farmers and ranchers is the interest of the primary risk management program, question number one?

Mr. Miller: We believe that the contract proposal that we've submitted to the agents which does, according to OMB analysis, save \$6 billion over ten years over the current baseline is an appropriate approach. Through these negotiations, the Risk Management Agency has been very open, transparent, and willing to discuss a number of options with not only the companies who are directly involved in the negotiations, but also with other stakeholders, including agents and producer groups.

What we have done generally, through these negotiations, is developed subsequent drafts of a proposed contract in a way that we believe reflects the discussions that we've had with these stakeholders. And I think the third draft, the changes that Mr. Moran identified, which in some ways are significant, really are very reflective of the comments that we've received from the stakeholders and the adjustments that we were willing and able to make to address concerns that they had expressed about previous drafts.

In terms of the \$6 billion in savings, we believe that addressing the federal deficit is a significant priority, not only for the administration, but certainly, I think, a priority for USDA as well as for Congress. Based off of the scores of previous drafts, the Congressional Budget Office had already scored a savings in their last baseline of about \$3.9 billion. The remaining \$2 billion we believe can be used to protect the baseline by administrative action undertaken by USDA to bolster a number of programs and provide the opportunity, then, for Congress to determine what priorities it would have for spending as it develops the 2012 Farm Bill.

Basically those priorities fall into two categories: one, improvements to the federal crop insurance program by offering additional policies or discounts. One key program development that we hope to implement soon is the pasture, rangeland and forage program that is currently a pilot program, and we hope to expand that nationally. This can have significant benefits to livestock producers, particularly in the Great Plains, where a significant amount of our cattle industry resides.

In addition, we are working on a program to provide a good experience discount in terms of the crop insurance premiums that our producers pay in the future. This program, again, will provide for an expenditure of a portion of the savings in order to further reduce the premiums that those eligible producers will spend. We're working very hard to develop the program, and as we begin to make significant headway in that process, we're happy to discuss our ideas with the subcommittee to determine how best to implement this going forward.

The other key area for expenditure of a portion of the \$2 billion is to bolster our conservation programs, most notably the Conservation Reserve program where we hope to have a general signup announced for later this summer.

Chairman Boswell: Well, thank you very much. Based on that, I think we all agree that the first report, the eight plus figure, then down to what, 6.8, so I guess we're kind of going the right direction, according to what we hear from our farmers and ranchers and so on. But a lot of concern out there, and you know that. I know that you know that, so I'm not playing that down. Do you feel that as you explained the 4 billion and then the 2 billion that...do you understand, put it that way, do you understand with the CBO that that will stay in the baseline? Is that your understanding?

Mr. Miller: We cannot speak for the Congressional Budget Office. However, we do believe, based on prior actions that have been taken by CBO in scoring this program, where they did score savings under the prior contract proposals, which the administration had announced but were not in effect, that now that we're closer to finalizing this agreement, we believe that they will look very hard at the numbers that we have developed which have been confirmed by the Office of Management & Budget and should also consider the Administration's announcement in terms of how we would utilize the \$2 billion that we are willing to expend to bolster programs and take that into consideration as they do develop their next baseline.

Chairman Boswell: Well, thank you. As you know, there's quite a meeting going on in Kansas City either today or tomorrow, so we'll all have feedback, and I'm sure we'll continue our dialogue at that time. But appreciate the fact that you're giving up the numbers that we need to work with, and I thank you for that. At this time I'd like to recognize Mr. Moran.

Rep. Moran: Mr. Chairman, thank you. In consideration of Mr. Conaway, the gentleman from Texas's other scheduling items, I'd yield my time to him at the moment. Thank you.

Rep. K. Michael Conaway: Thank you, Mr. Chairman, I appreciate it, and Ranking Member, thank you very much. Gentlemen, thanks for being here. The keen interest in west and north Texas is the wheat crop this year. It is an abundant crop. We're coming out of inventories from last year that are held over and we're going to have a record crop this year. Export levels in '09, 2010 the lowest in 25 years, 2010-11 not expected to be any better. Storage is full. No place to move wheat to. Cash prices lowest in memory, so to speak. Dire circumstances facing these wheat farmers.

Export-wise we have allowed three export free trade agreement with Colombia, Panama, and South Korea to languish now three years without action by this Congress to move that forward. All three of these countries would like to buy our

wheat. New markets for all of our wheat producers here in Texas. So I basically have two questions.

One, Jim, besides the distress loan program that you've announced on a county by county basis, how do you see this thing playing out? Is there any kind of a light at the end of this tunnel that the wheat farmers can look at and deal with? And then the second piece of that is, from a leadership standpoint, where is the sense of urgency out of the President, out of Secretary Vilsack, to move these agreements?

These are all positive benefit agreements that benefit not only ag producers, but manufacturers all across the United States. Panama is expanding the Panama Canal and they're buying bulldozers and heavy equipment that Caterpillar can't compete with international competition because of the tariffs associated with that. So where is the leadership? What are you guys doing to push my colleagues on both sides of the aisle to move these agreements? So those would be the two questions.

Mr. Miller: Thank you, Mr. Conaway. And let me respond briefly to both of the questions that you raised, and then I'd like to ask Jonathan Coppess to respond specifically to the issue concerning programs that might be available for wheat. But we are well aware of the dire situation that is affecting wheat producers nationally. As prices have fallen, sales have not been as robust as we would like, either domestically or overseas, as you have noted.

And also, specifically to Texas as well as parts of Oklahoma, the situation where there is certainly a surplus of wheat as a result of large crops last year, another large crop, and now that problem being compounded by wheat that is of much lower quality than would typically be expected in the region. We note that protein levels for this year's crop are unfortunately down significantly, which is also having a significant impact on producer returns.

We so have some programs that potentially are available. You mentioned the emergency program. Jonathan can respond to that more directly. But also, through crop insurance as well as through the disaster program, assuming that these areas can be designated as disaster areas, the SURE program does have a quality adjustment provision that allows for a more localized adjustment based on the quality discounts that those producers are facing. So that's an option that we and your producers, I think, need to look into.

In terms of crop insurance, of course that is the primary risk management program available to those producers. As I indicated in my testimony, we've seen a significant increase in revenue product purchases, and that certainly could provide some help, and some help fairly quickly to producers that have been impacted by this situation.

Turning briefly to the three outstanding free trade agreements that you mentioned, from an agricultural perspective, we fully understand and we support the

enactment of those three free trade agreements. While there may be some minor agricultural issues to resolve, particularly concerning South Korea, generally speaking we view each of those agreements as being very positive for U.S. agriculture and are supportive of their ratification. The Administration has indicated their support for the agreement, assuming that some of the outstanding issues can be satisfactorily resolved, and those issues vary with each agreement, but it is not a long list.

You raised, I think, the key concern, and that is generated the level of bipartisan support within the Congress to insure that Congress will, in fact, ratify those agreements, should they be brought forward. And that is a strategy call that needs to be made between the White House as well as the Congressional leadership in terms of the timing. But we view them as positive for agriculture and we would like to see those agreements ratified. I should note, however, that particularly in the case of wheat, when one looks at a country like South Korea, they are still a very significant wheat customer of ours. But let me ask Mr. Coppess if he can respond more specifically to the programs available to your wheat producers.

Mr. Jonathan Coppess: Thank you, Under Secretary Miller. Certainly we are very aware of the problems, and have been in discussions with our local officials, our state executive directors in the area and trying to get a good sense of what's going on and how we address it. We do have some difficulties with the programs we have in place for the protein issue. A couple things that jump out. You missed the distress loans which is available for commodity stored on the ground, which comes in at about...it's about 75% of the eligible quantity, and it matures on demand in 90 days.

We also have non-recourse loans at 20% of the applicable county loan rate when you have low quality commodities. No other discounts are applied. But as we look at the marketing assistance loans and others, the posted county prices and everything are not calculated on that local market price. And then, of course, as Under Secretary Miller mentioned, the SURE program has potential, depending on disaster declarations and the ability to use the quality loss adjustment.

At this point in time we have a limited set of options that we can use, but we're continuing to explore what we can do, and we'll continue to be in conversation with our folks on the ground to make sure we're doing everything we can to address it within our authorities.

Rep. Conaway: Thank you. Thank you, gentlemen. Thank you, Mr. Chairman.

Chairman Boswell: Thank you. We'd like to recognize the gentleman from Missouri, Mr. Luetkemeyer.

Rep. Luetkemeyer: Thank you, Mr. Chairman. Mr. Miller, I just want to go over briefly some of the information you gave us with regards to the Average Crop Revenue Election program. You indicated in your testimony that the participation

level and number of acres is less than you had anticipated originally. Can you give me...I guess in going through some of the testimony here, I'm not exactly sure what the reasons were. Can you give me some reasons why, and if those situations are going to exist in the near future and in the future of the program itself from that standpoint?

Mr. Miller: Well, I think there are a number of reasons that participation is below not only what USDA estimated, but far below what the Congressional Budget Office projected when the 2008 Farm Bill was passed. One, it is a brand new program, and it is relatively complex. It took a fair amount of time for producers to understand what the benefits as well as the risks are in that program. So I think that caused a number of producers to decide that they would wait a year and see how the program operated before they made a firm decision to participate.

Also, under the ACRE program, once you decide to sign up and participate in that program, you are obligated then to participate through the life of the farm bill, through 2012. You cannot go in and out of the ACRE program. I think, again, that caused some hesitation on the part of producers, not only in terms of how they might view the program operating in any one year, but recognizing that they would be involved in that program for a long time.

Also, as has already been indicated in the case of wheat, but also in commodities, particularly the grain commodities generally, we have seen declining prices, which has affected the ACRE guarantee going forward, so I think that has made it, again, a decision that producers have to individually weigh as to whether they want to enter the program. So I think there are a number of factors there. We have seen a modest increase in ACRE signup this year, but again, it's going to fall far short of any of the projections that were made at the time the program was approved by Congress.

Rep. Luetkemeyer: One of the things that is concerning to me is the fact that as we, as a society, continue to get more generations removed from the farm, we have fewer people who understand the importance of agriculture and where we get our food from, and the importance of that not only to ourselves as individuals, but to our economy as a whole. And we as a committee here, obviously it's important for us to make sure that there is sound policy in place and sound programs in place to protect that part of our economy and that way of life.

As we look to the 2012 Farm Bill, it would seem to me that obviously with the budget deficit that we have, there's going to be a strain on us to be able to afford the program that we have. Have you undertaken yet, with regards to review of these programs, as to which ones we need to consolidate, how much increase we need, how much decrease we need?

Have you started to take a look at where those savings might be so we can take a proactive approach and say, hey, if you're going to continue to support agriculture, this is a must keep program, this one we can probably minimize or we

can reduce, this one we have to have, so we can make sure that we can make a good case to sell what we need to sell here to the rest of our congressional colleagues as well as the support that we need through the Administration?

Mr. Miller: Congressman, I think you have laid out very concisely exactly the view of the Secretary and USDA as we look at the 2012 Farm Bill. We do need to look and analyze each of these programs, and particularly the new programs that were created in 2008, to determine how effective they are, are there ways to streamline those programs, is there the potential that we have overlaps that, working together, we could resolve in a way that not only saves money, but makes the programs more efficient, more effective, and certainly more understandable and easier to deliver. That is exactly a process that we would love to engage in with you and other members of the committee as we begin to develop the framework for the 2012 farm legislation.

I also think you made a very important observation concerning the fact that we're finding more and more of the U.S. population being further and further and further removed from the farm, and, in some ways, from the needs of rural America. And I think we have to look at ways that not only do we bolster the safety net for our producers and make it more effective for crop and livestock producers, but at the same time, we need to work together to find ways to create even better opportunities in rural America to insure that those that want to live in rural America, whether they're farming or just want to raise their families there, have the opportunities that are necessary to reinvigorate rural communities all around the country.

And again, we want to work very closely with you in developing that. We have begun to analyze the impacts of these programs. That analysis is far from complete. But we're certainly happy to share the results of that work when we have it available.

Rep. Luetkemeyer: Thank you, Mr. Chairman.

Chairman Boswell: You're welcome. Mr. Pomeroy, five minutes.

Rep. Earl Pomeroy: Thank you, Mr. Chairman. This is one of the better teams I think I've seen in the many years I've been on this committee relative to really a thoughtful implementation of farm policy. I think it's bolstered by the fact that Mr. Miller played such a role when he was on the Senate staff in terms of the creation of the farm bill. So you've got a...this can be one instance where there's no doubt about what legislative intent was, as the Administration tries to implement fully the new farm bill.

One area that I think proceeded very much along the line of what we had hoped to achieve is this permanent disaster program. Mr. Miller, I'd like your assessment in terms of to date how this thing has worked.

Mr. Miller: Thank you, Mr. Pomeroy. First of all, let me make just a brief comment that I have relayed to your colleague, Senator Conrad, that had I known at the time that I was going to be the one in charge of implementing these programs, I may very well have given him different advice.

But I think certainly the permanent crop disaster program is a complex program and a significant departure from the ad hoc disaster programs we've had in the past. And I believe Congress intended it certainly to be a departure as a way to provide a certain amount of guarantee or certainty to our producers. But it is complex, it does require both producers as well as FSA and RMA to work very closely together to determine how people enroll in the program and what the level of benefits are.

I think we've seen some shortcomings in the program. While it has encouraged the use of the crop insurance program, which is a key factor in determining the benefits, we still find areas of the country, even though we do have the SURE program in place, that are not purchasing an adequate level of coverage, and in many cases, for some crops, purchasing either no crop insurance or only the catastrophic level of crop insurance, and therefore, to the extent that they're eligible for benefits under SURE, those benefits I think would generally be viewed as minimal or marginal.

Rep. Pomeroy: Mr. Miller, my notion on crop insurance is people buy it to the extent they perceive risk and value. If they see substantial production risk, they're more inclined to buy it provided they see value for the premium dollar they're paying. Why is crop insurance faring less well in some areas of the country or for some commodities produced?

Mr. Miller: Well, I think you're absolutely right. It is a producer decision concerning the risks that they perceive that they're undertaking and the value that they're getting for the crop that they're insuring. And the SURE program has added to that value. I don't think there's any question about that. But I do believe, and we have and are engaged in analyzing the impact of these programs in a number of areas.

Let me mention one commodity specifically, and that's rice. Producers there have generally made a decision that they will reduce risk by employing new production techniques, irrigation, for instance, because their other weather risks are much more limited. That means their costs have probably increased as they've made those investments, their productivity has improved, and so they're viewing production risk as much lower than we might view it for a typical row crop in North Dakota or Kansas.

And so I think that's an issue that, as we look at 2012, and we look at how each of these programs interrelates with one another, we need to consider some of these rather unique cropping situations, as well as some of the regional implications of how these programs work. I think the ACRE program also is another case where

it probably has differing benefits depending upon what region of the country you're in and where you were at in terms of prices and production when the program was first implemented.

Rep. Pomeroy: I want there to be regional equity in these programs, and it felt like sometimes the upper Midwest did not benefit from programs that had fairness across the regions, across commodities. I've been very unsympathetic to the ad hoc disaster bill working its way through the Congress right now, although note that it's primarily geared to the region that you spoke of in terms of not being well served by the present program either in structure or initial operation.

I'll be very interested in looking at basically is the problem that these people aren't insuring when they should be insuring over the long-term, notwithstanding risks, so that they have this kind of ultimate disaster protection, or do we have a program design flaw. It may be just practice with the new program needs to evolve so that they get the fact that there aren't more ad hoc disaster bills coming; this is how they prepare for disaster coverage.

I know my time has run. I do want to compliment the effort made on the SRA renegotiation. I view the success of the dialogue by the volume of complaints coming into my office. This has been a vigorous undertaking, and there are substantial dollars involved, but the complaints into my office have been minimal, which means that I think that there has been perceived by all parties to the discussions meaning to the dialogue, substantive discussion, not a deaf ear to industry concerns or private partner concerns. I think you've done a good job. Thank you. Yield back.

Mr. Miller: Thank you.

Chairman Boswell: Well, thank you, Mr. Pomeroy. Are you indicating you'd like to have some of my calls that are coming in?

Rep. Pomeroy: This might be one of those regional things, Mr. Chairman.

Chairman Boswell: Oh, I understand. Okay. Mr. Moran.

Rep. Moran: Mr. Chairman, thank you. I would not have yielded my time to Mr. Conaway had I known that Mr. Pomeroy was going to intervene by his arrival. Mr. Under Secretary, you have brought the administrator of the Farm Service Agency with you today. I assume that's for purposes of answering my question that I asked Mr. Coppess last week, and again, can you now tell us when the general signup is going to be for the expiring CRP acres?

Mr. Coppess: Thank you, Mr. Moran, and I understand your frustration. We're continuing to push this through. What I can announce for you today is that tomorrow, the 18th, we will formally publish the EIS for the CRP. That institutes a 30 day no action period. That then puts us later in the summer when we finalize

the regulation and get the general signup moving. We're looking at in the late summer time frame, August, mid-August time frame.

Rep. Moran: Mr. Miller, Mr. Coppess may recall my question last week was whether or not I could assure my farmers, landowners, that by July 1 they would have a date certain. More importantly than that is really have a signup before July 1, and I think the answer to that question is clearly no, which creates significant problems in the Midwest, on the high plains, western Kansas and the western United States in which those hundreds of thousands of acres that are expiring.

My landowners have to make a decision now, certainly in the next several weeks, about whether or not they are going to remove the cover crop – remove the grass and begin cultivation. And I think based upon what you're telling me, the answer is they can have no certainty that they would be able to get their land into CRP before they have to make that decision.

Mr. Coppess: Yeah, based on the time frame that we have for this, there will not be a signup before July 1st.

Rep. Moran: Can you extend that date, can you tell me there will not be a signup before some other date? What's the minimum amount of time that now has to expire?

Mr. Coppess: Once the EIS is formally published tomorrow, we have a 30 day no action period in which we cannot do anything, we take in public comment on the EIS, we turn that in to the record of decision on the environmental impacts, and then we publish the final regulation for that program. At that time then we can announce and begin a general signup.

Rep. Moran: And that minimum time is how many days or months?

Mr. Coppess: Well, 30 days plus given a few weeks to at least try and turn around the rule as quickly as we can in the record of decision. I don't have any way of telling you, sitting here today, exactly how long it's going to take us to finalize the rule, clear it, and get it through. But we are pushing this as fast as we can and working as hard as we can to get this out, knowing the significant issues it faces for producers on the ground.

Rep. Moran: I was going to say I treat you with great respect because you understand Nebraska agriculture, and therefore understand the dilemma that we're in, although we're all mad at Nebraska at the moment. [*Laughter.*] So I defer my respect. I guess what you're telling me is at least six weeks from tomorrow is a minimum amount of time.

Mr. Coppess: Without guaranteeing any set time, at least, yeah, 30 days for the comments, and given the pace of trying to get things through, at least a week or two, maybe more than that, to get it through the system.

Rep. Moran: I want to go back, Secretary Miller, to the baseline issue. And I think it's important that we talk about CBO baseline, not OMB baseline. That's the one that matters to us. Everything that I've been able to understand about this topic is that we will get no credit in the CBO baseline for the money that's placed into CRP, and no credit for the money that's placed into expanding programs related to crop insurance.

I also think it's an interesting circumstance that you have created by shifting money from crop insurance to CRP, a mandatory program, and I think that sets a dangerous precedent in which we take money out of the safety net dollars to fund mandatory programs, so that was a surprise to me. It doesn't make sense to me. And again, I think that the baseline is going to be deteriorated as a result of this SRA agreement coming to a conclusion.

It seems to me – and you can correct me, and I'm sure you will – but I thought we had an understanding – I would use the word guarantee, but no one in Washington guarantees anything – we had an understanding that the Administration, in their SRA agreement, would insure that the CBO baseline was not harmed as we enter discussions on a new farm bill. And so my question is, what was the commitment of the Administration with regard to the baseline, and can you tell me today that we will not sign an SRA agreement until we get full protection of the amount that's coming out of crop insurance that it remains in the agriculture committee's baseline as we develop a new farm bill?

Mr. Miller: There were several questions there, Congressman, so let me see if I can work through it. In terms of the Administration's commitment pertaining to the baseline, the Administration had agreed that, first of all, they understood the baseline issue relative to having funding available to write the 2012 Farm Bill and they agreed to work with Congress in terms of helping identify an appropriate level of baseline that could potentially be protected, recognizing that there are additional priorities out there for both Congress and the Administration, and a significant one of those priorities is deficit reduction.

In terms of the CBO numbers generally, as I said, we don't have control over CBO, but I fully understand that those are actually the numbers that you have to work with. It's my understanding that in the spring CBO baseline relative to the SRA negotiations that were occurring at the time, CBO had already assumed \$3.9 billion in savings from the SRA negotiation, which was already, I think in your view, a loss to the baseline. So recovering that, whether through administrative action or through actions that Congress might take would have been difficult anyway, and if we didn't have a conclusion to the SRA negotiations, or if Congress wanted to intervene, they probably would have their own [pay go] problem in recovering the 3.9 billion.

So the Administration has agreed to provide one-third of the savings to bolster other programs. That will be done through administrative effort, and those programs then will be available for Congress to review during the 2012 Farm Bill.

And that means you can determine, at that point, the priority that you would place on the changes that we have implemented administratively and the additional outlays that we have incurred over the next year or two as we make these changes.

You do raise an interesting point concerning the treatment of the Conservation Reserve program. At least my reading of the statute – and this may have been an unfortunate oversight – is that the statute calls for up to 32 million acres, rather than explicitly mandating 32 million acres. But that isn't the sole source of the problem that we confront both in dealing with the administrative pay go problems that we face day-to-day or the ones that Congress faces.

Basically, we've ended up in a situation where even going back to the previous administration there were efforts to make modifications to the CRP program that required offsets, and there were a number of tradeoffs that were made in terms of efforts to pay for programs. The previous administration wanted an open access initiative applied to CRP, not to be confused with what was included in the 2008 Farm Bill. They were required to pay for that, and so in order to pay for it, they modified their assumptions concerning CRP participation.

And that may have been reasonable, given high prices and the fact that there was an assumption, I believe, that land would come out of the CRP. They didn't implement the program, and during the transition, OMB applied those pay go savings to deficit reduction, and so we lost it. When we then decided to try to find a way to allow for an extension of expiring CRP contracts last year, we had to pay for it, and so we went back and made an assumption about future CRP signup in order to get the money to pay for the extensions last year.

So that meant as we start looking at an open signup, an open enrollment period this year, with a goal to achieving, to maximizing CRP participation at \$32 million, we're basically stuck with an offset, and that offset is somewhere in the neighborhood of \$300 million, Jonathan? About \$300 million of administratively required pay go offsets. So it's a problem that I think both Congress and the Administration face. I don't want to diminish it. That's a significant amount of money. But we think it's important to get as close as we can to the 32 million acre level on the CRP participation.

Rep. Moran: So the expectation is that the baseline for the new farm bill is reduced by the amount of the savings, quote "savings" in the SRA agreement which is now what, 6.0?

Mr. Miller: Six billion.

Rep. Moran: Six billion. Three point eight was already anticipated, and so a further reduction in the baseline of the difference between 6 and 3.8?

Mr. Miller: That would be the additional reduction, and then by administrative action, we're going to increase outlays that we believe CBO should reflect in the baseline as well. As I mentioned, we are going to be expanding the pasture, rangeland,

and forage program to make it a national program. That has a significant pay go cost as well. We are looking at providing additional good performance discounts to producers in terms of their crop insurance premiums. This should also be scored, we believe, by CBO as an outlay that would serve to increase the baseline that you all have to work with. And so we're looking at a \$4 billion net reduction for deficit reduction, and \$2 billion that we will be expending through administrative action.

Rep. Moran: I no longer have any standing to critique the gentleman from North Dakota for going over his time, but I do hope maybe the chairman will give me the opportunity to ask some additional questions. I want to talk some more about crop insurance if we have the time. Thank you, Mr. Chairman.

Chairman Boswell: Ms. Herseth Sandlin, you're recognized for five minutes.

Rep. Stephanie Herseth Sandlin: Thank you, Mr. Chairman. Thank you to all of our witnesses today. Appreciate working closely with all of you to address the needs of South Dakota's agricultural producers. As you know, Secretary Vilsack was in South Dakota last fall. Administrator Murphy accompanied him. Yes, you were both there, that's right, and I apologize for... Well, it hasn't stopped raining up in northeastern South Dakota, and we have had terrible flooding now in the southeastern part of the state. And before I get to that, because an important question both for Mr. Coppess and Mr. Murphy based on some discussions that I think have been happening from your state and regional counterparts to think creatively, getting ready for the next farm bill, is perhaps a new program to assist some folks when they get caught in these cycles of very wet weather.

But the first question I would have, Secretary Miller, is something we heard at the recent field hearing that the agriculture committee had in Sioux Falls, South Dakota was how complex the ACRE program is, and I guess I'd like to hear your thoughts on two areas, both with ACRE and SURE. What do you think is working well in ACRE? What's not working well? A common complaint I hear is that to enroll, if you're a producer renting or leasing land, you have to get the landowner's approval to enroll in that program.

And then with SURE, we've got some FSA county offices, and I know it's taking a long time manually to get this done, but we've got significant backlogs for producers waiting for 2008 SURE payments. And I know with what the Secretary announced this week with the new MIDAS program, which county offices are going to get that first? How are you going to sort of target that? Will all of them eventually get it? What's the time table? Because these are delays that are harder and harder to justify, and people, especially if they're caught in some of these areas where they've been declared disaster, either presidential disaster declarations or secretarial disasters, people are really struggling, and so we need to, I think, prioritize some of these areas.

But if you could comment there. And then the question for Mr. Murphy and Mr. Coppess, to what degree are you two engaged, as your state and regional folks are, in thinking about new programs to get people sort of a transition program, especially if prevent plant is meeting some restrictions? Although I think we should push the reset button if there's a declared disaster area in terms of how that's administered. Mr. Miller?

Mr. Miller: Well, thank you for the question, and I think you raise a very important point as we look at the 2012 Farm Bill. The two programs that you mentioned were brand new in 2008. Both of them are complex, and yet substantially different. And yet if you look at them, in some ways they're both trying to do the same thing, and that is to provide further help to producers in maintaining their income, particularly during declining market prices or if significant crop losses occur.

I think in terms of ACRE, there were two elements that probably did the most to discourage participation in the first year. One was just understanding how the program worked. And it took some time for USDA, and yeah, we did get a lot of help from the land grant universities, from the extension service, and from a number of farm organizations in getting the word out, in developing some templates that farmers could use to pencil in their options and make a comparison between ACRE participation versus participating in the traditional program. But I think just the complexity of it certainly depressed participation. And now with the change in market prices across a lot of commodities, I think that's further depressing participation. But there's no doubt it was complex, it was something new.

And then you put the SURE program in on top of that, we may have created a certain amount of overload for producers in trying to understand the 2008 Farm Bill. But the SURE program in its own way is complex because of its attempt to link disaster payments to the other risk management functions, both crop insurance as well as our counter-cyclical and marketing loan programs. The SURE program also required that we use an average annual price, which meant that payments were going to be delayed by at least a year as we collected the data to calculate what a producer actually received for their production.

So I think there are a number of elements that Congress could consider, but we have to remember almost every one of those will come at some sort of budgetary cost as we look at the 2012 Farm Bill, and there may very well be a way to consolidate some of these programs and gain not only some efficiencies, but maybe some improvements for the producer in their operation.

And we're certainly happy to work with you in an effort to complete an analysis of where we're at, and also to take a look at what the results might be if we looked at some consolidations and some simplification. And I'm sure those that implement these programs at the county level as well as our producers, if we

could find a way to simplify these programs, would be ecstatic. Jonathan, do you want to respond to the Congresswoman's other question?

Mr. Coppess: Sure. Thank you. Just quickly, I think, from what we discussed last fall, and I recall we weren't able to get up in the airplane to see anything because of the rains. I think one of the things we're finding, kind of wrapping all three of these together, ACRE, SURE, and how we deal with some of the specific issues in South Dakota, is the incredible experience that we're getting now as we run through these, and the importance of continuing the discussions with our field offices, understanding what the farmers are dealing with and what the problems are, and how we then take that back in and analyze these programs and then work with you all in providing that advice back up. So I think our best bet right now is to get as many ideas out of the field as we can, get as much understanding out of the field on these programs as we can, and then look at the ways that we can adjust on that.

Just one quick point on MIDAS you asked about. It is an important effort, an important investments we're making in our capabilities at the field level, both on the computer side and cleaning up some of the business processes, forms, and issues that we have to take some of this complexity out of just how we operate all programs, as well as providing the IT infrastructure and that system there to, if the program is complex, not make it so complex at the countertop. And so there's a whole lot of that that we want to work in and that we expect to have made significant progress on MIDAS by the time we get the new farm bill through. And again, hopefully that will help us as we're able to combine a lot of that learning into the next round.

Mr. Bill Murphy: From a crop insurance standpoint, I think your growers up there will be covered up this year with preventive planning, as long as they maintained insurance. We recognize that two to three years you can have an insurable cause of loss. The coverage continues on with it. As long as the producer maintains his insurance coverage, he'll be okay.

We've been having some other problems up there, and that's more of availability of acreage for planting. That's a requirement, preventive planting. When we go out there and we see trees on some of this land, you have to wonder when was the last time it was planted. That's sort of the extreme we've been dealing with in other parts of that area. But just a grower who farms year in, year out, there shouldn't be a problem currently.

Now, as far as for the thoughts on perhaps a new farm bill, I think with the experience that we have, the growers have with our programs, the companies have with our programs, I think we'd all be very willing to discuss potential improvements there.

Mr. Miller: Can I make just one additional comment related to one point that you mentioned? Part of the complexity of SURE and some of the delay, not just in

identifying the components and how we would implement those components really is a result of the lack of computer technology and the ability to come up with a more simplified process.

We made the decision – and this is one of the obstacles I take responsibility for creating in our county offices – but we made the decision that it was more important to get SURE payments available to producers even if we had to go through what we consider to be a manual calculation. That’s still an electronic calculation, but with a different program. And then turn around once we had the programming completed, make whatever final adjustments might be necessary rather than to delay the implementation of the program waiting for our systems to catch up with us.

But that did create a significant load that still exists in our county offices, something that is creating some backlog. But the other choice I viewed as just totally unacceptable, and that is to just sit around and wait. It was more important to get as much money as we could delivered to those who needed it and who were eligible for payments, and that was the decision we made. I wish it would have been more efficient than it was, but unfortunately, we just didn’t have that capability.

Chairman Boswell: Thank you. Mr. Moran.

Rep. Moran: Mr. Chairman, thank you. I join Mr. Miller in his comments, particularly with Mr. Coppess here, about commending our county FSA offices in the implementation process. We create tremendous challenges, and their ability to respond is very much appreciated. I’d like to spend a little time on the SRA agreement. What I think I always try to focus on is what does this mean to the availability of crop insurance for farmers, particularly in states like mine where the risks are high; weather is not often our friend.

And there’s a very unusual, I think an unusual provision, if you want to explain to me about the future lawsuits in which, if a company is successful in their efforts to get money from RMA, they have to pay it back to RMA, which I guess diminishes the likelihood that any company is going to sue you over the agreement.

But beyond that, in a broader perspective, in the first draft we started out with no restrictions on agent commissions. In the second draft, the RMA introduced an 80% cap on direct agent commissions and allowed unlimited profit sharing. And now in this draft, perhaps the final draft, you’ve kept the 80% cap on direct commissions and then also capped total profit sharing and direct commissions at 100% of A&O.

I think this is a move in the wrong direction, and this provision should be removed from the SRA. In part it’s philosophical. Why is that not a decision between companies and their agents? Why is the federal government, why is

RMA intruding into this issue? I don't know how you're going to enforce it. I think you're adding a tremendous amount of bureaucracy and just, I think this is a mess, but just broadly, I don't understand why this is an issue for RMA.

This is an issue for crop insurance companies to negotiate with their agents. And if you've picked the wrong numbers and placed a cap, then it affects the farmer and the rancher who...I mean, what we compete for, what my farmers have to, in making a decision about who their agent is, is who provides the best service. And it seems to me you're headed in a direction in which you're reducing the opportunity for that competition of who provides the best service to our farmers and ranchers.

So that's...and, you know, I'm surprised by those who say there's been no complaints about these issues. My guess is because the agreement was just finalized last Friday and the discussion that will occur in Kansas City tomorrow. But I just see we're dictating how a business should be run. And again, we have enough problems without engaging in that process. Mr. Miller.

Mr. Miller: Well, let me make a couple of comments and then ask Mr. Murphy to respond as well. First of all, Congressman, if this were purely a private insurance program, I probably would agree with you that the government shouldn't be out there limiting it, but it is not. This is a partnership between the federal government, the companies, and then indirectly the agents and the producers that participate in the program. We have a responsibility to insure, as best we can, that the companies that participate in this program are financially sound and capable of living up to their responsibilities.

One of the things that we have seen in the past has been the increased liability to the agents that companies have undertaken by bidding up commissions, putting their financial status in question, and in one case a company went bankrupt, which put the burden of resolving that issue back on the American taxpayer, and also on the state of Nebraska.

So this is a way, we believe, to control what has been an explosion in agent commissions based on market price movements, still allow commissions to be at a reasonable level through profit sharing, but help insure also that in that competition for agents, which is manifest in some parts of the country and less so in others, that we do have some controls to insure that the companies are able to sustain themselves.

Rep. Moran: Mr. Miller, before you go to Mr. Murphy, is that not taken care of when you change the A&O. When you create a cap on A&O, you're going to force companies to make decisions about how to spend the money vis-à-vis their agents. It just seems to me it's a step unnecessary when you address the issue of A&O.

Mr. Miller: Well, what we've seen with A&O in the past is that companies will bid up commissions in some parts of the country and actually shift their underwriting gains and their A&O disproportionately to end up with commission rates in some parts of the country that are significantly higher than they are in other parts of the country. And so just looking at A&O broadly we don't believe adequately addresses that problem. Bill, do you want to respond further?

Mr. Murphy: Yeah, just to support the Under Secretary's statement from a global sort of big picture standpoint. If this was a private market, this would be addressed in a number of ways. One of them is product design. That would put pressure on commissions. Product pricing would put pressure on commissions and bring them into really what the market would bear. But since we control the product, we control the price, the way competition has become manifest in this program is through agent commissions.

This is how – we're at about 85% participation, growers at very high levels. If I'm company A and I want to expand my market share, basically what I'm limited to is increasing commissions. Now, within just this last year, in key farm states, I've had agents tell me they've been offered commission rates of 30%. When we're only giving 18% A&O, I mean, how do you make that work? The companies continually tell us their expenses are four, five percent above what we're giving in A&O.

If we run into a situation like 2002 again, where the companies are basically relying on underwriting gains to meet these commitments of commissions, we very well could have another failure. You don't have to have a bad year. Two Thousand and Two was not that bad of a year. In fact, the company that did default was the only company that year that had an underwriting gain. So unfortunately – I understand your angst, and that of the agents, but...

Rep. Moran: Let me ask this question, which is...and I'm not sure it's a good question to ask, but are you suggesting, kind of the underlying thought here is that the companies want the SRA, RMA to protect them from themselves?

Mr. Murphy: I don't know if they want us to protect them, but... I feel that we need to do something. If we have another failure in today's environment and the dollars we're talking about, I'm sure I'd be called up before this committee and asked to explain why, if I knew a potential problem existed, why I did not react.

Rep. Moran: Was the failure of the company that you're talking about, was it related to agent commissions?

Mr. Murphy: Yes.

Rep. Moran: Can you attribute that to...? Okay.

Mr. Murphy: Yes, very definitely so. They were relying on a 10 to 15% underwriting gain to meet their commission commitments.

Rep. Moran: You smiled when I asked about the lawsuit issue. Is there something to that?

Mr. Murphy: Basically what that's around, there has been some threats from different areas in the program that they will take us to court over this. We have been to court with the companies on several other provisions of the program. In order to insure that the savings are maintained, basically what that provision says is that if you overturn the new financial aspects of the agreement, we will utilize net book quota share to recoup that. Now, you are correct this is the first time the companies have seen this. We are meeting with them tomorrow, our attorneys are meeting next week, and we'll go through some of these concerns. And perhaps we have to state it differently. I'm not too sure. But that's basically what that provision was for.

And if I could just expand a little bit on the hard cap. The company financial stability really has more to do with the soft cap. The hard cap came about as more of an equity issue. As you know, some of the companies in our program write nationwide, heavily involved in the Midwest. That's where the profits have traditionally been made. Other companies that are in other parts of the country, don't write at all in the Midwest, or very little. They thought with the idea of the 80% soft cap and then being able to share profits freely that they would be at a disadvantage, and they would be forced to move into the Midwest purely to get more underwriting gain so that they could promise additional funds to their agents. They thought their agents would be picked off by other companies.

Another one is the agents themselves. The way the companies are paying these high commissions in certain parts of the country is they're basically taking the A&O from other parts of the country. Agents in Texas, I'm sure the commissions are around 10% versus perhaps 18 to 20% in the Midwest. They're doing the same amount of work. Why is one being compensated half of the other? I think that's a legitimate concern from the agents. Again, it's because of this distorted market we've created, unfortunately, in this partnership.

I think it also comes to be a barrier for entry into the program for new companies. I know this has been an issue with members here. It's been an issue with the companies and agents as well. If you have these super high commission schedules, it makes it difficult for a company to come in, perhaps with a better way or an improved way to market it, perhaps through some quoting software, if they have to match, immediately, high commissions. So I think it wasn't just one thing, it's actually a number of things we are trying to address in it.

Rep. Moran: I leaned forward to look at my next question. The chairman leaned forward to grab hold of his mike, so I appreciate the chairman's indulgence, and I thank the witnesses for their testimony. I'm fine.

Chairman Boswell: Okay, I thank you very much for your testimony today, and I believe we'll ask that we can have continuing to the record, and we'll bring this to

a close. It goes without saying we're interested in what happens tomorrow, so we'll continue to have dialogue. I think you've been forthright. We appreciate it, and we'll do our very best to see if we can't work our way through this. Nobody said it was going to be easy, and so we understand that.

So therefore, under the rules of the committee, the record of today's hearing will remain open for ten calendar days to receive additional material and supplementary written responses from the witnesses to any questions posed by a member. This hearing of the Subcommittee on General Farm Commodities and Risk Management is adjourned, and thank you very much.

Mr. Miller: Thank you, Mr. Chairman, Mr. Moran. Thank you.

[End of recording.]