S. HRG. 107–902

DISASTER ASSISTANCE

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

MAY 23, 2002

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CONTENTS

Page

HEARING(S):

Disaster Assistance 01

Thursday, May 23, 2002

STATEMENTS PRESENTED BY SENATORS

Harkin, Hon. Tom, a U.S. Senator from Iowa, Chairman, Committee on Agriculture, Nutrition, and Forestry 01
Lugar, Hon. Richard G., a U.S. Senator from Indiana, Ranking Member, Committee on Agriculture, Nutrition, and Forestry 02
Allard, Hon. Wayne, a U.S. Senator from Colorado 06
Conrad, Hon. Kent, a U.S. Senator from North Dakota 07
Enzi, Hon. Mike, a U.S. Senator from Wyoming 09
Lincoln, Hon. Blanche, a U.S. Senator from Arkansas 08
Stabenow, Hon. Debbie, a U.S. Senator from Michigan 07
Thomas, Hon. Craig, a U.S. Senator from Wyoming 05

WITNESSES

Barbie, Larry, President, Montana Grain Growers, Inverness, Montana 15
Chandler, Brian, National Farmers Union, Midland, Texas 18
Collins, Keith, Chief Economist, U.S. Department of Agriculture, Washington, DC 11
Dierlam, Bryan, National Cattlemen's Beef Association, Washington, DC 20
Green, Bob, Executive Director, Michigan Bean Commission, St. Johns, Michigan 22
Hill, Craig, Iowa Farm Bureau Federation, Milo, Iowa 13

APPENDIX

PREPARED STATEMENTS:

Harkin, Hon. Tom 30
Allard, Hon. Wayne 33
Barbie, Larry 65
Chandler, Brian 69
Cherry Marketing Institute, Inc. 86
Collins, Keith, ... 42
Dierlam, Bryan 75
Enzi, Hon. Mike 38
Green, Bob 80
Hill, Craig 61
Michigan Farm Bureau 84
Roberts, Hon. Pat 31
Rehberg, Congressman Denny 40
Stabenow, Hon. Debbie 34

DOCUMENT(S) SUBMITTED FOR THE RECORD:

Baucus, Hon. Max 92
Cleland, Hon. Max 90
Hutchinson, Hon. Tim 95

Page

DOCUMENT(S) SUBMITTED FOR THE RECORD—CONTINUED

Letter from Kevin and Nancy Wirth 102
Letter from Zane Reese 103
The National Grape Cooperative Association, Inc.; Nicholas Pyle 97
Statement of the American Farm Bureau Federation 100

DISASTER ASSISTANCE

THURSDAY, MAY 23, 2002

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 3:12 p.m., in room SD–106, Dirksen Senate Office Building, Hon. Tom Harkin, [Chairman of the Committee], presiding.

Present or submitting a statement: Senators Harkin, Conrad, Baucus, Lincoln, Miller, Stabenow, Wellstone, Lugar, Thomas, Allard, and Crapo.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

The CHAIRMAN. The Senate Committee on Agriculture, Nutrition and Forestry will come to order on a hearing on agriculture disaster assistance.

Agriculture producers in a number of parts of the United States have been badly affected by agriculture disaster losses of several types. Fortunately, our nation has not experienced a general catastrophic agricultural disaster for several years, but there have been severe and devastating losses to farmers, ranchers and their communities.

Today, the committee will receive testimony on the nature and extent of those losses and their consequences. We will also examine the type and the magnitude of the help that is needed. We are here because the need for assistance is real. Probably most, if not all, of the members of this committee have heard from producers who have suffered losses last year or already this year.

Severe losses from drought have occurred throughout the Plains States and across other regions of the United States. Drought losses extend to the cattle industry in much of the western part of our country. Producers in other parts of the country lost crops last year from excessive moisture that prevented planting, and that was the case in my State of Iowa. This year, producers in Illinois, Indiana, Kentucky, Missouri and Ohio have been unable to plant thusfar. In addition, damaging weather has generated serious needs for emergency conservation assistance, especially through the Emergency Watershed Protection Program.

On February 12, the Senate voted 69 to 30 to waive the budget point of order and allow an emergency designation for the Baucus Amendment to the Farm bill. The amendment provided urgently needed assistance to producers who suffered crop and livestock

losses in 2001. Because of objections from the House Budget Committee and the House leadership, we were unable to include this in the Farm bill, and the administration similarly opposed the emergency designation for this assistance in the Farm bill. I am not certain that they are opposed to it as such; they were just opposed to it being in the Farm bill; that is all.

The committee will examine in this hearing and in further consideration the help provided by existing programs, including the Federal Crop Insurance Program and other USDA assistance and the limits of that assistance. We have made significant improvements in the crop insurance program, but producers continue to depend on assistance for losses that are not adequately covered by crop insurance. Livestock producers lack an effective risk management system for pasture, range and forage crops, and they likewise lack an effective USDA livestock assistance program.

I look forward to today's testimony and to appropriate committee action very soon to respond to the several disaster losses that have damaged agriculture producers across our nation.

[The prepared statement of Sen. Harkin can be found in the appendix on page 30.]

With that, I would recognize our distinguished ranking member, Senator Lugar.

STATEMENT OF HON. RICHARD LUGAR, A U.S. SENATOR FROM INDIANA, RANKING MEMBER, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Senator LUGAR. Thank you very much, Mr. Chairman.

Let me ask that unanimous consent be given to include a statement by Senator Roberts in the record.

The CHAIRMAN. Without objection.

[The prepared statement of Senator Roberts can be found in the appendix on page 31.]

Senator LUGAR. Thank you very much, sir.

Agriculture is inherently a risky business, subject to hazards of weather and uncertain markets. In recent years, national crop yields for major field crops have been above average. The country has been blessed generally by relatively good weather, at least on an overall national basis.

However, as farmers and ranchers know, national crop yields can mask what is going on in individual regions or, for that matter, even on individual farms. In most years, farmers and ranchers in one or more regions experience weather-related crop and forage losses, and most recently, farmers and ranchers in a number of western states are dealing with a seemingly prolonged drought that adversely affects crop and forage production last year and is continuing this year.

Last year, producers experienced weather-related problems in other areas as well. This year's 2002 crop growing season is just getting underway for most spring-planted crops. We have several witnesses with us today who can give us detailed assessments of what occurred last year as well as the prospects for this season.

Senator Baucus, as the Chairman has pointed out, has introduced emergency disaster assistance legislation that would provide $1.8 billion in disaster payments to farmers for weather-related

2001 crop losses and $500 million in disaster payments to livestock producers who suffered grazing losses during calendar 2001; thus, a total of $2.3 billion for the 2001 crop and grazing losses, not including separate provisions for payments to apple growers and funding for USDA administration.

Senator Baucus' emergency assistance legislation was included in the Senate-passed farm bill, but the $2.3 billion in emergency crop and forage loss disaster payments was not retained in the final Farm bill conference report that the President signed into law last week.

During the conference, the administration's position was that any agriculture disaster spending should be a part of and not an addition to the $73.5 billion farm bill budget. The administration was right on this budget issue. We have just enacted a new farm bill, which the Congressional Budget Office currently estimates will cost $82.8 billion over baseline, and the baseline has been increased now to $107 billion. This is $9 billion more than the $73.5 billion originally envisioned for the Farm bill in the 2002 budget resolution.

More importantly, the Congress always intended that the $73.5 billion be available for the Farm bill as long as such spending did not dip into Social Security trust funds. We know that the Farm bill spending will dip into the Social Security trust fund this year and very likely for the next several years, because the overall Federal budget projections changed long before we finished the Farm bill conference report.

Now, unless offset by cuts in other spending or increases in revenues, enactment of any new agriculture disaster assistance legislation also will dip into the same Social Security trust fund even more.

Some will no doubt argue that Congress has regularly provided emergency disaster assistance to farmers in the past and that such emergency spending is appropriate when our producers are faced with a natural disaster. This was true in the past, but the crop insurance reform legislation enacted in June 2000, which took effect with the 2001 crops, was supposed to eliminate the need for any future ad hoc emergency crop disaster assistance. The crop insurance bill was a $20 billion bill over a 10-year expansion of the Federal crop insurance program, which already was extensive, and the non-insured crop disaster assistance program for non-insurable crops.

The crop insurance bill greatly increased premium subsidies to make higher so-called buy-up levels of crop insurance more affordable. It also greatly expanded the availability of NAP disaster payments for the non-insurable crops by eliminating the NAP area-based trigger. The dominant theme of the crop insurance bill debate was that these reforms were necessary to avoid the need for ad hoc crop disaster assistance payments in the future.

The crop assistance bill took effect for the 2001 crops, and farmer participation in the program has increased to a very high level, including the drought-affected western states such as Montana. According to USDA, 91 percent of Montana's acres planted wheat were insured with Federal crop insurance in 2001, and over 80 percent of those acres were insured with the higher level buy-up cov-

erage. Virtually 100 percent of Montana barley acres were insured last year, with 90 percent protected with buy-out coverage.

Now, I would just say parenthetically, Mr. President, that this leads to the question that I will have of the witnesses as to the need to provide disaster payments for crops already insurable under the Federal Crop Insurance Program or for non-insurable crops already eligible for disaster payments through NAP. I want to be helpful to farmers and ranchers who are facing severe weather-related losses, and I would like to explore these budget and policy issues before we proceed with any new legislation.

I would add, Mr. President, in my own case that I add anecdotally in many of these hearings, we have not been able to plant at all. We still have all of our soybeans still to be planted; all of our corn still to be planted. That is true of about 87 percent of the acres of Indiana as we speak on the 23rd of May, which is very late in the game, and we are prayerful for a late frost.

In any event, I and most of the farmers who live around me have purchased crop insurance, and in most cases, it is at the 85 percent level, which means for the benefit of the hearing that given a 5-year base that is a part of that crop insurance situation, if, for some reason, my crop is a total disaster or nearly that by the end of the day that I am going to receive 85 percent of the normal revenue that I would anticipate.

That is available to every farmer in America. The question, I suppose, that some of us will have today is why are we here on this subject? Now, the livestock question is a different one. Clearly, we do not have insurance there. I would mention, Mr. President, during the Farm bill debate, I offered as an alternative solution an income safety net for livestock producers as well as for those with crops and vegetables and anything, any agriculture income whatsoever, insurance at an 80 percent level over a 5-year history of time.

Now, that is not 100 percent, not 90 percent, but in terms of a reasonable payment for everybody in agriculture, across the board, every state, it appeared to me to be a logical way of trying to solve the disaster problem as well as some continuity for farmers who needed to have certain income. That idea received 30 votes, and I appreciate that that was the extent of support, and another view has been taken.

At the time, I do not recall the same urgency with regard to livestock that I see now. In due course, perhaps there will be further consideration of how we provide a safety net in an equitable way for all of us as opposed to doing it crop-by-crop or livestock as opposed to crops or various states that have a specific problem when, indeed, this committee has really tried to wrestle with this I think constructively for several years.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Lugar.

It is the chair's intent now to recognize Senators in the order in which they appeared going back and forth, so I would recognize in this order for opening statements Senator Miller, Senator Thomas, Senator Wellstone, Senator Crapo, Senator Conrad, Senator Allard and then Senator Stabenow for any opening statements that you may have.

Senator Miller.

Senator MILLER. I have no opening statement.

The CHAIRMAN. Thank you, Senator Miller.

Senator Thomas.

STATEMENT OF HON. CRAIG THOMAS, A U.S. SENATOR FROM WYOMING

Senator THOMAS. Thank you, Mr. Chairman.

I do want to comment. I appreciated my friend's comments from Indiana, but I come from a livestock State, so I do want to mention that, and certainly, all of us are aware of the problems we have. In Wyoming, this is the third year of continuous drought that we have suffered. It makes it much worse, particularly when you depend on snow pack and so on, and ours is much less.

Our Governor has declared a primary disaster for the whole state, and obviously, crop insurance is not very useful for livestock people, as you have suggested. Furthermore, half of our State is public land, so much of our livestock grazes on public lands. Those public land managers are going to have to cut back on their capacity this year, so it makes it most difficult. Hay prices have skyrocketed, of course, so the livestock people are unable to find alternative ways to take care of that livestock.

We do need to look for a long-term solution. Now, we are dealing with the immediate difficulty. I hope that we can look at it over time. I have a bill that I am interested in that would provide at least for some capital gains reductions if people have to sell their livestock because of this, and I hope we can pursue that.

However, assistance is needed now. I hope we can offset it. I hope we can find a place to offset this, and I understand Senator Burns has found a way to do this hopefully. We need to treat this as an emergency situation, and I look forward to hearing the testimony today.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Thomas.

Senator Wellstone.

Senator WELLSTONE. Thank you, Mr. Chairman.

I know we have got votes about 4:45, and then, once we start voting, we are going to vote, vote and vote, so you need to get on with the hearing.

The CHAIRMAN. We need to move.

Senator WELLSTONE. Why don't I—I have got a great statement here.

[Laughter.]

The CHAIRMAN. Thank you for yielding.

Senator WELLSTONE. Well, I did not say yet I was going to yield! My God! The pressure is unbearable.

[Laughter.]

Senator WELLSTONE. Yes, I will yield. I will yield.

The CHAIRMAN. No, come on, go ahead.

Senator WELLSTONE. No, that is all right.

The CHAIRMAN. Thank you, Senator Wellstone. Thank you.

Senator Crapo? He must have left.

Senator THOMAS. Oh, I meant to mention that he indicated he had to leave, but he is in favor of doing something here and wanted you to know that.

The CHAIRMAN. Senator Allard.

STATEMENT OF HON. WAYNE ALLARD, A U.S. SENATOR FROM COLORADO

Senator ALLARD. Mr. Chairman, I want to thank you for holding this timely hearing.

The situation in Colorado can be just summed up very simply, and that is that it is bone dry. Of course, being dry is not unusual in the arid West. What is unusual is the severity of this drought. Well over half of the State is in extreme drought, and the drought in the luckier parts of the State is either moderate or severe. Some areas of Colorado are entering a third year without adequate moisture; other areas are experiencing the driest conditions in 100 years.

Rivers are drying up; the snow pack, measured by the Natural Resource Conservation Service, is 10 percent of average. It is gone: acres of farmland that once held the hopes of a prosperous crop have turned into dust. The impact on the environment is easy to see: pastures are brown with no new growth. The wheat has shriveled in the ground, and corn, if it made it out of the ground, is wilting in the row.

The impact on the citizens of the United States in the State of Colorado is also easy to see. In the proud community of La Junta, a small Southern Colorado town, they are experiencing traffic jams—yes, a small town with a traffic problem, not because of highway construction or population but because of the streaming line of trucks hauling cattle to the sale barn. Cattle volume is not the only record falling, either. Last week, my staff in Colorado informed me that a sale—just one sale—lasted nearly 24 hours straight, running from 9 a.m. to 6:30 a.m. the next morning. The La Junta sale sold nearly 6,000 head from 291 consignees.

Record-breaking volume at livestock sales has flooded the market with cattle. Their owners are desperate to salvage any remaining value while they search for hay and pasture. I have even read where one of the State's biggest sale barns explained to buyers and sellers about a lot of 30 healthy young cows. They just flat ran out of feed. They are just a powerful set of cattle, but "they don't have nothing to eat" was the quote.

From Ignacio, Colorado in the southwest corner of the State, where a rancher sold 85 percent of his herd, to Boulder in the north, where a third-generation rancher watched his natural springs run dry, the situation is nothing short of dire.

I am just about finished, Mr. Chairman.

The CHAIRMAN. I understand. I have just been informed that now, the vote is at 4:20. We really do have to move with the committee. I am sorry, Senator. Please wrap up.

Senator ALLARD. OK; very briefly.

The papers are already proclaiming that this year's drought is sure to bankrupt some farmers and ranchers. There is a big part of Colorado that depends on agriculture, and it is expected to amount to about a $16 billion impact on the economy.

Mr. Chairman, I would just ask that the remainder of my statement be made a part of the record.

[The prepared statement of Senator Allard can be found in the appendix on page 33.]

The CHAIRMAN. I appreciate that, Senator Allard, and I really do not want to cut Senators off, but if we have a 4:20 vote, and if we have witnesses who have come from across the country to be here, I ask your indulgence unless there——

Senator WELLSTONE. Mr. Chairman, there are going to be a lot of votes, so you will not even be able to come back.

The CHAIRMAN. That is what I mean.

Senator WELLSTONE. Yes.

The CHAIRMAN. We will not be able to come back. Once we leave here, we cannot come back.

Unless someone has a very short, short statement, I would recognize them for that, and the next one is Senator Conrad.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator CONRAD. Very short.

Let me just say this question of spending is very important, because we have heard in the press over and over what huge increases in spending are coming from this Farm bill. It is just not the case. If you look at 2002 under this new Farm bill, the total spending will be $14.2 billion. In 2001, the spending from the Federal Government for farmers was $22 billion. $22 billion is more than $14 billion in the math I learned back home in North Dakota.

Not current spending under the Farm bill being more, but last year's spending is more than under this Farm bill. It is not just last year, but the year before that, Federal spending by the Federal Government was $32 billion. That is almost double what it is going to be under this Farm bill. I have not seen one press report that has got this right, not one.

All the reporting talks about big increases under this Farm bill. There are big increases in this Farm bill over what the old Farm bill provided, but as everyone here knows, there was not just farm bill spending; there was also economic disaster spending every year for the last 4 years. The year before 2000, it was $19 billion. That is more than the spending that will be in this year under the Farm bill. It would be just nice to see one time somebody get this right, just once.

There is not more spending; there is less spending. I hope maybe the word can get out as to what the facts are about this Farm bill, not these misleading headlines about these massive increases. They are not massive increases. There is less money going to farmers from the Federal Government than last year and the year before and the year before that.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Conrad.

Again, very briefly, please.

Senator Stabenow.

STATEMENT OF HON. DEBBIE STABENOW, A U.S. SENATOR FROM MICHIGAN

Senator STABENOW. Well, thank you, Mr. Chairman.

I will ask for the record to have my complete statement.

The CHAIRMAN. Absolutely.

Senator STABENOW. This is a very critical issue for the State of Michigan. I just want to acknowledge that we do have a witness from Michigan today, whom I was very pleased to invite, Bob Green, who is the executive director of the Michigan Bean Commission, who will provide an overview of the losses suffered by Michigan bean growers and other producers, and I would just say for the record that 2001 was the worst year in recorded history, the worst year in recorded history, for dry bean growers in Michigan, and because beans and our specialty crops and other crops that we grow in Michigan are not covered by Federal farm programs, in many cases, they are not eligible for crop insurance, which is a very important piece for us to remember as we consider assistance.

I hope we will, in fact, come forward with a disaster assistance program, and I also would have to say on behalf of the asparagus growers in Michigan that addressing market loss would also be another issue that I would like to address.

Thank you.

[The prepared statement of Senator Stabenow can be found in the appendix on page 34.]

The CHAIRMAN. Thank you, Senator Stabenow.

Senator Lincoln.

STATEMENT OF HON. BLANCHE LINCOLN, A U.S. SENATOR FROM ARKANSAS

Senator LINCOLN. Mr. Chairman, thank you so much for your tireless leadership on this and so many other issues. I appreciate that this hearing is dedicated to the needs of farmers and ranchers who have been hurt by too little or too much water. In my State, there are two additional concerns for two very important sectors of our farm economy. First, the poultry producers are dealing with a highly contagious low pathogen avian influenza problem that is being used by our trading partners as an excuse to block our poultry exports.

Arresting the spread of avian influenza means the destruction of entire flocks, which, in turn, could mean the loss of a producer's entire revenue. Thus, there could be financial disincentives for poultry producers to admit that an avian influenza exists among its flocks, even though it is in the better interest of the domestic industry as a whole to do everything possible to contain the disease.

For my state, there are no known occurrences of the avian influenza, but the threat of spread to our state is very frightening. We would like to take this opportunity to urge the Chairman to hold more hearings to investigate the dangers of the avian influenza and to explore whatever options are available to Congress to deal with that problem.

With that, I would just like to raise the last issue of concern, and this one is affecting our State's forestry sector. As the subcommittee chairwoman over Forestry, my subcommittee is preparing to hold an oversight hearing regarding the severe oak mortality that is being experienced in Arkansas and the hardwood forests in the central and eastern U.S. The severe oak decline is not just a disaster waiting to happen; it is already destroying our public and private forests.

Over a million acres of red oaks will be impacted just during this year throughout only Arkansas and Missouri. Mr. Chairman, I appreciate all that you do and would like to ask unanimous consent to have my entire statement inserted in the record but hope that these two issues are something that we can deal with in hearings and hopefully in whatever approach we take in disaster assistance.

Thank you.

The CHAIRMAN. I appreciate that, Senator Lincoln.

Now, we will have to move ahead. Senator Enzi, you have been very patient. Thank you for being here. For you and everyone else, your entire statements will be made a part of the record, and please proceed, Senator Enzi.

STATEMENT OF HON. MIKE ENZI, A U.S. SENATOR FROM WYOMING

Senator ENZI. Thank you, Mr. Chairman and members of the committee for hearing my testimony, and I appreciate that the full statement can be included in the record, so I will condense somewhat. I appreciated your promise to Senator Baucus that you would hold this hearing and that you are doing it today.

I wanted to testify for a very specific reason, and that is that the Wyoming livestock producers as well as the other livestock producers are in dire need of assistance, and your bill could provide it. Wyoming is in the third year of a drought. Producers that sold or reduced their herds in the first year have been unable to buy replacements, and the tax relief use on forced sales is running out.

Now, even more producers are being forced to sell their livestock in irrational markets due to prohibitively expensive prices of hay and the rejections from drought-stricken public grazing lands. I appreciate that you provide the water in bottles here so that we can conserve on that water. Whenever I leave now, I feel compelled to drink that water, the drought in the West is so severe.

Though I have been most vocal for livestock producers in my State, my crop producers have also suffered from the merciless drought, but I concentrate on livestock, because they have been completely left out. The Livestock Assistance Program is a program available to livestock producers in counties that have been declared disaster areas by the President or Secretary of Agriculture. It provides a minimal financial relief to livestock producers that are experiencing livestock production loss due to drought and other disasters but only if there is money in the fund. Then, there are tremendous delays built in, because everybody has to apply, and the money is divided up among those people who have it. Of course, if there is no money, nobody gets anything.

In fiscal year 2000, the Livestock Assistance Program was funded at approximately $430 million. In Wyoming, 933 producers received almost $8 million in assistance from those funds. Now, that is an average of $8,313 per producer. Nationally, it provided assistance to about 186,000 producers at 88 percent of their grazing loss for drought and other disasters experienced in 2000. The need was similar in 2001. Yet again, I repeat, no funds were provided for livestock producers, but crop producers received their emergency payment.

I thought I could hear relief coming when Senator Baucus and I successfully added an agriculture disaster assistance package to the Farm bill with a resounding 69–30 vote. I commend the Senate Farm bill conferees for their attempts to retain the agricultural disaster spending in the Farm bill conference report, but the final report contained no disaster assistance. What is the use of a farm bill if my State's farms and ranches have been sucked dry and are out of business?

Many of the new and innovative rural development programs and the Environmental Incentives Program EQUIP will not be of any value if there are no farmers and ranchers left on the land. I received a lot of hopeful calls after the conference report passed. Many of my constituents knew of the disaster assistance amendment, and they were hopeful that relief was on the way with the Farm bill's passage. It was difficult to explain why the assistance was no longer in the bill.

It is now May 2002. I find it astounding that I am still working to remedy disaster experience in 2001. This spring's complete lack of moisture has promised that more of the same is yet to come. We in Wyoming are trying to be proactive. Governor Geringer has already requested the entire State of Wyoming be declared a disaster area. I know that USDA is processing that application. The Farm bill conference report did include an amendment that I offered to authorize the livestock feeding assistance. With its passage, the Secretary of Agriculture now has the authority to use that program to provide assistance to livestock producers.

The program is no longer ad hoc. It is my hope that the appropriators will consider this authority and potential need for assistance in 2003. I was pleased to hear the announcement yesterday that USDA, through the Farm Services Agency, has allowed Early Conservation Reserve Program grazing in Wyoming's Campbell County. In these extreme circumstances, this will allow producers to graze land that they had agreed to set aside for conservation.

Although it is outside the scope of this committee, I have also been working to ensure that other Federal agencies offer this same consideration to strapped producers. I recently sent a letter to the Bureau of Land Management encouraging their flexibility while working with permitees on drought-stricken Federal grazing allotments.

I present these nuggets of hope to you today to show that I am not asking this committee to act when I have not puzzled and considered and acted myself. Wyoming cannot conquer this drought alone, so I come to you asking you to do something for the livestock industry.

Thank you very much for your time.

[The prepared statement of Senator Enzi can be found in the appendix on page 38.]

The CHAIRMAN. Senator Enzi, thank you very much for your patience. Thank you for your strong support of this, and I know that you were one of the strong supporters on the Senate floor when we adopted that provision. As you know, this committee is going to continue this hearing, and hopefully, we will make some movement on getting a bill out as soon as possible.

Senator ENZI. Thank you.

The CHAIRMAN. Thank you, Senator Enzi.

I also want to note that Congressman Rehberg was here. I do not know—is Congressman Rehberg still here? Congressman Rehberg had a statement, and without objection, I will make it a permanent part of the record right after Senator Enzi's statement.

[The prepared statement of Congressman Rehberg can be found in the appendix on page 40.]

The CHAIRMAN. Now, we would like to call to the table Mr. Keith Collins, chief economist, U.S. Department of Agriculture. I guess we are going to bring everybody up here: Mr. Craig Hill, Iowa Farm Bureau Federation; Mr. Larry Barbie, president of the Montana Grain Growers; Mr. Brian Chandler of the National Farmers Union; Mr. Bryan Dierlam, the National Cattlemen's Beef Association; and, as Senator Stabenow already introduced, Mr. Bob Green, executive director of the Michigan Bean Commission.

Senator THOMAS. Mr. Chairman, can I interrupt just long enough to welcome particularly Mr. Dierlam, who has come to represent the stock growers? He is also getting married on Saturday.

[Laughter.]

The CHAIRMAN. You can focus on this today?

[Laughter.]

Mr. DIERLAM. It took a little pressure off the wedding.

[Laughter.]

The CHAIRMAN. Someone told me your fiancee is in the audience. Is that right?

Mr. DIERLAM. About 15 or 16 family members.

[Laughter.]

The CHAIRMAN. Well, why don't they all stand up? Let us applaud them. Thanks for being here today.

[Applause.]

The CHAIRMAN. Have a great wedding. I hope you have great weather for it.

Mr. DIERLAM. Thank you, Chairman.

The CHAIRMAN. Thank you.

Now, we will start with Dr. Keith Collins.

Dr. Collins.

STATEMENT OF KEITH COLLINS, CHIEF ECONOMIST, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Mr. COLLINS. Thank you very much, Mr. Harkin, members of the committee. Thank you for the opportunity to invite USDA up to discuss how weather has affected agriculture this year and last year. I sent you a rather lengthy statement with a lot of tables and charts attached to the back. I hope that will help the committee and your capable staff members as they negotiate this difficult issue.

The major weather events over the last 2 years have been drought and excess moisture. The charts attached to my statement start with the drought monitor, a tool which classifies the degree of drought based on a variety of factors. It shows that the drought intensified along the Eastern Seaboard states last year; dissipated last spring and summer with rain; came back last fall and winter with the dry winter we had; and is now dissipating or diminishing a little bit with this spring's rains.

In the western states and mountain states, however, the problem has been much more chronic. The northwest suffered drought in 2000. That spread into the mountain states and the western plains states during 2001. Drought is now more serious today than it was a year ago at this time, and it is most intense in the western plains, the southwest, South Texas and parts of the southeast.

The most recent outlook of the National Weather Service for this summer forecasts the drought to intensify in the southwest as well as in Montana, Idaho, South Texas and across the lower Mid-South. Wet conditions are expected to persist in the eastern corn belt.

The primary effects on agriculture have come on cattle and crop production. The lack of forage and the increased cost of supplemental feeding has forced cattle producers in the western and mountain states to move their animals into feed lots rather than to maintain or expand their herds. Placements into feed lots in the first quarter were almost 7 percent above the first quarter of 2001. Coupled with heavier slaughter weights, beef production has been rising, just the opposite of what we had expected to happen here in 2002. The combination of increased beef production, a decline in meat exports across the board, a slowdown in domestic meat demand and rising production of competing meats have all caused cattle prices to decline. First quarter cattle prices were 10 percent below the first quarter of a year ago, so you are selling cattle into a weak market.

Turning to crops, the drought has reduced this year's winter wheat production, we estimate by a potential 150 to 200 million bushels, a drop from 1.5 to 1.3 billion bushels of winter wheat. In 2001, we estimate the weather reduced winter wheat by nearly 100 million bushels, and last year's spring wheat crop was also reduced in Montana by about a third.

Drought has also reduced crops in other regions. In 2001, we had cotton in Texas reduced. We had cane sugar in both Louisiana and Florida reduced. We had citrus in Florida reduced. We also had other weather events like cold weather in California and Arizona which reduced lettuce production this year.

While the western plains and mountain states have been parched, the problem in the eastern corn belt has been excessive rain. In 2001, we had generally excellent corn and soybean crops, but this year's weather problems could give us serious production problems. In Missouri, Kentucky, Ohio, Indiana and Illinois, only 25 percent of the corn and soybean acres that farmers intend to plant had been planted by last Sunday, May 19. That is roughly 23 million acres of corn and soybeans that had not been planted.

The next 2 weeks are going to be critical for corn producers in the states that are having the wettest problems. We are going to be conducting a very large survey in the first 2 weeks of June to measure planted acreage, and we will be able then to determine what farmers actually planted compared to their intentions.

In the face of these weather-related problems, the Department has been operating quite a range of programs to help offset the production losses that farmers are facing. The cornerstone of these programs is Federal crop insurance. As a result of the increased premiums provided by the Ag Risk Protection Act of 2000, enroll-

ment in crop insurance rose to 212 million acres in 2001. That was 17 percent above the level in 1998.

Over 80 percent of eligible acreage was enrolled in 2001, and producers are also purchasing insurance at a higher coverage level. For wheat, participation is above 80 percent in most of the drought-affected states. Another key program is the Non-Insured Crop Disaster Assistance Program or NAP, and NAP provides protection for non-insurable crops, including forage for animal consumption. We recently made a number of changes in this program to make it more helpful to producers, including the coverage of unseeded forage on public range lands.

In the Emergency Conservation Program—that is another program that can help producers by rehabilitating farm land, carrying out emergency water conservation and providing water assistance to livestock and to producers who irrigate orchards and vineyards should they be short of water. USDA has also authorized emergency haying and grazing of Conservation Reserve Program acres. Last year, we authorized it in 162 counties in 11 states, and yesterday and this morning, the Secretary notified 85 counties in 7 states that grazing would be permitted this year.

USDA also provides low-interest emergency loans to help producers recover from natural disasters. There has to be a disaster declaration. Far this calendar year, either the President or the Secretary have designated more than 1,100 counties as disaster areas. Finally, the 2002 Farm bill provides direct and countercyclical payments for program crops that will not decrease if weather reduces a producer's production.

In summary, Mr. Chairman, weather has affected a range of producers the past 2 years, with livestock producers being particularly hard hit. At the Department, we are monitoring the situation closely and working diligently to ensure the full range of programs available to mitigate the adverse effects on producers are being employed in a timely and efficient way.

Thank you.

[The prepared statement of Mr. Collins can be found in the appendix on page 42.]

The CHAIRMAN. Thank you very much, Dr. Collins, and we will hold the questioning until we get through all of the witnesses.

Next, we have Mr. Craig Hill, a neighbor of mine, representing the Iowa Farm Bureau Federation from Milo, Iowa.

Craig, good to see you.

STATEMENT OF CRAIG HILL, IOWA FARM BUREAU FEDERATION, MILO, IOWA

Mr. HILL. Good afternoon.

My name is Craig Hill, and I serve as the vice-president of the Iowa Farm Bureau Federation. I am also a crop and livestock producer from south central Iowa. The Iowa Farm Bureau Federation represents nearly 155,000 farm families and appreciates the opportunity to provide this testimony before you today.

I am here to ask for your assistance in providing help to those producers who suffered crop-related losses last year. The severe weather conditions have had a negative impact on the livelihood of America's farmers in the rural communities in which they operate.

Senators emergency relief is important at this time. We are pleased to work with the committee and have been working with the committee in the drafting of the new Farm bill. We supported its final passage. This bill will benefit farmers by improving the safety net features of the 1996 FAIR Act, and certainly, the additional safety net features of this bill and the supplemental payments provided in previous years are important in ensuring that farmers can meet their financial obligations and remain on the farm.

However, farmers have suffered crop losses, and those crop losses continue to have economic concerns, and those producers will not receive any assistance through the Farm bill for losses last year. Producers in southern Iowa are seeking disaster assistance for the past crop year to help them with their cash-flow problems. Eight of the past 10 years have been short crop years for producers in this region.

The cumulative effect of these short crop years has been to whittle down the effectiveness of the safety net provisions provided through farm programs and through crop insurance. I believe that crop insurance is a viable tool to help producers manage their own risks. The new Farm bill improves that by further reducing the costs to producers of buying adequate crop insurance coverage. However, for producers in southern Iowa and many regions of the country, crop insurance falls short of their needed protection.

As I mentioned, 8 of the past 10 years have been poor crop producing years in southern Iowa, and crop insurance coverage has been—excuse me—the impact of this has been, as you know, to increase rates and reduce yield coverage. Thus, producers pay more for less coverage.

The continual planting problems in this region have contributed to a reduced safety net. Despite this, producers in Iowa and in southern Iowa continue to rely heavily on the crop insurance program to help manage their risk. As you can see from the attached chart, the amount of acreage covered by crop insurance in these six counties ranges from a low of 81 percent to a high of 95 percent.

Last year was a particularly hard year for many producers in southern Iowa. The Secretary of Agriculture has recently declared many counties in Iowa a Federal disaster area. This opens the door to some assistance, but this assistance is primarily low-interest loans. These producers need cash-flow, not more loans.

In addition to the six counties, prevented planting acres for corn and soybeans totaled 104,000 acres. Total acres planted in 2001 in Jefferson and Van Buren Counties was reduced by 25 percent. Nationally, losses for producers totaled nearly $2.3 billion. These losses are not covered by crop insurance, and Iowa crop producers had losses not covered by crop insurance totaling $30.8 million and livestock producers by $3.12 million.

Over the last several years, Congress has provided emergency assistance to producers across the country, in part due to unfavorable weather conditions. Based on the poor weather that many Iowa producers faced in 2001, I believe we should again provide disaster assistance to those producers.

Thank you for the opportunity to be here today to represent the interests of the Iowa producers before this committee. I will be happy to respond to questions.

[The prepared statement of Mr. Hill can be found in the appendix on page 61.]

The CHAIRMAN. Thank you very much, Craig.

Now, we will turn to Mr. Larry Barbie, president of the Montana Grain Growers.

Senator BAUCUS. Mr. Chairman, if I might just introduce——

The CHAIRMAN. I am sorry.

Senator BAUCUS. No problem.

The CHAIRMAN. I did not see you come in from the floor.

Senator BAUCUS. Larry is, as you mentioned, head of the Montana Grain Growers. He comes from one of the most generally prosperous parts of farm country in Montana, which is probably one of the greatest hit by the drought, now, in our State of Montana. He is a terrific farmer, a good friend, and I am just very honored to have you here, Larry.

The CHAIRMAN. Well, thank you very much, Senator Baucus.

Mr. Barbie.

STATEMENT OF LARRY BARBIE, PRESIDENT, MONTANA GRAIN GROWERS, INVERNESS, MONTANA

Mr. BARBIE. Mr. Chairman, members of the committee, thank you for the opportunity to provide testimony on natural crop disaster assistance for my producers. I raise wheat and barley near Inverness, Montana, located in the north central part of the State about 25 miles from the Canadian border.

I currently serve as Montana Grain Growers' president, a primary commodity organization representing wheat and barley to our producers and our State. Wheat and barley are by far the two major crops grown in the State, accounting for an average of $1 billion of gross sales per year. Agriculture is the largest industry in the State. In 2000, 36 percent of Montana's economy derived from my industry.

I come here today with the heavy responsibility of trying to describe how the horrible ravages of a multi-year drought have evaporated more than soil, moisture and stock water reservoir in my area of the nation. The financial future and the long life dreams of success for thousands of Montana farmers have dried up and are blowing away in the same winds that sift the soil from our fields. The lack of quick assistance will lead to more rapid consolidation and larger farms. Without assistance, moderate-sized family farms will be the first to go.

While wheat and barley production is about half of normal in 2001 for the entire State, my area was much worse. Most farmers harvested little crop, and many had no crop at all in this area of Montana. Wheat yields are normally from 35 bushels to 60 bushels per acre. The previous years of 1998 and 1999 were much below average as well, and the crop year of 2000 was only slightly better than 2001.

In the latest drought monitor survey last week, central Montana was still the most drought-stricken locality in the nation. Our farmers are desperate, and they need assistance now. The current

drought has undercut the present and future financial viability of not just our farmers but the entire agriculture-related economies of the region. Unfortunately, without natural disaster assistance, many of the producers will not be around to participate in the benefits of the new Farm bill.

Some question why crop insurance is not enough to provide aid during times of crop loss. One year crop loss, there is some merit to that argument, although the deductible of crop insurance policies is 30 to 35 percent, an amount that would be inconceivable for many forms of insurance. A relatively well-managed farm, like other businesses, cannot stand one year of loss and still remain viable. Two or three or four continual years of loss would devastate nearly every business.

With the double whammy of extended drought in area that average yields on which our safety net is based and brings insects and pests such as grasshoppers, cutworms and wheat mite infestation that threaten to eat up even more of the crop insurance proceeds.

I wanted to say in final words about the financial impact on the whole community. During weather disasters of flood, fire, tornado or hurricane, a disaster is followed by a process of rebuilding. Economic losses trigger the influence of new construction and new employment. Drought has no such economic effect. Farmers cut back to survive, while businesses they formerly patronized wither. The last remaining implement dealer in my area closed last year. Farm supply businesses have reported a 50 percent decline in the amount of fertilizer and crop protection products they have sold. Grain elevators sit empty. Employees have been let go, and the planned construction of a new shuttle train loading facility 60 miles from me has been put on hold. Mental stress on families and on neighbors creates a dark cloud of gloom, one which has replaced long-absent ones in the heavens.

While words can never adequately describe the bleakness of the drought-ravaged field, I hope today that my testimony has helped the committee realize how uniquely devastating the current situation is. The infusion of capital from the natural disaster aid bill will not alleviate the drought but would help stem the tide of farm foreclosures and bankrupt business.

Farmers could return to managing for success rather than finding ways to farm cheaply enough to survive on a meager portion of their normal income.

Thank you to the committee for giving me an opportunity to appear before you today.

[The prepared statement of Mr. Barbie can be found in the appendix on page 65.]

The CHAIRMAN. Mr. Barbie, thank you, and thank you for coming this great distance to make your case and to give us this data and these facts.

Senator Baucus, as you know, is chair of the Finance Committee. We have a trade bill on the floor. He has to be on the floor to guide and direct that bill, and I will ask the indulgence of the committee now for any statement he would like to make or any questions.

Senator BAUCUS. Thank you, Mr. Chairman, and I thank all of my colleagues, and I will not take advantage of this opportunity, but thank you, Mr. Chairman.

Larry, I wonder if you could just kind of share with everybody here another dimension of just how bad this is. For example, when I talk to farmers who have been farming for years, and their families have been farming, and they compare it back to the dust bowl days. Many people tell me that it is actually worse, because during the thirties, when there were four successive years of drought, actually, there was one year in the middle when there was a little bit of rain which tided people over.

Could you comment on that and how this is just worse than the thirties? When I drive across Inverness and around the south, the dust is just blowing everywhere, and frankly, were it not for CRP, we would have a dust bowl thirties situation, I believe anyway, because with CRP there is grass in some of that land. Otherwise, it would be fallow.

Second, the vicious or spiraling vicious circle and the spiraling down of payments under crop insurance; that is, each year, there is less of a yield, and therefore, the crop insurance guarantee is less and less each cumulative year and how crop insurance really is not much help now. If you could describe both of those situations for us and kind of put it in real, personal terms compared to the thirties and also, really, how crop insurance really does not take up the slack.

Mr. BARBIE. I have asked my Mom about the drought. She will be 80 years old this fall, and in the thirties, she said it was dry, but it was not this bad. Plus, we have got better farming techniques now. I mean, you mentioned CRP, but we strip farm, plus we chem-fall. When the chem-fall starts blowing, then, it must really be dry. They say the reservoirs, they have never seen the water table down or no water in the reservoirs for this long. The well is growing dry.

To address the crop insurance, I use a good example is like your grade point average. You get one low score. How long does it take to bring that grade point average back up? We have had three or four years of this where our averages are going down, and it just erodes away from the amount of coverage we can put on our crop insurance. Plus, the more you use the crop insurance, then, your premium starts to go up.

Senator BAUCUS. Again, it is a vicious circle.

Mr. BARBIE. Yes.

Senator BAUCUS. It just gets worse and worse and worse every year. This is not just one year of drought at least that we have had in Montana. This has been four. This is the fourth year now.

Could you also describe for us the effect that it is having on towns and on people not buying any fertilizer, not buying any fuel, and kind of just what is happening to some of the towns in Montana?

Mr. BARBIE. The three towns—there are five towns that are within a short distance of me. They consolidated in the eighties, and now, the school is looking to make one school. The kids are moving out; the people that—there are no jobs anymore. A family leaves, and then, it snowballs into another family leaving.

Senator BAUCUS. Well, Mr. Chairman as the Congress very graciously wants to help, say, Florida when there are hurricanes and Oklahoma when there are tornadoes and New York with the Trade

Tower disaster, we just ask in Montana that people recognize that even though we are not in the New York Times—actually, there was a photograph on the front page of the New York Times about 2 weeks ago of Montana drought conditions. We are part of the country, and there are other states that maybe do not have quite as much media markets as some other parts of the country, and we desperately need help.

I thank you very much for holding this hearing.

The CHAIRMAN. All right; thank you very much, Senator Baucus.

Senator BAUCUS. Thank you, Larry.

The CHAIRMAN. Thank you, Mr. Barbie.

I know you have to leave to return to the floor.

The CHAIRMAN. Next, we will turn to Mr. Brian Chandler, representing the National Farmers Union. He is from Midland, Texas.

Brian.

STATEMENT OF BRIAN CHANDLER, NATIONAL FARMERS UNION, MIDLAND, TEXAS

Mr. CHANDLER. Thank you, Chairman Harkin, Ranking Member Lugar, members of the Senate Agriculture Committee. I am Brian Chandler, an independent grain, cotton, forage and livestock producer from Midland, Texas.

On behalf of the National Farmers Union and family farmers and ranchers across the country who suffered substantial crop and livestock production losses in 2001 due to drought and other weather-related causes, I want to thank you for holding this hearing to discuss emergency disaster assistance for producers.

Much attention has rightfully been focused on the economic losses suffered by Montana grain and livestock producers as a result of the extended drought that has devastated that State. I am here, however, to let the committee know that in addition to Montana, the lack of moisture in 2001 had a devastating effect on farmers and ranchers throughout most of the plains state, including my State of Texas.

Nationally, production losses from drought, flood, disease and other uncontrollable weather-related causes reduced the economic viability of farmers and ranchers to the point that over 25 percent of the 3,141 counties in the U.S. were designated by the Secretary of Agriculture as disaster areas in 2001. An additional 679 counties qualified as contiguous counties under the declarations. A copy of the Secretarial disaster designations for calendar year 2001 is attached.

Unfortunately, low-interest loans, payments under the 1996 Farm bill, supplemental market loss assistance and existing crop insurance programs fail to adequately address the real needs of producers, local businesses and rural communities that have suffered as a result of these production losses. On my farm near Midland, our crops were completely decimated by drought to the extent that dry line crops were totally destroyed, and our soil moisture deficit precluded us from utilizing our supplemental irrigation.

Winter grazing of small grain crops, a normal practice in my area, was limited by the poor emergence, stand establishment and growth of those crops during the fall and winter. In addition, about 80 percent of my hay production was lost or the quality reduced

due to the lack of available moisture, which also reduced hay production of other producers in the area from whom I would normally purchase additional feed supplies.

From a market standpoint, my 2001 cash crops provided me a fraction of the expected total income. Mr. Chairman, not only did I have fewer bushels to sell, but also, as you are well aware, crop prices have been severely depressed since 1998, and production costs, particularly those related to energy, such as fuel, electricity and fertilizer, increased substantially last year, further reducing my income.

In the case of livestock, due to reduced forage production, increased cost of hay and transportation to get it to my farm, I had little choice but to reduce my herd size. Many of my cattle were marketed at both lower than optimal weight levels and during a period when many other livestock producers were forced into the same situation, resulting in lower market receipts for my cattle as well.

I utilize crop insurance to help manage the weather risk associated with my farming operation and am appreciative of the improvements that were made in the program a few years ago that allow me to increase my coverage level at a more realistic premium cost. However, even with additional coverage for my eligible crops, insurance remains an inadequate tool to sustain my operation, particularly in the face of a multi-year drought, as we are currently experiencing.

Although crop insurance allows for a reduced impact of low yields on a producer's actual production history, my yield history is declining to the point that insurance is becoming a less valuable risk management tool than it should be. For some crops, I can purchase 75 percent coverage, a major improvement over the 65 percent guarantee of the old program. Yet, this means that I must absorb a 25 percent loss before I begin to receive my indemnities.

Given the low and in many cases negative operating margins farmers receive, I am unable to build the level of financial cushion, even in relatively good years, necessary to sustain a loss of that size. In addition, lenders often encourage or require the purchase of crop insurance in order to qualify for operating credit, recognizing the benefits to protect their investment. However, they are hesitant to provide credit in a year following a production disaster, because most farm and ranch operations cannot project an income level adequate to cover both the uninsured losses of the prior year and operating costs for the current crop year.

For my livestock operation, insurance is just not a viable operation to mitigate a combination of forged production and forced market losses.

As you are aware, emergency ad hoc production loss programs were approved, along with market assistance, in many years prior to 2001. However, for the 2001 production year, Congress adopted a more timely supplemental market loss program without addressing production disasters because the level of damage was unknown and could not be predicted a year ago when action occurred on the supplemental economic assistance package.

The Senate attempted to address this situation by including $2.4 billion in emergency disaster relief for crops and livestock in its

version of the 2002 Farm bill. This action provided hope to producers such as myself that some level of crop and livestock assistance, in addition to farm program and crop insurance benefits, would be forthcoming. Unfortunately, the House rejected that provision in conference.

Farmers and ranchers like me, who suffered losses in 2001 because of adverse weather that is totally beyond their control, truly need your help. The disaster package developed by Senator Baucus and adopted by the Senate earlier this year would have provided the financial resources needed by producers to help offset enough of their losses to allow them to continue their operations.

Mr. Chairman, I urge the committee to take the action needed to ensure that the 2001 disaster is appropriately addressed and would be pleased to respond to any questions you or your colleagues may have. Thank you for the opportunity to appear before the committee today.

[The prepared statement of Mr. Chandler can be found in the appendix on page 69.]

Senator LUGAR. [presiding]. Thank you very much, Mr. Chandler. We always appreciate testimony from the National Farmers Union, and we are grateful now for testimony from the National Cattlemen's Beef Association, Mr. Bryan Dierlam.

Mr. Dierlam.

STATEMENT OF BRIAN DIERLAM, NATIONAL CATTLEMEN'S BEEF ASSOCIATION, WASHINGTON, DC

Mr. DIERLAM. Thank you, Senator Lugar.

Senator Lugar and members of the Senate Agriculture Committee, I am Bryan Dierlam, the director of legislative affairs for the National Cattlemen's Beef Association, and thank you for being able to testify on behalf of beef producers suffering from extensive drought conditions.

Drought is devastating many parts of the country. When drought conditions hit, management options quickly become limited. With decreasing forage on pastures and rangelands, producers purchase hay and supplemental feed for cattle. This hay and feed typically comes long distances and from areas not impacted by the drought, entailing large shipping and transportation costs. Another option is to find areas of the country where forage is abundant and then to ship the livestock there.

Often, however, these two options are not warranted, given the prevailing market conditions, and producers often liquidate parts or all of their herds, many times into falling markets. This strains producers and rural communities depending on livestock to fuel the local economy. The situation is no different for ranchers grazing on public lands. As the drought intensifies, access to public lands is diminished, and private ground, which is typically where hay is grown and cattle are wintered, becomes even more stressed, leaving liquidation as the only option.

We would encourage land managers in the Forest Service to take the same steps already taken by the Bureau of Land Management to help states deal with the drought. This includes opening rested pastures, shifting use to allotments where non-use has occurred, shifting to upper elevations and other areas of higher precipitation,

and expediting the approval process for temporary water troughs and water haul sites.

For the beef industry, the impact of a drought lasts longer than the drought itself, because producers are forced to sell their production base. Ranchers cannot simply shut the factory down and let it sit idle. Cattle must eat. The equivalent would be a manufacturing plant not only shutting down but having to liquidate all of its plant property and equipment. This hurts the long-term competitiveness of the beef industry.

Recovery time after a drought is further extended, because cattle that replace those that are liquidated must cycle through an entire production cycle before the rancher can receive income again. This drought is severe; it is significant, and it is destructive. Parts of Arizona, Utah and Montana would require nearly 8 inches of rain to end the drought, and parts of Wyoming would require in excess of 9 inches. Parts of California and Colorado need in excess of 7 inches.

For comparison purposes, I have attached a map at the back of my testimony which show the drought conditions in May of 2000, 2001 and 2002. The current conditions are worse than the same date in the two previous years. The timing of this request for drought assistance does come on the heels of the Farm bill, and many observers wonder why this aid should be provided, given that the Farm bill just passed. This is perhaps a fair question, and I would like to provide some context from the beef industry's perspective.

The Livestock Feed Assistance Program was eliminated in the 1996 Farm bill. After that occurred, severe droughts impacted many parts of the country. Since there was no longer an authorized program, Congress responded with ad hoc funding for the Livestock Assistance Program in 1998, 1999 and 2000. To help end ad hoc disaster programs, NCBA worked for and supported the inclusion of the Livestock Assistance Program, which is part of the Farm bill recently signed by the President.

For future years, budget riders will be able to plan for the program, and it will no longer have to be funded on an ad hoc basis but rather through the normal appropriations process. Even though this program is in place for future disasters, the remaining question is what do we do for 2001? NCBA supports providing $500 million for the Livestock Assistance Program to cover drought losses for 2001. This funding will bridge the gap between previous ad hoc measures and the implementation of the measures contained within the Farm bill.

The Livestock Assistance Program is not the only drought management program that we have worked on. The National Cattlemen's Beef Association supported provisions contained in the Agricultural Risk Protection Act of 2000 that called for the development of pasture, range and forage insurance. These programs are currently in development. The Risk Management Agency at USDA has contracted with a firm named Agrilogic to complete a feasibility study on insurance policies that could cover drought and fire damage.

The feasibility study will form the basis of pasture, range and forage policies, and Agrilogic is scheduled to submit this feasibility

study to RMA in July. After review and approval by RMA, development work on the insurance products can begin. That development work will entail actuarial tables, underwriting, ratings and other documentation. After that work is done, we could soon see on the market risk management and insurance type programs to work for pasture, range and forage products.

This program appears promising and will be an additional tool for producers to use. We have worked aggressively with Agrilogic throughout their feasibility study. They have attended our meetings and held listening sessions across the country, and we have provided input to hopefully make this program very usable.

It does take time to implement our laws and to implement the work models and products that need to be developed, especially out of something like the Agricultural Risk Protection Act. Often, the administrative processes turn much more slowly than the calving cycle, the weather cycle or the Federal budgeting process.

NCBA has worked with Congress to develop programs and tools that can help us get away from ad hoc disaster programs, but until these programs are up and running, beef producers need help and assistance for the years not covered by the Farm bill and not covered by the drought development tools that are currently in development.

The National Cattlemen's Beef Association, our leadership and our members will continue working with Congress and the administration to find ways to help producers deal with this drought and to bridge the gap between the old programs and the programs to be implemented in the new Farm bill and also the new drought management tools.

I will be happy to answer any questions and thank you for being able to testify today.

[The prepared statement of Mr. Dierlam can be found in the appendix on page 75.]

Senator LUGAR. Thank you very much for your testimony.

Mr. DIERLAM. Thank you.

Senator LUGAR. I would like to call now upon Mr. Bob Green, executive director of the Michigan Bean Commission, St. John's, Michigan, and I would note for the record that your faithful Senator from Michigan is still here to hear that testimony.

Mr. GREEN. I certainly appreciate that, Mr. Chairman.

Senator LUGAR. Mr. Green.

STATEMENT OF BOB GREEN, EXECUTIVE DIRECTOR, MICHIGAN BEAN COMMISSION, ST. JOHN'S, MICHIGAN

Mr. GREEN. I represent the growers of dry beans in Michigan. There are about 3,000 strong of them. The grower organization is 100 percent funded by those growers, and we are charged with promotion, market development and research.

During the 2001 growing season, the Michigan bean industry was the unwelcome recipient of the most devastating bean crop in recorded history. The National Agricultural Statistics Service, NASS, reports that only 130,000 acres were harvested out of the 215,000 acres that were planted. Yield for the 2001 crop, according to NASS, was only 600 pounds per acre harvested, compared to a normal average yield of around 1,800 pounds. This is the lowest

yield since 1936 for dry beans. Total production amounted to only 780,000 bags, which is the lowest total harvested since numbers were kept starting in 1909. By comparison, the 2000 crop of dry beans in Michigan was over 4.4 million bags.

In one of the handouts, you have a graph, and on that graph, it compares the 2000 crop in the red versus the 2001 crop in the yellow for some specific classes of beans, and you can see the dramatic difference that happened last year.

Additional Michigan crops suffered from the weather disaster of 2001 as well. Eighty-two of the 83 counties in Michigan were declared a disaster last year by the USDA. Soybeans, corn, pickles and grapes and other specialty crops were all affected. All of these crops did have their respective problems. All of these crops certainly had much lower yields in the affected drought areas. However, none of these other crops suffered the total statewide devastation that dry beans did, and none of them will have the total negative impact on their producers that this year's dry bean crop had.

An additional factor, and Senator Stabenow mentioned this in her opening remarks, is that dry beans are not covered under any Government farm program. There are no subsidies and/or LDPs for dry beans.

The Lansing State Journal front page article on November 21, 2001, stated it best: Michigan's dry bean crop nearly wiped out. A number of growers could also be wiped out.

On another poster that I handed out, you will see the revenue from the 2001 crop actual, which was $12 million, versus the 2000 crop, which was $100 million—$88 million difference between the 2000 crop and the 2001. Michigan bean growers are not alone. Many regions of the country were faced with significant crop and livestock losses, as we've already heard. In many cases, producers did not have a crop to harvest, and livestock producers were faced with higher feed costs because they had to purchase hay that they would normally grow on their own farms and ranches.

The severe weather and disease conditions have had a negative impact on the livelihood of American farmers and ranchers in the rural communities in which they operate. Emergency relief is critical at this time in order to prevent further economic loss.

The agriculture emergency assistance package would provide $2.3 billion in immediate assistance to producers, $1.8 billion for producers with crop losses and $500 million for producers with livestock losses. Without this assistance, the economic conditions in rural America will only worsen. The Michigan Bean Commission and the 3,000 dry bean growers it represents appreciates the opportunity to testify and report to the Senate Committee on Agriculture, Nutrition and Forestry on the dry bean disaster of 2001. These dry bean growers ask for your consideration as you debate and decide the future of disaster relief for the 2001 crop year.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Green can be found in the appendix on page 80.]

The CHAIRMAN. [presiding]. Thank you very much, Bob, Mr. Green, for being here and for providing this testimony. I am told the vote just started. Can someone verify that for me?

Senator LUGAR. Yes.

The CHAIRMAN. It did?

Senator STABENOW. Mr. Chairman, if I might just ask unanimous consent——

The CHAIRMAN. Yes.

Senator STABENOW [continuing]. I have two letters, one from the Michigan Farm Bureau and also the Cherry Marketing Institute in Michigan expressing as well what has happened in Michigan, and I would appreciate that being a part of the record.

The CHAIRMAN. Thank you. They will be made a part of the record.

[The information referred to can be found in the appendix on page 84 & 86.]

The CHAIRMAN. I just have one thing, Dr. Collins, that I would like to ask for the record. We have heard from producers who lost crops to drought. Although the Agriculture Risk Protection Act of 2000 did improve the insurable yields for those who had suffered crop losses, we have heard from several people here today who explained that repeated crop losses can devastate a producer's crop insurance yield.

For most producers, the lower yields also mean higher premium rates. Producers who lose crops for two or more consecutive years are simply unable to regain financial stability. Does the Department have any suggestions or any advice on how we might improve crop insurance for these producers? I mean, we have heard that from a couple or three people here today.

Mr. COLLINS. Yes, Mr. Chairman, we have heard that.

I would say first of all that despite the heavy subsidies of the program, we do try and run the program and are required by law to run it in an actuarially sound way. That means that when we are establishing the policy parameters for an individual insured, we are trying to establish a yield that is their expected yield in a statistical sense, their most likely yield.

What we do is we use a long-term average of their historical yields, up to 10 years. Then, if they have a bad year, it is true that this average could get pulled down, and if they have a couple of bad years, this average could get pulled down.

That was dealt with in the Agriculture Risk Protection Act. Now, maybe some people felt it was not dealt with adequately enough, but the Agriculture Risk Protection Act put a so-called cup into the formula. If a producer has a bad year, a very low yield, they can throw it out, and they can use 60 percent of the so-called T-yield for that year. The T-yield is the county average yield.

Now, if they do not want to do that, if they do not want to use the plug yield for that year, then, the most their yield can drop in a year is 10 percent. We have two kinds of cups in there to protect their yield from falling too far. Now, this makes a lot of sense when yield is varied, when it goes up and down from year to year, because you really do not want to penalize somebody who happens to have a bad year or two bad years.

The problem becomes when somebody has five or six or seven bad years in a row. Then, it is true, their yield falls. Then, you have to ask a fundamental question: what is their expected yield? Should it really be a lot higher than that, or should it be lower? Do 5 or 6 years really better reflect their expected yield?

This is not an easy question to answer when you are trying to run an actuarially sound program.

The CHAIRMAN. I still want to examine this even further, especially as it relates to prevented planting and what the effectiveness of prevented planting coverage is in crop insurance.

Do any of you want to speak to that? Craig, I do not know if you want to talk about it. We have had some problems in Iowa in prevented planting.

Mr. HILL. Yes.

The CHAIRMAN. How is that——

Mr. HILL. Well, I have had a number of producers tell me that, of course, cash rent, the fixed cost of cash rent must be paid, and that prevented planning payment goes toward cash rent. Sometimes, there is $20 or $30 left over after that fixed cost is paid. The maintenance cost of those acres, the spraying, the mowing, the upkeep, sometimes can range as high as $20 or $30. There are no funds available to pay for those machinery expenses that go on or living expenses; all those other expenses that continue on above and beyond that.

The CHAIRMAN. Thank you.

Senator Lugar.

Senator LUGAR. Just a quick question of Dr. Collins: what is the administration's view of the $2.3 billion expenditure?

Mr. COLLINS. Senator Lugar, you expressed pretty well in your opening comments the administration's view. The administration felt that those funds, which would be applied to 2001 losses, should have been dealt with in the Farm bill conference. They should have come out of the $73.5 billion. The administration has not opposed disaster assistance. They have felt up to this point that it should be paid for and that the appropriate place to pay for that should have been in the Farm bill.

Senator LUGAR. Does OMB or anyone else have offsets, any pragmatic way in which this failure on our part to include it can be paid for?

Mr. COLLINS. No, but I can say that I have spoken with OMB and other administration officials, and they are certainly willing to try and find offsets in the Farm bill to accommodate disaster assistance. Now, the actual dimensions of the disaster assistance are another point of issue. You have seen the President's comments when he signed the Farm bill. What he was doing was pointing us all, the Congress and the administration, toward taking a very good inventory of what is available under the portfolio of programs that I mentioned, many of which have been changed over the last couple of years, combined with the Farm bill, which is new legislation, and then see what falls through the cracks after that.

Senator LUGAR. Could, then, therefore, the administration be helpful to the committee in this quick study? It is a large bill, we have all struggled with the provisions, but what in the bill either might be delayed or offset, or what in the bill provides something that might diminish the need for $2.3 billion more? In other words, pragmatically, this is an invitation, perhaps, the Chairman would share to work together. Fairly rapidly, in the next few days—we are going to be in recess but to have some recommendation before we go to markup or action that the Chairman might want to do?

Mr. COLLINS. There would be willingness to discuss that, and I will carry that message back to my friends at USDA and my colleagues at OMB.

Senator LUGAR. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Lugar.

I feel constrained to say here that we had the $73.5 billion. I understand that. That just does not cover emergencies and contingencies like this. I will say that if this fall, God forbid, a huge hurricane hits Florida and Georgia and South Carolina and wipes out towns and wipes out things, I mean, we are not going to say sorry, cannot do anything about it; it has got to come out of whatever budget we have.

We always respond to emergencies in this country, whether it's a tornado that hits Oklahoma or someplace or a flood or hurricane or anything like that; natural disasters, we always respond to these as emergency situations. We cannot anticipate those.

Now, to the extent that we tried in the revised crop insurance bill, which we passed, we made some great strides toward that. I have indicated in my question to you and have been enunciated by some of the people sitting here today and by many others, that you can get into a spiraling situation; OK, for one year, but you get two or three or four years, you are in real trouble, even with the generous provisions that we have in the crop insurance program.

We cannot provide for every contingency, and we have to address these as they come up if they are true emergencies. I hope that we can work this out with the administration to find the wherewithal to take care of a very severe drought.

We have only about 5 minutes left in the vote. I have a lot of questions, but once we get in this vote, we are not going to be able to come back. There are going to be a lot of votes on this trade bill. I just invite anyone here, if you have any further comments or points that you want to make that maybe you want covered——

Senator STABENOW. Mr. Chairman?

The CHAIRMAN. Oh, I am sorry; Senator Stabenow?

Senator STABENOW. Thank you. I would appreciate, if I might just ask a question as well——

The CHAIRMAN. Absolutely.

Senator STABENOW [continuing]. I wanted to just followup and support your statements as well regarding the question of emergency assistance and also indicate that while we have appreciated in Michigan that we have qualified for low-interest loans through disaster assistance, our farmers have enough loans. What they need is some direct assistance in an emergency just as we would for any other kind of disaster.

I would strongly urge that we do what we tried to do, what we did do in the Senate originally when we passed the Farm bill and added additional assistance, that we treat agriculture as we would other emergencies.

I do have one additional question, Dr. Collins, that I would appreciate an answer on. I have been hearing reports in Michigan about some problems with the NAP program, the non-insurable crop insurance, and in particular, we have a lot of growers like cherries, for example, that did not realize that they were eligible

for assistance and the deadline. I am wondering if the administration is aware of this and if you would be willing to extend the deadline.

Mr. COLLINS. I am not sure I could answer that right here today. I am not aware of the extent to which producers missed the deadline. I am sure there are some. The NAP program was reformed in the Agriculture Risk Protection Act of 2000. Unfortunately, it took us until March 19, 2002, to promulgate the rules of that reform, and producers who suffered losses during 2001 then had to come in and pay their $100 plus to participate in that program. The rules require that they enroll and pay 30 days prior to the coverage period.

We were tardy in promulgating the rule, and people came after the coverage period and were able to pay and enroll. We are also accepting payments for the coverage period in 2002 now. There is no doubt in my mind that there are probably some producers who have fallen through the cracks on this. I will go back and look at this question. I cannot answer the question at the moment of whether we would extend that deadline of having to pay your per-crop, per-county fee prior to the coverage period.

Senator STABENOW. Well, I would urge you, and I would appreciate a followup with my office——

Mr. COLLINS. OK.

Senator STABENOW [continuing]. Regarding this.

Mr. COLLINS. Sure.

Senator STABENOW. Because, obviously, of the lengthy time in promulgating the rules, this is very serious. Again, cherries as an example in Michigan are now facing another very difficult disaster situation with unseasonably warm weather in April; with a return to very cold weather; and now, some real concerns about yield. They are very concerned, and I would like very much to make sure that what we had intended, in fact, will be available to people and that we would not hold artificial deadlines out that would get in the way of actually meeting the needs that we I know together wish to meet.

Mr. COLLINS. Well, the deadline itself is fashioned around the deadlines we have for crop insurance. You know, we have a so-called sales closing date for crop insurance. It is a parallel concept that we are using for NAP. I will go back and see how flexible we are in that.

Senator STABENOW. I would appreciate it.

Mr. COLLINS. OK.

The CHAIRMAN. Thank you.

We have about 2 minutes left.

Mr. Green, do bean producers up your way, do they use Federal crop insurance?

Mr. GREEN. Yes, they do.

The CHAIRMAN. OK; I just did not know.

Mr. GREEN. We probably had about 75 percent of them last year that used the Federal crop insurance, but of course, a number of them used the catastrophic. Then, of course, there are always issues all the way down with that, Mr. Chairman, from the issue of what the price is. It was—in the catastrophic, it was like $7.50,

roughly, plus half the yield. As I stated in my testimony, the price is usually pegged around $16 just for the cost of production.

Of course, I have another grower who always says, well, he says what person in their right mind only insures the last 65 percent of their car? He has a point there as well.

The CHAIRMAN. Thank you all.

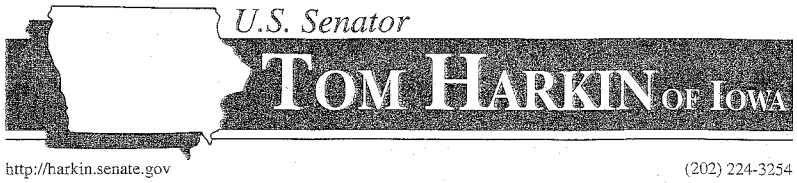
I apologize. I had no idea—I thought we were going to start voting at 6, but we are now on our first vote on the trade bill. Again, I thank you all for being here, some of you coming a great distance. Thank you for your testimony. This committee will meet sometime shortly after we get back from the Memorial Day break to see if we can mark up a bill that would respond to the needs that we have out there on this disaster assistance program.

Again, I thank you very much, and the committee will stand adjourned until the call of the chair.

[Whereupon, at 4:33 p.m., the committee adjourned.]

APPENDIX

MAY 23, 2002



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May 23, 2002

Contact: Tricia Enright/ Bill Burton

AGRICULTURAL DISASTER ASSISTANCE
OPENING STATEMENT OF SENATOR TOM HARKIN, CHAIRMAN, COMMITTEE ON AGRICULTURE

"Agricultural producers in a number of parts of the United States have been badly affected by agricultural disaster losses of several types. Fortunately, our nation has not experienced general catastrophic agricultural disaster for several years, but there have certainly been severe and devastating losses to farmers, ranchers and their communities.

"Today the Committee will receive testimony on the nature and extent of these losses and their consequences. We will also examine the type and the magnitude of the help that is needed. We are here because the need for assistance is real. Probably most if not all of the members of this Committee have heard from producers who have suffered losses last year or already this year.

"Severe losses from drought have occurred throughout the Plains states and across other regions of the United States. Drought losses extend to the cattle industry in much of the western United States. Producers in other parts of the country lost crops last year from excessive moisture that prevented planting. That was the case in Iowa. This year producers in Illinois, Indiana, Kentucky, Missouri and Ohio have been unable to plant thus far. In addition, damaging weather has generated serious needs for emergency conservation assistance, especially through the Emergency Watershed Protection (EWP) program.

"On February 12, the Senate voted 69-30 to waive the budget point of order and allow an emergency designation for the Baucus amendment to the farm bill. The amendment provided urgently needed assistance to producers who suffered crop and livestock losses in 2001. Because of objections from the House Budget Committee and the House leadership, we were unable to include this emergency assistance in the farm bill. The administration similarly opposed the necessary emergency designation for the assistance.

"The Committee will examine, in this hearing and in further consideration, the help provided by existing programs, including the federal crop insurance program and other USDA assistance, and the limits of that assistance. We have made significant improvements in the crop insurance program, but producers continue to depend on assistance for losses that are not adequately covered by crop insurance. Livestock producers lack an effective risk management system for pasture, range and forage crops, and they likewise lack an effective USDA livestock assistance program.

"I look forward to today's testimony and to appropriate Committee action in the very near future to respond to the severe disaster losses that have damaged agricultural producers across our nation."

Statement by Senator Pat Roberts
Submitted for the Record
Senate Committee on Agriculture, Nutrition, and Forestry
Hearing on Disaster Assistance
May 23, 2002

Mr. Chairman, this is an issue that deserves serious thought and consideration. I apologize for having to leave in a few minutes due to Intelligence Committee obligations, but I do want to make a few comments.

Former Senator Bob Kerrey and I worked to shepherd major legislation through this Committee two years ago known as the "Agriculture Risk Protection Act of 2000". This legislation made significant improvements to the crop insurance program and also made it much more affordable for producers to purchase increased levels of coverage.

I have always felt that disaster packages undermine the crop insurance program, and since the passage of this legislation, I have felt disaster assistance was a road we should try to avoid.

Now, having said this Mr. Chairman, I must tell you that we are experiencing the worst drought since 1952 in much of Kansas and the Great Plains area. News articles abound that dramatize the drought and hardship farmers are facing in western Kansas and the water rationing measures our towns are already having to consider.

Just yesterday we had 35 Kansas counties – 1/3 of the counties in Kansas – approved for emergency grazing of the CRP – an unprecedented event for this early in the year. And, it is not getting any better. Some areas of western Kansas are in fact drier than they were during the Dust Bowl days of the Dirty Thirties.

In considering and passing the new Farm Bill, the Congress recently decided that we would not do a supplemental assistance package for the 2002 crop but would instead implement the new Farm Bill with this year's crops. Unfortunately, due to the timing of payments in that bill, by the end of September, wheat producers are looking at receiving only six cents instead of the 60 cents per bushel that they would have received under a supplemental assistance package. Wheat producers will have to wait until this time next year to receive the balance of their payments for the 2002 crop - if there is a counter-cyclical payment.

As one of our bankers in western Kansas told me the other day, "Pat, that doesn't get the job done when you're burning up." This same banker gave a conservative estimate that 35 percent of the wheat has already been abandoned in his county, and he expects that number to go above 50 percent by the time of harvest. The scenario is the same throughout western Kansas.

Additionally, for those who have been arguing that producers are going to get increased assistance from higher loan rates, go to western Kansas and the Great Plains and tell that to

producers that have no crop to harvest.

Bottom line Mr. Chairman: I am generally opposed to disaster bills, but due to the unique distribution and form of payments in the new Farm Bill we just passed and the serious drought we have in Kansas, any disaster package we pass for the 2001 crops should also include assistance for 2002 crop losses.

We've already lost much of our wheat crop in Kansas and the Plains, and many of these same producers may have no fall crop to harvest. They can not wait until the summer or early fall of 2003 for their final 2002 crop payments under the new Farm Bill. They need assistance now and the disaster assistance package must include funding for the 2002 crop.

Wayne Allard

DROUGHT IN COLORADO AND ITS IMPACT ON AGRICULTURE

Mr. ALLARD. Mr. Chairman, thank you for holding this timely hearing. The situation in Colorado can be summed up with a simple saying - it's bone dry out there. Of course, being dry is not unusual in the arid west. What is unusual is the severity of this drought. Well over half of the state is in an extreme drought, and the drought in the luckier parts of the state is either moderate or severe. Some areas of Colorado are entering a third year without adequate moisture. Other areas are experiencing the driest conditions in one hundred years. Rivers are drying up, the snowpack - measured by the Natural Resources Conservation Service at 10 percent of average - is gone, and acres of farmland that once held the hopes of a prosperous crop, have turned into dust.

The impact on the environment is easy to see. Pasture's are brown with no new growth. The wheat has shriveled in the ground, and corn, if it made it out of the ground, is wilting in the row.

The impact on the citizens of the United States and the State of Colorado is also easy to see. In the proud community of La Junta, a small southern Colorado town, they are experiencing traffic jams. Yes, a small town with a traffic problem. Not because of highway construction, or population, but because of the streaming line of trucks hauling cattle to the sale barn. Cattle volume is not the only record falling, either. Last week, my staff in Colorado informed me that a sale - just one sale - last nearly 24 hours straight, running from 9 am to 6:30 am the next morning. The La Junta sale sold nearly 6,000 head from 291 consignees.

Record breaking volume at livestock sales has flooded the market with cattle. Their owners are desperate to salvage any remaining value, while they search for hay and pasture. I have even read where one of the state's biggest sale barns explained to buyers and sellers about a lot of 30 healthy young cows, "They just flat ran out of feed. They're just a powerful set of cattle, but they don't have nothing to eat." From Ignacio, Colorado, in the Southwest corner of the state where a rancher sold 85 percent of his herd, to Boulder in the North, where a third generation rancher watched his natural springs run dry, the situation is nothing short of dire.

The papers are already proclaiming that this years drought is sure to bankrupt some farmers and ranchers. That's a big blow to a state that depends on an agriculture economy that produces an annual $16 billion for the economy. Some predict a winter wheat crop loss will cost the state $42 million. Dryland bean farmers do not have any moisture, surface or subsoil, to plant their crop. Shortage of water also means trouble for alfalfa producers - trouble for alfalfa means trouble for dairies.

Some of the major rivers in Colorado are flowing at as little as one-fourth of their average rates. Reservoirs are down, and cities are scrambling for additional supplies. The City of Denver has shut off public water fountains. Cities across the state are restricting water, imposing new measures, and trying to assure an unsure public.

Mr. Chairman, again, I thank you for the opportunity to share with you the situation in Colorado, and hope that workable solutions are found to help those communities and citizens in need.

Opening Statement
Senator Debbie Stabenow
May 23, 2002
Senate Committee on Agriculture, Nutrition and Forestry

Chairman Harkin and Senator Lugar, this is our first hearing since the passage of the Farm Bill and I want to thank you for your leadership. I am very proud of our committee's work. I am particularly proud of all of the new assistance for specialty crops, and I believe the Farm Bill will make a significant difference in the lives of farmers and rural communities across the country.

Some have argued that with the passage of the Farm Bill, there is no need for disaster assistance this year. I strongly disagree, and I am very pleased that the committee is holding a hearing today to consider the need for disaster assistance. While I know the focus will be on losses suffered in 2001, I would argue that we need to broaden the scope of our work and consider losses in 2002, as well.

The Senate-passed version of the Farm bill contained the Baucus amendment, which I cosponsored and strongly supported, that provided over $2 billion in

disaster assistance for all crops, included specialty crops. Michigan growers shared my strong disappointment that the Baucus amendment was not included in the final Farm Bill and I hope we can work together to develop a similar package in this committee and see it passed into law quickly.

Today we will have a witness from Michigan, Bob Green, Executive Director of the Michigan Bean Commission, who will provide an overview of losses suffered by Michigan bean growers and other producers in the state last year. 2001 was the worst year in recorded history -- let me repeat—the worst year in recorded history -- for dry bean growers in Michigan. Because beans, and many other Michigan specialty crops, are non-program crops, they are not covered by any Federal farm program and in many cases they are not eligible for crop insurance.

In Michigan, the year 2001 was marked by a terrible drought that resulted in 82 of my state's 83 counties being declared agriculture disaster areas. Early frosts and then flooding later in the year also contributed to considerable crop damage. Yields for program crops like corn and soybeans plummeted, and other crops like grapes and beans had monumental losses. Some of the numbers are staggering. Last year's grape crop was worth a mere $8.9 million – a drop in the bucket

compared to Michigan's 2000, $24.1 million grape crop. Our bean producers, usually the top producers in the nation, harvested only 780,000 bags of beans, compared to the 2000 harvest that yielded over 3.2 million bags!

This year, unseasonably warm weather followed by devastating frosts and persisting cold weather threaten to wipe out entire orchards and fields. I have already heard from asparagus, cherry, apple, peach and grape growers that this year could be one of the worst in history. It is for this reason that I think this committee should consider providing assistance for 2002 losses.

Finally, I believe it may be appropriate to consider providing some other types of assistance, such as market loss, in this package. The asparagus growers in my state, who have suffered on all fronts, make a compelling argument for assistance beyond the scope of the damage their fields may have suffered this year. Due to the recent influx of duty-free asparagus, permitted under the Andean Trade Preferences Act, asparagus prices and demand have plummeted. Losses in Michigan for just one year, 2001, are estimated at $2.9 million. I am committed to helping these growers, and I am hopeful that we can find an appropriate avenue in this committee.

Thank you again for holding this timely and very important hearing. I pledge to work with my colleagues to work quickly to provide much needed assistance to farmers in Michigan and across the nation.

TESTIMONY OF SENATOR MIKE ENZI
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
FULL COMMITTEE HEARING: DISASTER ASSISTANCE
MAY 23, 2002

Good afternoon. I would like to thank the committee for hearing my testimony. Wyoming is well represented today with both senators in the room. I would like to compliment Senator Thomas for his contributions to the recently passed farm bill. I commend Senator Harkin for holding this hearing. I was encouraged when you promised Senator Baucus on the floor that you would hold hearings for a disaster bill. Today's hearing is the fruition of your promise.

I asked to testify today for a specific reason. I am here as a representative of the people in my state, Wyoming. Our livestock producers are in dire need of the assistance your bill could provide.

Wyoming is in a third year of drought. Producers that sold or reduced their herds in the first year of the drought have been unable to buy replacements. Now even more producers are being forced to sell their livestock in irrational markets due to the prohibitively expensive price of hay and their ejections from drought-stricken public grazing lands.

Though I have been most vocal for the livestock producers in my state, my crop producers have also suffered from the merciless drought. Recently, Wyoming sugar beet producers formed a cooperative with producers from other states and bought 6 sugar beet processing plants. Another group of Wyoming producers and businesspeople also are considering the purchase of a processing plant. I received a call yesterday from one of the most efficient and educated sugar beet producers in my state. He called to warn me that crop disaster assistance may be the single factor that decides the success of both of these ventures. All types of assistance are needed in Wyoming.

I am persistent because I am asked about disaster assistance every time I return to Wyoming. I continue to tell my producers that I have not given up. This has been a long fight for the livestock producers. I wrote the Appropriations Committee last year asking them to fund the Livestock Assistance Program for 2001 disaster in the Agricultural Appropriations bill for FY2002. It was not funded despite the fact that many states were going into their second year of drought.

The Livestock Assistance Program (LAP) is available to livestock producers in counties that have been declared disaster areas by the President or Secretary of Agriculture. It provides financial relief to livestock producers that are experiencing livestock production loss due to drought and other disasters.

In fiscal year 2001, the Livestock Assistance Program was funded at approximately $430 million. In Wyoming, 933 producers received $7,752,029 in assistance from those funds. Nationally, it

provided assistance to about 186,000 producers at 88 percent of their grazing loss for drought and other disasters experienced in 2000. That is about $8,000 per producer. The need was similar in 2001. Yet again, I repeat no funds were provided to livestock producers, but crop producers received their emergency payment.
I thought I could hear relief coming when Senator Baucus and I successfully added an agricultural disaster assistance package to the farm bill with a resounding 69-30 vote. I commend the Senate farm bill conferees for their attempts to retain the agricultural disaster spending in the farm bill conference report, but the final report contained no disaster assistance. What is the use of a farm bill if my state's farms and ranches have been sucked dry and are out of business? Many of the new and innovative rural development programs and the Environmental Incentives Program (EQIP) funds won't be of any value if there are no farmers and ranchers left on the land.

I received a number of hopeful calls after the conference report passed. Many of my constituents knew of the disaster assistance amendment and they were hopeful that relief was on the way with the farm bill's passage. It was difficult to explain why the assistance was no longer in the bill, but I continued my mantra: I will not give up.

It is now May 2002. I find it astounding that I am still working to remedy disaster experienced in 2001. This spring's complete lack of moisture has promised that more of the same is yet to come. We in Wyoming are trying to be proactive. Governor Geringer of Wyoming has already requested that the entire state of Wyoming be declared a disaster area. I know that the USDA is processing that application.

The farm bill conference report did include an amendment I offered to authorize the livestock feeding assistance. With its passage, the Secretary of Agriculture now has the authority to use that program to provide assistance to livestock producers. The program is no longer ad hoc. It is my hope that the appropriators will consider this authority and the potential need for assistance in 2003.

I was pleased to hear the announcement yesterday that the USDA through the Farm Services Agency has allowed early Conservation Reserve Program (CRP) grazing in Wyoming's Campbell County. In these extreme circumstances, this will allow producers to graze land they have agreed to set aside for conservation.

Although it is outside the scope of this committee, I have also been working to ensure that other federal agencies offer this same consideration to strapped producers. I recently sent a letter to the Bureau of Land Managament encouraging their flexibility while working with permittees on drought-stricken federal grazing allotments.

I present these nuggets of hope to you today to show that I am not asking this committee to act when I have not puzzled, considered and acted myself. Wyoming cannot conquer this drought alone. So I come before you today asking for timely drafting and markup of an agricultural disaster assistance bill. Thank you Mr. Chairman.

Denny Rehberg
State of Montana

Transportation and Infrastructure Committee
Water Resources and Environment, Vice Chairman
Highways and Transit
Aviation

Congress of the United States
House of Representatives
Washington, DC 20515

Agriculture Committee
Department Operations, Oversight, Nutrition and Forestry
General Farm Commodities and Risk Management
Specialty Crops and Foreign Agriculture Programs

Resources Committee
Energy and Mineral Resources

Testimony of

The Honorable Denny Rehberg

United States Congressman

to the

U.S. Senate Committee on Agriculture

May 23, 2002

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Agriculture Committee
Department Operations, Oversight, Nutrition and Forestry
General Farm Commodities and Risk Management
Specialty Crops and Foreign Agriculture Programs

Resources Committee
Energy and Mineral Resources

May 23, 2002

Mr. Chairman, members of the Committee, I appreciate the opportunity to provide testimony before the Committee today on an issue of great importance to myself and to the state of Montana.

Montana's farmers and ranchers are entering their fifth, and in some cases sixth, straight year of devastating drought conditions. Hundreds of millions of dollars in damage has been caused to every sector of our agriculture industry after the worst consecutive drought conditions in our state history. More than 200,000 cattle have been moved out of the state to find grazing land not devastated by years of adverse weather conditions. Commodity prices have plummeted and the fourth and fifth generation family farmers who have worked the land since the 19th century, now find themselves on the brink of financial ruin.

I understand that the very thought of not being able to go to your faucet to find water is alien to many in this room today. However, this reality is exactly what Montanans have been suffering through for years.

I myself have had to haul thousands of gallons of water every year to my ranch just to have running water for drinking and laundry. Sadly, my story is not unique as this is a life or death time for thousands of Montana and American ranchers and farmers no longer able to provide for their families or their business.

When floods ravage the southwest or when hurricanes touch down along the coastal regions of the United States, this Congress has acted forcefully -- and rightly -- to offer immediate and substantial financial assistance to those families and businesses most in need.

If Congress is to keep alive the American family farmer, we must act this year to provide similar disaster relief to those crippled by the devastating one-two-punch of adverse weather conditions and depressed commodity prices.

I urge my colleagues from agriculture producing states and from agriculture consuming states to support our efforts to secure $2.3 billion in immediate assistance to offset crop losses from the 2001 crop year.

Thank you, Mr. Chairman, for the opportunity to add my comments to the record.

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STATEMENT OF KEITH COLLINS
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U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
UNITED STATES SENATE
MAY 23, 2002

Mr. Chairman and members of the Committee, I appreciate the opportunity to appear at this hearing to discuss how weather has affected U.S. agriculture during 2001 and, thus far, during 2002. The major event over this period has been drought, which has affected the Western Plains and Mountain States, the Pacific Northwest, southern Texas and the eastern seaboard. The drought has adversely affected livestock pastures and a range of crops. I will also address other weather events, such as the heavy rainfall in the corn belt this spring that is affecting planted acreage. I will conclude with a brief description of the programs the Department has available to assist producers affected by natural disasters. Substantial assistance has been provided to producers through these programs, including $9.6 billion provided to producers over 1998-2001 through the Federal crop insurance program. An additional $5 billion in crop loss assistance was provided through supplemental appropriations for 1998-2000 crops. The passage of the Agricultural Risk Protection Act of 2000 eliminated the need for disaster supplementals for most producers because the increased federal subsidies made crop insurance more affordable for farmers.

Summary of Weather Events

During 2001, most of the nation was unusually warm, with the contiguous U.S. states having the sixth warmest year since records began in 1895. The Drought Monitor, a product of several Federal agencies, including the Department of Agriculture (USDA), is a weekly assessment of the severity of drought across the United States. The Drought Monitor charts in the appendix to this statement show intensification of drought during the 2000-2001 winter over the Northwest region. November through April precipitation there was the second lowest since 1895. Reservoir levels fell to well below normal in Montana, Nevada, Oregon, and Washington. Drought also affected Florida and Georgia, while much of the rest of the nation had a cold, wet winter. Spring participation was near to above normal in many parts of the nation east of the Rocky Mountains helping to ease drought conditions in the Southeast. However, Montana, in particular, remained dry.

The summer was very warm and wet over most of the country; however, the Southern Plains states down through central and west Texas were very dry. The Northwest continued hot and dry, with many wildfires. Idaho and Nevada had the hottest August ever. During the fall, many areas were dry and warm, especially the Eastern Seaboard and Northwest. As the year closed out, heavy rain and snow helped the drought situation in the Pacific Northwest.

The current situation faced by producers reflects the existing conditions last fall exacerbated by precipitation between October 1, 2001 and May 19, 2002 that totaled less than 40

percent of normal in many locations from southern California to the central High Plains. This shortage of precipitation is adversely affecting pastures, winter wheat, and recently planted summer crops. Long-term precipitation deficits also exist on the Northern Plains, along the east coast, in deep south Texas, and at some locations in the interior Northwest.

The Drought Monitor for May 14, 2002 and recent weeks shows the drought diminishing across the Northeast, but persisting in portions of the Southern Atlantic region. During the last 5 weeks, hot, dry conditions across the Deep South have increased irrigation demands and stressed dryland crops. Drought remains most serious on the High Plains and across the Southwest. Meager cold-season snow packs have resulted in low runoff forecasts across the central and southern Rockies and the Southwest, although portions of the Northwest continue to recover from the drought, as previously parched soils soak up potential runoff. But as this occurred, drought developed across much of the remainder of the West, reducing reservoirs to below-normal levels. Water reserves remain just slightly below normal in California, the western State with the largest water reserves.

The Climate Prediction Center of the National Weather Service issued its most recent seasonal outlook for June through August on May 16, 2002. The forecast is for hotter-than-normal weather across the drought-stricken Southwest during the summer months, with the drought expected to intensify. Above-normal temperatures are also expected across the northern High Plains, Inter-mountain West, and in the southern Atlantic and Gulf Coast States. Drier-than-normal summer weather is forecast across the Northwest and in southern Texas, with drought expected to continue or intensify in Montana, Idaho, South Texas and the lower mid-South, while wet conditions are expected to persist from the east-central Plains to the lower Ohio Valley.

Longer term temperature and precipitation outlooks for July through September 2002 to June through August 2003 feature an expected evolution of a weak El Niño, with the cold-season months expected to feature mild weather across the Northern U.S. and slightly cool conditions along the Gulf Coast. Wet weather is expected across much of the Southern U.S. and drier-than-normal conditions on the northern High Plains and from the Ohio Valley.

Summary of Key Livestock Effects

The livestock sector, mainly cattle, has been greatly affected by the continued drought in many areas and the sharp changes in winter weather conditions in 2001 and 2002. Pasture conditions have been poor into 2002, forcing a larger than normal number of cattle into feedlots, expanding the beef supply, and reducing cattle prices. Weather has had much less of an impact on pork or poultry as production has been increasing in response to low grain and protein meal prices. However, overall large supplies of meat and weakened domestic and foreign demand have resulted in price pressure on all meats.

The nation's cattle inventory has been steadily declining since late 1995 and the annual calf crop has been shrinking. Cattle prices have also trended up. These developments generally led most analysts, including USDA, to predict declining placements of cattle into feedlots and sharply

lower beef production over the past few of years. However, despite generally favorable returns for cow-calf operators over the past 3 years, a lack of forage and the added cost of supplemental feeding has forced producers to sell cattle to feedlots rather than retain heifers to add to the breeding herd. Coupled with heavier weights as feedlots have attempted to capture price premiums from Choice grade beef production, beef production rose 2 percent between 1998 and 2001, and production is projected to increase an additional 1 percent in 2002.

Much of the increase in placements into feedlots has been heifers. Commercial heifer slaughter reached a record 12 million head in 2000 and remains 8 percent above the average slaughter level for the 5 years preceding 1998. As heifers are placed on feed, the turning point of the cattle cycle is pushed further into the future. It is now unlikely that the U.S. cattle inventory will increase before 2004.

Drought was compounded by extremely cold, wet weather in the High Plains cattle feeding region during the winter of 2000-2001. Cattle weights dropped during the first half of 2001 as cattle consumed feed for maintenance rather than weight gain. As a result, supplies of Choice grade beef declined and cattle and retail beef prices spiked. Cattle prices averaged $79.11 per cwt in January-March 2001 and $76.41 per cwt in April-June 2001, the highest level since 1993. The higher cattle prices were passed along to consumers; average Choice beef prices reached a record $3.48 per pound in June.

Cattle prices began declining sharply later in 2001 with large placements spurred by the drought, a return to heavier slaughter weights, more Choice beef available and a slowdown in foreign and domestic demand. Cattle prices in the first quarter of 2002 averaged $70.19 per cwt, almost $9 per cwt below 2001, but above prices in 1999 and 2000. Retail prices tend to lag declines in cattle prices but second and third quarter consumer prices are expected to average 4-5 percent below 2001.

Large drought-induced placements this past quarter are expected to keep slaughter above year-ago levels until the fourth quarter of 2002. Placements in the first quarter were almost 7 percent above 2001. Should drought continue, cow/calf operators would continue marketing large numbers of cattle through feedlots, beef supplies remain large and, coupled with increasing supplies of pork and poultry, cattle prices would remain under pressure. However, a return to more normal weather would benefit pastures, encourage cow/calf operators to hold back heifers, reduce feedlot placements and slaughter levels and strengthen cattle prices.

Summary of Key Crop Effects

The weather events described earlier have given rise to a variety of production effects across the nation. Without being exhaustive, this section illustrates the adverse effects on several key crops for 2001 and 2002.

Winter wheat. Prolonged drought from Texas to the Canadian border has reduced this year's winter wheat production prospects by an estimated 150 to 200 million bushels from normal.

Most of the drop in production is in Texas, Oklahoma, Kansas, Colorado, Nebraska, Wyoming, Montana, and South Dakota due to a 3.3-million-acre reduction in the area expected to be harvested for grain and below-average yields in Montana, Colorado, and Wyoming.

In remaining winter wheat producing states, dry conditions in some areas and excessively wet conditions in others may reduce harvested acres another 0.6 million from normal. USDA's winter wheat planted area last fall was also below expectations, due to dry conditions in parts of the Great Plains and prolonged wet weather in the Midwest. It is likely that 1 to 2 million acres of winter wheat were not planted due to adverse weather conditions.

Drought also reduced winter wheat production in 2001 as early drought, followed by prolonged rain in some areas and extended dry weather in others, reduced planted area. The losses were not as large as expected earlier in the season as production in Texas, Oklahoma, and Kansas turned out to be well above the initial survey estimates in May 2001.

Spring wheat. For durum wheat, production in 2001 was about 7 percent below normal due to below-normal yields in Montana and North Dakota. Lower production in North Dakota was largely due to prolonged wet weather at harvest. For 2002, USDA's planting intentions survey released in March estimated Durum plantings to be down around 2 percent from last year.

Production of other spring wheat in 2001 was about 2 percent below normal, largely because the prolonged drought resulted in increased abandonment and lower-than-normal yields in Montana. Montana production of 65.6 million bushels was more than 33 million below normal with only 80 percent of the planted area harvested for grain versus the normal 95 percent. Yields were 6 bushels per acre below the 29 bushel average. Yields were also below normal for the Pacific Northwest because of unusually hot, dry weather.

For 2002, the planting intentions survey estimated 2002 acreage for other spring wheat down 3 percent from last year, largely due to a 700,000-acre drop in North Dakota. For the nation, production may be 2 percent below last year. Planting progress as of May 19 showed 71 percent of intended 2002 spring wheat area was seeded, versus 75 percent last year and a 5-year average of 78 percent.

Cotton. Much of the cotton belt experienced favorable weather in 2001 and cotton production was a record high. However, weather problems, especially drought and excessive heat, resulted in abandonment of nearly 30 percent of the Texas crop, about 10 percentage points above the previous 10-year average abandonment rate of 20 percent. Relative to the 10-year average abandonment rate and yields, about 350,000 bales of cotton production were lost.

Excessive rain and moisture at harvest time damaged mature bolls in the lower Mississippi Delta. About 270,000 bales were lost in Louisiana and 150,000 bales in southern Mississippi.

For 2002, about 150,000 acres of dryland cotton in the Lower Rio Grande Valley of Texas are likely to be abandoned due to drought. In all other areas, cotton crop progress is within normal limits.

Southern citrus and sugar cane. In Florida, weather reduced 2001 cane sugar production an estimated 35,000 short tons, raw value or 1.7 percent. Florida sugarcane is grown on 465,000 acres and the reduction was widespread and based on lower sugarcane per-acre yields.

Florida orange production was reduced 5 million boxes, or about 2 percent, due to lower fruit retention and below-average size development as a consequence of warm weather and lack of moisture. Consumer price impacts are estimated to be negligible.

In Louisiana, 2001 cane sugar production was reduced 185,000 tons, raw value, or 10 percent, due to excessive dryness during the growing season. Louisiana sugarcane is grown on 495,000 acres and reduction in production was widespread and based on lower sugarcane per-acre yields.

Other horticultural crops. California-Arizona iceberg lettuce shipments were reduced 22 percent during February to March 2002, compared with a year earlier, due to cold weather which reduced yields. Consumer prices for lettuce increased about 40 percent during February to April 2002, following the 150 percent increase in farm-level prices.

In Colorado, onion producers are highly concerned about dryness reducing 2002 storage onion production. Colorado's onion harvest area is forecast at 12,500 acres, all of which is irrigated. Colorado onion production ($45 million) accounts for about 12 percent of the summer storage crop, and reduced supplies could cause consumer prices for fresh onions to rise. However, the impact on the food at home index would be minimal.

Corn and Oilseeds. The 2001 corn and soybean crops were generally excellent. Although a few states had problems, each crop had the second highest U.S. yield per acre ever. However, this spring's weather could have a much more damaging outcome. Corn and soybean plantings are 17 and 20 percentage points, respectively, behind their 5-year average through May 19, primarily due to delayed planting in the eastern corn belt. Progress is lagging sharply in Missouri, Kentucky, Ohio, Indiana, and Illinois. As of May 19, producers in these states had planted only 25 percent of the corn and soybean acreage they intend to plant, compared with 70 percent planted on average over the past 5 years by that date. Because the next two weeks will be critical for corn planting in the wettest areas, it is too early to speculate about how much acreage of these crops will be planted this year and whether corn and soybean yields will be reduced due to late planting. Good yields can be achieved even if planting is delayed for eastern cornbelt States. Progress in the western cornbelt currently is near the 5-year average pace, although cold weather has slowed emergence.

The dry conditions in the westernmost part of the soybean growing area currently are expected to have little impact on soybean production. However, a small percentage of the flax and safflowerseed crops are grown in Montana and may suffer yield reductions due to dry conditions this year. Sunflowerseed production in the drought-affected states of the Great Plains usually accounts for 20-25 percent of the U.S. production. The primary sunflowerseed-producing area in North and South Dakota currently appear to be east of the driest areas.

USDA Programs of Assistance

Every year in production agriculture some farmers face losses due to weather. Consequently, a wide range of USDA programs has evolved to assist producers in managing risk and offsetting production losses.

Crop Insurance. Participation in the Federal crop insurance program has increased substantially since 1998, particularly at coverage levels greater than 50 percent. Supplemental payments provided under the supplemental disaster bills passed in late 1998 and 1999 provided additional premium subsidies for producers who purchased higher levels of crop and revenue insurance. The Agricultural Risk Protection Act of 2000 increased subsidy levels for all levels of coverage and for all insurance products.

As a result of increased subsidies, enrollment in the crop insurance program rose from 182 million acres insured in 1998 to almost 212 million in 2001, a 17 percent increase. Over 80 percent of eligible acreage was estimated to be enrolled in the program in 2001. Along with an increase in participation, producers also purchased insurance at higher coverage levels. Liability increased by 32 percent over the same period to $36.7 billion. Premiums increased from $1.9 billion in 1998 to almost $3 billion in 2001, an increase of almost 58 percent.

The appendix table shows participation in the Federal crop insurance program for wheat and barley producers in the top ten wheat and barley producing states in 2001. Participation is above 90 percent of eligible acreage in Montana, North Dakota and Minnesota, and above 80 percent of eligible acreage in South Dakota, Nebraska, Colorado and Kansas. Participation rates appear somewhat lower in Oklahoma and Texas, but this likely reflects the fact that some of the planted wheat reported by USDA is used for haying and grazing and not intended for grain harvest. Participation among the top ten wheat states is lowest in Washington, reflecting the relatively low participation rate among white wheat and other specialty wheat producers.

Participation among barley producers in 2001 reflects a similar geographic pattern, with participation rates highest in Montana, North Dakota, Minnesota and Colorado. Participation is less than 60 percent of insured acreage in Idaho, Washington, California, Oregon, Wyoming and South Dakota.

Over the 1998-2001 crop years, crop insurance paid out almost $9.6 billion in indemnity payments. Texas producers were the largest recipients, receiving almost $2 billion in indemnity payments over the period. North Dakota was second at $1.1 billion, followed by California with

$461 million, Minnesota with $449 million and Georgia with $423 million. Not surprising, payments generally tended to be highest in those states with the highest participation rates. As participation has increased and producers have increased coverage levels, indemnities have increased as well. In 2001, crop insurance indemnities were a record $3 billion with almost $500 million paid to Texas producers.

Noninsured Crop Disaster Assistance Program (NAP). NAP provides crop loss protection for growers of many crops when crop insurance is not available. This program covers noninsurable crops and planting prevented by natural disasters. Eligible crops include commercial crops and other agricultural commodities. Also eligible for NAP coverage are controlled-environment crops (mushrooms and floriculture), specialty crops (honey and maple sap), and value loss crops (aquaculture, Christmas trees, ginseng, ornamental nursery and turfgrass sod).

Prior to 2001, producers qualified for payments under NAP if there was at least a 35-percent crop loss in the disaster area and an individual producer's loss exceeded 50 percent of the expected yield. The area trigger was eliminated under the Agricultural Risk Protection Act of 2000 beginning with the 2001 crop and commodity coverage was expanded under NAP. To be eligible for payments under NAP for the 2001 and subsequent crops, the natural disaster must have either reduced a producer's expected production by more than 50 percent or prevented the producer from planting more than 35 percent of the intended crop acreage. The NAP payment is determined by multiplying the production loss in excess of 50 percent by 55 percent of the average market price for the commodity. Payments are factored down if the producer was prevented from planting the crop or the crop was not harvested.

In FY 2000, $34 million were paid to producers under NAP. Reimbursement for crop losses increased to $63 million under NAP in FY 2001. The President's Budget for FY 2003 projects payments under the NAP, as modified by the Agricultural Risk Protection Act of 2000, will increase to $149 million in FY 2002, to $190 million in FY 2003, and stabilize at about $200 million annually thereafter. The increase in projected outlays under NAP reflects the elimination of the area loss trigger and the expansion of NAP coverage to more crops.

Emergency Conservation Program (ECP). ECP provides cost-share assistance to farmers and ranchers to rehabilitate farmland damaged by wind erosion, floods, hurricanes, or other natural disasters. ECP also provides funds to assist producers in carrying out emergency water conservation and assistance measures, both for livestock and for existing irrigation systems for orchards and vineyards, during periods of severe drought.

To be eligible for ECP assistance, the producer must have suffered a natural disaster that created new conservation problems which, if not treated, would impair or endanger the land; materially affect the productive capacity of the land; represent unusual damage which, except for wind erosion, is not the type likely to recur frequently in the same area; and be so costly to repair that Federal assistance is or will be required to return the land to productive agricultural use.

Emergency practices to rehabilitate farmland damaged by wind erosion and other natural disasters, including drought, may include debris removal, providing water for livestock, fence restoration, grading and shaping of farmland, restoring conservation structures, and water conservation measures. Under the program, farmers and ranchers may enter into agreements to jointly solve mutual conservation problems.

In FY 2000, ECP provided $60 million in cost-share assistance to producers affected by natural disasters. ECP cost-share assistance fell to $35 million during FY 2001.

Haying and Grazing of Acreage Enrolled in the Conservation Reserve Program (CRP). Prior to enactment of the Farm Security and Rural Improvement Act of 2002 (Act), the Secretary could allow harvesting or grazing or other commercial use of the forage on cropland enrolled in the CRP in response to a drought or other similar emergency. The 2002 Act amended the CRP to require the Secretary to reduce the CRP rental payments by an amount commensurate with the economic value of forage harvested or grazed if harvesting or grazing is permitted.

In 2000 across 20 states, producers in 369 counties were permitted to graze forage, and in 249 counties, to hay on cropland enrolled in the CRP because of drought or other similar emergency. Emergency haying was approved in 142 counties and grazing in 162 counties across 11 States in 2001.

For 2002, the Secretary announced on May 22 that grazing will be permitted in over 50 counties in Colorado, Kansas, Montana, Oklahoma, Texas, Utah and Wyoming on some CRP acres until August 31 or until disaster conditions no longer exist, whichever comes first. CRP participants should apply through their local Farm Service Agency office.

Emergency Loan Program (ELP). USDA provides emergency loans to help producers recover from production and physical losses resulting from drought, flooding, or other natural disasters. Emergency loans may be used to restore or replace essential property; pay all or part of production costs associated with a natural disaster; pay essential family living expenses; reorganize the farming operation; and refinance certain debts. To be eligible for a loan, a producer must own or operate land located in a county declared by the President to be, or designated by the Secretary of Agriculture as, a disaster area or a contiguous county and have suffered at least a 30-percent loss in crop production or a physical loss to livestock, livestock products, real estate or chattel property.

All emergency loans must be fully collateralized and the applicant must demonstrate repayment ability. If an applicant cannot provide adequate collateral, repayment ability may be considered as collateral to secure the loan. Producers can borrow up to 100 percent of the actual production or physical losses up to a maximum of $500,000. Loans for crop, livestock, and nonreal estate losses must normally be repaid within 1-7 years but in some instances may be extended to up to 20 years. Loans for physical losses to real estate are normally repaid within 30

years, but may be extended to up to a maximum of 40 years in certain circumstances. The current interest rate for emergency loans is 3.75 percent.

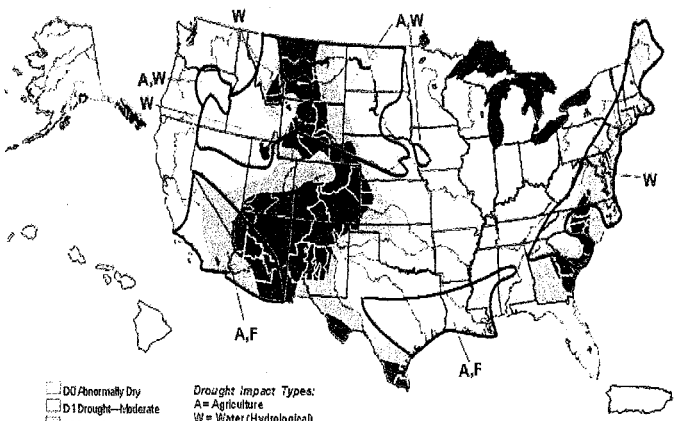
In 2000, a total of 2,440 counties were designated by either the President or the Secretary as disaster areas. USDA provided $151 million in emergency loans to producers to cover crop and physical losses in FY 2000. Either the President or the Secretary declared 2,374 counties as disaster areas in 2001 and USDA provided $90 million in emergency loans to cover losses incurred by producers in FY 2001. So far this calendar year, either the President or the Secretary have designated more than 1,100 counties as disaster areas, making producers in those counties eligible for low-interest loans. From October 1, 2001 through May 1, 2002, USDA provided low interest emergency loans valued at $32 million to producers.

The 2002 Act. In addition to all of the current programs USDA offers to help farmers and ranchers manage their risks, the 2002 Farm Bill provides significant increases in financial assistance. Most importantly, the new countercylical payment program provides a payment to farmers, without regard to how much the farmer is able to harvest. The direct and countercyclical payments for wheat, feed grains, upland cotton, rice and oilseeds are based on historical crop plantings and yields and are not influenced by a producer's current plantings or production. The decoupling of payments from current production will help protect producers from adverse weather and other natural disasters, because direct and countercyclical payments are not affected by how much an individual farmer produces. Assuming the natural disaster is limited in scope, the producer will receive about the same amount in direct and countercyclical payments regardless of whether the producer produces a crop or not.

To conclude, a series of weather events, primarily drought, during the past two years has reduced crop and forage production in a variety of states. The overall picture in U.S. agriculture, however, has been one of large production and low prices in recent years. Some production losses are typical in U.S. agriculture. As a result of these expected losses, a range of programs has evolved to assist producers manage risk and offset losses. With enactment of the Agricultural Risk Protection Act in 2000 and the Farm Security and Rural Investment Act this month, there is now a solid safety net protecting farmers from both adverse price changes and natural disasters. As the President said on signing the new farm bill ten days ago, the bill "is generous enough to eliminate the need for supplemental support later this year and in the future, and therefore adds the kind of reliability that farmers and ranchers need."

U.S. Drought Monitor

May 14, 2002
Valid 8 a.m. EDT



D0 Abnormally Dry
D1 Drought—Moderate
D2 Drought—Severe
D3 Drought—Extreme
D4 Drought—Exceptional

Drought Impact Types:
A = Agriculture
W = Water (Hydrological)
F = Fire danger (Wildfires)
/ Delineates dominant impacts
(No type = All 3 impacts)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

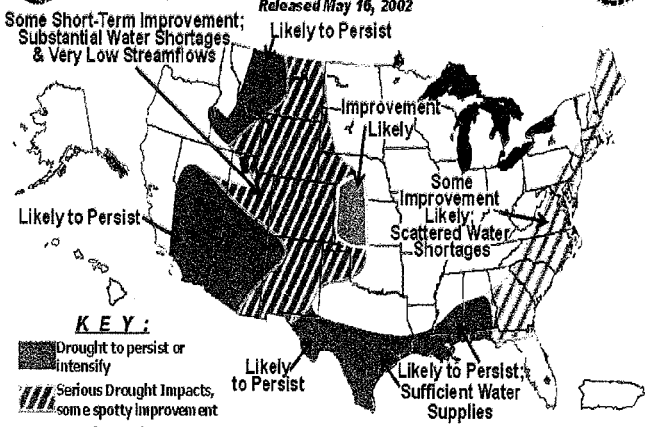
http://drought.unl.edu/dm

USDA

Released Thursday, May 16, 2002
Author: Richard Tinker, NOAA/NWS/CPC

U. S. Seasonal Drought Outlook

Through August 2002
Released May 16, 2002



K E Y :

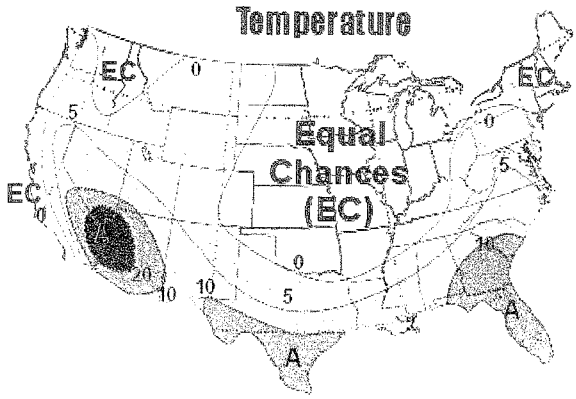
- Drought to persist or intensify
- Serious Drought Impacts, some spotty improvement
- Drought ongoing, some improvement
- Drought likely to improve, impacts ease
- Drought development likely

Depicts general, large-scale trends based on subjectively derived probabilities guided by numerous indicators, including short and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance, so use caution if using this outlook for applications -- such as crops -- that can be affected by such events. 'Ongoing' drought areas are schematically approximated from the Drought Monitor. For weekly drought updates, see the latest Drought Monitor map and text

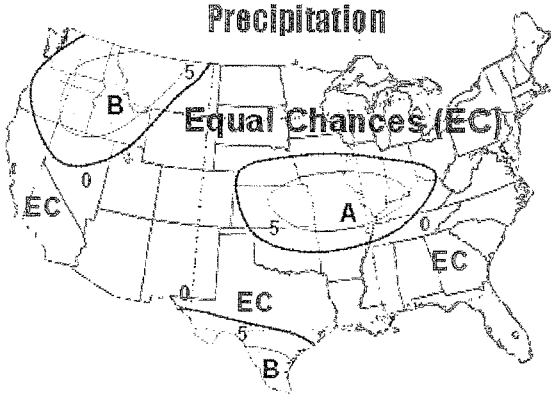
Seasonal Outlook

June - August 2002

Temperature



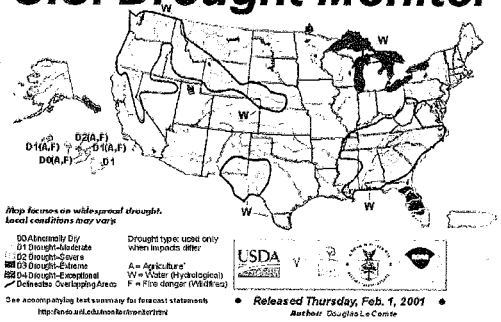
Precipitation



In white areas, probablility of above, below and normal are equal (each are 1/3)
In colored areas, probability of the anomaly (above or below normal) increases as color darkens

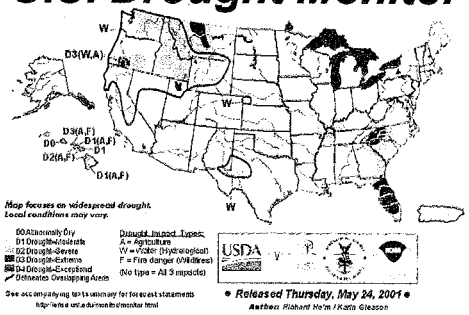
January 30, 2001 Valid 7 a.m. EST

U.S. Drought Monitor



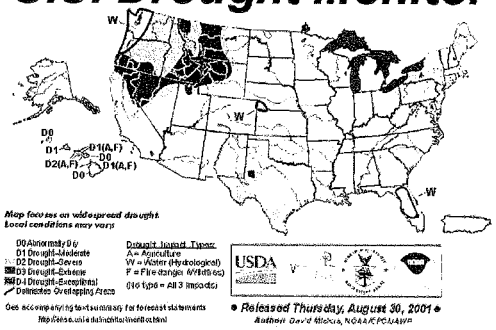
May 22, 2001 Valid 8 a.m. EDT

U.S. Drought Monitor



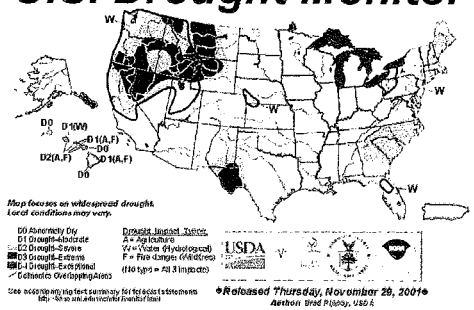
August 28, 2001 Valid 8 a.m. EDT

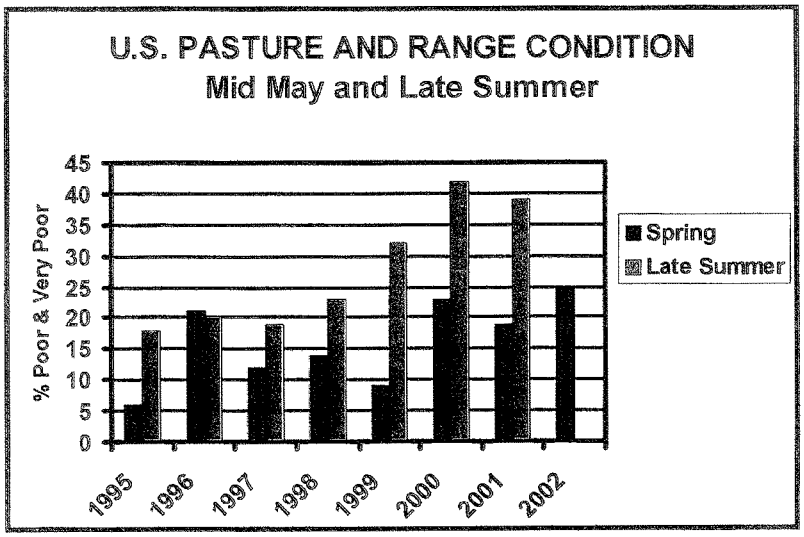
U.S. Drought Monitor



November 27, 2001 Valid 8 a.m. EST

U.S. Drought Monitor




U.S. PASTURE AND RANGE CONDITION
Mid May and Late Summer
% Poor & Very Poor
45
40
35
30
25
20
15
10
5
0
1995
1996
1997
1998
1999
2000
2001
2002
Spring
Late Summer

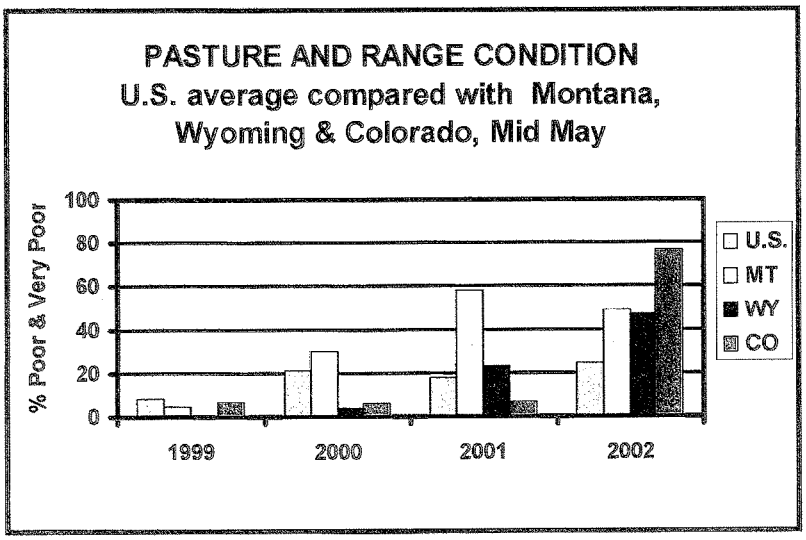

PASTURE AND RANGE CONDITION
U.S. average compared with Montana,
Wyoming & Colorado, Mid May
% Poor & Very Poor
100
80
60
40
20
0
1999
2000
2001
2002
U.S.
MT
WY
CO

TABLE--DROUGHT IMPACT : WINTER WHEAT

2002

		HARVESTED ACRES			AVERAGE YIELD			PRODUCTION		
	PLANTED AREA	NORMAL	USDA MAY ESTIMATE Mil. Ac.	DIFFERENCE	NORMAL	USDA MAY ESTIMATE Bu.Ac.	DIFFERENCE	NORMAL	USDA MAY ESTIMATE Mil. Bu.	DIFFERENCE
TEXAS	6,400	3,550	2,500	(1,050)	31.0	32.0	1.0	110.1	80.0	(30.1)
OKLAHOMA	5,800	4,375	3,600	(775)	31.0	31.0	0.0	135.6	111.6	(24.0)
KANSAS	9,400	8,800	8,000	(800)	39.0	37.0	(2.0)	343.2	296.0	(47.2)
COLORADO	2,350	2,150	1,800	(350)	35.0	30.0	(5.0)	75.3	54.0	(21.3)
NEBRASKA	1,700	1,600	1,600	0	38.0	36.0	(2.0)	60.8	57.6	(3.2)
WYOMING	150	135	130	(5)	29.0	25.0	(4.0)	3.9	3.3	(0.7)
MONTANA	1,400	1,270	1,000	(270)	37.0	28.0	(9.0)	47.0	28.0	(19.0)
SOUTH DAKOTA	1,150	1,050	1,050	0	37.0	40.0	3.0	38.9	42.0	3.2
SUB TOTAL	28,350	22,930	19,680	(3,250)	35.5	34.2	(1.3)	814.7	672.5	(142.2)
US TOTAL	41,076	34,024	30,174	(3,850)	42.1	43.1	1.0	1,433.9	1,300.7	(133.2)

2001

		HARVESTED ACRES			AVERAGE YIELD			PRODUCTION		
	PLANTED AREA	NORMAL	USDA FINAL Mil. Ac.	DIFFERENCE	NORMAL	USDA FINAL Bu./Ac.	DIFFERENCE	NORMAL	USDA FINAL Mil. Bu.	DIFFERENCE
TEXAS	5,600	3,100	3,200	100	31	34	3.00	96.1	108.8	12.70
OKLAHOMA	5,600	4,225	3,700	(525)	31	33	2.00	131.0	122.1	(8.90)
KANSAS	9,800	9,165	8,200	(965)	39	40	1.00	357.4	328.0	(29.40)
COLORADO	2,350	2,145	2,000	(145)	35	33	(2.00)	75.1	66.0	(9.10)
NEBRASKA	1,750	1,600	1,600	0	38	37	(1.00)	61.0	58.2	(2.80)
WYOMING	160	145	120	(25)	29	24	(5.00)	4.2	2.9	(1.30)
MONTANA	1,300	1,180	870	(310)	37	22	(15.00)	43.7	19.1	(24.60)
SOUTH DAKOTA	1,300	1,135	370	(765)	37	32	(5.00)	42.0	11.8	(30.20)
SUBTOTAL	27,860	22,695	20,060	(2,635)	35.7	35.7	0.00	810.5	716.9	(93.60)
US TOTAL	41,078	34,330	31,295	(3,035)	42.4	43.5	1.10	1456.6	1361.5	(95.10)

NORMAL IS DEFINED AS THE 10-YEAR AVERAGE HARVESTED-TO-PLANTED RATIOS AND YIELDS EXCLUDING 2001 AND 1996

Table--Participation of wheat and barley producers in the Federal Crop Insurance Program, 2001

Crop/state	Acres insured				*Percent of planted* acres		
	Planted (NASS)	Total insured	CAT	Buyup	Insured 1/	CAT	Buyup
Wheat		*1,000 acres*					
Kansas	9,800	7,962	558	7,405	81.2%	5.7%	75.6%
North Dakota	9,450	9,809	491	9,318	103.8%	5.2%	98.6%
Montana	5,360	4,872	567	4,305	90.9%	10.6%	80.3%
Oklahoma	5,600	4,028	526	3,501	71.9%	9.4%	62.5%
Texas	5,600	4,219	735	3,484	75.3%	13.1%	62.2%
South Dakota	3,025	2,529	337	2,192	83.6%	11.2%	72.4%
Colorado	2,397	1,938	252	1,686	80.8%	10.5%	70.3%
Washington	2,490	1,542	379	1,163	61.9%	15.2%	46.7%
Minnesota	1,867	1,880	245	1,634	100.7%	13.1%	87.5%
Nebraska	1,750	1,471	75	1,396	84.1%	4.3%	79.8%
Barley							
North Dakota	1,500	1,502	188	1,314	100.2%	12.5%	87.6%
Montana	1,100	1,097	107	991	99.8%	9.7%	90.1%
Idaho	700	352	155	198	50.3%	22.1%	28.2%
Washington	430	219	93	126	51.0%	21.7%	29.3%
California	160	64	33	31	40.2%	20.6%	19.7%
Minnesota	160	150	22	128	93.6%	13.6%	79.9%
Oregon	110	63	21	42	57.4%	19.2%	38.2%
Wyoming	100	57	11	47	57.1%	10.5%	46.6%
Colorado	90	84	13	72	93.8%	14.3%	79.5%
South Dakota	90	51	17	33	56.4%	19.3%	37.2%
Utah	85	4	3	1	4.4%	3.6%	0.7%

1/ Total insured acres include prevented plantings and may exceed total planted acres.

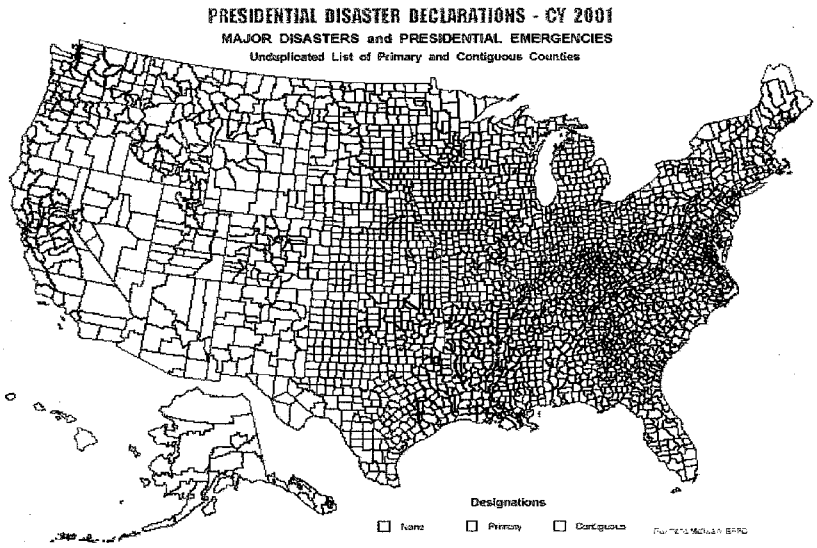
Table–Crop insurance indemnities by state, 1998-2001 (million dollars)

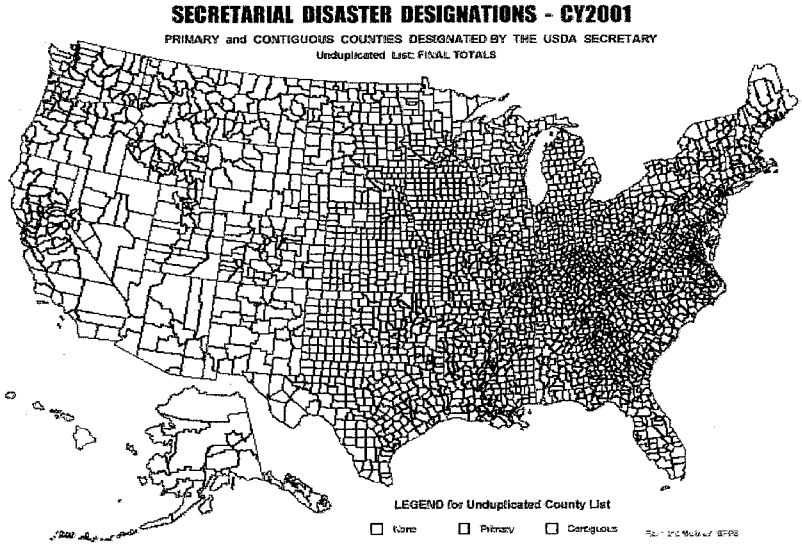
State	1998	1999	2000	2001	1998-2001	Rank
Alabama	40.4	33.7	77.9	24.97	177.0	16
Alaska	0.1	0.0	0.0	0.00	0.1	49
Arizona	5.0	14.3	10.2	18.24	47.7	32
Arkansas	26.2	42.6	42.9	50.99	162.7	18
California	118.3	134.3	92.8	115.25	460.6	3
Colorado	15.6	22.9	45.0	51.05	134.6	21
Connecticut	4.5	4.2	8.3	0.95	18.0	36
Delaware	0.6	2.0	0.2	0.34	3.1	44
Florida	24.0	30.9	95.3	77.19	227.3	13
Georgia	89.3	139.4	126.9	66.95	422.5	5
Hawaii	0.0	0.2	0.6	1.52	2.3	45
Idaho	7.3	8.5	15.6	16.31	47.7	33
Illinois	45.5	52.3	50.4	43.84	192.1	15
Indiana	43.4	55.8	35.0	17.45	151.6	20
Iowa	84.4	61.7	95.2	152.48	393.7	8
Kansas	29.8	64.6	154.5	159.44	408.4	7
Kentucky	26.5	53.3	20.9	8.62	109.3	24
Louisiana	29.3	27.0	44.7	58.93	160.0	19
Maine	1.7	2.9	1.8	1.85	8.2	40
Maryland	2.9	8.1	0.9	3.53	15.5	38
Massachusetts	4.0	3.0	8.4	2.24	17.6	37
Michigan	16.8	11.6	26.1	60.04	114.6	22
Minnesota	56.1	118.4	78.9	195.27	448.6	4
Mississippi	24.0	45.8	95.0	125.05	289.9	12
Missouri	28.7	65.2	25.1	48.45	167.4	17
Montana	34.7	35.5	76.2	160.03	306.4	11
Nebraska	37.6	51.0	191.0	75.03	354.6	9
Nevada	0.0	0.0	0.0	0.03	0.0	50
New Hampshire	0.8	0.1	0.2	0.29	1.4	46
New Jersey	0.7	3.4	1.0	0.67	5.7	42
New Mexico	6.4	2.4	8.8	5.00	22.6	35
New York	3.1	3.7	10.3	6.77	23.8	34
North Carolina	79.8	132.0	43.9	56.90	312.6	10
North Dakota	91.7	447.2	252.9	300.40	1,092.2	2
Ohio	11.6	41.1	23.4	27.59	103.7	25
Oklahoma	22.4	65.7	55.8	77.72	221.7	14
Oregon	1.3	20.5	20.4	30.69	72.9	29
Pennsylvania	5.4	22.6	6.6	18.14	52.8	31
Rhode Island	0.0	0.0	0.0	0.10	0.1	48
South Carolina	30.4	31.5	26.8	25.60	114.3	23
South Dakota	49.2	96.9	79.2	192.28	417.6	6
Tennessee	20.0	33.7	26.1	22.36	102.2	26
Texas	509.8	382.2	560.3	498.68	1,950.9	1
Utah	0.4	1.3	1.3	1.81	4.7	43
Vermont	0.2	0.1	0.3	0.11	0.7	47
Virginia	26.8	28.3	12.3	14.38	81.8	28
Washington	7.7	17.3	8.5	26.65	60.1	30
West Virginia	1.3	1.9	1.6	1.02	5.8	41
Wisconsin	10.1	9.3	23.0	53.45	95.8	27
Wyoming	2.0	1.9	4.2	6.82	14.8	39
Total	1,677.5	2,431.9	2,586.8	2,903.5	9,599.7	---

Table–Crop insurance loss ratios (indemnities/total premium), 1998-2001

State	1998	1999	2000	2001	1998-01
Alabama	1.75	1.20	2.66	0.70	1.53
Alaska	1.58	0.16	1.87	0.00	0.64
Arizona	0.92	1.81	1.18	2.00	1.54
Arkansas	0.68	0.90	0.99	0.94	0.89
California	1.08	1.03	0.65	0.81	0.87
Colorado	0.49	0.63	1.25	1.05	0.88
Connecticut	2.99	1.75	4.18	0.38	2.15
Delaware	0.56	1.63	0.11	0.20	0.56
Florida	0.57	0.63	1.24	0.84	0.88
Georgia	1.52	1.91	1.62	0.74	1.41
Hawaii	0.00	0.15	0.50	1.33	0.54
Idaho	0.51	0.39	0.81	0.64	0.59
Illinois	0.46	0.42	0.32	0.26	0.35
Indiana	0.86	0.84	0.37	0.17	0.49
Iowa	0.55	0.36	0.45	0.66	0.51
Kansas	0.31	0.62	1.38	0.95	0.85
Kentucky	1.67	2.29	0.83	0.32	1.20
Louisiana	1.06	0.76	1.34	1.45	1.17
Maine	0.70	0.91	0.56	0.52	0.67
Maryland	0.71	1.47	0.15	0.52	0.68
Massachusetts	2.25	1.34	4.60	1.20	2.29
Michigan	0.62	0.36	0.78	1.55	0.87
Minnesota	0.36	0.67	0.42	0.91	0.61
Mississippi	0.83	1.20	1.99	1.72	1.54
Missouri	0.55	1.09	0.36	0.60	0.64
Montana	0.95	0.90	2.03	3.20	1.87
Nebraska	0.34	0.43	1.32	0.40	0.63
Nevada	0.00	0.00	0.01	0.23	0.08
New Hampshire	5.68	0.50	1.06	1.04	1.81
New Jersey	0.51	2.11	0.42	0.23	0.70
New Mexico	1.07	0.34	1.28	0.58	0.79
New York	0.70	0.61	1.47	0.67	0.86
North Carolina	1.72	2.36	0.74	0.83	1.36
North Dakota	0.73	2.07	1.39	1.48	1.50
Ohio	0.44	1.26	0.54	0.54	0.68
Oklahoma	0.81	1.71	1.50	1.52	1.43
Oregon	0.27	2.22	1.63	2.16	1.79
Pennsylvania	0.96	3.29	0.57	1.30	1.39
Rhode Island	0.25	0.39	0.22	1.55	0.63
South Carolina	2.09	1.76	1.31	1.06	1.49
South Dakota	0.55	0.96	0.69	1.34	0.93
Tennessee	1.42	1.48	0.96	0.72	1.07
Texas	2.03	1.25	1.79	1.48	1.62
Utah	0.67	1.77	1.73	1.71	1.54
Vermont	0.93	0.47	0.89	0.22	0.56
Virginia	1.89	1.56	0.67	0.72	1.16
Washington	0.38	0.65	0.33	0.80	0.57
West Virginia	1.51	1.87	1.12	0.75	1.25
Wisconsin	0.30	0.26	0.57	1.15	0.61
Wyoming	0.77	0.62	1.27	2.02	1.21
Total	0.89	1.05	1.02	0.98	0.99

State	1998	1999	2000	1998-2000	Rank
Alabama	37.6	19.9	56.5	114.1	15
Alaska	0.2	0.0	0.8	1.1	50
Arizona	6.1	4.0	6.2	16.3	38
Arkansas	51.1	23.6	56.3	130.9	12
California	173.8	61.3	70.2	305.3	3
Colorado	19.9	13.3	42.7	76.0	20
Connecticut	4.5	4.1	4.7	13.3	40
Delaware	0.8	1.6	0.4	2.7	46
Florida	36.8	18.3	41.0	96.2	17
Georgia	94.2	73.9	105.6	273.8	4
Guam	0.0	0.0	0.0	0.0	53
Hawaii	0.1	0.0	0.8	0.9	51
Idaho	10.4	9.6	34.0	54.0	26
Illinois	27.6	12.8	12.6	53.0	28
Indiana	31.6	15.6	5.9	53.1	27
Iowa	36.9	15.4	17.1	69.5	23
Kansas	41.6	31.6	120.9	194.0	5
Kentucky	28.2	41.5	8.6	78.3	19
Louisiana	55.0	13.7	39.2	107.9	16
Maine	3.4	2.0	2.1	7.5	43
Maryland	4.2	7.8	1.0	13.0	41
Massachusetts	6.4	4.7	7.3	18.4	36
Michigan	39.1	6.8	27.8	73.6	22
Minnesota	62.4	48.0	40.6	150.9	10
Mississippi	33.2	21.0	70.6	124.8	13
Missouri	42.1	39.6	42.1	123.8	14
Montana	45.8	31.4	102.7	179.9	6
Nebraska	34.2	20.4	105.2	159.7	9
Nevada	0.1	0.1	2.4	2.6	48
New Hampshire	1.3	0.7	0.5	2.6	47
New Jersey	1.3	11.3	3.0	15.7	39
New Mexico	9.9	4.4	10.8	25.0	35
New York	10.0	13.8	26.5	50.3	30
North Carolina	68.5	62.6	29.1	160.2	8
North Dakota	109.3	142.0	213.7	464.9	2
Ohio	15.5	23.4	17.0	56.0	25
Oklahoma	69.6	32.0	49.3	150.9	11
Oregon	5.6	14.2	10.3	30.1	34
Pennsylvania	9.7	30.5	5.6	45.7	31
Puerto Rico	47.2	12.4	4.7	64.4	24
Rhode Island	0.5	0.8	0.2	1.5	49
South Carolina	32.8	26.4	26.1	85.2	18
South Dakota	68.7	40.6	52.0	161.3	7
Tennessee	23.2	29.1	22.3	74.6	21
Texas	461.9	192.4	443.9	1,098.1	1
Utah	0.8	1.5	6.4	8.7	42
Vermont	1.1	2.3	2.5	5.9	45
Virginia	21.3	15.2	9.0	45.4	32
Virgin Islands	0.0	0.0	0.0	0.1	52
Washington	12.6	20.0	20.4	52.9	29
West Virginia	1.8	3.4	1.6	6.8	44
Wisconsin	13.8	7.0	19.4	40.2	33
Wyoming	4.2	1.3	11.1	16.6	37
Total	1,918.1	1,229.2	2,010.1	5,157.4	---


PRESIDENTIAL DISASTER DECLARATIONS - CY 2001
MAJOR DISASTERS and PRESIDENTIAL EMERGENCIES
Unduplicated List of Primary and Contiguous Counties
Designations
None
Primary
Contiguous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PRIMARY and CONTIGUOUS COUNTIES DESIGNATED BY THE USDA SECRETARY
Unduplicated List: FINAL TOTALS
LEGEND for Unduplicated County List
None
Primary
Contiguous

Testimony of the Iowa Farm Bureau Federation
Presented by Craig Hill, IFBF Vice President
To the
Senate Committee on Agriculture, Nutrition and Forestry
May 23, 2002

Good afternoon. My name is Craig Hill and I serve as the vice president of the Iowa Farm Bureau Federation. I am also a crop and livestock producer in south central Iowa. The Iowa Farm Bureau Federation represents nearly 155,000 rural families and appreciates the opportunity to present testimony today on their behalf.

I am here today to ask for your assistance in providing help to those producers who suffered crop related losses last year. The severe weather conditions have had a negative impact on the livelihood of America's farmers and the rural communities in which they operate. Emergency relief is important at this time in order to prevent further economic losses.

We were pleased to work with the Committee in drafting a new farm bill and supported final passage. This bill will benefit farmers by improving the safety net features of the 1996 Federal Agriculture Improvement and Reform Act (FAIR) as well as strengthen our investment in conservation and rural economic development. Certainly, the additional safety net features of this bill and the supplemental payments provided in previous years are important in ensuring that farmers can meet their financial obligations and remain on the farm.

However, farmers who suffered crop losses continue to have economic concerns and will not receive any assistance through the farm bill for losses last year.

Producers in southern Iowa are seeking disaster assistance for the past crop year to help them with their cash flow problems. Eight of the past ten years have been short crop years for producers in this region. The cumulative effect of these short crop years has been to whittle down the effectiveness of the safety net provisions provided through farm programs and crop insurance.

I believe that crop insurance is a viable tool to help producers manage their own risks. The new farm bill improves that by further reducing the costs to producers of buying adequate crop insurance coverage. However, for producers in southern Iowa and in many other regions of the country, crop insurance falls far short of their needed protection. As I mentioned, eight of the past ten years have been poor crop years in southern Iowa. The impact of this on crop insurance coverage has been to increase rates and reduce yield coverage. Thus, producers pay more for less coverage.

The continual planting problems in this region have contributed to a reduced safety net. Despite this, producers in Iowa and in southern Iowa continue to heavily rely on the crop insurance program to help manage their risk. As you can see from the attached chart, the amount of acreage covered by crop insurance in these six counties ranges from a low of 81 percent to a high of 95 percent.

Last year was a particularly hard year for many producers in southern Iowa. The Secretary of Agriculture has recently declared these counties a federal disaster area. This opens the door to some assistance but this assistance is primarily low-interest loans. These producers need cash-flow assistance not more loans. In just six Iowa counties, prevented planting acres for corn and soybeans totaled 104,677 acres. Total acres planted in 2001 in the two hardest hit counties, Jefferson and Van Buren counties, were three quarters of those acres planted in 2000.

Nationally, losses for producers totaled nearly $2.3 billion. These are losses not

covered by crop insurance. In Iowa, crop producers had losses not covered by crop insurance totaling $30.8 million and livestock producers suffered feed losses totaling $3.124 million. Over the past several years, Congress has provided emergency assistance to producers across the country in part due to unfavorable weather conditions. Based on the poor weather that many Iowa producers faced in 2001, I believe we should again provide disaster assistance to those producers.

Thank you for the opportunity to represent the interests of Iowa producers before the committee. I would be happy to answer any questions.

Attachment A

	Jefferson	Van Buren	Wapello	Davis	Henry	Lee
2001 total prevented planting	33,739	22,266	20,281	12,826	8,549	7,416
2001 corn prevented planting	27,400	13,588	15,091	8,471	6,971	6,584
2001 bean prevented planting	6,339	8,678	5,190	4,355	1,578	832
2001 total corn acres	40,900	30,700	39,500	27,300	68,000	64,000
2000 total corn acres	62,300	39,600	54,100	31,700	80,800	77,000
2001 total bean acres	54,000	35,500	49,400	36,500	77,200	72,300
2000 total bean acres	66,800	47,800	54,700	42,900	74,800	68,900
2001 crop insurance						
	1,251	1,061	1,078	869	1,335	1,158
# of policies	118,834	84,135	94,335	69,264	124,473	119,846
# of acres covered	92%	95%	86%	90%	81%	83%
% of acres covered						

Sources: Iowa Ag Statistics, Iowa Farm Service Agency, Risk Management Agency

Written Testimony of

Mr. Larry Barbie
President
Montana Grain Growers Association

to the

Committee on Agriculture
United States Senate

May 23, 2002

Mr. Chairman, members of the Committee, thank you for the opportunity to provide written testimony on natural disaster assistance for agricultural producers. I raise wheat and barley near Inverness, Montana, located in the north central part of the state about 25 miles from the Canadian border. I currently serve as president of the Montana Grain Growers Association, the primary commodity organization representing wheat and barley producers in our state. Wheat and barley are by far the two major crops grown in the state, accounting for an average of nearly a billion dollars of gross sales per year. Agriculture is the largest industry in the state. In 2000, 36 percent of Montana's economy was derived from my industry.

I come here today with the heavy responsibility of trying to describe how the horrible ravages of a multi-year drought have evaporated more than soil moisture and stock water reservoirs in my area of the nation. The financial future and the life-long dreams of success for thousands of Montana farmers have dried up and are blowing away with the same winds that sift the soil from our fields. The lack of quick assistance will lead to more rapid consolidation and larger farms. Without assistance, the moderate-sized family farms will be the first to go.

While total wheat and barley production was about half of normal in 2001 for the entire state of Montana, my area was much worse. Most farmers harvested little crop, and many had no crop at all from this area of Montana. Wheat yields here are normally 35-60 bushels per acre. The preceding years of 1998 and 1999 were much below average as well, and crop year 2000 was only slightly better than 2001. In the latest drought monitor survey released last week, most of central Montana was still the most drought stricken locality in the nation. Our farmers are desperate and they need assistance NOW.

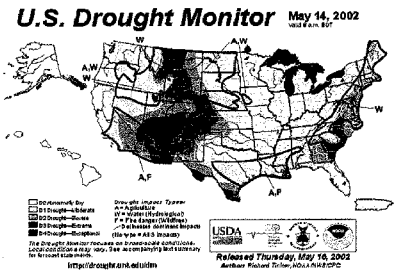
The current drought has undercut the present and future financial viability of not just our farmers but the entire agriculturally-related economies of the region. Unfortunately, without natural disaster assistance, many of Montana's producers won't be around to participate in the benefits of the new farm bill.

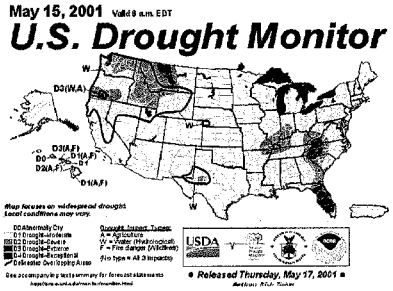
Some question why crop insurance isn't enough to provide aid during times of crop loss. In a one-year crop loss there is some merit to that argument. Although the deductible of most crop insurance policies is 30-35%, an amount that would seem unconscionable for most other forms of insurance, a relatively well-managed farm, like most other businesses, can stand one year of loss and still remain viable. Two, three, or four continual years of losses would devastate nearly any business. But the double whammy of extended drought is that it also erodes the average yields on which our safety net is based. While the last crop insurance reform now lets a producer use 60 percent of his area average as a minimum yield for any one year, a producer with a ten-year history of 40 bushels per acre (thus a guarantee of 28 bushels per acre at a 70 percent coverage level) would see that average reduced to 33.6 bushels per acre after four years of using the 24 bushels per acre "plug". His actual guarantee would drop by 4.5 bushels per acre, or nearly $15 per acre, while his premium would rise due to increased risk. For a 1,000 acre wheat farmer, that decline of $15,000 in coverage may just as well be an increased expense of that same amount. Insects and pests such as grasshoppers, cutworms and wheat mite infestations (the expected last plague of an ongoing drought) are threatening to eat up even more of any crop insurance proceeds.

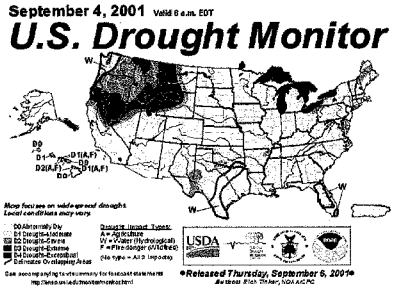
I want to say a few final words about the financial impact on a whole community. During weather disasters of flood, fire, tornado, or hurricane, the disaster is followed by the process of rebuilding. Economic losses trigger an influx of new construction and new employment. Drought has no such economic effect. Farmers cut back to survive while the businesses they formerly patronized wither. The last remaining implement dealer in my local area closed last year. Farm supply businesses have reported a 50 percent decline in the amount of fertilizer and crop protection products they have sold. Grain elevators sit empty, employees have been let go and planned construction of a new shuttle train loading facility 60 miles from me have been put on hold. Mental stress on families and neighbors creates a dark cloud of gloom, one which has replaced the long absent ones in the heavens.

While words can never adequately describe the bleakness of drought-ravaged fields, I do hope that my testimony today has helped the Committee realize how uniquely devastating our current situation is. The infusion of capital from a natural disaster aid bill won't alleviate the drought, but it would help stem the tide of farm foreclosures and bankrupt businesses. Farmers could return to managing for success rather than finding ways to farm cheaply enough to survive on a meager portion of his normal income.

Thank you to the Committee for giving me this opportunity to appear before you today.


U.S. Drought Monitor
May 14, 2002
Released Thursday, May 16, 2002


May 15, 2001
U.S. Drought Monitor
Released Thursday, May 17, 2001


September 4, 2001
U.S. Drought Monitor
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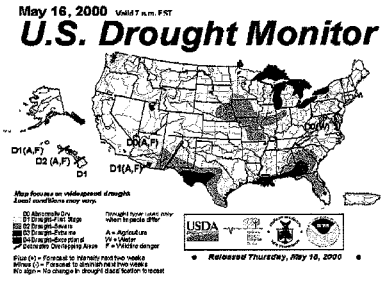
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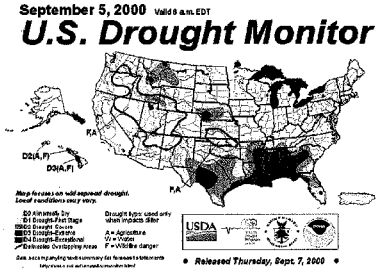
Released Thursday, May 18, 2000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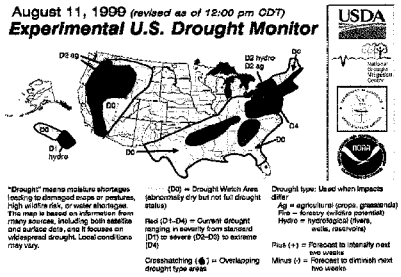
August 11, 1999 (revised as of 12:00 pm CDT)
Experimental U.S. Drought Monitor

STATEMENT OF

MR. BRIAN CHANDLER

ON BEHALF OF THE

NATIONAL FARMERS UNION

BEFORE THE

SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE

MAY 23, 2002

400 North Capitol Street, N.W. • Suite 790 • Washington, D.C. 20001 • Phone (202) 554-1600

STATEMENT OF
MR. BRIAN CHANDLER

ON BEHALF OF THE
NATIONAL FARMERS UNION

BEFORE THE
SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE

MAY 23, 2002

Chairman Harkin, Ranking Member Lugar, members of the Senate Agriculture Committee, I am Brian Chandler, an independent grain, cotton, forage and livestock producer from Midland, Texas. On behalf of the National Farmers Union and family farmers and ranchers across the country who suffered substantial crop and livestock production losses in 2001 due to drought and other weather related causes, I want to thank you for holding this hearing to discuss emergency disaster assistance for producers.

Much attention has rightfully been focused on the economic losses suffered by Montana grain and livestock producers as a result of the extended drought that has devastated that state. I am here however to let the Committee know that in addition to Montana, the lack of moisture in 2001 had a devastating effect on farmers and ranchers throughout most of the Plains states, including my state of Texas.

Nationally, production losses from drought, flood, disease and other uncontrollable weather related causes reduced the economic viability of farmers and ranchers to the point that over 25 percent of the 3,141 counties in the U.S. were designated by the Secretary of Agriculture as disaster areas in 2001. An additional 679 counties qualified as contiguous counties under the declarations. A copy of the Secretarial disaster designations for calendar year 2001 is attached.

For a national perspective, while Montana had 100 percent of its counties qualify as primary disaster areas, over 90 percent of the counties in ten other states also received either primary or contiguous disaster declarations, and in 26 states more than one-half of the counties were so designated. These disaster areas cut across the whole nation from the Far West to the South to New England and the mid-Atlantic as well as the Great Plains and the Corn Belt.

Unfortunately, the low interest loans made available by such declarations, payments under the 1996 farm bill, supplemental market loss assistance and existing crop insurance programs failed to adequately address the real needs of producers, local businesses and rural communities that have suffered as a result of these production losses.

On my farm near Midland, our crops were completely decimated by drought to the extent that dryland crops were totally destroyed and our soil moisture deficit precluded us from

utilizing our supplemental irrigation. Winter grazing of small grain crops, a normal practice in my area, was limited by the poor emergence, stand establishment and growth of those crops during the fall and winter. In addition, about 80 percent of my hay production was lost or the quality reduced due to the lack of available moisture which also reduced hay production of other producers in the area from whom I would normally purchase additional feed supplies.

From a market standpoint, my 2001 cash crops provided me a fraction of the expected total income. Mr. Chairman, not only did I have fewer bushels to sell, but also as you are well aware, crop prices have been severely depressed since 1998 and production costs, particularly those related to energy such as fuel, electricity and fertilizer, increased substantially last year further reducing my income.

Unlike many other sectors of the economy, where a production shortfall would result in minimal losses because of a price response to the reduced level of supply, crop prices have not adequately responded to the reduced production we sustained locally or nationally in a way that reduced my operating losses. This is because of better than average production elsewhere and a level of carryover stocks that continues to result in supplies that exceed demand pressuring market prices.

In the case of livestock, due to reduced forage production, increased cost of hay and transportation to get it to my farm, I had little choice but to reduce my herd size. Many of my cattle were marketed at both lower than optimal weight levels and during a period when many other livestock producers were forced into the same situation resulting in lower market receipts for my cattle as well.

I utilize crop insurance to help manage the weather risks associated with my farming operation, and am appreciative of the improvements that were made in the program a few years ago that allow me to increase my coverage levels at a more realistic premium cost. However, even with additional coverage for my eligible crops, insurance remains an inadequate tool to sustain my operation, particularly in the face of a multi-year drought, as we are currently experiencing. Although crop insurance allows for a reduced impact of low yields on the producer's actual production history, my yield history is declining to the point that insurance is becoming a less valuable risk management tool than it should be.

For some crops, I can purchase 75 percent coverage, a major improvement over the 65 percent guarantee of the old program. Yet, this means I must absorb a 25 percent loss before I begin to receive any indemnities. Given the low, and in many cases negative, operating margins farmers receive, I am unable to build the level of financial cushion, even in relatively good years, necessary to sustain a loss of that size. In addition, lenders often encourage or require the purchase of crop insurance in order to qualify for operating credit, recognizing the benefits protect their investment. However, they are hesitant to provide credit in a year following a production disaster because most farm and ranch operations cannot project an income level adequate to cover both the uninsured losses of the prior year and operating costs for the current crop year. For my livestock operation,

insurance is just not a viable option to mitigate a combination of forage production and forced market losses.

As you are aware, emergency ad hoc production loss programs were approved along with market assistance in many years prior to 2001. However, for the 2001 production year, Congress adopted a more timely supplemental market loss program without addressing production disasters because the level of damage was unknown and could not be predicted a year ago when action occurred on the supplemental economic assistance package.

The Senate attempted to address this situation by including $2.4 billion in emergency disaster relief for crops and livestock in its version of the 2002 farm bill. This action provided hope to producers such as myself that some level of crop and livestock assistance, in addition to farm program and crop insurance benefits, would be forthcoming. Unfortunately, the House rejected that provision in conference.

Farmers and ranchers, like me, who suffered losses in 2001 because of adverse weather that is totally beyond their control truly need your help. The disaster package developed by Senator Baucus and adopted by the Senate earlier this year would have provided the financial resources needed by producers to help offset enough of their losses to allow them to continue their operations.

Mr. Chairman, I urge the Committee to take the action needed to ensure that the 2001 disaster is appropriately addressed, and would be pleased to respond to any questions you or your colleagues may have. Thank you for the opportunity to appear before the Committee today.

SECRETARIAL DISASTER DESIGNATIONS - CY 2001

Unduplicated List of Primary & Contiguous Counties - by State

Including Designation No. S1596 - Approved as of December 13, 2001

STATE	Primary	Contiguous	Total	Total No. Counties in State	Percentage Primary	Percentage Contiguous
Alabama	0	4	4	67	0%	6%
Alaska	1	5	6	25	4%	20%
Arizona	0	4	4	15	0%	27%
Arkansas	1	22	23	75	1%	29%
California	8	26	34	58	14%	45%
Colorado	15	26	41	63	24%	41%
Connecticut	0	5	5	8	0%	63%
Delaware	0	2	2	3	0%	67%
District of Columbia	*0*	*0*	*0*	*1*		
Florida	16	22	38	67	24%	33%
Georgia	0	10	10	159	0%	6%
Hawaii	4	1	5	5	80%	20%
Idaho	5	25	30	44	11%	57%
Illinois	0	15	15	102	0%	15%
Indiana	0	7	7	92	0%	8%
Iowa	26	33	59	99	26%	33%
Kansas	23	35	58	105	22%	33%
Kentucky	7	29	36	120	6%	24%
Louisiana	33	17	50	64	52%	27%
Maine	*0*	*0*	*0*	*16*		
Maryland	0	8	8	24	0%	33%
Massachusetts	0	2	2	14	0%	14%
Michigan	73	9	82	83	88%	11%
Minnesota	0	9	9	87	0%	10%
Mississippi	0	10	10	82	0%	12%
Missouri	114	1	115	115	99%	1%
Montana	56	0	56	56	100%	N/A
Nebraska	31	13	44	93	33%	14%
Nevada	10	7	17	17	59%	41%
New Hampshire	0	4	4	10	0%	40%
New Jersey	2	5	7	21	10%	24%
New Mexico	0	3	3	33	0%	9%
New York	36	20	56	62	58%	32%
North Carolina	28	20	48	100	28%	20%
North Dakota	24	10	34	53	45%	19%
Ohio	29	29	58	88	33%	33%
Oklahoma	75	2	77	77	97%	3%
Oregon	11	14	25	36	31%	39%

Unduplicated List of Primary & Contiguous Counties - by State

Including Designation No. S1596 - Approved as of December 13, 2001

STATE	Primary	Contiguous	Total	Total No. Counties in State	Percentage Primary	Percentage Contiguous
Pennsylvania	44	18	62	67	66%	27%
Rhode Island	*0*	*0*	*0*	*5*		
South Carolina	6	13	19	46	13%	28%
South Dakota	0	13	13	66	0%	20%
Tennessee	57	36	93	95	60%	38%
Texas	49	106	155	254	19%	42%
Utah	28	1	29	29	97%	3%
Vermont	13	1	14	14	93%	7%
Virginia	0	4	4	136	0%	3%
Washington	10	15	25	39	26%	38%
West Virginia	0	6	6	55	0%	11%
Wisconsin	0	4	4	72	0%	6%
Wyoming	12	8	20	23	52%	35%
TOTALS	847	679	1526	3141	26.9%	23.3%
Total No. of States	31	47	48			

NATIONAL CATTLEMEN'S BEEF ASSOCIATION

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Testimony

of the

National Cattlemen's Beef Association

to the

Senate Agriculture, Nutrition, and Forestry Committee

The Honorable Tom Harkin, Chairman

Presented by

Bryan Dierlam
NCBA Director, Legislative Affairs

May 23, 2002

Producer-directed and consumer-focused, the National Cattlemen's Beef Association is the trade association of America's cattle farmers and ranchers, and the marketing organization for the largest segment of the nation's food and fiber industry.

Chairman Harkin, Senator Lugar and members of the Senate Agriculture Committee, I am Bryan Dierlam, the Director of Legislative Affairs for the National Cattlemen's Beef Association. Thank you for allowing me to testify on behalf of beef producers suffering from extensive drought conditions.

Ongoing drought has devastated many parts of the country. When drought conditions hit a rancher, their management options quickly become limited. Due to decreasing forage on pastures and rangelands, one option is to purchase hay and supplemental feed for the cattle. This hay and feed must be brought long distances from areas not impacted by the drought. This increases costs for the producer greatly. The other option is to find areas of the country where forage is abundant and ship livestock there. However most times, prevailing market conditions do not warrant the high costs of purchasing hay from long distances, or the cost entailed in shipping cattle. The situation is much the same for ranchers grazing cattle on public lands. As the drought intensifies, access to public lands is diminished and private ground, which is typically where hay is grown and cattle are wintered is even more stressed. In these cases, producers often liquidate parts or all of their herds. This decision strains livestock and beef markets as additional beef comes to market that otherwise would not. It also strains rural communities which depend on livestock populating the pastures to drive the local economy.

For the beef industry, the impact of a drought lasts longer than the drought itself because producers are forced to sell their production base. Ranchers can't simply shut the factory down and let it sit idle. Cattle have to eat. The equivalent would be a manufacturing plant not only shutting down, but having to liquidate all its plant, property and equipment. This has long-term implications for the beef industry because when a producer brings cattle back on line after a drought, it takes time for the ranch to become productive again given gestation periods and cattle maturity.

This drought is significant. ABC News recently reported that in Colorado, the "Winter Livestock Sales Barn is auctioning off 8,000 head of cattle every week." NOAA reported that "Montana has experienced some of the most severe drought conditions in the nation" and has brought the state to a level of "drought severity worse than any recorded in more than a century." MSNBC reported that "many ranchers may be forced to sell livestock because they won't be able to grow enough hay." This drought is severe, it is significant, and it is destructive. Parts of Arizona, Utah and Montana would require nearly 8 inches of rain to end the drought. Parts of Wyoming would require in excess of 9 inches. Parts of California and Colorado require 7 inches. For comparison purposes, I have attached a map at the back of my testimony showing

drought conditions in May of 2000, 2001, and 2002. The current conditions are worse this year, than on the same date in the two previous years.

The timing of this request for drought assistance comes on the heels of the farm bill. Many observers wonder why this aid should be provided given that the farm bill just passed. This is perhaps a fair question and I would like to provide an answer with additional context from the beef industry's perspective. For many years, the USDA implemented a Livestock Feed Assistance Program. This program was eliminated in the 1996 farm bill. However, severe droughts in various parts of the country have ensued every year since 1998. In response to these droughts, Congress provided funding for the Livestock Assistance Program, an ad hoc program that was funded in 1998, 1999, and 2000. Because it was an ad hoc program, it was funded through the appropriations process. To help end ad hoc disaster relief programs, NCBA worked for a program in the farm bill so that livestock producers would not have to come to Congress and testify every time there was a dry spell, or a localized or widespread drought. Putting this program in the farm bill will allow budget writers to plan for the program. The farm bill authorizes the Livestock Assistance Program meaning it is no longer simply an ad hoc program, but instead a program that can be budgeted for.

Even though this program is in place for future disasters, the question remaining is, what do we do about the damage caused by the drought in 2001 and 2002? NCBA supports providing $500 million to the Livestock Assistance Program to cover drought losses for the 2001 and 2002 calendar years. This funding will bridge the gap between previous ad hoc measures and the implementation of the provisions contained in the farm bill.

Authorizing the Livestock Assistance Program in the farm bill is not the only drought management program NCBA has advocated. We aggressively worked for the creation of insurance products that protect pastures, rangeland, and forage. NCBA supported provisions in the Agricultural Risk Protection Act of 2000 that call for the development of pasture, range, and forage insurance. The programs are currently in development. The Risk Management Agency at USDA has contracted with AgriLogic to complete a feasibility study on an insurance policy that could cover drought and fire damage. The feasibility study will form the basis for any pasture, range, and forage policy that results from the Agricultural Risk Protection Act. AgriLogic will report back to RMA in July upon completion of the study. After a review and approval by RMA, development of actual products could begin. This development will include actuarial work, underwriting issues, ratings and other documentation. After that work is done, we could soon thereafter have products that help protect producers from the impact of drought. This program appears promising and will be an additional tool that producers can use to manage the risk and damage caused by droughts. NCBA has worked aggressively with AgriLogic throughout the feasibility study. AgriLogic personnel have attended our meetings and held listening sessions across the country. We have provided input on how best to develop tools to manage the risk and damage caused by drought.

Successful implementations of these programs will help reduce the need for ongoing ad hoc payments.

To those who question why this current disaster funding is necessary, I remind them that it takes time for our laws to be implemented and for the work, models, and products to be developed. Often the administrative processes turn much more slowly than the calving cycle, the weather cycle, or the federal budgeting process. NCBA has worked with Congress to develop programs and tools that can help us get away from ad hoc disaster programs. Until these programs are up and running, beef producers need help and assistance for the years not covered by the farm bill and not covered by drought management tools still in development.

NCBA would prefer not to have to ask Congress for supplemental funding for the program and for the ongoing drought. But until the Farm Bill provisions can be implemented, and until new tools can be brought to the market place, we are requesting $500 million for the Livestock Assistance Program.

The National Cattlemen's Beef Association, our leadership and members, will continue working with Congress and the administration to find ways to help producers deal with this drought and to bridge the gap between old programs and the new farm bill.

I will be happy to answer any questions and thank you for the opportunity to visit with you today.

May 16, 2000
U.S. Drought Monitor
D1(A,F)
D2 (A,F)
D1
D0(A,F)
D1(A,F)
USDA
Released Thursday, May 18, 2000

May 15, 2001
U.S. Drought Monitor
W
D3(W,A)
W
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D1
D2(A,F)
D1(A,F)
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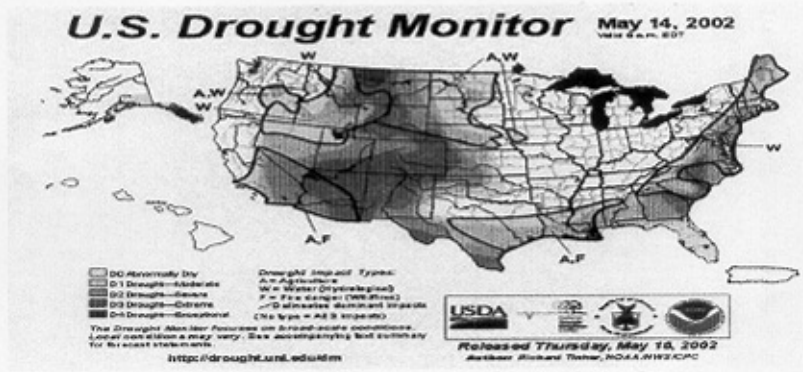
USDA
Released Thursday, May 17, 2001


U.S. Drought Monitor
May 14, 2002
W
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A,F
USDA
Released Thursday, May 16, 2002
http://drought.unl.edu/dm

STATEMENT OF
THE MICHIGAN BEAN COMMISSION

TO THE

UNITED STATES SENATE
COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY

REGARDING
AGRICULTURE EMERGENCY ASSISTANCE

May 23, 2002

Robert S. Green
Executive Director
Michigan Bean Commission

May 23, 2002
3:00 PM
Senate Dirksen Building

Mr. Chairman:
Members of the Committee:
Other guests:

My name is Bob Green, and I am the Executive Director of the Michigan Bean Commission. The Commission represents over 3,000 producers, is 100 percent funded by the growers of dry beans in the State of Michigan and is charged with promotion, market development and research.

During the 2001 growing season, the Michigan Bean Industry was the unwelcome recipient of the most devastating bean crop in recorded history. The 2001 season recorded the lowest total production in recorded history, the most acres abandoned in recorded history, the lowest recorded yield since 1936, and the poorest quality this state has ever seen.

The importance of dry beans to this state is difficult to express. For the 2000 crop year, Michigan was the number one producing state in the nation for navy beans, black beans, light red kidney beans and cranberry beans. Michigan is also the number two producing state in the nation for all beans, dark red kidney beans and small red beans. Dry beans in Michigan rank fourth in field crops for cash receipts, only exceeded by corn, soybeans and sugar beets. Dry beans are a non-program crop and are truly price driven by the international supply and demand.

The 2001 crop of dry beans in Michigan will be remembered as the worst crop in recorded history. The National Agricultural Statistics Service (NASS-January 11, 2002) reports that only 130,000 acres were harvested for the year 2001, compared to the 215,000 total acres of dry beans planted. The previous low in harvested acres was 1988 with 170,000 acres harvested. Yield for the 2001 crop, according to NASS, was only 600 lbs per acre for the harvested acres, compared to a normal average yield of 1800 pounds per acre. This is lowest yield since 1936 for dry beans, and in fact, since 1909, when estimates started being recorded. Only 5 other years have had lower yields than 2001, including 1930, 1918, 1917, 1916 and 1915. The most significant factor of last year's loss was the total production of dry beans in Michigan. Total production amounted to only 780,000 bags, the lowest harvested total since numbers were kept, starting in 1909.

Specifically by crop, NASS reports that Michigan will produce only 170,000 bags of navy beans, less than 335,000 bags of black beans, only 70,000 bags of cranberry beans and have less than 30,000 bags of dark red kidney beans for the crop year 2001.

	2000 Crop (bags)	2001 Crop (bags)
Navy Beans	1,800,000	170,000
Black Beans	840,000	335,000
Cranberry Beans	380,000	70,000
Dark Red Kidney Beans	182,000	30,000

Historically, Michigan has been the best dry bean producing state in the nation. Last summer we experienced a drought, beginning on the 22nd of June and lasting until August 16th for much of

the dry bean growing area. During this time, high weekly temperatures of 90, then 92, then 94, then 95 and finally 99 degrees took their toll on this crop as well. During peak harvest time we experienced continuous rain and cooler than normal temperatures. Lastly, prior to completion of harvest, we experienced a severe frost that eliminated any remaining potential this crop had. Last year's crop suffered all the components of a disaster: no moisture and extreme temperatures during the growing season, too much rain and a total freeze during harvest.

Additional Michigan crops suffered from the weather disaster of 2001 as well. Eighty-two of 83 counties in Michigan were declared a disaster last year by USDA. The January 11th, 2002 final crop report for soybeans indicates that the soybean average yield for 2001 was 30 bushel per acre as compared to last year's 36 bushels. The same report states that the 2001 corn crop will have a yield of 105 bushels per acre as compared to last year's 124 bushels per acre. Michigan ranks fourth in the country for production of all grapes. Michigan is the number one producer of Niagra grapes, and the third largest producer of Concord grapes in the country. Michigan grapes suffered massive losses in 2001 as well. Unusually cold weather during the key pollination time reduced the harvested yield per acre to 2.35 tons, compared to a normal average of 6.9 tons, a 66 percent loss. The value of Michigan's grape production in 01 was a mere $8.9 million, compared to $24.1 in 2000, a 63 percent loss.

All of these crops did have their respective problems last year. All of these crops certainly had much lower yields in the affected drought areas. However, none of these other crops suffered the total statewide devastation that dry beans did, and none of them will have the total negative impact on their producers that this year's dry bean crop had.

An additional factor to consider also is that dry beans are not covered under any government farm program. There are **NO** subsidies and/or LDP's for dry beans. There is an insurance program in which approximately 75% of the growers of dry beans participate. Of that 75%, 1/3 had only Catastrophic Insurance. This paid on only 50% of the proven yield, and then only at 55% of the base price. This year's base was $15 on navy beans and $13.50 on black beans, thus the grower netted $8.25 per bag and $7.42 per bag respectively on 50% of his proven yield. The average cost of production for dry beans is about $16 per bag.

The future of the Michigan and our nation's dry bean industry is at stake as a result of this year's dry bean disaster. Will buyers show reluctance in purchasing dry beans from Michigan this year? How will the poor quality of this year's small crop affect future opportunities for Michigan in the world dry bean industry?

The *Lansing State Journal* front-page article of November 21st, 2001 stated it best: "Michigan's Dry bean crop nearly wiped out". A number of growers could also be wiped out. The expected revenue from the 2001 crop of dry beans to the bean growers in Michigan was estimated to be over $77 million in early July of 2001. Instead, growers will be lucky to obtain $12 million. The estimate of revenue for beans for the 2000 crop is over $100 million. Over $65 million was lost to growers of dry beans due to last year's weather disaster in Michigan.

Michigan bean growers are not alone. Many regions of the country were faced with significant crop and livestock losses during the 2001 crop year due to adverse weather and disease

conditions. In many cases, producers did not have a crop to harvest and livestock producers' were faced with higher feed costs because they had to purchase hay that they would normally grow on their own farms and ranches. The severe weather and disease conditions have had a negative impact on the livelihood of America's farmers and ranchers and the rural communities in which they operate. Emergency relief is critical at this time in order to prevent further economic losses.

The growers of beans in Michigan have suffered a terrible loss. The combination of negative weather conditions could not have been combined any more adversely for our producers. The negative financial impact to growers in this state will be huge and this impact will be felt for many years. The growers of dry beans in the state of Michigan need your support for funding for a 2001 crop disaster program.

The Agriculture Emergency Assistance package would provide $2.3 billion in immediate assistance to producers, $1.8 billion for producers with crop losses and $500 million for producers with livestock losses. Without this assistance, the economic conditions in rural America will only worsen.

The Michigan Bean Commission and the 3,000 dry bean growers it represents, appreciates the opportunity to testify and report to the Senate Committee on Agriculture, Nutrition, and Forestry, on the dry bean disaster of 2001. These dry bean growers ask for your consideration as you debate and decide the future of disaster relief for the 2001 crop year.

Respectfully Submitted,

Robert S. Green
Executive Director
Michigan Bean Commission

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STATEMENT OF
THE MICHIGAN FARM BUREAU
TO THE
SENATE COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY
REGARDING
AGRICULTURE EMERGENCY ASSISTANCE

May 23, 2002

The Michigan Farm Bureau is the state's largest general farm organization with over 45,000 farmer member families. We represent producers of over 120 different commodities grown locally in our state. We support the Committee's effort to enact an emergency assistance package for producers who suffered weather related losses in 2001.

Michigan agriculture is a $30 billion industry in our state, second only to the auto industry. Last year, many of our producers suffered losses due to weather. Unfortunately, most of those losses were suffered by crops that aren't covered by any federal farm program, and in some cases, were losses in crops that can't even buy crop insurance to help protect them. Eighty two of our 83 counties were declared an agricultural disaster by USDA. Many of our non-program specialty crops suffered very cool weather and some frost during key pollination and blossom stages, resulting in severe production losses. Excessively dry and hot weather throughout much of the summer growing season took its toll on many of our crops, including corn, soybeans, dry beans and grapes. Coupled with that, we experienced continuous rain, and even flooding in many parts of the state, during peak harvest times in the fall, and then experienced early frosts before harvest was finished. These severe weather conditions have had a serious negative financial impact on our farmers and the rural communities in which they operate. Emergency relief is critical at this time in order to prevent further economic losses.

To illustrate the situation better, below are examples of two crops that suffered severe losses.

Dry Beans

The 2001 crop of dry beans in Michigan will be remembered as the worst crop in recorded history. The National Agricultural Statistics Service (NASS-January 11, 2002) reports that only 130,000 acres were harvested for the year 2001, compared to the 215,000 total acres of dry beans planted. The previous low in harvested acres was 1988 with 170,000 acres harvested. Yield for the 2001 crop, according to NASS, was only 600 lbs per acre for the harvested acres, compared to a normal average yield of 1800 lbs per acre. This is the lowest yield since 1936 for dry beans, and in fact, since 1909, when estimates started being recorded. Only 5 other years have had lower yields than 2001, including 1930, 1918, 1917, 1916 and 1915. The most significant factor of last year's loss was the total production of dry beans in Michigan. Total production amounted to only 780,000 bags, the lowest harvested total since numbers were kept, starting in 1909.

Specifically by crop, NASS reports that Michigan produced only 170,000 bags of navy beans, less than 335,000 bags of black beans, only 70,000 bags of cranberry beans and less than 27,000 bags of small red beans.

	2000 Crop (bags)	2001 Crop (bags)
Navy Beans	1,800,000	170,000
Black Beans	840,000	335,000
Cranberry Beans	380,000	70,000
Dark Red Kidney Beans	182,000	30,000

Grapes

Michigan ranks fourth in the country for production of all grapes. Michigan is the number one producer of Niagra grapes, and the third largest producer of Concord grapes in the country. Michigan grapes suffered massive losses in 2001 as well. Unusually cold weather during the key pollination time reduced the harvested yield per acre to 2.35 tons, compared to a normal average of 6.9 tons, a 66 percent loss. The value of Michigan's grape production in 01 was a mere $8.9 million, compared to $24.1 in 2000, a 63 percent loss.

Additional crops suffered losses as a result of last year's weather. The January 11th, 2002 final crop report for soybeans indicates that the soybean average for 2001 was 30 bushel per acre as compared to 36 bushel in 2000, and the value of production for soybeans was down 25 percent. The same report states the corn production for 2001 at 105 bushels per acre as compared to 124 bushels per acre in 2000. The value of production for corn was down 19 percent.

Unfortunately, the 2002 crop year proposes to have some problems as well, due to current weather problems. Over the last two weeks, Michigan has experienced very cold weather, and 10 straight nights of freezing temperatures. All of our fruit producing regions are in various stages of bloom and pollination, and will suffer substantive losses. Sugar beets and corn in many areas may have to be replanted due to the freeze. Asparagus harvest was terminated half way through the season due to the freezing temperatures as well. Estimated losses for various crops cannot yet be determined, but there continue to be reports of serious problems.

We thank the Committee for its valuable work and support of the new farm bill. There have been recent statements that with passage of the new farm bill, additional assistance should not be needed. The fact remains that many crops, especially those not covered by the Farm Bill, suffered weather related losses. Without some relief, producers affected by these losses will continue to suffer financial distress. The Agriculture Emergency Assistance package would provide $2.3 billion in immediate assistance to producers. Without this assistance, the economic conditions in rural America will only worsen.

We urge the Committee's adoption of the Agriculture Emergency Assistance package.

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May 22, 2002

U.S. SENATOR
The Honorable Debbie Stabenow
702 Hart
Washington, D.C. 20510-2201

Dear Senator Stabenow,

I am writing today on behalf of the sweet and tart cherry growers from the State of Michigan and tart cherry growers from Utah. The 2002 cherry crop will be an economic disaster for farmers because of the freeze damage to the crop and poor pollinating conditions. This could lead to the shortest cherry crop on record.

The 2002 tart cherry crop was shortened up significantly in Michigan on April 21 & 22, when temperatures dropped to the mid 20's. The first night there was no inversion and a strong wind took its toll on good fruit sites that normally tolerate cold temperatures. The second night there was no wind; however, the temperatures dropped to the mid 20's and stayed there for four to six hours. Northwest Michigan was right in the water stage and therefore is reporting significant damage to the crop. Some growers are predicting the Northwest Michigan crop will not reach 50 million pounds, which compares to 183 million pounds in 2001. West Central Michigan orchards close to the lake also suffered severe damage. Farther inland the crop looked pretty good until the nights of May 18, 19, and 20. The night of May 20th caused the most damage to the crop with the Ludington and Hart, production areas being hurt the worst. Growers are reporting lows in the 20's which is devastating to cherries in all stages of growth.

I also am a farmer and work with many of the Michigan asparagus growers. The 2002 crop is projected to be down 25% if the weather warms up for the rest of the season. This could be a big if. Repeated frosts have froze the asparagus that was above ground on several occasions, which means a total loss for growers. The cold spring has also held back production and frost will severely reduce the farmers yield per acre this year.

Apple growers are pretty much in the same situation as the cherry growers. Repeated frost and poor pollinating conditions could mean one of the shortest crops on record for Michigan apple farmers. On our farm we are expecting to produce 25% of a crop at best with our production costs remaining steady.

Finally, it is also my understanding that fruit growers needed to sign up for the N.A.P. Program by April 18th to qualify for a Disaster Assistance Program. It is very unfortunate that most fruit growers didn't know that they had to visit there local Farm Service Agency (F.S.A.) office. Most fruit growers have never had to sign up for Disaster Assistance in advance, therefore this date was missed by many because they were simply unaware. I think that it is very important for specialty crops who don't routinely visit there local F.S.A. offices to be given an extended deadline or exemption for this year.

Thank you very much for your help and support. 2002 will be a challenging year for many farmers. I want to do everything I can to help put in place a program that will cover our cherry growers. If you have any questions, please feel free to give me a call at 1-800-462-7611.

Sincerely,

Philip J. Korson, II
President

DOCUMENTS SUBMITTED FOR THE RECORD

MAY 23, 2002

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United States Senate

WASHINGTON, DC 20510-1005

Statement of Senator Max Cleland
Committee on Agriculture, Nutrition and Forestry
Full Committee Hearing on Disaster Assistance
May 23, 2002

Thank you, Mr. Chairman and members of the Committee, for considering my statement. I would first like to commend Chairman Harkin for his leadership on the recently passed Farm Bill, which will help give a significant boost to Georgia's agricultural economy. I also thank the Chairman for holding this hearing on agriculture disaster assistance.

I had hoped that agricultural disaster assistance would have been addressed in the Farm Bill given the solid 69-30 vote that the Baucus amendment received in the Senate in February. I supported that amendment because it would have provided $2.35 billion for emergency agriculture assistance. I certainly appreciate the efforts the Senate Farm Bill conferees made in seeking to retain this funding in the conference agreement. Unfortunately, the final Farm Bill report contained no disaster assistance and Senators must continue to seek emergency assistance through the appropriations process.

Mr. Chairman, Georgia has experienced two major crop disasters since the Farm Bill debate began. The Vidalia Onion growers in my state are experiencing a disaster with the 2002 onion crop. The University of Georgia (UGA) College of Agriculture and Environmental Sciences predicts that of 14,447 acres planted, approximately half will be lost. These devastating losses are due to a combination of a warm winter, foliar disease, seed stems and a late freeze.

The warm fall caused the onions to grow larger and more rapidly than normal, which caused them to "bolt," or produce seed stalks and multiply their bulbs. The development of double bulbs or seed stems resulted in non-marketable onions. The heavy frost in late February burned the foliage on the lower leaves which made them susceptible to Stemphyllium which desiccated the tissue. These older dead leaves at the base of the plant caused an accumulation of shuck around the bulb. This shuck accumulation held moisture underneath and allowed for the development of sour skin, a bacterial infection that ruined many of the onions.

According to the Cooperative Extension Service at UGA, this is the worst disaster ever to impact the onion growers of Georgia. Since Vidalia Onions are indigenous to a 20-county area in Georgia, this major crop failure will devastate a large region of the State's rural economy that relies on its unique marketability. I request that the Committee provide emergency assistance to the producers of this important Georgia commodity.

I have also been contacted by producers of another Georgia commodity, pecans, in order to provide one-time emergency agricultural assistance for their disaster-impacted crops. The

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average pecan farmer has an operating expense of approximately $500 an acre, or 85 cents per pound. According to the Georgia Pecan Growers Association, growers experienced a 50 percent drop of in-shell pecan prices from 2000 to 2001. The prices dropped from $1.18 per pound in 2000 to as low as 55 cents per pound in 2001.

As you may know, Georgia ranks first in domestic pecan production. I respectfully request that the Committee consider emergency relief for pecan growers to enable them to weather this crisis and to ensure that consumers will continue to have access to the highest quality pecans at an affordable price.

While I would have preferred that emergency agriculture assistance had been provided through the Farm Bill, I come before you today to ask for a markup of an agricultural disaster assistance bill. If the Committee does decide to draft an assistance package, I ask that you consider my request on behalf of Georgia's Vidalia Onion and pecan producers.

Thank you, Mr. Chairman.

Statement of Senator Max Baucus
Committee on Senate Agriculture Committee
May 23, 2002

Mr. Chairman, thank you for holding this hearing on what is currently the most important issue in my state -- natural disaster assistance.

I want to thank all of the witnesses for sharing their thoughts with us today. I particularly want to welcome Larry Barbie. He is the President of the Montana Grain Growers Association. He is from Inverness, Montana, which is in the heart of the drought in Montana. I would also like to submit for the record a letter from Montana Farmers Union expressing the need and urgency for natural disaster assistance.

On March 28, 2002, Secretary Veneman declared Montana a drought disaster. This drought designation came two months earlier than in 2001, and eight months earlier than in 2000.

The unrelenting drought Montana is suffering through has brought economic hardship to our agriculture producers and rural communities. In 1996, the year before the drought, Montana received $847 million in cash receipts from wheat sales. In 2001, four years into the drought, Montana received $317 million in cash receipts -- a 62 percent decline.

Agriculture is more than 50 percent of my state's economy ... and is truly the backbone of my state. The drought not only affects our farmers and ranchers. It is felt throughout our rural communities. Small businesses are being forced to close their doors. Families are moving away to find work.

It is imperative for the future of rural Montana that we pass natural disaster assistance immediately – for our producers and our small businesses whose jobs and livelihoods depend upon agriculture.

Montana's rural economies are desperate for this assistance. Feed sales for the first three months of 2002 are down 19 percent, which is an indication of fewer livestock in the area. Fort Benton is an average sized, ag-dependent community. About 80 percent of its businesses are agriculture related.

Farmers in economic distress are not able to make their usual purchases of seed and fertilizer, not to mention food and clothing. Equipment and tractor dealers close their doors, as do rural schools, and local merchants.

According to Dale Schuler, past president of the Montana Grain Growers Association and a farmer in Chouteau County, Montana: Nearly 2,000 square miles of crop in his area of central Montana went unharvested in 2001. That is an area equal to the size of the state of Rhode Island.

Dale added, and I quote, "Farmers and our families haven't had the means to repay our operating loans, let alone buy inputs to plant the crop for the coming year. Chouteau County is the largest farming county in Montana, and yet our last farm equipment dealer had no choice but to close his doors, our local co-op closed its tire shop, one farm fuel supplier quit, and the fertilizer dealers and grain elevators are laying off workers. I believe that we are set to see a mass exodus from Montana that has not seen since the Great Depression of the 1930's."

Unfortunately, this drought is not limited to Montana. More than 29 states are suffering through a prolonged dry spell. Half of Montana, all of Wyoming, nearly two-thirds of Colorado, half of Kansas, a third of Texas, and most of New Mexico are in severe or extreme drought.

Without our help – without passing natural disaster assistance – it is estimated that 40 percent of Montana's farmers and ranchers will not qualify for operating loans for the 2002 crop year. A large percentage of these hardworking people will lose their land, their homes, their jobs, and their way of life. They will not be purchasing clothes, seed, feed, fertilizer, or equipment in their local stores. They will have to move, take their kids out of school. **Small towns will die.**

People back home are worried. Hardworking parents are wondering how they will feed their families. Older couples who have worked the land their whole lives are wondering if they will be able to hold on for another year. Depression is high and very little hope remains.

When there's a hurricane in Florida or a tornado in Oklahoma, Congress quickly provides disaster funding ... because we all easily understand and can see the impact of that damage.

But the drought is a quieter disaster. It's been slowly eating away at our towns, our farms and ranches for the last four years. As a senator from Montana, I'm working hard to make sure every member of Congress understands what my state is facing. And that disaster funding must be passed now.

We have the opportunity to stop that process. To keep our rural communities and economies alive. Rural America is resilient. And like them, **I will not give up.** Thousands of people are suffering from a relentless drought. They deserve natural disaster assistance and I will continue to fight to ensure they get it.

May 22, 2002

The Honorable Max Baucus
United States Senate
Washington, DC 20510

Dear Senator Baucus:

The lengthening daylight hours of spring and summer in ag country usually signal new beginnings -- the start of the ongoing cycle of birth, of nurture and of harvest. But not this year. This year, Montana agricultural producers are in the painful middle of their fourth -- and sometimes fifth -- year of drought. With each passing day, farmers and ranchers watch their hopes blow across the state along with the topsoil and wonder just how they will hang on for 'one more year.' Lenders see the same picture out their window. And, with agriculture being Montana's number one industry, the entire state feels the extreme economic and social toll being shouldered by agricultural producers.

Here's some background for those who may not be familiar with the situation. Montana's 2001 winter wheat harvest was the smallest on record since 1940. The spring wheat crop was the smallest in more than a decade. Prolonged drought, poor pasture and range conditions and continued tight feed supplies have caused livestock producers to cut back herd numbers or liquidate years of genetic experience for lack of feed options.

As the drought persists and cool windy weather worsens the problem statewide, there is little hope of relief for the coming year as well. Currently, topsoil and subsoil moisture conditions are 80+ percent short or very short.

We are writing once again to urge Congress to act and pass emergency disaster relief for agricultural producers for the 2001 crop year. The entire state of Montana has been declared a disaster. Much of the state carries the most extreme drought designation devised. We have had blowing dirt, little moisture and forest fires year after year, with little relief in sight. It is time for Congress to focus its attention on the home front and provide the emergency disaster funds that are desperately needed.

In conclusion, we have read in the eastern papers that some folks think that farmers and ranchers don't need disaster relief now that there is a farm bill. This just isn't true. The farm bill addresses the future, but lenders need more than a hope and a prayer for collateral and they need it now.

Sincerely,

Del Styren, President
Montana Farmers Union

U.S. Senator Tim Hutchinson's Statement: 5/23/2002 Agriculture Committee Hearing

Mr. Chairman, thank you for holding this important hearing. With the completion of a new Farm Bill, it is my sincere hope that we will soon enter into a time when our farm programs are in a position that the need for ad-hoc emergency assistance will become a relic of the past–this was, I think, the goal of the legislation that we just completed.

It is also my hope that the Senate Agriculture Committee will soon be able to consider the Forestry provisions of the Farm Bill that were lost at the very end of the consideration of the Farm Bill. I felt that we had made much progress on that title of the bill, and it is my hope that we will soon be able pass a similar measure to ensure and enhance the safety and productivity of our forests.

Regarding disaster assistance, I am very aware of the conditions facing many of my colleagues due to severe drought in their state. Yields have fallen off precipitously due to the lack of rain, and farmers are hurting. In my home state of Arkansas, our wheat crop has also been impacted by the drought from the past few years. In 2001, drought resulted in the loss of nearly $21 million due to low yields. In addition, my state has experienced nearly $10 million in losses caused by an out break of army worms in many of the Northern Counties in Arkansas which has impacted the state's cattle producers. These producers are seeking assistance through the Non-insured Crop Assistance Program (NAD). However, many of these farmers still have not received their NAP assistance for 2000.

Low prices have been a greater impact to my state with the value of the state's cotton crop falling off by nearly $86 million dollars between 2000 and 2001, and the value of the state's rice crop falling by $62 million during the same period. The unusual weather conditions played a role in these decreases, but the market simply did not come through for our farmers. This is why our new farm bill will be so beneficial.

This year however, my state is currently suffering from flooding. While many states are still coping with drought, the farmers in Arkansas are currently, in many cases, getting washed away. Flooding along the Mississippi, Arkansas, and White Rivers is affecting our crops already this year. More than 100,000 acres of wheat have already been lost this season, and extension agents are predicting that another 100,000 could be destroyed before the flooding ends. The Mississippi River is already up more than 15 feet from its average, and the River is expected to rise up to 37 feet (three feet above flood stage) in the next few days. This is the highest the River has reached since 1993.

Current estimates indicate that the state's wheat yields could be down to about 45 bushels/acre from last year's yields of 52 bushels/acre. This could cost our farmers nearly $12 million dollars. The Flooding in our state is also affecting the ability of our farmers to get their crops into the ground. As the full extent of these losses become known, it is important that assistance be available for our producers.

On another issue, we are quickly moving into a time when the legislative calendar is filling up, and our ability to move needed pieces of legislation could become more difficult. Therefore, I would like express my concerns for our nation's poultry producers, and solicit support for increased funding for these producers who are being forced to depopulate their flocks.

I have been working with many of my colleagues on issues affecting this important industry. It seems that poultry producers are being hit on all sides. In addition to the Russian ban on poultry, the industry has been facing an outbreak of low pathogenic Avian Influenza (AI) in the Shenandoah Valley of Virginia. This is a serious situation, that could turn catastrophic for the poultry industry. This virus has already spread to 171 flocks and has affected over 4 million birds. I was pleased to learn of the Department of Agriculture's efforts with the Office of Management and Budget to approve $3.3 million to send a task force to this area to control and eradicate AI. I believe this is an appropriate first step in addressing this problem, but that more actions are required.

In addition to controlling and eradicating the this outbreak, it is important that indemnification be granted to poultry producers who have depopulated, or are in the process of depopulating, their flocks. It is estimated that full indemnification would cost $70 million. It is my understanding that Undersecretary Bill Hawks has given Secretary Veneman options for indemnification of producers. It is my hope that the Secretary would then send a recommendation to OMB requesting full funding for indemnification. It is essential that funding be available to address this crisis.

One of my greatest concerns is the incentive for a farmer to report the possibility of an infected flock. Should the U.S. experience future outbreaks, there needs to be an incentive for the farmer to act appropriately. In 1983, the U.S. experienced a low pathogenic strain of AI that mutated into a high pathogenic strain in a matter of months. If proper compensation is not available for these producers, I am concerned that they have no immediate incentive to report the possibility of an outbreak. Indemnification is needed not only to assist the industry in this instance, but to ensure that growers have an incentive to report future outbreaks. I have been in contact with Senators Warner and Allen regarding the devastating impact this outbreak has had on Virginia's poultry sector. But it does not affect Virginia alone. I have talked with individuals in Arkansas who are being adversely affected, and their businesses are losing money everyday. If we do not step up to the plate and offer indemnification to these producers and this industry, the entire agricultural community will be impacted.

This is an animal health emergency, and it is my hope that my colleagues on the committee would support funding to help address this problem quickly and effectively. As we consider, any disaster assistance package, I think it is essential that we look at this problem and use this opportunity ensure the safety and health of our nation's livestock.

I thank the Chairman for this opportunity to bring these concerns before committee and ask for my colleagues support for full indemnification for these depopulated flocks.

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Statement Of

The National Grape Cooperative Association, Inc.

Before the

United States Senate

Committee on Agriculture, Nutrition and Forestry

Hearing on

Disaster Assistance

May 23, 2002

Mr. Chairman, the National Grape Cooperative Association, Inc. is grateful to offer comments to the Senate Agriculture Committee's hearing pursuant to crop disasters in the 2001 and 2002 growing years. Organized in 1945, National Grape is a grower-owned, agricultural cooperative with approximately 1,500 members. These are mostly family vineyards growing labrusca grapes in three regions of the United States: the tri-state area around Lake Erie, Pacific Northwest and central Michigan. Welch's, the world's leading manufacturer of Concord grape juices and spreads is the wholly owned food processing and marketing subsidiary of the cooperative.

Senator Deborah Stabenow, who represents our hardest hit growers in Michigan, called attention the labrusca crop losses in her opening remarks to this hearing. National Grape's comments today detail the impacts of two years of poor harvests and illustrate how Congress should provide the industry direct financial support particularly in the severely impacted states of Michigan, Pennsylvania, Ohio and New York.

Typically adverse problems in one labrusca growing region are offset by better conditions elsewhere. In 2001 two labrusca grape varieties Concord and Niagara grapes suffered a major disaster with adverse conditions in all three growing regions. A uniformly poor domestic harvest is

unprecedented in Welch's 130-year industry experience. In the east losses were due to the unusually poor fruit set associated with weather conditions during the grape bloom time period. Detailed records maintained by the National Grape for the past 31 years showed 2001 to be by far the lowest fruit set. Washington state losses in 2001 were primarily weather related, mostly hail and wind again occurring in the critical fruit set stage of development.

On April 23, 2002 and again on May 14, 2002 severe freezes occurred in southwest Michigan that resulted in the largest crop disaster for grape juice growers in decades. Temperatures ranged from 19-27 degrees throughout the region for at least 6 hours, freezing the tender buds. The combined 2-year dollar volume loss is projected to be over $31 million dollars for Michigan. New York, Ohio and Pennsylvania producers of labrusca grapes during the months of April and May endured several widespread frost episodes occurred damaging emerging grape shoots. The chart below details the 2001 and 2002 production of grapes in Washington, Michigan, Ohio, Pennsylvania and New York. Losses for all labrusca grape growers in 2001 exceed $30 Million. A conservative estimate places the 2002 labrusca crop loss around $42 Million and there is still time in the fruit development cycle for additional damage.

	Growers	Labrusca Acreage	National Members	National Acreage	2001 % Loss	2001 $ Loss	2002 %Loss	2002 $ Loss
Michigan	380	13,000	375	10,921	66%	$11 M	95%	$20 M
New York	1000	23,000	477	11,549	25%	$7 M	40%	$10 M
Pennsylvania	300	10,000	181	7,460	20%	$4 M	75%	$11 M
Washington	694	27,000	371	13,498	25%	$7.5 M		
Ohio	100	1,000	59	1,071	25%	$.6 M	45%	$1 M
Totals			**1,461**			**$30 M**		**$42 M**

Labrusca growers are mostly small family farmers whose livelihood depends primarily on the consistent production of high quality grapes typify the grape industry. The 2002 crop losses combined with a small 2001 crop will result in many producers simply not being able to cover two years of production costs. The crop failures force them to rely on savings, or seek additional borrowing to stay in business. The situation is compounded by the below average crops in the prior two years 1998 and 1999. We are deeply concerned that many producers may be forced to leave the business as a result of these poor crops. It will be also be difficult for producers to make annually required investments in their vineyards for the 2003 and subsequent crops, thereby jeopardizing the health of future crops as well as their financial future.

The impacts from these crop losses clearly will have ramifications beyond the farm and vineyard. Farm supply and implement dealers, local business including restaurants, retail shops, farm credit, and processors and wineries that purchase the grapes will also be negatively affected. In particular, local wineries and processors who depend on a consistent supply of raw product will have to source this product elsewhere, and if it is not available products will no longer be available for consumers. Some processors may seek their long-term raw product grape supply from areas outside the United States.

The United States Department of Agriculture (USDA) offers labrusca grape growers various disaster assistance programs. Although some labrusca growers utilize Federal Crop Insurance, regrettably not all our growers participate and for them this year the financial forecast is bleak. At a

recent meeting with USDA Risk Management officials three programmatic changes were discussed: labrusca program enrollment deadlines, the five year bearing determination for Niagara vines and multiple year averaging calculations to determine Actual Production History. The labrusca specific crop insurance issues we raised are being considered at USDA, but we may need Congressional assistance should legislative action be necessary.

Low interest Federal and Michigan's zero-interest disaster assistance loans in some cases are helping provide labrusca growers financial assistance. A major difficulty for those growers who waited to apply for 2001 disaster loan assistance is qualifying now with the prospects for the 2002 harvest virtually lost. Federal programs such as 2000 Crop Disaster Program (CDP) which funds disaster assistance for quantity, quality and severe economic loss could provide growers with uninsured losses in 2001 and 2002 with some direct financial assistance. The precedent for CDP payments to growers of minor fruit crops such as labrusca grapes was established by the blueberry industry.

National Grape Cooperative Association, Welch's and many industry allies join us to urge the Committee, the Appropriations Committees and the 107th Congress to consider a multiyear 2001 and 2002 appropriation for CDP. The survival of many of our family farmers who produce labrusca grapes depends on Congress quickly passing reauthorization and appropriations for CDP extension for both years. Ideally the language should include specific reference for the Secretary of Agriculture to dedicate not less than $75 million for labrusca grape quantity losses. The CDP extension with the corresponding labrusca legislative language should allow for our growers to apply for quantity and other loss aid allowed under Section 1232 of the Food Security Act of 1985 (16 U.S.C. 3832).

The modern-day fruit juice industry began in 1869 in the Vineland, New Jersey, home of Dr. Thomas Bramwell Welch, where he and his son Charles processed the first bottles of "unfermented wine" for use in the communion service at their church. Because of the investment of National Grape's grower/owners - in stringent quality growing and harvesting standards, viticulture research, and aggressively funding new product development, manufacturing and marketing programs of Welch's - the Cooperative has enjoyed a long history of industry leadership and growth. National Grape is more than just an organization of grape growers. It's a way of life with strong family ties, a proud heritage, and a commitment to quality and goodness you can taste in every product bearing the Welch's name. Disaster relief is necessary to halt the downward economic spiral caused by several poor crop years. The industry history until now was one of self-reliance and had not previously sought government disaster assistance.

We thank the Committee for this hearing and the opportunity to provide these comments. We welcome your questions:

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Statement of the American Farm Bureau Federation

STATEMENT OF
THE AMERICAN FARM BUREAU FEDERATION
TO THE
SENATE COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY
REGARDING
AGRICULTURE EMERGENCY ASSISTANCE

May 23, 2002

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STATEMENT OF
THE AMERICAN FARM BUREAU FEDERATION
TO THE
SENATE COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY
REGARDING
AGRICULTURE EMERGENCY ASSISTANCE

May 23, 2002

The American Farm Bureau Federation is the largest general farm organization in the nation with over 5.1 million member families. We represent producers of all commodities grown in the United States and Puerto Rico. We support the Committee's effort to enact the Agriculture Emergency Assistance package.

Many regions of the country were faced with significant crop and livestock losses during the 2001 crop year due to adverse weather and disease conditions. In many cases, producers did not have a crop to harvest and livestock producers' were faced with higher feed costs because they had to purchase hay that they would normally grow on their own farms and ranches. The severe weather and disease conditions have had a negative impact on the livelihood of America's farmers and ranchers and the rural communities in which they operate. Emergency relief is critical at this time in order to prevent further economic losses.

The Agriculture Emergency Assistance package would provide $2.3 billion in immediate assistance to producers, $1.8 billion for producers with crop losses and $500 million for producers with livestock losses. Without this assistance, the economic conditions in rural America will only worsen.

We thank the Committee for its valuable work and support of the new farm bill. There have been recent statements that with passage of the new farm bill, additional assistance should not be needed. The fact remains that even with the new farm bill, losses due to last year's weather conditions remain. Without this relief, producers affected by these losses may not be in business to benefit from the new farm bill.

We urge the Committee's adoption of the Agriculture Emergency Assistance package.

Kevin & Nancy Wirth
2150 NE 110 Ave.
Claflin, Ks. 67525

May 21 , 2002

Dear Senators and Congressmen,

We are unable to attend the Thursday hearings concerning disaster relief, and ask that this letter be submitted to the record.

My wife and I are 42 years old, we have four children, and we are fourth generation family farmers. Our farms are located in Central and Western Kansas and have been family farmed for over 100 years.

Over the past seven years from 1997 to 2002, due to conditions beyond our control (freeze, drought, hail), we have sustained unimaginable financial losses. In 2001, in Logan county, we harvested zero bushels of wheat from 462 acres because of the drought. After the total wheat loss and later receiving some moisture, we planted 462 acres of milo in hopes of generating some income. Continued drought caused us to harvest only 9180 bushels of milo (19.86 bushels per acre). We farm on 2/3, 1/3 shares, leaving us with 6119.79 bushels. The milo was sold at $1.68 a bushel giving us $10,011.27, before deducting any expenses. We take crop insurance every year, but due to the six bad years from weather, our yields (which determine insurance payment) have been destroyed; leaving us with little protection to even cover our expenses. LDP has not helped finically, since as you know , you have to raise the bushels to receive any LDP. In late fall of 2001, we received adequate rainfall to get a good wheat stand and felt encouraged. Unfortunately, the initial good rainfall was short lived. It was followed by one of the driest winters and springs on record. As of this time, we are expecting a very poor crop, if any. Again after six years of losses, we are facing a financial crisis. Logan County has already been declared a disaster county for 2001, and we were disappointed to hear that there was no disaster aid established in the farm bill. We cannot qualify for the disaster loans since our bank still loans to us. We have had to borrow more line of credit money to meet our expenses than at any time in our 22 years of marriage.

Until the last six years, we were making progress against our farming debts. We have three sons and one daughter, and based upon current conditions, we cannot allow them to consider continuing the family farming tradition. At this time, we don't know how much longer we can continue to farm, and continue borrowing money in hopes of getting a crop.

Please consider allocating money for disaster aid that would be available to help us through these difficult times.

Sincerely,

Kevin and Nancy Wirth

Kevin Wirth
Nancy Wirth

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Senator Tom Harkin, Chairman,
U.S. Senate Committee on Agriculture
U.S. Senate
Washington, DC

Dear Chairman Harkin,

As a family farmer I would like to thank you and the Senate Committee on Agriculture for considering disaster assistance. Thank you for receiving my written testimony.

Many, many producers throughout our area are counting on disaster assistance in order that we may meet our obligations. Hail, drought, and the lowest cotton prices in real dollars since the Civil War have been especially hard on our young producers. With little or no equity left, Multi Peril Crop Insurance isn't enough, and the new program payments won't come in time to save many operations.

A program like the Crop Loss Disaster Assistance Program for the 2000 crop should be quick and easy to administer. These payments to eligible farmers would pass

immediately on to merchants on main street, banks, and ~~appraiss~~ tax appraisal districts.

Thank you again for your consideration of this much needed help. We know that the Memberships' hearts are in the right place.

Respectfully submitted,

Zane Reese