Testimony of Jaclyn Ford
on "A 2022 Review of the Farm Bill: Commodity Group Perspectives on Title 1"
before the House Agriculture Committee
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Introduction

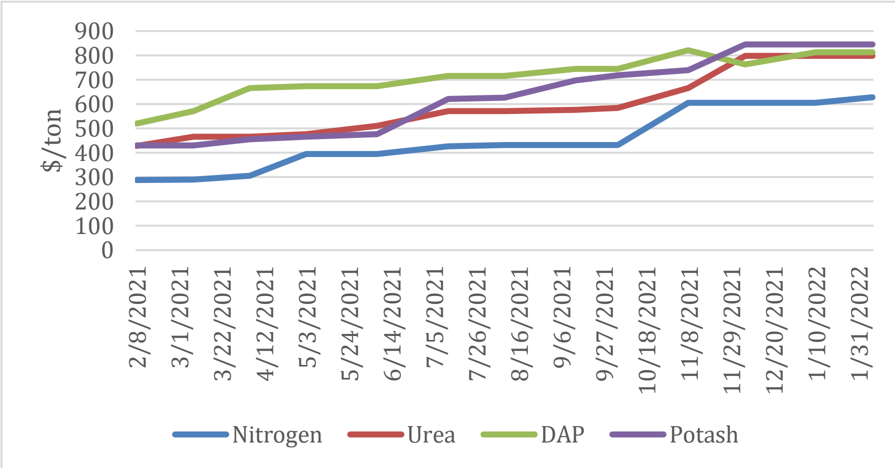
Good morning, I am Jaclyn Ford, a cotton producer and ginner from Alapaha, Georgia and serve as a delegate for the National Cotton Council. My family and I grow cotton, peanuts, corn, pecans and raise cattle in Berrien county. I am also Vice-President and Chief Operating Officer of Dixon Gin Co., Inc. and serve as the company director of Commodities Marketing. Currently, I serve on the Georgia Economic Development Board and the Georgia Farm Bureau Commodities Committee for Cotton. I formerly served on the Georgia Farm Service Agency State Committee. In addition, I am serving as Vice-Chair on the Board of Trustees for Abraham Baldwin Agricultural College, and on the Georgia Agribusiness Council Board, and the South Georgia Medical Center – Berrien Campus Authority.

The National Cotton Council (NCC) is the central organization of the United States cotton industry. Its members include producers, ginners, cottonseed processors and merchandizers, merchants, cooperatives, warehousers, and textile manufacturers. A majority of the industry is concentrated in 17 cotton-producing states stretching from California to Virginia. U.S. cotton producers cultivate between 10 and 14 million acres of cotton with production averaging 12 to 20 million 480-lb bales annually. The downstream manufacturers of cotton apparel and home furnishings are in virtually every state. Farms and businesses directly involved in the production, distribution and processing of cotton employ more than 115,000 workers and produce direct business revenue of more than $22 billion. Annual cotton production is valued at more than $5.5 billion at the farm gate, the point at which the producer markets the crop. Accounting for the ripple effect of cotton through the broader economy, direct and indirect employment surpasses 265,000 workers with economic activity of almost $75 billion. In addition to the cotton fiber, cottonseed products are used for livestock feed and cottonseed oil is used as an ingredient in food products as well as being a premium cooking oil.

Economic Overview

U.S. cotton acreage is expected to increase in 2022 due to higher prices. Recent estimates suggest that 2022 acreage could range from 12.0 to 12.7 million as compared to 11.2 million acres in 2021. Although planted acreage is expected to be higher than last year, unharvested acreage is also expected to be higher due to dry conditions in the Southwest. Acreage continues to decline in the West due to prolonged drought conditions and water availability issues. Although cotton prices are higher than in recent years, higher input prices and supply chain disruptions have resulted in significant increases in production costs for 2022. Most producers are expecting a 25 to 40% increase in input costs in 2022, largely due to higher fertilizer and pesticide costs. As compared to a year ago, fertilizer prices have increased by 55-120% (Figure 1).

Figure 1. Fertilizer Prices



Source: USDA AMS

World cotton demand remains strong and is projected to increase to almost 126.0 million bales for the 2022 marketing year, which represents an all-time high for cotton demand. While demand for U.S. exports has been very strong thus far in the 2021 marketing year, transportation and logistics issues continue to impact U.S. cotton shipments. The latest NCC estimate of U.S. exports for the 2021 marketing year is 13.8 million bales, which is 950 thousand bales below the February 2022 USDA estimate. The current supply chain challenges are adding economic stress to our merchandising segments that were still feeling the impacts of the sharp slowdown in demand when COVID shutdowns were at their peak. We continue to look for opportunities to assist these critical segments of the industry.

Safety Net Programs

While we are here today to talk about Farm Bill Title I programs, an effective safety net for producers must consist of two key components: 1) an effective commodity policy that provides either price or revenue protection to address prolonged periods of low prices and depressed market conditions that span multiple years; and 2) a strong and fully accessible suite of crop insurance products that producers can purchase to tailor their risk management to their specific needs to address yield and price volatility within the growing season.

The yearly producer election of either Agriculture Risk Coverage (ARC) or Price Loss Coverage (PLC) included in the 2018 Farm Bill has worked well for growers and should continue in future farm bills. Under the 2018 Farm Bill, producers have overwhelmingly enrolled seed cotton base acres in the PLC program, at over 90% annually. We know that agriculture markets are cyclical, and an effective safety net is imperative for the inevitable times of low prices. The combination of commodity program options and crop insurance gives farmers as well as their lenders the confidence entering planting season knowing that downside risk is mitigated in periods of steep price decline or a significant loss of production.

Upland Cotton Marketing Loan and Seed Cotton Loan

The non-recourse marketing loan program for upland cotton remains a cornerstone of farm policy for the U.S. cotton industry. While current prices are well above the loan rate, we know that will not always be the case. During times of low prices for U.S. cotton, the marketing loan program is an especially crucial tool for multiple segments of the cotton industry to effectively market cotton and provide cash flow for producers to meet financial obligations. Even in times of higher market prices, the marketing loan is utilized by the cotton industry to provide cash flow for producers and flexibility in marketing. One of the hallmarks of the marketing loan program is its function to ensure cotton flows through the marketing channels and encourages orderly marketing of the crop throughout the year. In recent years, over 50% of the upland cotton crop enters the loan and use of the loan approaches 80% when market prices drop. Also, in periods of low prices, if growers choose to forgo the marketing loan, they may receive a Loan Deficiency Payment (LDP) representing the difference in the market price and the loan rate. This is an important component of the marketing loan program that should be retained.

Complete automation of the marketing loan program should be addressed in the next farm bill. During the December 2018 lapse in government funding, these programs were severely impacted due to the need for direct personnel involvement in portions of processing the entry and redemption of cotton in the marketing loan program. During this period, some growers were not able to enter cotton into the loan and access those funds, while others could not sell their cotton because they could not redeem the loan. We urge this Committee to work with USDA to provide the necessary support to ensure that any future lapse in government funding does not negatively impact the marketing loan program.

Another loan program that has been more utilized in recent years is the Seed Cotton Recourse Loan. Seed cotton recourse loans help upland and Extra Long Staple (ELS) cotton producers meet cash flow needs while waiting for their harvested cotton to be ginned so it is then marketable. Recourse loans also allow producers to store production at harvest and provide for a more orderly marketing of cotton throughout the year. Several factors such as the speed and efficiency of harvest operations and longer cotton ginning seasons have contributed to the increased use of this program.

Payment Limits and Program Eligibility

Our industry is opposed to any further tightening of payment limits and program eligibility requirements, as we believe these policies are already too burdensome and restrictive in light of the size and scale of production agriculture necessary to be competitive and viable in today's global market. The NCC has always maintained that effective farm policy must maximize participation without regard to farm size or income. Artificially limiting benefits is a disincentive to economic efficiency and undermines the ability to compete with heavily subsidized foreign agricultural products. Artificially limited benefits are also incompatible with a market-oriented farm policy. In fact, the current program limits are incompatible with the cost structure and capital investments necessary for today's family farms. We are encouraged that Congress has recognized this reality in recent disaster assistance that included increased payment limit levels to help account for more of the losses incurred. This same consideration should be given to Title

I program limits when the next farm bill is being developed. Other proposed arbitrary restrictions regarding the contribution of management and labor through changes to the definition of 'actively engaged' are out of touch with today's reality on most farming operations and would only contribute to inefficiencies.

Extra Long Staple Cotton Policies

There are important policies in place for Extra Long Staple (ELS) or Pima cotton as well. The 2018 Farm Bill continued the ELS cotton loan program as well as a competitiveness provision to ensure U.S. Pima cotton remains competitive in international markets. The balance between the upland and Pima programs is important to ensure that acreage is planted in response to market signals.

Economic Adjustment Assistance for Textile Mills

After a decade of experiencing a precipitous decline in the amount of cotton used by U.S. textile mills, U.S. mill consumption has stabilized since 2008 due to ongoing assistance provided in the Farm Bill.

The recent years of stability and expected future growth can be attributed to the continued benefits of the Economic Adjustment Assistance for Textile Mills (EAATM), originally authorized in the 2008 Farm Bill. Recipients must agree to invest the proceeds in equipment and manufacturing plants, including construction of new facilities as well as modernization and expansion of existing facilities. EAATM funds have allowed investments in new equipment and technology, thus allowing companies to reduce costs, increase efficiency and become more competitive. By allowing U.S. textile mills to make the new investments necessary to remain competitive, the program supports a manufacturing base that brings jobs to U.S. workers. Furthermore, in the current global environment and the need to re-shore or nearshore manufacturing of critical goods and materials, having a strong and robust U.S. textile manufacturing sector is key to produce many products for our defense industry and personal protection equipment (PPE) as highlighted during the COVID pandemic.

Disaster Programs

In recent years, Congress authorized several rounds of *ad hoc* disaster assistance in response to hurricanes, wildfires, wind events, drought, and other natural disasters. While *ad hoc* disaster assistance has been extremely helpful to farmers and allowed many of them to remain in business, they are never timely. The most recent disaster assistance was passed by Congress in September of last year and unfortunately USDA has yet to unveil most details of the program so crop producers can begin to apply for the assistance for disaster losses in 2020 and/or 2021. While it is helpful to know that assistance is coming, it makes planning for the next crop year extremely difficult for growers and lenders alike. While we recognize the budgetary constraints, we believe the Committee should review options to include either a permanent disaster assistance program in the upcoming Farm Bill or seek policy options to help further minimize the deductible producers are left to cover with most existing, affordable crop insurance products.

Farm Bill Resources

Since the passage of the 2018 Farm Bill there have been several forms of other *ad hoc* assistance provided to the agriculture industry outside of the Farm Bill construct. Whether it is disaster assistance with WHIP/WHIP+, the Market Facilitation Program (MFP) or COVID pandemic relief (CFAP), two things are certain: they all were necessary for various regions and commodities and they were separate from the Farm Bill because the existing policies and programs were not fully meeting the extraordinary and unpredictable need. As Congress begins to plan the path forward for the 2023 Farm Bill, I urge you to seek additional funding for this important legislation. The dynamics faced by the agriculture industry continue to change, evolve, and become more volatile. With those changes, America's farmers need a Farm Bill that has the resources to ensure that the American people and the world have a safe and affordable supply of food and fiber.

Conclusion

In closing, I encourage the Committee to write a Farm Bill that provides long term stability for the future. There will be price declines from where they are today, there will be natural disasters with losses more severe than the essential assistance that commodity programs and crop insurance can respond to, and there will be trade disputes that can wreak havoc on our export markets.

The NCC looks forward to working with the Committee and all commodity and farm organizations and other stakeholders to develop and pass a new farm bill that effectively addresses the needs of all commodities and all producers in all regions of the country.

Thank you for this opportunity, and I would be pleased to respond to any questions.