



**WRITTEN TESTIMONY SUBMITTED TO HOUSE AGRICULTURE
COMMITTEE'S
OVERSIGHT HEARING ON FEDERAL CROP INSURANCE
by Mr. Evan Hayes, President
National Barley Growers Association
April 26, 2006**

Mr. Chairman and members of the Committee, I am Evan Hayes, President of the National Barley Growers Association (NBGA), a national organization which represents barley producers throughout the United States. We appreciate the Committee's oversight of this important aspect of U.S. farm policy.

One of NBGA's highest priorities is to ensure that cost effective risk management tools are available to all of our producers. Unfortunately, we believe that the crop insurance policies currently available to barley producers offer only limited risk protection. I will elaborate on areas that we feel are weak and need improved.

First some background on why we feel risk management is so important to our producers and end users. U.S. barley acreage has fallen 73% in the past 20 years – from 11.9 million acres in 1986 to less than 3.3 million in 2005. USDA is now projecting barley planted acreage to be down another 5 percent in 2006. This is a huge concern to the NBGA and to our U.S. and overseas customers who need a reliable supply of barley that meets their quality specifications.

Our growers have identified the failure of current risk management tools to protect their investment as one of the biggest reasons for this sharp decline in barley acreage. Yet, despite this current bearish attitude toward barley in many of our traditional growing areas, NBGA and industry partners are working together to tackle a wide range of challenges facing our crop and we are implementing innovative programs to help restore barley competitiveness. We are particularly optimistic about future export opportunities for malting and food barleys, if we can improve risk protection.

More than 60 percent of the U.S. barley crop is malting barley, which is a high value specialty crop that must meet stringent end-use quality specifications. Producers who face weather and other natural disasters that affect the quality of their malting crop should have a reasonable expectation that insurance will help indemnify these losses. However, that is often not the case with malting barley crop insurance. Because quality standards are different between the insurance policies and end user standards, many of our growers face a huge gap in risk protection every year. This gap has become so significant in some

of our key production areas that growers have turned away from planting barley entirely.

This problem is particularly significant in North Dakota and Minnesota where our producers have been plagued by a fungal disease in barley that can result in severe quality reduction and price discounts. This disease, caused by *Fusarium sp.*, results in the accumulation of deoxynivalenol (DON) in the grain, which lowers the value of the crop and may result in feed quality. Currently, insurance policies have different DON specifications than end users, so a significant number of our producers lack viable risk protection. We have recommended that USDA RMA address this gap by developing a DON rider to allow producers to insure for this specific peril.

Two years ago, the NBGA assembled a Risk Management Task Force with broad representation of both growers and malting industry to provide assistance to the USDA Risk Management Agency in improving crop insurance for barley producers. We have identified many gaps or weaknesses in current insurance policies and have proposed that RMA consider new barley insurance products that are more economically viable to our producers. NBGA priorities include the following:

I. Remove contradictions in quality standards between crop insurance coverage and the marketplace:

DON quality standard – We strongly urge the use of contract specifications as the DON quality factor for settling insurance claims, similar to current MPCCI coverage. We also urge the development of a DON rider to specifically ensure for this peril.

Measurement of sprout damage – We strongly urge that the new Injured by Sprout measurement established by Federal Grain Inspection Service replace the existing Sprout Damage quality factor for settling insurance claims. We request that this change be made under expedited procedures available to RMA.

Protein specification for malting barley – We strongly urge a change in the protein quality factor for both 2-row and 6-row malting barley from 14% (current) to 13.5%, to reflect actual contract specifications.

II. Ensure a viable Malt Barley Endorsement:

We understand that RMA may be proposing changes to specific aspects of the existing Malt Barley Quality Endorsement. We strongly believe the proposed use of APH requirements in the Option B Malt Barley Endorsement would amount to an elimination of effective insurance coverage for the majority of malting barley production under contract with the U.S. malting and brewing industry. Because of declining barley acreage in the U.S. in the past five years, U.S. malting and brewing companies have increased contracting of malting barley, thus bringing a larger number of barley producers into the Option B Malt Barley insurance pool. Many of these new contract acres are located in what might be considered nontraditional (but certainly not fringe) areas of the Northern

Tier barley production region because of persistent weather-related problems in more traditional areas in eastern North Dakota, northwest Minnesota and South Dakota.

Further, we wish to strongly emphasize that the recent loss ratio experiences of the Malting Barley Endorsement are the result of multiple years of adverse weather and environmental conditions that have resulted in a loss of yield, malting quality or a combination of both, and have outside the control of our barley producers. These loss ratios are not the result of fraud, poor crop management or inappropriate contracting practices in so-called fringe areas.

As an alternative, we have proposed a new multi-tiered Option B rating structure that we hope will be given close consideration by RMA. We also have recommended that conditioning incentives be offered to encourage greater efforts by both producers and their buyers to make high valued malting grade. We recommend using actual settlement prices to determine the value of rejected barley in order to encourage more conditioning and potentially higher fill rates of malting barley contracts.

In many of our large malting barley production regions, such as Idaho where loss ratios have been fairly low, producers are moving away from Option B coverage entirely because they want to insure the crop for its true value on an individual unit basis which is not permitted under the malt endorsement. For these producers, we have identified a need to develop innovative insurance products that will allow producers to insure any type of barley – feed, malting, food, seed, etc. – at levels that more accurately reflect the value of that crop to the producer and marketplace.

III. Investigate a simplified Enhanced Price Protection policy for U.S. barley producers:

Under this concept barley would be insured as feed only under the different policy options: MPCI, RA or IP and then producers could buy a rider at enhanced price levels (\$.50/bu, \$1.00/bu, \$1.50/bu, \$2.00/bu, etc.). This approach could address many concerns we have about current coverage gaps, particularly for higher value food barley, seed and hay barley not currently eligible for coverage.

In closing, let me emphasize that the National Barley Growers Association welcomes the opportunity to work with Congress and the Risk Management Agency to improve crop insurance products available to U.S. barley producers. We believe these improvements are vital to the future survival of our industry.

Thank you for your consideration.