



**National
Barley
Growers
Association**

**Comments on “Combination Basic and Crop Provisions”
Submitted to USDA Risk Management Agency
By the National Barley Growers Association
September 8, 2006**

The National Barley Growers Association (NBGA) is a national nonprofit farm organization that represents more than 25,000 barley producers across the United States in addressing national public policy issues. The NBGA is pleased to offer the following comments to proposed changes to Common Crop Insurance Regulations, Basic Provisions and Various Crop Insurance Provisions published in the July 14, 2006 Federal Register, 7 CFR Part 457.

U.S. barley crop acreage has declined by 75 percent in the last 20 years (1987 to 2006). This dramatic decline can be attributed to several factors, but central among them is a lack of cost effective risk management tools. Malting barley has become a specialty crop in the U.S. and, now more than ever, our producers need access to affordable and workable crop insurance to maintain a viable production base in the U.S.

1. Common Crop Insurance Policy Basic Provisions for Small Grains.

We support the proposed rules to consolidate existing APH, IP and RA barley policies into single Yield and Revenue Policies.

Commodity Exchange Price Provisions –

We support the use of the Chicago Board of Trade corn contract for calculating the Projected and Harvest Prices for barley. However, we oppose using a factor of .806. This factor suggests the appropriate price relationship between barley and corn is 80.6 percent, when in reality it is closer to 90 percent, as documented by official USDA/NASS price data presented below.

Comparison of U.S. Feed Barley and Corn Prices

(Source: USDA/NASS Agricultural Prices)

	All Barley	Feed Barley	Malt Barley	Corn	Feed Barley as a % of Corn
1996	\$2.74	\$2.52	\$2.92	\$2.71	93.00%
1997	\$2.38	\$2.05	\$2.74	\$2.43	84.40%
1998	\$1.98	\$1.54	\$2.38	\$1.94	79.40%
1999	\$2.13	\$1.63	\$2.49	\$1.82	89.60%
2000	\$2.11	\$1.70	\$2.49	\$1.85	91.90%
2001	\$2.22	\$1.72	\$2.65	\$1.97	87.30%
2002	\$2.72	\$2.16	\$3.01	\$2.32	93.10%
2003	\$2.83	\$2.29	\$3.08	\$2.42	94.60%

2004	\$2.48	\$1.73	\$2.81	\$2.06	84.00%
2005	\$2.53	\$1.87	\$2.80	\$1.98	94.40%
					10-year average 89.20%

2. Prevented Planting

A producer who has enrolled in the Malt Barley Quality Endorsement and has a valid malting contract should be indemnified for prevented planting at the Malt Barley Additional Value rather than feed barley value.

3. APH erosion

Barley producers in multi -year drought situations have suffered yield losses that affect their actual production history and preclude their ability to obtain meaningful and adequate crop coverage. We urge RMA to include a mechanism in these provisions to address this serious APH erosion problem.

4. Changes to Malting Barley Crop Insurance Provisions

Enterprise Units – One of the significant constraints for many of our barley producers is the inability to ensure malting barley under optional units that reflect diverse geography, growing conditions and management practices (irrigated versus nonirrigated). A large number of our producers opt to take feed barley coverage only so that they can insure their risks under an appropriate unit structure. However, that has resulted in a couple of undesirable results, namely a smaller pool of participants in the Malt Barley Endorsement and a lack of effective risk coverage for the higher valued malting barley crop. **We believe that malting barley should be insurable under optional units, like other crops.**

Quality Factors

The beverage and food products produced from malting barley are numerous and quality factors can vary from year to year, depending on market needs. The rulemaking process does not allow for timely responses to the needs of the end-user and malting barley producer. This is a particular concern with the established malting barley quality factors. **We strongly urge that Malting Barley Quality Factors be determined annually under special provisions, and not specified under rule.**

Injured by Sprout: We support the proposed change to replace “Sprout Damage” with “Injured by Sprout”. Please note that “Injured by Sprout” is the official USDA/FGIS term used for the test. The proposed rule contains a different term - “sprout injury”. If these terms are considered equivalent by the RMA, we have no problem with the current wording, but if they are not equivalent then the proper term would be “Injured by Sprout.”

Two-Row Protein: We support the change in the maximum protein from 14.0% for two-row barley to 13.5%.

Mycotoxins: We oppose the change for the mycotoxin maximum under option B (MPCI) from contract specifications to 2 ppm. Such a change is unacceptable without the existence of a mycotoxin (DON) rider covering the producer from losses occurring in the gap between contract specifications and 2 ppm.

Option A

Additional Value Price: We support the proposed change to use the sales price established in contract or price agreement minus the projected price for feed barley or the price designated in actuarial documents.

Option B

Contract Fulfillment Requirements: Contracts for malting barley purchases reflect the demand for this specialty crop with the current acreage trends. Contracting is conducted with a realistic expectation of producers fulfilling the contracts. It is not sensible for a contracting entity to risk over purchasing, nor to contract with producers having little prospect of success. 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 are outside the control of our barley producers and contracting entities. These loss ratios are not the result of fraud, poor crop management or inappropriate contracting practices.

Implementation of a contract fulfillment requirement is opposed by producers and end-users. We strongly believe this contract fulfillment provision will 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.

Should RMA determine this provision is necessary, we urge the RMA to use a contract fulfillment rate of 75% in years when the covered crop is produced in a county that has been declared a federal crop disaster county, if the insured producer so elects. Crop years with losses not covered under the endorsement (i.e. losses not related to quality per se such as prevented planting, hail damage, etc.) should not be used to calculate endorsement fulfillment rates or should be treated as missing years with the same 75% default fulfillment rate. We feel very strongly that contract fulfillment rates, if implemented, should only be used to calculate premiums and not be used to determine program eligibility. We also recommend that the insured producer be allowed to use up to 10 years data to calculate his or her average contract fulfillment rate.

Conditioning: We support changes in calculating conditioning incentives in the proposed rule. Such incentives can provide growers with additional income, reduce insurance indemnities, and provide the end-user with additional product. Many growers are

capable of on-farm conditioning and we strongly encourage they be allowed to condition their own production at established regional rates.

Additional Value Price: The proposed rule caps the “additional value price” under option B at \$1.25 instead of the current \$2.00. **We strongly oppose this change**, as it does not offer malting barley growers needed protection and runs counter to current price trends in U.S. malting barley markets. According to the USDA/NASS, the price differential farmers receive for malting and feed barley has risen steadily over the past ten years (1995-2004) and should this continue at the same pace it would reach \$1.53 by the time the rule is implemented (2009). Contract premiums of more than \$1.25 for malting barley over feed barley prices are being offered in every region of the country. For example, USDA/NASS figures indicate that farmers in Montana received an average premium for malting barley of \$1.22 over the last ten years and exceeded the proposed cap in four of those years.

It should be noted that the USDA/NASS reported prices paid to farmers is a combination of contracted and open market purchases and may significantly **under represent** contract prices. It could be argued that the current “additional value price” cap of \$2.00 offers insufficient coverage for malting barley producers and therefore, lowering the cap at all is unacceptable.

