**Testimony Submitted by Dave Henderson**

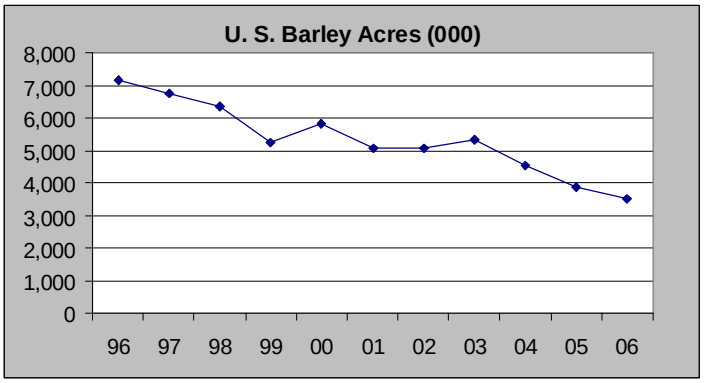
**Before a Hearing of the U. S. Senate Committee on Agriculture, Nutrition, and Forestry**

**August 17, 2006**

Mr. Chairman and Members of Committee, thank you for the opportunity to testify before you today regarding policies we believe Congress should consider when writing the next farm bill. I am a Director on the National Barley Growers Association (NBGA) Board and am here today on behalf of the Association. I farm near Cut Bank, Montana where we grow irrigated barley, spring wheat and alfalfa.

NBGA has serious concerns regarding the equity of program crop support levels in the current farm bill, and in particular, the level of barley support relative to other crops. NBGA believes that the U.S. barley industry has lost significant competitiveness in its traditional Northern Tier growing region due, in part, to distortions in federal farm program supports. Acreage trends certainly underscore our concerns. The National Agricultural Statistics Service June 30, 2006 Acreage Report repeatedly used the terms "lowest level," "new low," and "record lows" when reporting barley seeded acreage:

> *"Growers (barley) seeded 3.5 million acres for 2006, down 10 percent from the 3.88 million acres seeded a year ago, and the lowest since barley planted acreage estimates began in 1926. Acres for harvest, at 2.99 million… the lowest since records began in 1926. North Dakota growers planted 1.05 million acres, a new low since records began in 1926… In Montana, planted area is down 100,000 acres from last year to the lowest level since 1953, while Idaho's 560,000 planted acres is the lowest since 1967. California, Colorado, Minnesota, and South Dakota… set new record lows for planted acreage, with records going back to the 1920s."*




We appreciate the support we received from this Committee in our request for analysis by FAPRI on whether or not the U.S. Farm Bill is contributing to declining barley acres and identify modifications that could be made in future agriculture policy that would put barley in a more equitable position relative to other program crops. According to FAPRI's preliminary findings, marketing loan benefits under the 2002 Farm Bill have clearly favored corn and soybeans over barley and wheat. In the Northern Plains, the average annual marketing loan benefit between 2000 and 2005 was $4 per acre for wheat, $8 for barley, $12 for soybeans and $21 for corn. At the national level, the combination of marketing loan benefits and market returns can help explain the increase in national soybean and corn acreage since the early 1990s and the decline in small grain production.

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NBGA supports the continuation of the Marketing Loan Program at equitable levels amongst program crops. If the Marketing Loan were to be diminished or eliminated due to WTO concerns, a similar provision, such as a viable revenue assurance program, would need to be developed to take its place to continue providing a viable safety net for producers during downturns in prices or production. We also support continuation of the Direct Payment program, which is the best means to get much needed operating money into the hands of producers. We also support continuation of the planting flexibility provisions that have been in place since 1996.

NBGA believes better risk management programs are needed that will adequately address multi-year losses as well as provide a safety net for the high deductibles we face under current federal crop insurance policies. We have a Barley Risk Management Task Force working hand in hand with the Risk Management Agency right now on innovative ways to address these challenges. With regards to the ongoing drought in much of the country, the NBGA supports disaster assistance for 2005 and 2006 crop losses and a vigorous debate on a permanent disaster provision in the next farm bill.

I am sure the Members of this Committee are aware of the rising fuel and fertilizer costs that farmers must fit into already tight budgets. Producers have seen a 70% increase in fertilizer costs, 30% to 50% increase in farm fuel costs, and a nearly 90% increase in diesel costs. These rapidly escalating costs will likely not be compensated for by the prices farmers receive for their crops. For these reasons, the NBGA supports a flexible safety net that will help offset sharply rising input costs that cannot be passed along to the marketplace. We encourage the Committee to explore ways to address rising energy costs, such as an energy tax credit.

The NBGA supports the Conservation Security Program (CSP) as authorized in the last farm bill. However, the CSP has not been implemented as intended by Congress, and we urge the Committee to work towards full implementation.

NBGA also believes that the Committee should be aware of the transportation problems much of the nation's farmers face. More than half of the U.S. barley crop moves to marketing positions by rail. The majority of our barley production region is now captive to one railroad and we pay freight rates well above those rates paid by other grain suppliers who have competitive transportation options. For example, rail rates in North Dakota (largest barley producer) and Montana (third largest producer) are between 250 to 450 percent of the railroad's variable cost – far in excess of the Surface Transportation Board's threshold of unreasonableness of 180%. Because of these higher rates that are accompanied by often unreliable service, it is very difficult for barley from our traditional production areas to compete with other suppliers in both domestic and foreign markets. This "captive shipper" situation does undermine the positive effects that any farm bill hopes to provide our producers. We urge the Members of this Committee to support legislation that would rectify these problems.

I want to again thank the Committee for the opportunity to testify. NBGA fully understands that the challenges you face – budget deficits and the WTO negotiations – as you write the next farm bill. But if the United States is to maintain a viable domestically grown food supply, farmers must continue to be offered some semblance of protection from collapsed markets and/or adverse weather. NBGA is ready and willing to work with the Committee in the coming year to develop sensible provisions to address these needs. If you have any questions, I will be happy to address them.

Dave Henderson
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