

TESTIMONY
2010 House Agriculture Committee Field Hearing
Agriculture Policy Review
May 14, 2010
Morrow, Georgia
Presented by, Ronnie Lee
Member of the Board of Directors
Southern Cotton Growers, Inc.

Chairman Peterson, Ranking Member Lucas, Georgia members of Congress and other guests, my name is Ronnie Lee. I am cotton, peanut and grain producer from Bronwood, Georgia where I also own and operate a gin. I also serve on the Board of Directors of Southern Cotton Growers. This organization represents every cotton producer in the six states that comprise the Southeast Region (AL, FL, GA, NC, SC & VA). Thank you for hosting this hearing and for the opportunity to testify before you regarding farm policy issues.

Cotton is a cornerstone of the rural economy of our region and the Cotton Belt. Its scope and economic impact extends well beyond the approximately 19,000 farmers that plant between 9 and 12 million acres of cotton each year in the 17 cotton-producing states. Taking into account diversified cropping patterns, cotton farmers cultivate more than 30 million acres of land each year.

Processors and distributors of cotton fiber and downstream manufacturers of cotton apparel and home-furnishings are located in virtually every state with much of this infrastructure located right here in Georgia. Beyond the farm-gate, the distribution and processing of cotton includes cotton gins, independent merchants and cooperative merchandisers, warehouses, cottonseed distributors and processors, and textile mills.

Nationally, farms and businesses directly involved in the production, distribution and processing of cotton employ almost 200 thousand workers and produce direct business revenue of more than \$27 billion. Accounting for the ripple effect of cotton through the broader economy, direct and indirect employment surpasses 420 thousand workers with economic activity well in excess of \$100 billion.¹

In the 6-state region of Alabama, Florida, Georgia, North Carolina, South Carolina and Virginia, the cotton industry's ripple effect is responsible for over 173 thousand jobs and generates economic activity surpassing \$47 billion annually.

¹ Direct employment and revenue based on 2007 Census of Agriculture and 2002 Economic Census. Indirect employment and economic activity derived from input-output multipliers reported by University of Tennessee's Agri-Industry Modeling and Analysis Group.

Cotton's Economic Impact

	Cotton Sector		Broader Economy	
	Jobs	Direct Revenue (Million \$)	Jobs	Economic Activity (Million \$)
Southeast (AL, FL, GA, NC, SC, VA)	77,733	\$10,647	173,454	\$47,502
Mid-south (AR, LA, MO, MS, TN)	31,434	\$6,090	70,143	\$27,172
Southwest (KS, OK, TX)	41,569	\$5,715	92,758	\$25,497
West (AZ, CA, NM)	24,028	\$2,318	53,616	\$10,343
United States	191,405	\$27,622	427,102	\$123,241

Southern Cotton Growers maintains that sound farm policy is essential for the viability of the cotton industry in this region and the United States. Effective farm policy should adhere to several principals:

- 1) It should be market-oriented with a goal of promoting quality, efficiency and domestic competition;
- 2) It should allow for full production to meet market demand;
- 3) It should provide for an effective financial safety net;
- 4) It should ensure the availability of competitively-priced U.S. cotton to domestic and international textile mills; and
- 5) It should encourage maximum participation without regard to farm size or structure.

We believe the 2008 farm bill meets most of these principles and has worked well for the cotton industry. We commend this Committee for its diligent work on this legislation.

The centerpiece of the upland cotton program and traditional commodity programs has been without question, an effective marketing loan program. It provides a safety net for producers but does not harm the competitiveness of U.S. commodities. It is a program component that makes sense, that works, and that serves many critical purposes. Because it is well-understood and a fundamental part of commodity policy, the marketing loan gives rural banks the confidence they need to make critical operating loans available. This foundational program has also been the lever to move other important reforms, such as standardized bales and bale packaging for cotton, electronic warehouse receipts, and heightened standards for storage and elevator facilities for cotton and for other commodities.

With respect to cotton, while the 2008 farm bill maintained the marketing loan and several other program components from prior law, the bill also made many reforms, such as a revision in the calculation of cotton premiums and discounts, placing a ceiling on the payment of storage credits for cotton under loan, and an economic adjustment program for the U.S. textile industry.

Fundamentally, we continue to support the 2008 farm bill's approach to the cotton program and all of its components, from the marketing loan to direct and counter-cyclical payments. Each component serves a distinct purpose that is beneficial to U.S. farmers.

The 2012 farm bill debate, however, will take place with several new and increased points of pressure. Record budget deficits will put intense pressure on funding. The WTO Brazil Case puts cotton's marketing loan and counter-cyclical programs under special scrutiny even though the cotton program, as revised by the 2008 bill, has never been evaluated by a WTO Panel. Ongoing negotiations in the Doha Round of trade negotiations could result in a dramatically altered landscape for domestic commodity support. If circumstances arise that make it impossible to maintain a reasonable safety net using existing delivery mechanisms, the cotton industry will look at alternatives.

As evidenced by recent sign-ups, the ACRE program has not been a very attractive alternative for cotton farmers in our region or across the Cotton Belt. The support mechanisms within ACRE do not provide an adequate safety net for cotton farmers when compared to the traditional DCP program. If a revenue-based approach is to find support among cotton producers, a more reasonable revenue target would have to be established. Mr. Chairman, we are working as an industry to evaluate fully our industry's concerns with ACRE in order to develop recommendations for effective modifications.

Even as our industry commits to an in-depth review of the structure of the cotton program, I must emphasize our commitment to the principles I outlined earlier in my statement. One of those principles is that effective farm policy must maximize participation without regard to farm size or income. The 2008 farm bill contained significant changes with respect to payment limitations and payment eligibility. In general, the limitations were made more restrictive, and the adjusted gross income test was substantially tightened.

In addition to the legislative changes, we believe that USDA over-stepped the intent of Congress in key payment eligibility provisions and issued regulations that are overly complicated and restrictive. Sound farm policy provisions are of little value if commercial-size farming operations are ineligible for benefits. The vast majority of these are true family farm operations that have expanded in size in an attempt to lower per unit cost of production (economy of scale). While we oppose any artificial payment limitations, we advocate administering the current provisions within the intent of Congress and strongly oppose any further restrictions.

Conservation programs were strengthened in the 2008 farm bill. The Conservation Stewardship Program and similar conservation programs can lead to improved environmental and conservation practices but should not serve as the primary delivery mechanism for farm program support. The Conservation Stewardship Program has also been hampered by overly restrictive payment limitations contrived by USDA regulators - restrictions that we do not believe are supported by the statute. USDA's unilateral decision to exclude commercial-size farming operations dramatically limits the

environmental and conservation benefits that are possible with this program. In an effort to improve the effectiveness of these programs, we recommend that all conservation payments and other administrative such responsibilities be turned over to the Farm Service Agency. In other words, let FSA do the paper work which in turn will enable the Natural Resources Conservation Service to devote all their efforts towards providing technical assistance. Furthermore, lack of consistency between county offices is often an issue. For example, a producer who farms in more than one county may or may not qualify for a like conservation program or practice and often times at varying levels of support.

We support a permanent natural disaster program as part of the farm bill, but our experience so far with the SURE program indicates it cannot provide an effective level of natural disaster assistance. We recognize the challenge facing Congress to make improvements in this program. Without increased baseline spending authority, there will be no funds to even continue the program in the next farm bill much less make the necessary improvements for it to be an effective disaster relief mechanism. However, we do not support reallocating existing spending authority from current farm programs to apply to SURE.

Crop insurance is an essential risk management tool for cotton producers in our region. As a matter of fact, over 87% of all cotton acres in the Southeast purchase buy-up coverage. Our industry continues to examine concepts that improve the various cotton crop insurance products. Revenue coverage, enterprise policy rates and group risk products are examples of improved products that can provide a menu of risk options for growers. One change we do support would be to allow separate enterprise units for irrigated and non-irrigated practices in the same county. Some growers do not opt for the enterprise unit deal (with the additional subsidy) because it throws their irrigated and non-irrigated units together. However, we continue to view the current insurance products as complements to traditional commodity programs but do not consider those programs as a replacement system for delivering farm program support.

While the cotton industry supports a viable bio-fuels industry, it must be recognized that benefits are not equally shared by all commodity producers. Renewable fuels mandates and other policies regarding bio-fuels have changed the competitive balance between commodities, placing severe pressure on cotton infrastructure in certain parts of the Cotton Belt. Mandated demand can result in excessive and harmful market distortions. The support given to bio-fuel crops must be taken into consideration when comparing relative levels of support across commodities, when evaluating payment limitations and before trying to mandate a one-size-fits-all farm program for bio-fuel and non-bio-fuel commodities.

In summary, our industry believes the cotton provisions of the 2008 farm bill are working well. If policy changes are inevitable as part of the 2012 farm bill, the cotton industry remains ready to work with the Agriculture Committees to explore alternative programs that can provide the needed safety net to our industry in a manner that is consistent with our international trade obligations and within budget constraints.

Thank you for the opportunity to present these comments on behalf of Southern Cotton Growers. I will be happy to try and answer any questions you might have.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: Ronnie Lee

Address: Po Box 171, Bronwood, Georgia 39842

Telephone: 229-317-2970

Organization you represent (if any): Southern Cotton Growers, Inc.

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you: _____

Signature: Ronnie Lee

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Committee on Agriculture
U.S. House of Representatives
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Ronnie Lee
2. Business Address: Hwy 118 West, Bronwood, Georgia 39826
3. Business Phone Number: 229-995-2616
4. Organization you represent: Southern Cotton Growers, Inc.
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:
Producer Delegate, National Cotton Council: Cotton
Incorporated Board Member: Member, American Cotton Producers:
Advisor to Staplcotn Marketing Co-op: Principal owner,
McCleskey Cotton Co: Principal owner, RCL Flying Service
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:
Actively engaged in farming for over 30-years.
Owner/Operator of McCleskey Gin: Former part owner
of McCleskey Peanut Shellers.
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:
Member, Board of Directors, Southern Cotton Growers, Inc.

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.