



National Family Farm Coalition

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October 14, 2011

The Honorable Patty Murray
Co-Chair
Joint Committee on Deficit Reduction
U.S. Senate
Washington, DC 20510

Dear Senator Murray,

As you consider options to reach the deficit targets, we submit these recommendations to help achieve reductions in taxpayer expense while better meeting the needs of our nation's family farmers struggling to survive on their farms and in their rural communities.

While some are touting record high commodity prices as an example of a healthy farm economy, we are very concerned that price volatility has real and devastating implications for independent livestock and dairy farmers, and fuels price increases in the essential inputs that farmers use to raise their crops on a yearly basis.

There is a crisis in the countryside. Every day, another family farm closes its doors for good - a crisis particularly acute within the dairy industry. Between 2007 and 2010, the number of milk cow operations in the United States declined from 69,995 to 62,500, a loss of 7,495 dairy farms.¹ To put it another way, *10 percent of the nation's dairy farms have disappeared in the last four years.* Something must be done to stop the bleeding. NFFC believes that fair agricultural markets, responsible trade and pricing policy, and increased access to farm credit are key goals that would help secure a future for rural America.

The impact of the recession on farmers' credit needs has been widespread and largely ignored. Ensuring access to farm credit is essential to a broader revitalization plan for rural America. Since aggregate metrics cannot adequately describe the difficulties farm families face in securing necessary loans and the impact of their high debt burdens, NFFC and three other organizations sponsored a survey of farm credit counselor and farm advocacy organizations across the country this spring². Key findings of this study include:

¹ "Farms, Land in Farms and Livestock Operations: 2010 Summary" and "Farms, Land in Farms and Livestock Operations: 2008 Summary." National Agricultural Statistics Service, United States Department of Agriculture. Available online: http://usda.mannlib.cornell.edu/usda/current/FarmLandIn/FarmLandIn-02-11-2011_revision.pdf and <http://usda.mannlib.cornell.edu/usda/nass/FarmLandIn/2000s/2009/FarmLandIn-02-12-2009.pdf>.

² "Don't Bank on It: Farmers Face Significant Barriers to Credit Access During Economic Downturn." Farm Aid, Food & Water Watch, National Family Farm Coalition and the Rural Advancement Foundation International, March 2011. Available online: http://www.farmaid.org/site/c.qII5IhNVJsE/b.6634209/k.EE94/Don8217t_Bank_on_It_Farmers_Face_Significant_Barriers_to_Credit_Access_During_Economic_Downturn.htm

- ⤴ More than 4 out of 5 (85 percent) of those surveyed reported that farmers had more difficulty accessing credit since the beginning of 2009.
- ⤴ Nearly three-quarters (74 percent) of those surveyed reported that the number of farms that could not access credit in 2010 was higher than in recent years.
- ⤴ In 2010, more farmers were being rejected for farm loans than in previous years.
- ⤴ Three-quarters of credit counselors reported more rejections due to cash flow problems.
- ⤴ Almost all respondents reported increased demand for FSA Direct Loans, which are typically a last resort for farmers who cannot secure credit from other lenders.

Clearly, many of this country's farm families are distressed. Farmers and ranchers now have fewer opportunities for off-farm income on top of shrinking resources for obtaining credit, making it increasingly difficult to stay on their land and in their homes. Farms in trouble face an urgent need to work their way out of debt. The following reforms could make a significant impact in this regard:

- ⤴ Expanding funding for Farm Service Agency (FSA) Direct and Guaranteed Loans;
- ⤴ Expanding the price list that USDA and other entities use for their major programs to include value-added, organic and other production systems;
- ⤴ Ensuring that the USDA's National Appeals Division works for farmers;
- ⤴ Investing in high-value, diversified and organic farmers to spur innovation, expansion, and job creation.

Fair Pricing for Farmers: Grain Policy and Dairy Policy

When the U.S. housing bubble burst, it caused an economic catastrophe that has not yet abated. A similar situation looms in the global farm economy. Outside land speculators and agribusiness interests fuel this inflation, and family farmers, who rent much of their land, pay exorbitant rates or exit farming.

Grain Policy: Many agricultural and economic experts predict that this bubble will burst, too. The potential environmental and social costs of a market crash make government regulation of our global farm economy — through strategic food reserves and fair, stable prices aimed at sustainability and social justice — an urgent requirement. We ask this Committee to pursue the establishment of strategic grain reserves as a critical investment for our food and economic security. A recent study prepared by Professor Darryl Ray of the University of Tennessee Agriculture Policy Analysis Center (APAC) for the National Farmers Union shows the benefits of a grain reserve to maintain farm income in times of commodity price reductions while reducing the exposure of the federal government in the form of subsidy payments. This report can be found at www.nfu.org, and a recent analysis is housed at http://www.oklahomafarmreport.com/wire/news/2011/09/01843_RayFarmPolicy09302011

Dairy Policy: The past three years have been a devastating roller coaster costing many of our nation's dairy farmers their livelihoods and farms. Calls to crisis hotlines have been at record levels as have the level of farm bankruptcies and auctions – all signaling that something is seriously wrong.

S. 1640, the Federal Milk Marketing Improvement Act of 2011 recently introduced by Senator Casey (D-PA), is the only solution to the current dairy crisis that establishes a new pricing formula using the national average cost of production. It is based on what dairy farmers themselves have determined is the best solution – sensible government policy.

This legislation would enable farmers to earn a decent living without being dependent on a government subsidy because milk buyers would be paying a fair price reflecting dairy farmers' cost of production. It

also creates a milk supply management program to ensure that the production of raw milk is aligned with the needs of the domestic market. The supply management program, if necessary, would be financed by dairy farmers themselves and is based on a pricing formula derived from calculations determined by the Economic Research Service (ERS) at the US Department of Agriculture (USDA). This structure would restore a realistic pricing formula that returns a fair price to all American dairy farmers. Another integral component to this bill is its ability to ensure that our domestic food supply will not be compromised by imported casein and milk protein concentrates that are not counted, taxed or inspected for safety.

We appreciate that you face a major task in recommending the deficit targets – but urge you to consider these proposals as they will not only help create jobs, but provide the farmers and fishers living and working in our rural communities a chance to regain their economic viability. They have the opportunity, as presented by NFFC farmer leaders to the Administration and President Obama at the White House Rural Policy Forum in August, to earn a living, provide for their families, and maintain their farming operations, thereby sustaining local businesses and economies.

Sincerely,

A handwritten signature in blue ink that reads "Katherine Ozer". The signature is fluid and cursive, with the first name being more prominent than the last.

Katherine Ozer
Executive Director

cc: Members of the Deficit Committee
Members of the House and Senate Agriculture Committees