Thank you so much for inviting me. I am delighted to be speaking to crop insurance agents and also delighted to be visiting Mankato, which I have never visited before. My roots are in North Dakota and my name is Swedish, but half my ancestry is Norwegian from Minnesota. My first Norwegian ancestor to come to the United States was a 19 year old girl who came to Rochester to work for a farm family in 1859. We don’t know why she came but the family speculation is that a Norwegian immigrant farmer wrote back to his village and said either that his wife had died and he needed a girl to take care of his children or that he and his wife had so many children they needed a girl in the house. In any case, she came and over the next 10 years all her brothers and sisters and her parents immigrated to Minnesota as well. I have always found this astounding because this immigration took place during the Civil War. I would think that someone would have said it’s too dangerous to go to the United States now. But I suppose they said the war was far away—even though Minnesota was a state and sending soldiers for the Union cause. In any case, over the succeeding decades, this family moved west to what is now Montevideo, then north to Fergus Falls. In 1907 both my grandparents and my great-grandparents moved to Burleigh County about 50 miles from Bismarck to homestead. I still remain amazed at the strength of those ancestors in seeking their way in America.

I have been asked to speak today about everything in the farm bill but crop insurance. I am wondering why that is. Is it because you already know all about it and the organizers are sure I would only be an amateur in talking about it? Or are they worried I might criticize the program? I won’t talk much about it but I can’t avoid it since your program is now the biggest farm program around.

You will notice I don’t have a power point presentation. I feel a little lackluster about that but the fact is that the situation surrounding the farm bill changes so quickly I don’t think I would be able to keep the power point up to date. I was looking at a speech I gave a month ago just before the debt-ceiling-deficit reduction deal was passed and notice how different the situation is. And just this week House Agriculture Committee Chairman Frank Lucas told me he thinks the super committee will not cut any nutrition spending. That was a surprise, really a shock, because we reporters had been expecting the Republicans to try to cut food stamps. Nutrition programs now make up 74 percent of USDA funding, Lucas noted. He added that that means the pressure for cuts will be on the commodity and conservation programs. But I guess with more than 45 million people on food stamps, even the Republicans realize that taking away people’s purchasing power for food would be unpopular in an election year. And the poverty statistics that came out this week only confirmed how bad the overall economy has been for the last 10 years.
All of this debate will take place in the context of the super committee’s job of cutting at least $1.5 trillion from federal spending over 10 years by December 23. If that does not happen, automatic cuts to total $1.2 trillion are supposed to go into effect for both military and domestic spending. It will be interesting to see how this process works. The Democrats seem to be betting on sequestration while the Republicans seem more assured that the super committee will manage to come up with a proposal that Congress will passed. House Agriculture Committee ranking member Collin Peterson of Minnesota says that sequestration would be better for agriculture because the cut on a percentage basis would probably not be more than $9 billion, less than the $11 billion that seems to be the minimum recommended by the Gang of Six senators and the Simpson-Bowles commission. I think the reason the Republicans prefer a super committee deal is that sequestration would cut defense spending. Just this week the American Enterprise Institute—a think tank that proposes ending all farm programs except research—held an event at which a parade of senators said they would not stand for cuts in defense spending. Republicans have said they will not allow any tax increases, but if it it is to save defense spending I think there is a possibility that they will change their minds.

A month ago, no farm group had been willing to say what it wants in the next farm bill. Now the cotton growers, the corn growers and the National Farmers Union have spoken. The Organic Farming Foundation is going to release its recommendations on Monday. And the American Farm Bureau Federation board is scheduled to meet in October. I expect other groups to speak out soon.

So far the core of every proposal is to maintain crop insurance. But the cotton growers, the corn growers and Farmers Union also have additional proposals. The biggest news is that the cotton growers do want a crop insurance program that works better for them and see that as a more likely prospect than a continuation of the direct payments. But they want some semblance of more traditional countercyclical programs too. The corn growers want an improvement to the ACRE program. The Farmers Union would like to restore the farmer-owned reserve and use it to force up market prices when prices have plummeted. So far Farm Bureau likes everything but is neutral on whether there should be a permanent disaster aid program, meaning one that does not have to be approved on an ad hoc basis. We’ve had such a program in place under the 2008 farm bill, but it expires September 30. This SURE program, as it is known, as well as forage assistance, livestock indemnity and another program to cover just about everything else including farm-raised fish and honeybees has been criticized. But with all the floods and droughts, farmers and ranchers around the country are now scrambling to make sure they can qualify. I am wondering how the Farm Bureau board will feel about disaster assistance when they meet in October.

So what will happen? Direct payments are almost surely gone, although they still have their defenders such as Senate Agriculture Committee ranking member Pat Roberts of Kansas and Lucas, who point out that all these programs work together. On conservation, there will probably be a reduction in the acreage for the Conservation Reserve Program, which idles land, with the money going to support
programs on working lands. The real problem is the 37 programs including the disaster programs that have no baseline funding in the next farm bill. The Congressional Research Service has estimated it would cost $10 billion to continue these programs over 5 years, but that is probably low. The programs with no baseline include those for energy development, conservation, nutrition and organic agriculture and horticulture. All of those have their own constituencies. But the biggest is disaster aid, which is being used much more this year than expected.

Senate Budget Committee Chairman Kent Conrad of North Dakota and Jim Miller, his budget aide who was Agriculture undersecretary for farm and foreign agricultural services, are working on a bill that would use money from direct payments, ACRE and the countercyclical program to create a new program that would function as disaster aid.

I think a central question for you is how you feel about that program—especially if they might look to the crop insurance budget for money. You are the honey pot. Your program costs more than any other. The real question here, I would say, is how much responsibility do you want? Everyone agrees there needs to be crop insurance. But do you think there needs to be disaster aid or the other traditional programs as part of the safety net?

If your program has to give up money, the most serious question is whether efficiencies can be found, particularly in the rates that are charged to the farmers. Have modern farm methodologies reduced risk? These are unanswered questions that I think both the Risk Management Agency and Congress are asking.

As crop insurance agents, you do have one advantage in this battle. Everyone knows you gave up money in the negotiations over the standard reinsurance agreement. Of the $9 billion that crop insurance is expected to cost the government this year, between $6 and $7 billion goes to producer premium subsidies. And of course the question is if you cut them, will farmers still buy the coverage? I wonder if polling or a marketing study could somehow answer that question.

Now let's turn to leadership on Capitol Hill.

In the last farm bill, the real momentum came from Collin Peterson, who was chairing the House Agriculture Committee. Peterson is the finest congressional mind working on agriculture that I've ever covered and you can proud that Minnesota has sent him to Washington. However you feel about the 2010 elections, his chairmanship is missed. He is still thinking a lot about policy, but he is not chairman.

Half the members of the current House Agriculture Committee are new to the committee and have never worked on a farm bill before. The new Republicans are freshmen and even Lucas says they need an education. The rural Democrats were so decimated in the election that some of the new members of the committee are more interested in nutrition programs than in farm policy. Peterson has said he has so little faith in the Democratic effort that he plans to work with the Senate.
And it is likely the Senate Agriculture Committee will move ahead of the House. Senate Agriculture Committee Chairman Debbie Stabenow of Michigan is writing her first bill and she is best known for her advocacy on fruits and vegetables. But she keeps emphasizing that Michigan is the second most diverse agricultural state after California and says she is interested in every aspect of agriculture. Last month, when she went to Kansas for a hearing, she said she was surprised at how similar the problems were there. Stabenow has said she wants to protect current levels of fruit and vegetable funding that she worked so hard to get in 2008.

The real story of Senate committee is that there are so many experienced members—former chairmen like Tom Harkin of Iowa, Pat Leahy of Vermont, Saxby Chambliss of Georgia, Richard Lugar of Indiana as well as former Agriculture Secretary Mike Johanns. They all have a strong knowledge of agriculture and even more important strong staffs that are determined to write a good bill.

And I know that Kent Conrad of North Dakota is already playing a strong role with the farm program-disaster aid title that he has Jim Miller developing. They have sent it to the Congressional Budget Office for a score but have not released it yet.

Finally, I have to say a word about presidential politics and how it might influence this process. In 2008, Barack Obama ran the best campaign in rural America that I have ever seen a Democrat run and John McCain ran the worst Republican campaign. As you know McCain was—and is—against the farm program and ethanol. I was in Minnesota for the Republican convention and had a McCain aide who was supposed to be working on agriculture tell me that they were sure farmers would vote for him because he was against gun control. Meanwhile, Obama’s staff was doing everything to reach out to ag and rural reporters with their very skillful messages that Obama voted for the farm bill and favored various types of aid to small farmers. The result was that Obama did better in rural America than any Democratic candidate since Bill Clinton. And, of course, he won.

As the 2012 campaign approaches, I think Obama’s rural tour shows that he is going to fight hard for the rural vote. He isn’t popular in rural America right now. As Collin Peterson tells me, when times are bad, farmers worry about the farm program and vote Democratic. When times are good, they worry about regulation and vote Republican. That is certainly what happened in 2010.

But the problem with this trend is that we need to know what the Republican candidates think about farm policy and so far we don’t. So I beg of you please force Mitt Romney, Michelle Bachmann and Rick Perry to take stands on farm issues. If Perry, for example, believes that Social Security is unconstitutional, I can’t imagine that he would believe farm programs are constitutional—even if he grew up on a cotton farm that got subsidies.

Some people want me to predict the exact timing of the farm bill. I can’t do that. Lucas told me this week that he would like to write the bill in regular order next year, but that it might be necessary to write a bill at the end of this year to clean up whatever the super committee has done. But I can tell you two things about the writing of this farm bill:
It should be done before the 2012 election. Stabenow has an election campaign, it will be your last chance to get Kent Conrad's help before he retires. And, as Lucas has said, recalling President Bush's veto of the bill, he would rather send a bill to a president running for re-election rather than one who has just been elected and feels free to do what he wants.

This past week a lobbyist told me that a congressional staffer had said the staff is prepared for the day that the committee chairmen and ranking members tell the staffs to bring their sleeping bags to the office and write the bill as fast as possible. The lobbyist later made me promise not to put that story in print but I figure I am far enough from Washington to tell it verbally. But it has meaning for you. I am sure you will travel to Washington soon but you should also be prepared to go back at a moment's notice. So if you have to have to buy a ticket without an advance purchase, without a Saturday night stay, do it. This will be a big fight and your presence will be worth it.