STATEMENT BY RICHARD OSTLIE
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before the

SUBCOMMITTEE ON GENERAL FARM COMMODITIES
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES

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Good morning, Mr. Chairman and Members of the Subcommittee. I am Rick Ostlie, a soybean farmer from Northwood, North Dakota, and President of the American Soybean Association. ASA appreciates the opportunity to present our views on the Commodities Title of the 2007 Farm Bill.

Mr. Chairman, ASA previously testified on the 2007 Farm Bill before the full Committee in September 2006. Our statement at that time was presented on behalf of the National Sunflower Association and the U.S. Canola Association as well as ASA. I am pleased that Mr. Russell from the NSA is able to join me in restating our position today.

Oilseed producer organizations support the basic structure of the 2002 Farm Bill, with some minor adjustments. We believe the "three-legged stool" that includes the marketing loan, the counter-cyclical program, and direct payments, combined with crop insurance and disaster assistance, can provide an adequate safety net for farmers in years of low prices and reduced production.

I say "can" because the 2002 Farm Bill established target prices and marketing loan rates for oilseeds at levels that do not provide an adequate safety net for producers of these crops and are out of balance with the support provided to other program commodities. The soybean target price of $5.80 per bushel triggers counter-cyclical payments only when season average soybean prices fall below $5.36. The difference reflects the soybean direct payment of $0.44. We believe that $5.36 per bushel is inadequate in protecting soybean producer income. Prices never fell below $5.36 during the past four years under the current farm bill. Even if they had, counter-cyclical payments are made on only a fraction of actual production – they are based on 85% of a formula that in many cases uses antiquated payment yields from the early 1980's. This safety net is too low to be meaningful to oilseed producers.

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Our proposal is to adjust target prices for all program crops to a minimum of 130% of the Olympic average of season average prices in 2000-2004. This period was selected because it includes years of both lower prices and higher prices for most commodities. The 130% level was selected because it would increase income support for all crops except cotton and rice. Since target prices for these crops under the 2002 Farm Bill are higher than 130%, they would not be affected under our proposal.

At 130%, the soybean target price would be increased from $5.80 to $6.85 per bushel. Subtracting the $0.44 direct payment, the effective target price would be $6.41. The target price for canola, sunflower and other so-called minor oilseeds would increase from $10.71 to $14.61 per hundredweight. Considering the target prices for other program crops, we consider these to be adequate and reasonable levels of income support for oilseed producers.

Our proposal would also adjust marketing loan rates to a minimum of 95% of the same five-year Olympic price average. These adjustments would only marginally affect soybeans – the increase would only be one cent, from $5.00 to $5.01 per bushel. However, as Mr. Russell will make clear, marketing loan rates must reflect the market value of commodities. If they are out of sync with each other, planting decisions can be distorted in years when prices at harvest are expected to be near or below loan levels. Some current loan rates do not reflect recent market price relationships between crops, and they must be adjusted.

Mr. Chairman, attached to my written statement is a table showing current and proposed marketing loan rates and target prices for all program crops. Also attached are tables showing the cost of these adjustments for individual commodities, and a table showing the overall cost for all target price and loan rate adjustments of about $900 million per year.

We understand the Subcommittee has limited resources to accommodate this or any other change to the Commodities Title in the 2002 Farm Bill. However, we strongly believe our proposal is the best way to correct major deficiencies in that Act. We also strongly support making additional resources available from outside the Commodities Title to make these changes. However, if they are not made available, we encourage you to consider ways to make these adjustments using resources within the Commodities Title.

Thank you very much.

Richard Ostlie
President, American Soybean Association