



**NATIONAL SORGHUM PRODUCERS  
FARM BILL TESTIMONY**

*Presented to:*

**House Agriculture Committee**

**June 24, 2010**

**1300 Longworth House Office Building  
Washington, D.C.**

*Presented by:*

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## **Introduction**

On behalf of the National Sorghum Producers, I would like to thank the House Committee on Agriculture for the opportunity to discuss the next U.S. farm bill and its impact on my operation.

My name is Gerald Simonsen, and I farm near Ruskin in Nuckolls County, Nebraska. I raise sorghum, soybeans, wheat, corn, and cattle. My granddad was one of the first producers in Nebraska to plant sorghum, beginning in the early 1930s. Sorghum was his safety net, providing feed for his livestock when other crops failed. To this day, sorghum remains a valued, necessary crop on my fourth-generation family farm.

NSP represents U.S. sorghum producers nationwide, and our mission is to increase the profitability of sorghum producers through legislative and regulatory representation. I am chairman of NSP's board of directors. I also serve on the NSP legislative committee as I understand that the actions of this committee and the actions of the U.S. Congress have a significant impact on my farming operation.

NSP supports the work put forth by this subcommittee in passing the 2008 Farm Bill and looks forward to working with the committee to craft the next set of vital farm policy. My testimony will focus on four areas of farm policy as they relate to sorghum's safety net, including crop insurance, budgets, the importance of the Energy Title to sorghum producers, and the sustainability of sorghum.

## **Industry Overview**

The Great Plains states produce the largest volume of grain sorghum, but the crop is also grown from Georgia to California and South Texas to South Dakota. According to the National Agricultural Statistics Service, last year sorghum was produced in many of the states that you represent. This includes Kansas, Georgia, Mississippi, Colorado, Nebraska, South Dakota, Missouri, Texas, Iowa, Indiana, Oregon, North Carolina, Illinois, Maryland, Pennsylvania, Oklahoma, and Ohio.

Over the past 15 years, grain sorghum acreage has ranged from a high of 13.1 million acres in 1996 to a low of 6.5 million acres planted in 2005. Annual production from the last 15 years has ranged from 795 million bushels to 277 million bushels, with an approximate value of \$1.2 billion annually.

The creation of the Conservation Reserve Program in the 1985 Farm Bill had a significant impact on the sorghum industry as producers enrolled thousands of sorghum acres in the program. For past sorghum crops, poor risk management program coverage has also played a role. Thus far, crop insurance changes to the 2008 Farm Bill will place sorghum on a more level playing field with other crops.

# NATIONAL SORGHUM PRODUCERS

Today's sorghum acreage is one-third of its level prior to the 1985 Farm Bill. It is a goal of the industry to increase producers' profitability and to bring acres back toward the pre-1985 Farm Bill level. NSP expects that returning acreage to that level will help ensure necessary infrastructure to supply the needs of the ethanol industry, livestock industry and export markets.

In addition, forage sorghum utilized as silage, hay and direct grazing represents an additional 5 million acres of production, approximately. The USDA reported that in 2009, 254,000 acres of sorghum were harvested for silage, producing approximately 3.7 million tons of silage.

The U.S. is the world's chief exporter of grain sorghum, and the crop ranks fifth in size as a U.S. crop behind corn, soybeans, wheat and cotton.

Grain sorghum is typically exported to three main markets: Mexico, Japan and the European Union (EU). Sorghum is a non-transgenic crop. According to the April 9, 2010 World Agricultural Supply and Demand Estimate (WASDE), U.S. exports will account for 38 percent of this year's sorghum use.

The most important new market for grain sorghum is the ethanol industry. According to the latest WASDE report, ethanol production will account for 26 percent of domestic grain sorghum usage. This is more than triple the amount of the 2007-08 crop year. This market has even more potential with the classification of grain sorghum as an advanced biofuels feedstock in the 2008 Farm Bill.

In addition, the U.S. dominates world sorghum seed production with a \$200 million seed industry focused on 200,000 acres primarily in the Texas Panhandle.

Sorghum is a unique, drought tolerant crop that is a vital component in cropping rotations for many U.S. farmers.

## **Sweet and Energy Sorghum**

Two other very important sectors of our industry are sweet sorghum and energy sorghum. Most Americans perceive sweet sorghum to be used to make syrup or molasses. However, it is also used worldwide for the production of ethanol. India and China are producing ethanol from sweet sorghum and the Department of Energy has supported several sweet sorghum pilot studies to explore the potential of sweet sorghums as a feedstock for ethanol production.

While several of the current Energy Title programs cover these two segments, there has been little else done to support these crops. These crops do not receive benefits as Title I commodities, nor as specialty crops. NSP is currently working with these segments of our industry to develop requests to help these important energy crops progress as viable feedstocks for a future generation less dependent on foreign oil.

## **2008 Farm Bill**

### **Crop Insurance**

In the 2008 Farm Bill, Congress instructed RMA to work with five independent reviewers to establish a new methodology for implementing price elections for the 2010 crop year. This methodology was required to be transparent and replicable. As part of the Farm Bill language, RMA was required to supply the data used to compute price elections.

After extensive work with RMA, I am pleased to report that crop insurance price elections for this crop season increased from 88 percent the price of corn to 97.8 percent the price of corn. This will make a huge difference in the insurability of sorghum because farmers will have a competitive insurance product. However, grain sorghum still has the lowest participation rate in crop insurance programs among major row crops. The two main reasons for this are declining actual production history and premium increases. Producers suffering from a multiple year drought have seen actual production histories decline dramatically while their premium increased. As a result, producers are paying more for less coverage. Producers realize the low risk involved with sorghum enables a perfect fit with enterprise units, which has become widely used by sorghum producers.

An increased subsidy on enterprise units has allowed sorghum producers to increase coverage on their crop while paying a lower premium. Many sorghum producers have taken advantage of this opportunity to increase their risk management coverage. I would suggest a change, only for enterprise units, that would allow the separation of irrigated and non-irrigated practices into separate enterprises.

The action of this committee and Congress in the 2008 Farm Bill will give me more planting options and ability to choose a crop that is an agronomic fit for my land. Thank you for working diligently to help correct these crop insurance issues in the 2008 Farm Bill.

NSP also thanks the subcommittee for the 508h program available under the 2008 Farm Bill for introducing crop insurance to underserved crops. NSP will be happy to work with insurance companies in developing a sweet sorghum insurance product, but we cannot do that until EPA approves sweet sorghum as an advanced biofuel feedstock. Until this happens, the industry struggles to have commercial production of sweet sorghum for ethanol or power generation.

### **Loan Rate**

Significant improvements were made in the last two farm bills in regard to how the loan rate for sorghum works at the producer level. However, one challenge remains for producers. The loan level today is far below the cost of production. According to most current budgets in the Sorghum Belt, the breakeven for sorghum is in the \$2.62 to \$3.36 range, well above the current loan rate for sorghum at \$1.95 per bushel. Therefore, when sorghum reaches the loan price, the producer is already in significant financial distress.

## **Direct Payment**

Direct payments, while not necessarily tied to a specific crop being planted, have proven to be a very easy and efficient payment for producers. It is one of the few parts of the current safety net bankers have certainty with and will provide financing for our producers.

## **SURE**

The SURE program had many positive aspects surrounding it during the 2008 Farm Bill debate. It was a quality idea that showed promise to help end the challenges of annual ad-hoc disaster assistance and become a viable answer for producers. Unfortunately, as of today, it is a program that is not funded at a high enough level to work well for the producer. Additionally, SURE, as written, is without a doubt the most complex piece of farm policy farmers and lenders have ever seen. This program has proven to be incredibly frustrating for producers, as they remain unsure where they stand in terms of receiving benefits from the program. The extensive lag in time between the disaster itself and any financial assistance is especially challenging for young farmers who are the ones who need it the most. Finally, the requirement that NAP or some insurance product be bought on every crop of every acre of an entire operation to maintain eligibility is unpractical for today's farming and livestock operations. Sometimes producers will not even make decisions on what forages they will plant until after insurance sign-up deadlines, thus limiting one of the real freedoms that producers appreciate about current Farm Bill legislation.

## **Counter Cyclical Payments**

Sorghum producers have not yet received payments from the counter cyclical program under the 2008 Farm Bill. Like the current loan rate, the trigger level is set too low to provide adequate protection for producers.

## **ACRE**

Only 4.85 percent of sorghum farms enrolled in ACRE for 2009. This remains lower than corn, wheat and soybean participation, but is more than the enrollment percentage for cotton. The program is too uncertain for producers to give up a portion of their direct payment. Because ACRE is essentially a statewide GRIP program, it only makes sense that participation by sorghum growers would be low because grain sorghum producers have had historically low participation in GRIP insurance offers. A program that is based on a national price and statewide yield has too much uncertainty for producers. Even if a producer did participate and the ACRE payment was triggered for a state, the producer may not receive a payment at all if he was over his personal guarantee. Consequently, the program has risk at the national level in terms of price, state level for yield, and individual level for yield. Why would a producer participate in such a risky proposition when a direct payment is guaranteed?

## **Balancing the Budget**

As this committee prepares to develop farm policy for 2012 and beyond, I would like to remind the committee that the agriculture sector has been contributing to positive economic growth of our economy. We encourage the committee to recognize the success of investing in rural America. We believe the committee has done a very good job of making sure increases in farm bill spending have been paid for and we would like to be recognized for that fiscal responsibility by maintaining a strong safety net for sorghum producers.

Viable farm businesses are essential to the safe and reliable production of food, fuel and fiber for the United States and cutting commodity programs that farmers rely on will only weaken our national infrastructure for these products.

We remind the committee that investing in rural development should focus on agriculture development. Production agriculture truly brings money into the rural economy, supports local businesses, and educates our youth. Off-farm jobs do not keep my local school district's tax base healthy. The school district is dependent on property taxes, which are driven by land values, which are driven by farm economics.

Finally, trade is vital to our marketplace since 38 percent of U.S. grain sorghum is exported. We support a robust trade agenda. This includes an immediate passage of pending bilateral free trade agreements with Colombia, an eventual Doha deal that provides significant new market access for U.S. sorghum producers, normalization of the U.S./Cuba trade relationship including lifting the travel ban, and full funding for both the Market Access Program (MAP) and Foreign Market Development (FMD) program.

## **Energy Title**

One-quarter to one-third of the sorghum crop is processed through an ethanol plant. The ethanol industry is the biggest value-added industry to hit the Sorghum Belt. We want to work with the committee to fully employ rural America and help secure our energy independence.

As previously mentioned, investment in rural America has shown good returns for the U.S. government. We believe the committee should continue to invest in the Energy Title of the farm bill. Currently, more than one-third of the U.S. grain sorghum crop is now processed through an ethanol plant. The renewable fuels industry is the fastest growing value-added industry for the sorghum industry.

We also believe that sorghum can be involved in many aspects of the renewable fuels industry. For example, the versatility of sorghum is attracting attention from the seed industry as it looks at sweet sorghum for its potential ethanol production. Biotech companies are recognizing the diversity of the sorghum crop and companies are looking at making bio-diesel out of sorghum.

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We encourage the committee to continue programs of the Energy Title of the farm bill. For example, the Bioenergy Program for Advanced Biofuels (section 9005) Program has boosted sorghum markets by encouraging ethanol plants to use sorghum. The BCAP program, if implemented correctly, will help build sweet sorghum as a feedstock for companies looking to make ethanol out of its sugars. However, neither program has run its course or completed its work. Both programs should be maintained in the next farm bill to continue to develop existing and emerging markets for farmers that are involved in energy production.

At the same time, we encourage the committee to look at new proposals for energy programs in the farm bill that will continue to involve the agriculture industry in the business of providing America's energy and ending U.S. dependence on foreign oil.

## **Water-Sipping Crop**

Finally, sorghum is a water sipping, highly sustainable cropping option for many producers across the U.S. Especially in the semi-arid Sorghum Belt, sorghum is an excellent fit for farmers with limited irrigation capacity or dryland farmers without predictable rainfall. Sorghum demands less water and is able to withstand these dry conditions by becoming temporarily dormant during moisture stress. Therefore, in areas where water supplies are limited, grain sorghum and forage sorghum conserve an important resource while offering more yield and sustainability with fewer risks.

In addition, sorghum tends to use less fertilizer than other crops and produces high yields with proper management. As the committee works to reauthorize its conservation programs, we encourage you to consider programs that make efficient use of water in the semi-arid Sorghum Belt.

Agriculture accounts for almost 70 percent of world water use. University studies have compared water savings through alternative cropping patterns and the use of crops that require less water, such as grain sorghum. NSP is prepared to support farm bill language that recognizes the sustainability and environmental benefits of crops like sorghum while maintaining the profitability of sorghum producers.

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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: Gerald Simonsen

Address: 774 Road 4300, Ruskin, NE 68974-7001

Telephone: (402) 279-3965

Organization you represent (if any): National Sorghum Producers

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: **None.**
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:

2006-2007 Competitive Grant

Source: Southern Risk Management Agency

The Use of GRP/GRIP for Coverage of

Amount: \$10,000

Sorghum Silage in Texas, New Mexico,

Oklahoma and Kansas.

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

Signature: Gerald Simonsen

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**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.***

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

**House Rules\* require nongovernmental witnesses to provide their resume or biographical sketch prior to testifying.**

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## **Gerald Simonsen Biography**

Gerald Simonsen has been a resident and producer in Nebraska his entire life. He currently farms 1600 acres on his fourth-generation family farm, 450 of which are sorghum acres. Not only is Mr. Simonsen a board member for National Sorghum Producers, but he has also served as a Nebraska Grain Sorghum Producers Board member and an FFA Advisory Board member. Mr. Simonsen currently serves as Chairman of the NSP Board of Directors.