

TESTIMONY

Presented by
Jay Hardwick, Vice Chairman
on behalf of the
National Cotton Council
before the
United States Senate
Committee on Agriculture, Nutrition and Forestry
and the
Ad Hoc Subcommittee of the Homeland Security and Government Affairs
Committee
on
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The National Cotton Council is the central organization of the United States cotton industry. Its members include producers, ginners, cottonseed handlers, merchants, cooperatives, warehousemen, and textile manufacturers. While a majority of the industry is concentrated in 17 cotton-producing states stretching from the Carolinas to California, the downstream manufacturers of cotton apparel and home furnishings are located in virtually every state.

The industry and its suppliers, together with the cotton product manufacturers, account for more than 230,000 jobs in the United States [U.S. Census of Agriculture]. Annual cotton production is valued at more than \$5.5 billion at the farm gate, the point at which the producer sells his crop [Economic Services, NCC]. In addition to the cotton fiber, cottonseed products are used for livestock feed, and cottonseed oil is used for food products ranging from margarine to salad dressing. While cotton's farm-gate value is significant, a more meaningful measure of cotton's value to the U.S. economy is its overall economic impact. Taken collectively, the annual economic activity generated by cotton and its products in the U.S. is estimated to be in excess of \$120 billion [Economic Services, NCC].

Mr. Chairman, I am Jay Hardwick from Newellton, LA, and I currently serve as Vice Chairman of the National Cotton Council. I am also a Director on the National Peanut Board, Vice Chairman of Cotton Inc., past President of the Louisiana Cotton Producers Association, Vice President of the Louisiana Cotton Warehouse Association, Vice President of Newellton Gin Co., a Director of Farm and Livestock Credit, Inc., member of the Louisiana Black Bear Management Program, and a Director of the Tensas Concordia Soil and Water Conservation District. Our family-operated farm includes 7,300 acres of cotton, corn, grain sorghum, peanuts, soybeans, and wheat in Northeast Louisiana adjacent to the Mississippi River. Our production mission is to achieve a viable and profitable farm enterprise while providing a balance between habitat and production resources with a minimum impact upon the farm ecosystem. Emphasis is placed on conservation crop production methods including no-till, crop rotation, residue maintenance, erosion control and precision technologies to apply and reduce pesticides and nutrient resources to help restore and improve water, air, soil,

wildlife habitat and crop production economics. Plentiful fish, deer, turkey, neo-tropical birds, migratory waterfowl, turtles, alligators, black bears, and increased sightings of eagles and various cat family members inhabit the property.

Thank you for holding today's hearing and thank you for allowing me to try to describe the devastating effects of Hurricanes Gustav and Ike. Senator Landrieu, we sincerely appreciated you taking time to tour some of the affected areas last weekend.

While my comments will focus on cotton, it is important to point out that no crop was spared damage. During Gustav our family farm received over 20 inches of rain and ruined or damaged essentially all of our crops. Much of the Louisiana cotton crop was at an extremely vulnerable stage of production. Many of the bolls were open on the plants as we are rapidly approaching harvest. Due to the extreme amounts of wind and rain much of the cotton that is still attached to the plants will be not be harvestable due to rot or if harvested the quality of both lint and cottonseed will be significantly below normal.

Extension specialists from Louisiana State University estimate that revenue from the 2008 cotton crop will be reduced by between \$125 and \$137 million--a 52-57% decline in farm-gate value. Specialists also estimate that over 80,000 acres of cotton will not be harvested. On the remaining acres, yield losses will be dramatic. In many parishes, crops that were expected to produce 3 bales per acre are now projected to produce only 1 bale per acre. In addition to the yield losses, the revenue from the harvested cotton will be significantly less due to quality and grade reductions.

The impacts of the Hurricanes Gustav and Ike are being felt far beyond the farm gate. Agriculture's infrastructure suffered physical damages due to the high winds and excessive rainfall. The economic losses extend beyond the physical damage as cotton gins, warehouses, and grain elevators rely on volume moving through their operations to cover their fixed costs and maintain their labor force. Unfortunately, many of our gins and warehouses will have process significantly reduced volume or no volume at all in 2008.

With some of the worst damage in history farmers will look to crop insurance and the recently enacted permanent disaster program for assistance. Unfortunately, for many cotton farmers, the prospect of meaningful financial assistance from these programs is uncertain at best. While almost all cotton acres in Louisiana are insured at some level, more than half of the state's acres (54%) are insured with only the Catastrophic (CAT) level of coverage. This level of coverage will provide minimal benefits and then only if the crop had catastrophic losses. Some of the hardest hit parishes like Catahoula and Concordia Parishes with over 37,000 acres of cotton are only covered with CAT level policies. In addition, the producers who purchased buy-up crop insurance did not purchase the highest levels of coverage. Some may ask why so many producers did not purchase higher levels of crop insurance coverage. Historical experience has shown that in most years the expected benefits do not outweigh the costs of the higher coverage levels. Unfortunately, this year is not typical of most years.

I applaud the effort and foresight of Members of Congress for including a permanent disaster provision in the recently enacted farm bill. Unfortunately, I am concerned that the program will not be able to meet in a timely manner the needs of farmers who have suffered devastating losses this year. First, due to budget constraints, the permanent disaster program was developed with only a fraction of the funding compared to spending under previous *ad hoc* disaster programs. Second, as currently written, the disaster program guarantee is based on the level of the farm's crop insurance coverage. This will do little to help those acres with CAT coverage. And third, while USDA has made excellent strides in implementing many of the provisions of the new farm law, we have yet to see the details of the permanent disaster provisions. It is also evident that the data required to administer the whole-farm, revenue-based disaster program will not be available for some time. This means any financial assistance, in the absence of an advance payment, can not be made available to farmers until the latter half of 2009. That is simply too late for those that have suffered losses.

As you know, today's modern farming operations require expensive inputs and investment. Input and technology costs have escalated in 2008 with sky-rocketing fuel and fertilizer prices. We are experiencing these losses at the absolute worst time because we incurred maximum costs of production as the harvest approaches. We are now dealing both with the impact of the lost revenue for this year's crops and trying to finance next year's crops. Without timely assistance, many Louisiana growers will be unable to settle this year's outstanding debt or secure the necessary financing for next year's crop. In short, without timely assistance, some farmers will find themselves in a financial situation that will make it difficult to continue farming.

Louisiana is not the only state with losses due to Hurricane Gustav. USDA data indicate that approximately 470 thousand acres of cotton were planted in South Texas in 2008. USDA's preliminary estimates of harvested area imply approximately 400,000 will be harvested, leaving 70,000 acres abandoned. In southeast Arkansas, losses might run 25%, according an initial estimate by the Extension Service. Damage also is being reported in Mississippi, mainly in the south and central Delta counties where the heaviest rains fell and some fields flooded.

The National Cotton Council recently joined with other agricultural organizations in a letter to USDA's Risk Management Agency requesting expedited appraisals for crop insurance policy holders. This would help speed payments for those covered by crop insurance. However, more needs to be done. I encourage Congress to develop a plan that will deliver financial assistance to producers in a timely manner. Enhanced crop insurance coverage, timely *ad hoc* disaster relief, supplemental payments delivered in the same manner as direct payments, and enhancements to the provisions of the permanent disaster programs should all be considered in order to expedite assistance that is commensurate with the losses that have been incurred. In addition, additional funding for existing conservation program can be used as a means of providing assistance for restoration of damaged fields. Finally, I urge the Committee to consider providing some form of financial assistance to gins, warehouses and other key

components of our infrastructure who will experience significant financial losses due to sharply reduced volumes.

Mr. Chairman, the economic losses caused by the hurricanes are dramatic and severe, and immediate assistance is needed. Many farmers simply do not have the financial resources to wait until 2009 for assistance.

Thank you for your consideration of our views and recommendations and for giving me the opportunity to present testimony.