



U.S. Durum Growers Association

PROMOTING THE PRODUCTION AND MARKETING OF DURUM AND SEMOLINA

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Senator Conrad, thank you for providing me the opportunity to testify today.

My name is Larry Neubauer and I am a third generation farmer from the Bottineau area. My wife of 25 years, Tami, and I have 4 children. My oldest, a daughter, just graduated from the Air Force Academy last May and 3 sons ranging from a high school freshman to a college junior at NDSU. All of our children participated in crop production enterprises and I look forward to turning over the farm to one or more of them in the future. We raise durum, spring wheat, barley, canola, sunflowers and flax in a minimum tillage farming practice.

I am here today as President of the United States Durum Growers Association. The USDGA is the voice for durum grower's concerns in national and state legislative decisions as well as regulatory agencies' decisions affecting agriculture. The USDGA's mission is *USDGA provides a voice for durum producers on agricultural policy and the durum industry, while striving to keep producers informed about the latest technology in durum production.* We are responsible to the North Dakota Wheat Commission for durum domestic policy.

Over the last several years, the USDGA has been focused on addressing the significant decline of durum production in North Dakota. Historically, North Dakota produced almost 90% of the U.S. durum, however, that has fallen to about 70% while other growing regions including California and the Southwest United States have maintained their durum production. Not only is North Dakota the largest durum producer, but has the nation's highest durum milling capacity of over 85,000 bushels per day and is home to several pasta plants.

Fusarium Head Blight (scab), changes in historical growing regions and increased imports threaten to reduce North Dakota durum production to a minor crop status. Minor crop status could lead to reduced priority for research dollars and production development. In North Dakota, the eastern third of the state, especially the northeastern sector has experienced the greatest impact of scab. Most of North Dakota's durum and a large portion of U.S. durum was grown in this area. Since 1993 substantial losses in durum production due primarily to scab infestation has forced a dramatic shift in the areas of production towards the west and south. The

northern half of the state produced 71% of the state's durum in 1991 (NASS). By 1998 that had fallen to 61% and by 2005 only 39% of the state's durum was produced in that region.

The industry has high hopes for the success of the Durum Wheat Quality Program in addressing the decline of durum production. The DWQP, enacted in the last farm bill, is a cost-share program between growers and USDA to offset part of the cost of fungicide applications for scab until genetic resistance is found. Congress has provided funding for the program and USDA recently released the final implementation regulations enabling durum producers to sign up for the program. USDGA has requested producers compile data on the effectiveness of treated crops vs. untreated crops to corroborate the effectiveness of the program.

Another factor contributing to the decline of durum production was the lack of adequate price coverage for durum in Federal Crop Insurance products. The primary reason for this discrepancy was instead of coverage being based on actual market prices, it was based on spring wheat prices. While the Risk Management Agency (RMA) could provide a premium for durum price selection over the spring wheat price, the premium failed to properly reflect the significant historical market price differential of durum to spring wheat.

In response to USDGA's concerns, RMA worked to provide an additional price election by type for durum for the Revenue and APH-90 (Actual Production History) crop insurance coverage products for the 2010 growing season. Since there was no durum futures market, RMA agreed to USDGA's recommendations to include historical market premium data for durum in a new formula that continues to use historical data, actual cash bids and projected market prices. While RMA could not secure these changes for the 2009 crop year Revenue products, the agency's 2009 APH price selection of \$7.65 per bushel was a testament to RMA's understanding and responsiveness to the concerns raised by USDGA regarding the historical price differentials between durum and spring wheat. This premium was .95 above the spring wheat selection price of \$6.70 and was a significant increase over the .20 premium provided in 2008. 2010 crop year prices elections resulted in durum at \$8.11 (Revenue products) and \$6.00 (APH) versus \$7.08 and \$4.90 for spring wheat, respectively. USDGA continues to work with RMA on insurance issues.

I believe both of these policy changes will not only encourage and incentivize farmers to produce more durum, but will directly benefit the growing domestic pasta and milling industry. This pasta and milling industry consumes 75-80 million bushels of durum each year. A consistent supply of quality domestic durum is

critical to the pasta and milling industry of Arizona, California, Montana, North Dakota, Wisconsin, Missouri, Virginia, Iowa, South Carolina, and Minnesota. The vitality and growth of the durum industry is critical to the continued employment of thousands of people throughout the industry.

What can be done to address the uncontrollable and sometimes unforeseen risks associated with raising durum?

1. Continued public and Congressional support for adequate crop insurance at a price that is affordable to the producer. The quality and grading factors need to mirror those used by FSA for the purpose of Loans and LDPs. Crop insurance needs to cover the gaps that are currently present due to quality issues. Falling numbers are going to be addressed in crop insurance for 2011. HVAC is very important to durum quality.
2. The 2012 Farm Bill needs to fund the DWQP without the need for annual appropriation requests. This program aims at producing the safest quality (reduces toxins) durum for food.
3. The 2012 Farm Bill needs to include a permanent Disaster Program. If dollars are to be cut, maybe some fixed payment money could fund the program. Do producers need the fixed payments in profitable years?
4. USDGA has always advocated higher loan rates. The current formula uses prices from multiple years to determine the loan rates. This is a counter cyclical program that only is utilized in times of depressed prices and is only applies to bushels actually produced. 2009 and 2010 are examples of durum production qualifying for LDPs because of depressed market values. My sons all had cash flow needs and had to sell their durum into the market at prices less than the loan rate. The LDP program worked properly to ensure my sons the loan rate value based on the quality criteria.

Senator Conrad, I appreciate you taking the time to provide us with this forum as you begin to prepare for the next Farm Bill. The USDGA looks forward to working with you to enact policies which will ensure the continued ready supply of high quality food for this country.