Testimony of

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On behalf of
USA Rice Federation
and
US Rice Producers Association

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Introduction

Good morning, Chairman Harkin, Ranking Member Chambliss, and Members of the Committee.

I am Paul T. Combs, a rice, cotton, soybean, and wheat farmer from Kennett, Missouri. I currently serve as a vice-chairman of the USA Rice Federation, and as the Chairman of the Federation's USA Rice Producers' Group.

I am pleased to appear today on behalf of both the USA Rice Federation and the US Rice Producers Association.

Mr. Chairman, we thank you for holding this hearing and for the opportunity to express our views on the farm bill.

The U.S. rice industry supports maintaining an effective farm safety net that includes the marketing assistance loan program, direct payments, countercyclical payments, and planting flexibility.

As you probably know, on August 18, 2006 USDA announced the presence of trace amounts of genetically engineered (GE) rice mixed with a commercial long grain rice sample in the Southern rice producing states. This was the first occurrence of GE rice in commercial rice supplies and was a surprise to the industry given that there had been no commercial production of GE rice in the U.S. Both USDA and the Food and Drug Administration (FDA) clearly stated that their analysis of the Liberty Link protein found in long grain rice poses no human health, food or feed safety or environmental concerns and is safe for consumption.

Since last August, there have been two additional Liberty Link traits discovered in long grain rice commercial supplies. All three of these incidences have caused significant market disruption, economic loss, planting uncertainty, and overall financial strain on the U.S. rice industry.

In addition to the GE rice situation, our industry has also been negatively impacted on the trade front by the willingness of U.S. trade negotiators to agree to a U.S.-Korean Free Trade Agreement (FTA) without any additional access for U.S. rice. We were completely excluded from the FTA.

It is these types of unexpected market events and unfulfilled promises of market access that are just more examples of the need for a strong safety net for rice producers.

Farm Bill Budget

We would like to thank the members of this Committee for the bipartisan effort you have made to obtain additional budget resources to help in developing the best farm policy possible. We are well aware of the difficult budget situation we are facing, but also fully agree with the position taken by the Committee in its budget letter sent to the Senate Budget Committee.
The fact is that U.S. farm policy will have saved about $25 billion since passage of the 2002 Farm Bill. As a result, the commodity program budget baseline according to the Congressional Budget Office has fallen by about 43 percent since 2002. At the same time, input and production costs for rice producers has risen by more than 42 percent since 2002. As such, the Agriculture Committees should be given some credit for this savings and provided an additional budget allocation for maintaining a farm program safety net in the farm bill.

We recognize the many competing interests that must be considered when assembling a farm bill. New needs have been identified since passage of the 2002 Farm Bill. However, the safety net we have today is still vitally important to farmers and rural America--as important as when the 2002 farm bill was written.

Commodity Programs

Overall, the rice industry strongly supports the continuation of the current farm programs within the commodity title of the farm bill. We believe the structure of the 3-prong safety net of a non-recourse marketing loan program, direct payment program and counter-cyclical program are working as designed to ensure a safety net for producers. When prices increase, program expenditures decline because less support is needed. This has resulted in the approximately $25 billion in actual and projected savings from the commodity programs over the course of the 2002 farm bill.

Payment Limitation Policies

The U.S. rice industry opposes any further reduction in the payment limit levels provided under the current farm bill. We also oppose any government policies that attempt to "target" payments or apply a means test for agricultural production payments. Payment limits have the negative effect of penalizing viable family farms the most when crop prices are the lowest and support is the most critical. To be a viable family farm, we must use economies of scale to justify the large capital investment costs associated with farming today. It is essential that rice producers maintain eligibility for all production to the non-recourse loan program. Arbitrarily limiting payments results in farm sizes too small to be economically viable, particularly for rice, cotton, and peanut farms across the Sunbelt. When the issue of payment limits is brought up, oftentimes opponents of production agriculture attempt to use misleading statistics taken out of context for the purpose of making their argument. Here are some key points that I know we are all probably aware of, but it's important to be reminded of so that we see the real picture of production agriculture.

Statistics skewed by "Rural Residence Farms": "Rural residence farms" as defined by USDA represent about two-thirds of the 2.1 million "farms" in this country. Excluding these farms where farming is not the primary occupation of the family results in a very different picture about the percentage of "farms" receiving farm program payments. The universe of farms actually producing this nation's food and fiber is much smaller than 2.1 million. In fact, 38% of farms produce 92% of our food and fiber and receive 87% of farm program payments.

While we support the overall structure of the current commodity programs, there are some rice specific legislative adjustments within the structure of the programs that are needed to address some issues that have arisen relative to rice.

Rice Program Support Levels

Within the current marketing loan program, the statutory loan rate for rice is set at a national average rate of $6.50 per hundredweight of rice (about 2.22 bushels). The loan rate for rice has remained unchanged since 1989. However, over that time period production costs and operating expenses have increased exponentially and continue to escalate. As a result, since the enactment of the 2002 Farm Bill the support provided by the rice loan compared to the variable cost of rice production has fallen by a whopping 33 percent! In 2002 the rice loan rate represented about 150 percent of the variable cost of producing rice. Today that same loan rate represents only about 100 percent of the variable cost of producing rice. This represents a greater effective reduction in the support level for rice than for any other program crop since 2002, and is now lower than for any other program crop. As such, we are seeking a very modest increase in our rice loan rate from the current level of $6.50/cwt to $7.00/cwt.

In the 2002 farm bill, when the target price and counter-cyclical payment system was established, the target price for rice was set at $10.50/cwt and remains at that level today. Again, due to the continued increase in production costs, we are seeking a $.50/cwt increase in the target price to $11.00/cwt.

Loan Rates by Class

The current statutory loan rate for rice is set at $6.50/cwt, but there are currently 3 distinct loan rates for rice by class that are set by USDA for each crop year: long grain, medium grain, and short grain. The average of these three loan rates must equal the $6.50/cwt national average set by current statute in the farm bill for rice. Over the course of the marketing loan program operation, there has been a differential between the loan rates for the several classes of rice, while the statutory loan rate has been set at one level for all rice. USDA has recently undertaken efforts to "rebalance" these loan rates by class. We have concerns with the approach being used by USDA in this process. After studying and analyzing the issue we believe that the most appropriate course is to set the loan rate at the same level for all classes of rice--long, medium, and short grain.

Analysis of the impact of the changes proposed by USDA suggests that the modifications would have a significant impact on the rice industry. At first glance, changes in class loan rates would appear to cancel each other out, assuming that the method to report adjusted world prices remains unchanged. If so, the result would basically be a transfer of loan support from long grain rice producers to producers of medium and short grain.

However, these changes in payments could be large enough to generate a round of false market adjustments as producers shift acreage in response to the change in the program and markets react to the resulting larger medium and short grain supplies and smaller long grain supplies. In other words, this new "equilibrium" envisioned by USDA will not have been achieved without causing significant economic pain.

Arriving at a new "equilibrium" between long and medium/short grain loan rates will likely entail significant adjustments along regional lines. Within the long grain sector, the higher cost producers that are already operating at low rates of return would suffer the greatest burden. Losses in revenues would be concentrated in the areas where producers have the lowest ability to take advantage of changes in loan rates by shifting between varieties, such as Missouri, Mississippi, and Texas. Any gains in revenue would be concentrated in California where producers would receive a higher return on their existing production, and the potential to expand more profitable operations.

The current method of setting loan rates by class has allowed for the orderly production and marketing of rice that has provided ample supplies to the market without generating excessive stocks in either the public or private sectors. Although domestic prices for medium grain varieties have over time appreciated at a rate much faster than long-grain varieties, much of this increase reflects market forces unique to particular markets and even to particular medium grain varieties.

Therefore, we urge this Committee as you draft the farm bill to include statutory language directing USDA to set the national loan rate for each class of rice at the same level as established by the farm bill, with the only adjustment continuing to be reflective of milling yields. There should be no further loan rate differentials by class or location.

Making such a change to an "all rice" loan rate would, based on the current rice loan rate of $6.50/cwt, result in a slight reduction in the long grain loan rate of $0.09/cwt compared to the 2007 crop loan rate and an increase in the medium grain loan rate of $0.30/cwt and an increase of $0.22/cwt for short grain. Of note, long grain rice accounts for approximately 80% of total rice production, and medium and short grain rice accounts for approximately 20% of total production on average.

Adjusted World Price Calculation for Rice

Many in the industry are also concerned with the current methodology and formula used by USDA in calculating the "adjusted world price" (AWP) for rice. The AWP is set and announced each week by USDA as part of the marketing loan program. The AWP largely determines the level of loan program benefits (if any) provided to producers, based on the world prices for rice adjusted back to U.S. location and quality.

The current process employed by USDA is essentially a "black box" approach that provides little, if any, transparency in the process. This method worked well overall for a number of years after the marketing loan program was first established. However, over the course of the last few years, the AWP as announced by USDA has varied significantly at times from what was believed to be the true price relationships in the world market place. This has reduced U.S. competitiveness in the world market and diminished the producer safety net.

To help address this issue, the industry is analyzing the development of a more transparent formula that would be representative of the prices in the major world rice markets. Such an approach would work in principle similar to the method used for calculating the AWP for cotton, which utilizes a rather specific formula calculation for certain markets.

We believe by putting in place a transparent, verifiable formula and method for calculating the AWP for rice, producers and others in the industry could have greater confidence in the process. It should also help USDA to better calculate the AWP on a weekly basis.

As the several industry producer, processor, and other organizations further define and reach consensus on a proposal for a transparent method of calculating an AWP for rice, we look forward to working with the Committee to include legislative language in the farm bill to bring this much needed transparency to the process.

USDA Proposal

We have reviewed the Farm Bill Proposal developed by USDA and released in January. While it is clear a great deal of effort went into developing the proposal, it is unfortunate that many of the proposed changes, particularly in the commodity title, would have the damaging effect of weakening and in some cases practically eliminating the safety net the farm bill is intended to provide. However, the USDA proposal does call for an additional $5.0 billion in funding for the farm bill over the next 10 years, which is a positive and necessary part of the farm bill development.

Commodity Title

It is important to note overall that USDA's commodity program proposal recommends maintaining the key components of the safety net--non-recourse marketing loan program, direct payment program, and counter-cyclical program--although some of the changes within the programs are problematic, as described below.

The proposal to set loan rates based on previous 5-year Olympic average prices and to include a loan rate cap but not a floor would be especially damaging. This would essentially remove any real safety net that the marketing loan program is intended to provide. If market prices for a certain commodity begin to decline and continue that downward trend for several years, the result could be a loan rate significantly below the current loan rate levels. Loan rates should be set in statute at the appropriate level to provide a basic safety net level and not be altered during the life of a farm bill. This level of certainty and predictability is necessary for producers to obtain production financing and make long-term planning decisions.

Also, the proposal by USDA to modify the counter-cyclical program from a price-based trigger to a revenue-based trigger at the national level is also problematic for rice producers and the rice industry. Given the unique nature of rice production, we experience very little variation in yield or production, but can experience significant changes in market prices. Therefore, using market prices as the basis for counter-cyclical payments is important for our industry and something we continue to support. We would note that the justification for this change - helping producers when they have production losses - is not even accomplished by the proposal because producers in an entire region could lose their crop and so long as other producers made their crop and prices were strong, no payment would be made.

The current law adjusted gross income (AGI) provision prohibits commodity and conservation program payments from being made to individuals with greater than a $2.5 million AGI, excluding those individuals who earn at least 75% of their income from farming, ranching, or forestry. A major concern with the USDA proposal involves the reduction of the AGI test to only $200,000, and the repeal of the farmer safe harbor for those whose income principally comes from farming, ranching, or forestry.

We believe the idea of means testing for commodity programs in general is bad policy. A farm safety net - no matter how good it may be - is not worth anything to thousands of farm and ranch families if they cannot access it. The AGI proposal unfairly penalizes full time farmers who have diversified and expanded for purposes of achieving economies of scale in order to compete with foreign competitors that enjoy huge subsidies, tariffs, and questionable non-tariff barriers. This rule would injure U.S. farmers and ranchers as they fight to compete on a very lopsided global playing field.

The proposed AGI rule would make U.S. farm policy unpredictable, inequitable, and punitive for American farm and ranch families, especially tenant and beginning farmers and ranchers, as well as lenders, landowners, Main Street businesses, and rural communities.

This provision would also have serious consequences as it relates to rental agreements between landowners and producers. It would force landowners to cash rent their land rather than share production risks with their producer tenants. This will only hurt the "real producers" farming or ranching on the land. Large or wealthy landowners who are the apparent targets of this proposal will not suffer, but will simply cash rent their land to other producers who are likely eligible for program benefits.

The proposed AGI rule also makes it difficult or impossible for lenders to measure with any certainty the future cash flow of farm and ranch families in order to make both short and long term lending decisions. Uncertain whether the producer will be eligible for farm policy benefits, lenders - whether banks, farm credit system institutions, equipment dealers, or others offering business credit - will be unable to estimate producer cash flows with any level of certainty.

It is understandable why this type of rule has not been proposed for conservation programs under the Farm Bill. Or under the JOBS Bill that helps U.S. manufacturers compete globally. Or for doctors under Medicare. They didn't include this kind of a rule because it would have hurt the cause, not helped it. Similarly, farm and ranch families should not be means-tested out of farm policy based on their AGI because this, too, would undermine a fundamental purpose of farm policy: the provision of the safest, most abundant, most affordable food and fiber supply in the world to the American consumer.

We urge you to oppose the above provisions of the USDA farm bill proposal due to the severe consequences that would result from any one or combination of them. America's farm and ranch families are already facing enough uncertainty and difficulty without unnecessarily weakening the safety net as proposed by USDA.

Conservation Title

Conservation programs play an important role in production agriculture by providing financial cost-share and technical assistance to producers in their continual efforts to conserve water, soil, air, and wildlife habitat. The rice industry supports maintaining a strong conservation title in the farm bill, in particular one that emphasizes working lands programs, but not at the expense of the current commodity programs.

Voluntary, incentive-based, and science-based conservation programs are needed, as is the technical assistance program. The Conservation Security Program (CSP), and the Environmental Quality Incentives Program (EQIP) are important working lands programs that assist rice producers with protection of the environment and conservation of natural resources and should be reauthorized. In addition, the Wetlands Reserve Program (WRP), and the Conservation Reserve Program (CRP) each offers valuable conservation resources to producers should be maintained.

Rice producers were some of the early participants in the CSP and we see real benefits from continuing this and the other conservation programs. Specifically on the CSP, we would like to see the program implemented on a nationwide basis in an equitable fashion. We look forward to working with the Committee to address any refinements to the program going forward.

While all these conservation programs play an integral and important role in agriculture, any additional funding that may be provided for these programs should not come at the expense of the current commodity programs. The commodity programs provide an important farm safety net and are the first line of defense in ensuring producers remain on the land and can continue to be good stewards of our natural resources.

USDA's proposed farm bill calls for changes to current conservation programs, as well as additional funding for them. Of concern is that the proposed additional funding for its farm bill conservation programs could come at the expense of the commodity programs, something we strongly oppose. We believe that some of the USDA proposals, such as the consolidation and streamlining of certain conservation programs, deserve attention, but more detail would be needed to assess how effective and beneficial they might be for rice producers.

Wetlands, Waterfowl, and Wildlife

Rice farming is one of the few commercial enterprises that actually promotes wildlife habitat and improves biological diversity.

Since the very nature of rice production requires that fields be flooded for many months of the year, evidence shows unequivocally that it plays a vital role in supporting common environmental goals, such as protecting freshwater supplies and providing critical habitat for hundreds of migratory bird species.

Without rice farming, wetland habitats in the United States would be vastly reduced. A loss of this magnitude would have a disastrous effect on waterfowl and a host of other wetland-dependent species.

The clear and positive benefits that commercial rice production has for migratory birds and other wildlife species contribute not only to a more interesting and diverse landscape, but also provide economic benefits that support local economies and create jobs.

By providing an environment favorable to wildlife advancement, rice production clearly generates positive benefits to the economy and society.

As commercial development and urban sprawl continue to pressure existing agricultural and wetland resources, rice farming provides an environmental counterweight in the form of "surrogate" wetlands that directly support waterfowl and a wide range of species that would otherwise be even more threatened by habitat destruction. These widely noted environmental benefits accrue not only to current and future generations of wildlife enthusiasts, but also produce economic benefits that support recreational industries and, ultimately, local economies.

Trade Policy Impacts on the U.S. Rice Industry

The U.S. market for imported rice is virtually an open-border market, with U.S. tariffs on rice imports almost non-existent. The U.S. rice industry supports the elimination of all rice duties in other importing countries, and equitable tariff treatment for all types of rice.

Despite the general continuing trend towards market liberalization, rice outside the United States has remained among the most protected agricultural commodities. The level of government intervention in the international rice market through trade barriers, producer supports, and state control of trade, is substantially higher than for any other grains or oilseeds. High tariff and non-tariff barriers, such as discriminating import tariffs on U.S. paddy and milled rice exports, also are used.

These are major factors contributing to price volatility in the international rice market and a fundamental reason why the U.S. industry needs the stabilizing influence of current rice farm bill programs.

Because the U.S. rice industry exports between 40 and 50 percent of annual rice production, access to foreign markets is fundamental to the health of our industry.

The United States' share of world rice exports has averaged between about 10% and 13% over the last 10 years, down from a peak of about 30% as recently as 1975.

This decline in world export share reflects increased supplies from traditional exporters like Thailand and Vietnam, among other factors. U.S. sales are also constrained by market access barriers in high-income Asian countries like Japan, Korea, and Taiwan, and the European Union and Latin American countries.

Our industry was extremely disappointed by the total exclusion of rice from the recent U.S.-Korea FTA. The lack of a comprehensive agreement with Korea sets a bad precedent and calls into question our government's negotiating strategy. The lack of improved access to high-income consumers in Korea rightly raises questions about the benefits of trade agreements for our producers and marketers. The refusal or failure of our government to open markets like Cuba and South Korea underscores very clearly the importance of a strong domestic farm program safety net for rice producers.

The recent discovery of trace amounts of GE rice has also raised trade concerns. Even with the strong and continued assurances of our government regarding the complete safety of our rice, concerns have been raised by key importing countries. In fact, over 60% of our exports on a value basis have been impacted to some degree by the GE rice events of the recent months. The most severe impact is in the European Union (EU), which has put in place a strict requirement for testing of imports of U.S. long grain rice to certify it is free of Liberty Link 601 genetically engineered rice. The EU represents a 300,000 metric ton market annually worth over $100 million. USDA and USTR continue to work on our behalf to help ensure we regain and maintain access to this and other key markets. There are no safety concerns with this GE rice. The Liberty Link protein has been approved in several other crops (corn, soybeans, canola, cotton) in a dozen or more countries. This speaks to its safety and level of regulatory acceptance. We appreciate your Committee's continued support and assistance in working with USDA, USTR and our trading partners to ensure rice exports do not suffer further and that important export markets can be regained.

Market Promotion Programs

To assist the industry in continuing to promote our product in overseas markets, we utilize both the Market Access Program (MAP) and the Foreign Market Development Program (FMD) to conduct promotional activities. Both of these programs play a critical role in our promotion activities and we support reauthorization and funding of both programs at no less than the current authorized levels. The industry uses MAP and FMD extensively and successfully in one of the federal government's finest public-private export development and promotion partnerships.

Food Aid Programs

The U.S. rice industry is proud to contribute to the humanitarian feeding and food assistance programs that the federal government provides to those in need in foreign countries, in particular through the P.L. 480 Title I program. Title I has provided U.S. food aid successfully for over fifty years. Requests from eligible countries and other applicants continue to be received for its services. For these reasons, the industry believes the program still serves as an important food aid program and should be reauthorized and funded.

P.L. 480 Title I, which includes both its concessional sales and its Food for Progress components, P.L. 480 Title II, the McGovern-Dole International Food for Education Program, Food for Progress, and the Bill Emerson Humanitarian Trust are federal aid programs that feed the hungry and malnourished overseas. We encourage the continuation and funding of all U.S. food aid programs

The U.S. rice industry strongly opposes any attempt to convert P.L. 480 Title II food aid donations to a cash food aid program. The industry also strongly opposes any effort to authorize the use of U.S. taxpayers' funds to purchase food grown in foreign countries to be used as U.S. food aid, thereby displacing the use of U.S. farm products for food aid in the process.

The industry wants to work closely with the Congress in achieving reauthorization of P.L. 480 Title I concessional sales and Food for Progress programs. Title I concessional sales can be offered to eligible countries that qualify for its terms. In addition to receiving CCC funding, Food for Progress is authorized to receive resources from P.L. 480 Title I. The industry also wants to work closely to make sure that the Title II Program of P.L. 480 uses taxpayers' funds to procure and provide food donations of U.S.-produced agricultural commodities.

U.S. Trade Sanctions Unfairly Impact the Rice Industry

In addition to the distorted international markets faced by the U.S. rice industry, U.S. policies intended to punish foreign nations or encourage regime change disproportionately harm U.S. rice producers.

Unilaterally imposed U.S. trade sanctions have played a key role in destabilizing the U.S. rice industry and in constraining its long-term market potential. U.S. sanctions have and continue to place downward pressure on market prices to U.S. producers.

At various times within the past four decades, our number one export markets were closed because of unilaterally imposed U.S. trade sanctions policy:

Cuba: Prior to 1962 Cuba was the largest market for U.S. value-added rice, but since then this important market has been largely closed to U.S. exporters. As a result, China, Vietnam and Thailand have emerged to become major suppliers of the roughly 500,000 metric tons of rice that Cuba imports annually. Recent efforts to ease restrictions on U.S. sales of food and medicine to Cuba under the Trade Sanctions Reform and Export Enhancement Act of 2000 have allowed the United States to regain a share of this market, with U.S. rice exports to Cuba reaching nearly 177,000 metric tons in 2004, valued at more than $64 million. However, even these important gains are threatened by restrictive regulations imposed by the U.S. Treasury Department that have resulted in the volume of rice exports to Cuba declining by 12% in both 2005 and 2006 from the 2004 level. The United States has a considerable freight cost advantage over other exporters, which suggests that the further easing of the restrictions that remain in place could provide substantial opportunities for much larger rice exports to Cuba.

Iran: Similarly, in the 1970's the U.S. rice industry exported on average 300,000 metric tons of value-added rice to Iran. This was the largest U.S. rice export market for value- added rice, and it also was eliminated through the unilateral imposition of U.S. trade sanctions on Iran. But Iran's demand for imported rice continues to grow. In 2004 Iran imported 973,000 metric tons of rice valued at nearly $300 million, mainly supplied by Thailand and Vietnam.

Iraq: In the 1980's, U.S. rice exports to Iraq averaged about 400,000 tons. United Nations sanctions eliminated the market for U.S. producers even while this market grew to nearly 1 million metric tons ($200 million) supplied primarily by Thailand, Vietnam and China through the U.N. Oil for Food program. In 2005, U.S. rice sales to Iraq were resumed with exports of approximately 310,000 metric tons and climbed to 412,000 metric tons in 2006. We appreciate the efforts of our government to reopen this vital market.

The total of these three markets represents more than 2.5 million metric tons of market potential per year that the United States had lost for decades, and that in many cases remains restricted today far below its full potential. This is equivalent to approximately 25% of current U.S. production.

In light of significant market access barriers in many key rice-consuming countries, U.S. rice farmers are denied the opportunity to compete openly and fairly. These further restrictions imposed by our own government interfere with the industry's opportunity to discover a market price structure that could reduce the need for government support.

Renewable Energy & Agricultural Research

As you know, there has been considerable discussion and speculation already about the role renewable energy will play in agriculture policy in the future and in this farm bill. While the ethanol and biodiesel industries are currently expanding at a rapid pace, we believe cellulosic ethanol and the use of cellulose products for energy production is an area primed for growth and expansion. Certainly, resources are now being devoted to research and development of technologies to convert cellulose material into ethanol and other renewable energy products.

As technologies improve, the economics of renewable energy production from cellulose, including rice straw, may be aligning for other regions of the country to contribute towards our increased energy independence. We believe the use of rice straw for ethanol holds promise for both enhancing the financial health of the rice industry and the benefit of the nation's energy needs. And, it stands to reason that the demand for ethanol will track large population centers across the nation and a number of those are located near the rice growing regions of the country and will offer numerous marketing opportunities.

We urge Congress to include a comprehensive renewable energy title in the farm bill, including new funding for the research, development, and commercialization of the use of rice, rice straw, and other rice byproducts in ethanol and cellulosic ethanol production.

In addition, new funding may be necessary to restore our rice research and foundation seed infrastructure as a result of the encroachment of genetically engineered rice into our rice seed supplies and rice crop.

However, in developing and expanding the renewable energy and research titles, any additional funding for these initiatives should not come at the expense of the current commodity programs, which provide the foundation of the safety net for agriculture in general and for rice producers specifically.

Conclusion

Overall, the rice industry supports a continuation of the basic commodity programs structure, with the changes referenced above as it relates to rice: 1) Modestly increase the program support levels for rice to a loan rate of $7.00/cwt and a target price of $11.00/cwt.; 2) Set loan rates for all classes of rice at the same level, with no differential by class or location; and 3) Develop and implement a more transparent formula for the calculation of the AWP for rice.

U.S. farm policy must provide a stabilizing balance to markets and a reliable planning horizon for producers. We urge you to recognize how well the current farm bill is working for U.S. agriculture, and to consider ways to maintain its structure as we develop the 2007 farm bill.

We continue to believe that our current farm programs are a fiscally responsible approach to farm policy and provide a safety net when needed. They have resulted in $25 billion in savings from the estimated costs of the farm commodity programs of the 2002 Farm Bill.

Furthermore, any unilateral reduction of the current programs and funding levels of the farm bill will result in the effective "unilateral disarmament" by the U.S. when it comes to World Trade Organization (WTO) negotiations that the Administration is continuing to pursue. Such action would effectively weaken our negotiating position with other countries. We certainly do not agree that the pending WTO negotiations should dictate or steer our domestic farm policy. In fact, we fully support the views expressed recently by 58 members of the Senate in a letter to President Bush regarding the Doha Round negotiations, which stated "an unbalanced proposal that asks U.S. agriculture and rural communities to give more while getting less in market access is unacceptable". Farm policy should be directed by what's best for America's farm and ranch families.

Thank you again for the opportunity to testify and share our views with you as it relates to current farm policy and the development of the farm bill. We look forward to working with this Committee in crafting the strongest farm policy possible to continue to provide an effective safety net for American agriculture.

I would be pleased to respond to any questions at the appropriate time.