

**Testimony of the
USA Rice Federation
and the
US Rice Producers Association

Before the U.S. Senate
Committee on Agriculture, Nutrition, and Forestry

To Review Global Warming Legislation: Carbon
Markets and Producer Groups**

September 9, 2009

Introduction

Chairman Harkin, Senator Chambliss, and members of the Committee, thank you for holding this hearing on climate change legislation and carbon market issues. We appreciate the opportunity to offer testimony before the Committee on Agriculture, Nutrition, and Forestry concerning rice industry views on climate change legislation.

My name is Frank Rehermann and I offer this testimony on behalf of the USA Rice Federation. I currently serve as chairman of the USA Rice Producers' Group and vice chairman of the USA Rice Federation and am a rice farmer from Live Oak, California. My wife and I operate our farm as a family partnership growing 800 acres of rice in the Sacramento Valley. I have been farming since 1972.

U.S. Rice Industry Overview

The USA Rice Federation is the global advocate for all segments of the United States rice industry with a mission to promote and protect the interests of rice producers, millers, merchants, and other allied businesses that comprise much of the multibillion dollar U.S. rice industry. The US Rice Producers Association represents rice producers in all 6 of our major rice producing states. Together, USA Rice and the US Rice Producers Association represent virtually the entirety of the U.S. rice industry – from farmers to processors to marketers to exporters. The rice industry provides jobs and income for not only producers and processors of rice, but for all of these parties in the value chain.

Rice is planted on about 3 million acres in six states, including Arkansas, California, Louisiana, Mississippi, Missouri, and Texas. The U.S. rice industry is unique in its ability to produce all types of rice, from long grain, medium grain, and short grain, to aromatic and specialty varieties. Last year, U.S. farmers produced a rice crop of nearly \$3.4 billion in farm gate value.

Today, about 81 percent of all the rice that is consumed in the U.S. is produced here at home. And, despite U.S. and foreign trade barriers to U.S. rice exports, the U.S. remains the largest non-Asian exporter of rice and the third largest exporter worldwide. On average, between 40 to 50 percent of the U.S. annual crop is exported as either rough or milled rice.

The United States' top export markets for rice include Mexico, Japan, Iraq, Haiti, Canada, and most of Central America. In 2008 we exported over \$2.2 billion in rice to markets around the world.

Americans consume 25 pounds of rice per person per year. Of the rice produced by our farmers that remains in the domestic market, 53% is bound for direct human food use and 16% dedicated to processed foods, 15% for beer, 14% for pet food, and the remaining for industrial uses.

The 2005 Dietary Guidelines and MyPyramid recommendation, published jointly by the Departments of Agriculture and Health and Human Services, call for 5 to 10 servings of grains daily, with half the servings coming from whole grains, such as brown rice, and 45 to 65 percent of calories coming from complex carbohydrates, such as rice. Rice is a wholesome source of nutrition, with no sodium, no cholesterol, no gluten, and no trans or saturated fats.

Beyond the substantial economic and nutrition benefits of rice is the environmental dividend from winter-flooded rice fields that provide critical habitat for migratory waterfowl and other wetland-dependant species. All the major rice-production areas in the U.S. correspond with important areas of waterfowl activity during winter months. Rice-growing areas provide surrogate habitats for hundreds of wildlife species that rely on wetland conditions for species survival, some of which are currently or could be threatened if not for the wetland environments provided by flooded rice fields. Without rice farming, wetland habitats in the U.S. would be vastly reduced. A loss of this magnitude would have a disastrous effect on waterfowl, shore birds, and a host of other wetland-dependant species.

Rice Industry Concerns with Climate Change

The climate change legislation pending before Congress is not supported by the U.S. rice industry. With respect to the American Clean Energy and Security Act (H.R. 2454) that narrowly passed the U.S. House of Representatives earlier this summer, we supported the efforts of House Agriculture Committee Chairman Collin C. Peterson and other Members of the House who worked to mitigate the bill's adverse impacts on agriculture. But neither of our organizations supported passage of the bill as amended.

Unfortunately, despite these efforts, the costs of this legislation still heavily outweigh any potential benefits, leaving us no choice but to strongly oppose the legislation. Simply put, at a time when America's rice farmers are already facing significant production costs and are forced to compete on an uneven global playing field, climate change legislation would add insult to injury.

One of the key areas of focus in our analysis of the legislation has been the impact on rice production costs as a result of higher costs for major inputs such as fuel, electricity, fertilizer, natural gas, and propane. Rice is flood irrigated, requiring energy to pump either ground or surface water. In addition, rice is a high yielding crop utilizing nitrogen fertilizer which, in turn, is made using natural gas. Furthermore, all rice must be dried before it can be stored. Finally, beyond the increased costs of field production, U.S. rice must also be milled before it can be consumed or utilized in products. All of these already significant costs are expected to substantially increase, both in the short and long term, under climate change legislation and this does not take into account increased transportation costs and other costs due to rise as a result of this legislation.

Increased input costs will make us less competitive vis-à-vis our major global competitors, such as Vietnam, Thailand, Pakistan, and India, who already benefit from heavy government involvement in their rice production. Congress should not approve legislation that will have the effect of shifting rice production overseas to foreign competitors that are made the lower cost producer solely because of the policies of our own government. Such a move would result in the loss of thousands of American jobs in the rural areas of the Mississippi Delta, the Louisiana and Texas Gulf Coast, and the Sacramento Valley of California. These areas rely, to a large extent, on the U.S. rice industry to support their local economies and jobs. Shifting our agriculture production overseas and becoming dependant on other countries for food production will only threaten our nation's food security.

Regarding the role that U.S. agriculture can play in reducing greenhouse gas emissions, while, in the net aggregate, U.S. agriculture sequesters more greenhouse gases than it emits, there are currently few, if any, opportunities for rice production to further sequester or reduce greenhouse gases.

That is not to say that due diligence is not being done to investigate ways in which rice might meaningfully contribute to greenhouse gas sequestration or reduction in the future. In fact, work is currently underway in California to develop computer-modeling techniques to quantify greenhouse gas emissions. Once complete, this model will also predict the greenhouse emissions response to certain changes in cultural practices. Current pilot-scale activities are being implemented to evaluate potentially beneficial activities. Both implementation challenges and impacts on yield and production costs will be evaluated to see if any ideas are ultimately deemed feasible.

If efforts in California are successful, greenhouse gas sequestration and reduction would be added to the long list of contributions to conservation already provided by rice producers including the provision of wetlands for hundreds of wildlife species as well as migratory birds in the Mississippi, Central, and Pacific flyways. We are simply not there yet on sequestration.

So, we are confronted with no economic upside under pending climate change legislation and plenty of economic downside. For instance, a recent analysis by the Agricultural and Food Policy Center at Texas A&M University estimates that due to the increase in input costs for rice and the likelihood of no opportunity to participate in an offset credit program at this time, all 14 representative rice farms analyzed would experience lower average annual net cash farm income ranging from \$30,000 to \$170,000 in reductions per operation. Annual costs for these farms increase from \$20,000 to \$120,000 during the 2010 to 2016 period. And while the commodity price is expected to increase slightly it is not enough to make up for the significant cost increases. The American Farm Bureau Federation also estimates that the *increase* in rice production costs per acre could reach as high as \$153.00. That's not the difference between a large profit and a lean profit. That's the difference between break even and broke.

At a time when U.S. farm income is already projected to be down 38% from last year and given the condition of the U.S. economy overall, we are deeply concerned about where this legislation would position us in the global economy, particularly since it is highly unlikely that our key global competitors will impose an equally rigorous regulatory regime on their own industries if our past trade agreements are any indication. In fact, recent reports that some in the developing world are calling on developed nations to make sharp reductions in greenhouse gas emissions while insisting that they not be bound to any specific level of reductions is ominously familiar to those of us closely observing WTO Doha Round discussions.

As such, we would strongly urge the Members of this Committee to fully evaluate alternative approaches to curbing greenhouse gas emissions and to oppose pending or similar climate change legislation. In this vein, we wish to express our gratitude to the Members of this Committee who have urged that the cap and trade provisions of climate change legislation be dropped entirely. To be sure, there are ways to reduce greenhouse gas emissions and reduce our dependence on oil-exporting countries without crippling the U.S. economy. Focusing on energy

efficiency measures and additional renewable and clean energy development are just a few of these avenues.

Recommendations to Improve Climate Change Legislation

If, however, pending or similar climate change legislation is ultimately considered in the Senate, we believe there are several key provisions that must be clearly and explicitly included in the bill to help ensure U.S. agriculture is not irreparably injured in the process. These key provisions include:

- An express exemption should be provided for the agriculture sector from the greenhouse gas emission reduction requirements of the climate change legislation and the underlying Clean Air Act.
- The definition of “agriculture sector” for purposes of this exemption should be clarified to include production through the stage of processing ordinarily necessary for the commodity to be widely marketed in commercial channels.
- Increased funding should be provided for research programs and activities by USDA and the land grant university system to develop improved production and management practices and technologies to help agriculture sequester greenhouse gas emissions, with a particular focus on research for those crops that currently have little or no opportunity in this regard.
- Establishment of a program using the funds and authorities of the Commodity Credit Corporation to compensate producers for increased input costs.
- Establishment of a robust agricultural offset program that is flexible and run entirely by USDA, not the EPA.

Conclusion

In conclusion, on behalf of the U.S. rice industry, I strongly urge this Committee to work with the Senate leadership to postpone consideration of climate change legislation until such time that alternative legislative approaches to curbing greenhouse gas emissions are developed which do not injure American agriculture or the U.S. economy, generally. If this effort is unsuccessful, then we respectfully request that this Committee work with the other committees of jurisdiction and your Senate colleagues to ensure that the provisions provided above are included in any climate change legislation that is enacted into law. We believe that, without these provisions, the current approach to climate change would be catastrophic to American agriculture.

Thank you for the opportunity to provide our views. I would be happy to respond any questions.