Testimony of

Jennifer James

Before the Senate Committee on Agriculture, Nutrition, and Forestry

2023 Farm Bill: Perspectives from the Natural State

Jonesboro, AR

June 17, 2022

Good morning, Chairwoman Stabenow, Ranking Member Boozman, and Members of the Committee. Thank you for coming to Arkansas and thank you for the opportunity to present testimony on behalf of family rice farms in Arkansas and across the nation regarding the 2023 Farm Bill.

My name is Jennifer James, and I am a fourth-generation rice farmer from Newport, Arkansas.

We are rice farmers first, but our farm is, in fact, very diversified. Along with my father and my husband in our family endeavor, we also raise soybeans and corn, and we provide many acres of over-winter habitat for migrating waterfowl every year. As we have built the habitat in and around our fields, my family enjoys watching the ducks, geese, bald and golden eagles, swans, deer, and a variety of wildlife that coexists with production agriculture.

I am proud to serve as the Chair of the USA Rice Federation's Sustainability Committee and as a member of the USA Rice Farmers Board of Directors and the USA Rice Farm Policy Task Force.

I'm very proud to be the first woman ever elected to serve on the Board of Directors of Riceland Foods, Inc. – the largest miller and marketer of rice in the United States. I'm also active on the state level and serve as vice chair of the Arkansas Rice Farmers Board of Directors, the Arkansas Ag Council Board of Directors, the Jackson County Farm Bureau Board of Directors, and the St. Louis Federal Reserve Bank Agribusiness Industry Council.

I'm truly grateful for having the opportunity to grow up on and now help lead our family farm and to help guide the U.S. rice industry in a way where farm families can continue doing what we love to do — feed the country and much of the world — while also excelling at being good stewards of the land and natural resources.

Rice farmers in the United States typically produce some 20 billion pounds of rice annually, grown on 3 million acres of farmland that is highly managed for sustainability. About half of our rice is consumed here at home while the other half is exported to more than 120 countries around the globe.

This rice is produced on family farms across six major rice producing states – Arkansas, California, Louisiana, Mississippi, Missouri, and Texas. These states produce about 80 percent of all the rice consumed domestically. I'm proud to say Arkansas leads the way with about $1.3 billion worth of production.

In addition to putting rice on grocery shelves, in restaurants, and on the dinner table; and also creating tens of thousands of jobs and billions of dollars in economic activity; U.S. rice farmers have also long been committed to environmental stewardship which dates back generations – long before sustainability became a buzzword.

Our conservation goals are to produce more rice while using less water, energy, and other inputs; and improving water quality, air quality, and soil health; and enhancing wildlife habitat and supporting biodiversity.

In addition to sustaining $3.5 billion in migratory waterfowl habitat, rice fields in the U.S. also support crawfish and yellow rails along the gulf coast and even salmon nurseries in California.

Moreover, within the last four decades, rice producers are proud to have reduced greenhouse gas emissions by 41 percent, cut our water usage in half, and decreased our energy usage by 34 percent.

One critical point to stress, however, is that farm families must be profitable in order to have the wherewithal to continue contributing these important conservation dividends.

And, it goes without saying that this Committee — on a bipartisan basis — has a long history of recognizing this fact and working alongside farm families just like mine to help ensure profitability – therefore improving our capacity to protect and improve our land and natural resources.

<u>Overarching Priorities for the Farm Bill</u>

The purpose of any Farm Bill should be to provide a foundation or modicum of stability for farmers to keep them grounded and focused amidst the harsh realities of distorted global markets, sometimes unforgiving weather, and other challenges thrown at producers.

The last few years have thrown many new things at us that the 2018 Farm Bill could not anticipate. In 2019, it was a trade war, and supplemental assistance was provided to stand by the U.S. farmer. In 2020, it was the global COVID-19 pandemic that sent shockwaves through the entire economy. Again, supplemental assistance was provided to support the most critical infrastructure industry – agriculture – through these volatile times which extended even into the 2022 crop year.

All through this time, supplemental ad hoc disaster programs have also been provided by Congress to address the greater frequency of severe weather-related losses that can bring a family farm to ruin in the high stakes/low margin world we are living and working in today.

As you know, significant additional investment in agriculture, above and beyond what the Farm Bill provides, has been authorized to support farmers on top of the baseline spending in the 2018 Farm Bill. While I understand this is not captured in the Congressional Budget Office's (CBO) baseline for the Farm Bill going forward, I still believe it is important to recognize that there were needs that the current Farm Bill simply could not handle as the stage is now being set for the 2023 Farm Bill.

Given this, USA Rice believes the forward looking 2023 Farm Bill baseline must be increased so that policy can be crafted to better anticipate and address the needs of family farms in these volatile times. In 2022, we have seen an enormous run up in input costs – this has made rice production a losing proposition financially for family farms this year. And yet the world still needs our rice, and the infrastructure that supports rice production needs our rice. We believe farm policy needs to step in in such times with reliable resources to support production of family farms and maintain infrastructure for the future. Accordingly, we would ask that you would pursue an additional baseline investment in these policies so that they can meet the needs of today and whatever new challenges may arise in 2023 and beyond.

Title I Priorities

Title I of the Farm Bill is really our true safety net. It is what allows us to compete on a global playing field that is the most distorted of any sector due to high and rising foreign subsidies, tariffs, and non-tariff trade barriers. Within Title I, the Price Loss Coverage (PLC) program has provided the backbone of support for rice producers because of the certainty it provides. As of the last enrollment, about 99 percent of all long grain and medium grain rice, and about 75 percent of all Temperate Japonica rice was enrolled in the PLC program.

Title I is critically important in rice because it levels the playing field for a crop that is highly subsidized by our global competitors. Just to put things in perspective, China was found to have illegally over-subsidized just three crops — including rice — by $100 billion in a single year. In comparison, it would take more than 10 years for Farm Bill spending on all U.S. commodities to reach that level. Further, India subsidizes its rice producers upwards of 85 percent and recently injected more support for its farmers facing escalating fertilizer costs. This results in India dumping rice globally at prices far too low and thus steadily gaining market share. In fact, in the past 10 years, India has grown to be the largest rice exporter in the world, controlling over 40 percent of the world market made possible through its trade distorting practices and egregious World Trade Organization commitment violations.

In short, U.S. farm families cannot compete in such a distorted world market without U.S. farm policy to help level the playing field. This policy not only helps U.S. farm families compete, but it also helps to ensure that more of the world's rice is produced in the United States, sustainably and under some of the highest environmental and labor standards anywhere.

With all that said in support and defense of Title I and PLC for rice, I must also say it is no longer adequate. Reference prices and Market Assistance Loan rates no longer provide the level of assistance needed for an effective safety net for our nation's rice producers. Current PLC reference prices for rice, enacted in the 2014 Farm Bill, were established based on 2012 costs of production. Production costs have risen over the last decade notwithstanding low prices over most of those years, but farms have been able to stay on top with increases in productivity and supplemental assistance to address recent volatility. 2022 is a completely different story for rice, where net farm incomes are in the negative due to an unprecedented increase in the costs of fuel, fertilizer, crop protection, and other input costs. In the case of rice, this is all occurring without a corresponding increase in the price rice farmers earn at the farmgate.

The Farm Bill must be improved so that it can better respond to the kinds of unexpected shocks to the agriculture economy. At USA Rice, we are looking into ways the reference prices could be indexed to input costs to provide more relevant protection to the farm families that put their capital at risk each year to produce the crop. We look forward to engaging with the Committee on this question of how best to fashion the safety net as we all get further down this road of crafting a new Farm Bill.

Payment limitations also need to be adjusted to reflect the growing size and risk of family farms. Just as lenders have had to adjust how much they are willing to lend and what they will require as collateral to keep up with current conditions, so too must the Farm Bill's safety net adjust. This includes payment limitations, adjusted gross income (AGI), and actively engaged rules that simply have not kept pace with the times. They are outdated, as evidenced by the hundreds of Members of Congress on both sides of the political aisle who recently wrote to the Department of Agriculture expressing concerns that the limitations applied to pandemic and trade war relief simply do not cover the enormous losses suffered. This reality also led Members of Congress to pass more realistic program parameters in the context of natural disaster assistance, the Emergency Relief Program, for 2020 and 2021. I hope that Congress will take similar steps in the context of the next Farm Bill. For full time farm families, this is a remedy that is long overdue.

Current Need for 2022

Setting aside for a moment our 2023 Farm Bill priorities, I must say a few more things about the very real and present crisis for rice producers in the U.S. In short, while rice as a "high input" crop has been disproportionately affected by steep increases in fertilizer, fuel, machinery, crop protection, and labor costs, we have not seen a corresponding increase in the value of our crop. The numbers are illustrated in two letters (dated February 25 and May 26, respectively) sent to U.S. Secretary of Agriculture Tom Vilsack asking that financial assistance be provided to support our nation's rice farmers. Rice commodity prices have not increased enough to keep up with spiraling input costs.

Our current estimate is that rice acres will fall to 2.2 million acres this year – that is a 27 percent decline in the historical average of 3 million acres. Rice has always been relatively small in acreage but mighty in its economic impact. With acres declining so fast, one has to question how and for how long the unique infrastructure needed to handle and process rice can survive. This is the reason for our special request. Senator Boozman, we have no greater champion for rice than you, sir. I want to thank you for your support of rice in these challenging times. Let me make this appeal today to all the members of this Committee – I hope you will take time to read the letters and reflect upon what it would look like if there were a 27 percent decline in throughput for critical agricultural infrastructure in your state. We think standing by our nation's critical rice industry is a worthy investment, and we hope you will stand with us. In the wake of the pandemic and now with global food shortages said to be imminent, Americans are realizing that food security as a natural security issue is not a clever slogan. It is a reality. We cannot afford to lose the domestic rice industry.

Title II Priorities

Every day the U.S. rice industry strives to meet the demands of an ever-increasing world population while increasing resource efficiencies at every level of the supply chain. The U.S. rice industry's commitment to environmental stewardship dates back generations.

Farm Bill conservation programs are important to the U.S. rice industry and its voluntary, incentive-based model needs to be retained. Conservation programs should have the dual goal of not only incentivizing environmentally beneficial practices but also helping producers transition to conservation systems that promote productivity and economic viability as compatible goals while helping the rural economy.

As you begin to look toward the 2023 Farm Bill, Congress should prioritize working lands programs like the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP) instead of set-aside programs like the Conservation Reserve Program (CRP), especially during times of potential global food shortages.

EQIP is a vital tool because it is a straightforward program with an extensive list of practices that works for all regions and all production systems. EQIP's structural practices can help establish the equipment needed to better manage water resources, help with irrigation efficiency, and erosion control. CSP helps to target specific resources using several complimentary practices and has been a great tool for rice farmers to have in our toolbox to pay for expensive long-term management practices.

Nationwide and in Arkansas specifically, the demand for EQIP and CSP has outpaced funding by approximately 3:1. Over the past five years in Arkansas, the average demand for EQIP funds has been $155 million while the state's average funding allocation has only been $42 million. This has resulted in unmet demand of $113 million each year for the state's producers. Likewise, the state's unmet demand for CSP funds has averaged at $95 million over the past five years due to the state having a funding allocation of only $61 million but a demand of $156 million.

I must mention the importance of the Regional Conservation Partnership Program (RCPP). As you may know, the rice's industry's symbiotic relationship with waterfowl led to a historic partnership with Ducks Unlimited, called the Rice Stewardship Partnership founded in 2013.

While we both have separate missions and methods, we have managed to collaborate and develop goals for our Partnership, including work on RCPP. The Rice Stewardship Partnership's RCPP projects have pulled together nearly one hundred diverse partners to help implement their goals, communicate successes, and ultimately share the cost of investment in working lands conservation programs. Tens of millions of dollars have gone to rice farmers to adopt a variety of conservation practices and enhancements. While RCPP has been a success, Congress should examine how the programs can provide additional flexibility and reduce administrative barriers.

Finally, while climate change mitigation and resilience should be acknowledged as a natural resource concern, it should not be prioritized over other natural resource concerns like water quantity, water quality, wildlife habitat, and soil health. Also, Congress should not prioritize one solution over others. For example, cover crops might be great for the Midwest, but the potential of cover crops in rice must be balanced against known benefits of winter flooding of rice fields. Simply put, ducks and geese and other migratory waterfowl that would otherwise lack adequate habitat and nutrition if not for winter flooded rice fields are our cover crops. And this "cover crop" not only benefits the fields where it is implemented, but also the ecosystems and biodiversity of our entire region.

Title III Priorities

Critically important to the U.S. rice industry's export success are the Market Access Program (MAP) and the Foreign Market Development (FMD) program authorized in Title III of the 2018 Farm Bill. Through collaboration assistance from the Agriculture Department's Foreign Agricultural Service (FAS), the U.S. rice industry's reach to current and potential customers globally continues to expand. In fact, these programs have helped the U.S. rice industry open foreign markets and promote our products abroad and have a proven track record of success in more than 30 overseas markets.

USA Rice has repeatedly called for sustaining full funding for these programs at $200 million for MAP and $34.5 million for FMD as authorized in the 2018 Farm Bill. However, USA Rice, in concert with other organizations representing agricultural commodity groups and others, is calling upon Congress to double funding for these vital programs. This same coalition has also called upon Congress to appropriate $7 million in discretionary funds for FAS administration costs so full funding for MAP and FMD can be utilized for market access and development purposes. MAP funding has remained at the same funding level since 2006, while FMD hasn't had a funding increase in 19 years. But it's important to note the success story of these programs continues even as the real dollar value of these programs has declined.

Title XI Priorities

Finally, let me conclude with some points of Federal Crop Insurance provided for in Title XI of the Farm Bill. USA Rice has made very deliberate and intentional efforts over the past several years to improve Crop Insurance options for rice producers. These have included educational seminars for our growers; involvement in the development of new policies like the downed rice endorsement, margin protection, and the hurricane index policy; and expanding coverage for climate smart means of production like alternate wetting and drying (AWD) and furrow irrigated rice. The results have been extraordinary for rice. In 2008, 61 percent of rice acres were insured with CAT coverage only and buy-up levels were low – only 23 percent of acres had buy-up coverage at 70 percent or higher. By 2021, those numbers had flipped with only 8 percent purchasing CAT, and more than 69 percent buying coverages of 70 percent or higher.

One of the things we really appreciate about the Crop Insurance program is that it is dynamic – it changes with the market and producer groups like ours can invest time and energy to improve products and offerings for our members. In this regard, we strongly urge the Committee to maintain and build upon the successes of the 508(h) private submission approval process which facilitates the development of new and better policies tailored to the unique risks of producers, crops, and regions of the country. We also appreciate the private delivery system and the fact that Crop Insurance can be tailored to suit the risk management needs of any farm. It is business friendly and has allowed many farm families to make better long-term investments for the success of their farm.

While Crop Insurance in no way replaces Title I or Title II, it is a critical and indispensable part of the safety net for producers. We look forward to working with the Committee on ways Crop Insurance can be strengthened for family rice farms going forward.

Conclusion

Again, I want to thank you for the time and attention you are giving to crafting an improved Farm Bill for our nation's future. As you well know, it affects family farms all over the nation just like it will affect my own. It will also have an impact on families around the globe. The pandemic, followed by a relatively poor crop in the southern hemisphere and the current war in Ukraine has brought this reality into focus in new and poignant ways. Many experts are saying we will face a global food crisis this summer. I hope that is not true. I pray it is not true. I know the best hopes to produce the crops we need this summer are placed upon the shoulders of our country's farmers and ranchers.

I am very appreciative of all the work that you have done in the past and are doing now to help farm families like mine carry on the important work we do for the country and for people around the world. Farming has been an honor of a lifetime for me, and it means a lot that you would place such a value on the work that I love.

Again, thank you for the opportunity to visit with you about these issues of huge importance to farm families like mine.

USA Rice 2101 Wilson Boulevard • Suite 610 • Arlington, VA 22201-3040 • (703) 236-2300 • FAX (703) 236-2301

February 25, 2022

The Honorable Thomas J. Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Ave, SW
Washington, DC 20250

Dear Secretary Vilsack:

Thank you for your work on behalf of America's farmers and ranchers. As you continue to develop and implement programs to provide assistance to the agriculture community, USA Rice can be counted on for open and direct dialogue with you and your staff about the needs of the rice farmers we represent.

As the Chairman of USA Rice Farmers, representing rice farmers in all major rice producing states, I am writing to respectfully request that you use the available authorities of the U.S. Department of Agriculture (USDA) to provide assistance to the nation's rice farmers who are facing both low commodity prices and disproportionately higher input costs, creating a severe financial squeeze that threatens the continued viability of U.S. rice farms and the rural communities they support.

Unlike other major crops, rice has not seen a recovery in prices and while all in agriculture are experiencing volatile input costs, the increase of input costs for rice vastly exceeds that of other crops. These twin conditions are threatening U.S. rice farmers' potential for profitability and puts rice at a significant competitive disadvantage when farmers are faced with financial decisions. This poses a very real danger to rice's unique infrastructure that is needed to maintain the domestic industry. Once this infrastructure is lost, it would be extremely difficult to re-establish. Producers of all crops are feeling the pressure of escalating input costs, but I believe it is important that I highlight the unique impacts on rice.

Commodity prices for rice have simply not kept pace with other major crops whose prices are much higher than they were in 2020. Compared to 2020 prices recorded by the Economic Research Service (ERS), the current market price for corn is 53 percent higher, the price of cotton is 86 percent higher, the price of soybeans is 54 percent higher, and the price of wheat is 83 percent higher, but current rice prices are relatively static since 2020, up just 8 percent.

Similarly, the rise in input costs have hit rice farmers disproportionately hard. The Agricultural and Food Policy Center (AFPC) at Texas A&M University recently conducted a broad study to analyze the impact the increase in input costs is having on its representative farms. AFPC's study looked specifically at the increase in fertilizer prices and found rice farms would suffer most – a $62.04 average per acre increase compared to $39.55 for feedgrain, $29.72 for cotton, and $19.64 for wheat farms. More recently, AFPC conducted a more specific rice study looking at all variable input costs and found a weighted average per acre increase of $174.20 for the 2022 crop year when compared to 2021. If rice planted acres in 2022 are on average with the past five years, these increases for inputs coupled with flat prices would result in a $504.9 million loss to rice farmers.

The slight increase in rice prices that have been seen will be more than offset by lower Agricultural Risk Coverage (ARC) or Price Loss Coverage (PLC) program assistance. The PLC payment rate for long grain rice was

$0.014/lb. in 2020. In 2021, the PLC payment rate for long grain rice is expected to be $0.005, roughly a third of the previous year's payment rate. The Congressional Budget Office (CBO) estimates that total rice PLC payments declined from $604 million in FY 2020 to $382 million in FY 2021. This downward trend is expected to continue with current projections for FY 2022 at $272 million and expected support for the 2022 crop year falling to $93 million. PLC has provided some assistance to our producers competing with heavily subsidized and protected foreign producers of rice but, unfortunately the support has not kept pace with the level of support that foreign rice producers enjoy, and it isn't equipped to respond to a rapid increase in input costs. In the recent past, rice producers have also received less support under the Market Facilitation Program (MFP), the Coronavirus Food Assistance Program (CFAP), and the Pandemic Assistance for Producers (PAP) initiative. Rice producers received less than 0.5 percent of the total payments made by MFP, CFAP, and PAP.

Given the current economic condition of U.S. rice farms, it is easy to see why the value of rice production fell from $3.2 billion in 2020 to $2.9 billion in 2021, according to the July 2021 CBO report. Even if rice acres hold in 2022, the small increase in value of the crop will not come close to making up the losses felt by farm families from increased input costs and the erosion of PLC assistance.

As a whole, the U.S. rice sector contributes $34 billion annually to the U.S. economy, stretching far beyond the farm gate and creating jobs and economic activity on Main Street. Rice-dependent rural communities throughout the country are being adversely impacted by the ongoing recession within the industry. This could ultimately have a devastating impact on elevators, mills, trucking companies, and other businesses dependent on rice production, which once lost, will not return, further exacerbating economic consequences on these communities and their citizens.

Last September, you announced that USDA was preparing to invest $3 billion to address urgent challenges such as market disruptions that are impacting America's agricultural producers – rice farmers are facing these challenges. Whether through the funding for market disruptions or by utilizing residual funds available under ad hoc programs, relief is necessary to ensure rice farmers survive the combination of stagnant prices and high input costs.

In the past, you have taken bold steps to address particular, unique hardships faced by commodity and specialty crop producers, as well as many others. We very respectfully urge you to consider similar relief in the current case of rice.

Thank you for your consideration of this important request, as well as your commitment to U.S. agriculture and support for the health of rural America. We hope to have further discussions with you and your staff at your convenience. In the meantime, please direct any follow up to our request to Ben Mosely at bmosely@usarice.com or 571-217-2848.

Sincerely,

Kirk Satterfield
Chairman
USA Rice Farmers

USA Rice
2101 Wilson Boulevard • Suite 610 • Arlington, VA 22201-3040 • (703) 236-2300 • FAX (703) 236-2301

May 26, 2022

The Honorable Thomas J. Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Ave, SW
Washington, DC 20250

Dear Secretary Vilsack:

I am writing to follow-up on my letter to you of February 25, 2022, regarding the U.S. rice industry's ongoing economic situation and to request some level of financial relief for rice farmers who are not experiencing a run up in commodity prices while experiencing a disproportionate increase in input costs.

As you know, since the time of my previous letter to you, the Russian invasion of Ukraine led to protectionist actions by major fertilizer-producing countries which has further exacerbated pandemic-driven supply chain disruptions impacting U.S. agriculture. This, in turn, has fueled even higher input costs that have continued to spiral upwards to reach record highs, further impacting the rice industry in the heart of fertilizer-spreading and planting season.

Agricultural commodity prices have surged over the last 12 to 14 months, with the exception of rice. In fact, there was a recorded decline in rice prices in the April 2022 USDA World Agricultural Supply and Demand Estimates Report and prices have remained flat since that report was published.

This decline in price also comes as U.S. rice planted acres are forecast to be at their lowest since 2017 and are likely to fall further, short of projections in the March 31 USDA Prospective Plantings Report. Internal industry estimates predict approximately 2.2 million of planted rice acres this crop year, down from an average of 3 million acres.

With acreage and production declines, increased prices would normally follow but that is not the case this year. Spiraling input costs, stagnant prices, and lower rice acreage and production will, if left unabated, negatively impact rice producers individually and the industry as a whole.

At the request of Senate Agriculture, Nutrition, and Forestry Committee Ranking Member, Senator John Boozman, the Agricultural and Food Policy Center at Texas A&M University published a study last week on the impact of commodity price changes and higher input costs on its 64 crop representative farms, including rice farms. Crop year 2022 is projected to generally be a profitable year for farmers of most major commodities. However, rice is the clear outlier. Rice farmers will be the most adversely impacted of any commodity due to two years of stagnant commodity prices and drastic increases in production costs.

According to the report, "The 15 representative rice farms face the largest reduction in net cash farm income per farm ($880,000) and per acre ($442) relative to the other farm types…on average, 10 of the 15 rice farms are expected to face negative net cash farm income in 2022."

Our farmers are also at a clear competitive disadvantage in global markets where foreign countries blatantly and exorbitantly violate their World Trade Organization commitments through excessive domestic support programs for their producers. For instance, India, the world's largest exporter of rice accounting for over 40 percent of global rice trade, not only subsidizes its producers at upwards of 85 percent, but has also injected more than $20 billion in fertilizer subsidies this year to insulate its producers from price swings.

Taking into consideration the drop in net farm cash income for 2022, we believe U.S. rice farmers need direct assistance, relative to 2022 plantings, of no less than $400 million in order to weather current conditions.

Although the window to affect planting decisions and augment domestic food production to address what we understand is an imminent world food shortage has passed for 2022, **it is not too late to utilize your existing authorities to provide the critical financial assistance our industry needs to remain viable into the future and give our farmers the tools to support the Biden Administration's efforts to address global food emergencies now and in the future**. Our rural communities, which also depend on the rice production supply chain to survive, would also benefit as would the hundreds of millions of U.S. and global consumers that already depend on our staple product for food security.

Our livelihoods and our industry are at stake. Rice has been produced in our country since its inception, and for more than a century prior. We wish to pass this legacy along to the next generation, but we are concerned about our viability in the near-term.

We greatly appreciate the positive initial discussions with your staff regarding both the situation and our request for assistance and we thank you for your consideration. We would greatly appreciate the opportunity to work with you further on ways to most effectively provide critical assistance.

Sincerely,

Kirk Satterfield
Chairman
USA Rice Farmers