Testimony of

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Commodity Programs, Credit, and Crop Insurance – Part 1: Producer Perspectives on the Farm Safety Net

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Good morning, Chairwoman Smith, Ranking Member Hyde-Smith, and Members of the Subcommittee.

Thank you for the opportunity to testify before you today concerning the current conditions in agriculture and our priorities for the upcoming Farm Bill.

I am Rich Hillman, a sixth-generation rice farmer from Carlisle, Arkansas, where I farm along with my son, Collin, who is the seventh generation, and my brother. We also raise soybeans and wheat.

I have the honor of testifying on behalf of USA Rice, the global advocate for the U.S. rice industry, a $34 billion industry representing farmers, millers, merchants, and allied businesses, where I serve on the USA Rice Farmers Board of Directors. I also serve as the president of Arkansas Farm Bureau.

Rice farmers in the United States produce 20 billion pounds of rice annually, which is grown on approximately three 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. Nearly three quarters of the rice consumed in the U.S. is produced and processed domestically. However, our industry has its challenges as the global rice market is among the most distorted of any sector, a factor that underscores the vital importance of the U.S. farm safety net for rice farmers like me.

This rice is produced on family farms across six major rice producing states – Arkansas, California, Louisiana, Mississippi, Missouri, and Texas – as well as a handful of other states, including Florida, Illinois, Kentucky, South Carolina, and Tennessee, with positive economic impacts in nearly every other state. On average, each rice farmer in the U.S. contributes $1 million to his or her local economy and employs six people. This equates to more than $5.6 billion in positive economic impact on the U.S. economy and a total of 31,710 jobs directly supported by rice production. Also, rice farmers have an additional $5.5 billion impact on the U.S. economy in value-added and labor income generated by their operations. The broader rice industry supports more than 125,000 jobs nationwide.

In addition to putting rice on grocery shelves, in restaurants, on the dinner table, and as an essential ingredient for beverages and other products, such as pet food, U.S. rice farmers have long been committed to environmental stewardship which dates back generations – well before sustainability became a buzzword.

Rice was not as fortunate as many other commodities that saw a large run ups in market prices in 2020 and 2021 all while contending with an unprecedented increase in costs of production.

The Agricultural and Food Policy Center at Texas A&M University conducted a study in 2022 to examine the impacts of the rise in costs of production on its representative farms and rice farms were most negatively impacted. The rise in cost of production equated to an $880,000 loss in net cash farm income from 2021 to 2022 per rice farm. According to the study, two-thirds of rice farms were predicted to have negative net cash farm income for the 2022 crop year. USDA also shows a dramatic increase in operating costs – a more than 30 percent increase in 2022 – compared to five years earlier.

I want to thank you all for providing this vital assistance to rice farmers for the 2022 crop year. The additional funding provided through the FY 2023 Omnibus Appropriations bill was truly critical for a great many rice farmers, including myself, as well as thousands of rural and urban communities and businesses that are dependent on rice production and processing.

We have had more recent, relatively modest rises in price but much of the gains we have seen have been offset by the erosion of the Price Loss Coverage program's (PLC) effectiveness to adapt with the times. The current cost of production is nowhere near 2012 levels – when the current reference price was calculated, and ultimately established in the 2014 Farm Bill, rendering the program unworkable for rice at its current level.

As an especially high input crop that is particularly subject to severe global market distortions due to the predatory trade practices of foreign countries, like India, U.S. rice farmers are much more vulnerable to the impacts of skyrocketing inflation and other global events that have caused increases to the costs of fuel, fertilizer, labor, and other crop inputs, as well as to the highest interest rates many farmers today have ever experienced. As a capital-intensive business, rice farmers put everything on the line each year to grow a crop. So, the net result of the 2022 crop year would have been a sea of red ink had it not been for the additional assistance that Congress provided.

In 1986, I purchased my first combine for $100,000 – by myself. The stress of carrying that note of debt on my shoulders caused months of lost sleep and worry. But I paid off my debts and have since moved on, successfully growing our family farm. Fast forward to today, that same combine now costs $750,000. Over these less than 40 years, the importance of economies of scale has only become more evident. In order to keep pace with capital and other costs, we must farm more land, while taking on more risk, further underscoring the importance of the farm safety net.

I should also note the challenge this is creating for our rice industry infrastructure. Last year, the extraordinary increase in input costs without a corresponding rise in rice prices created the perfect storm resulting in the lowest rice acres being planted in the U.S. in 40 years. And, even with our tremendous increases in efficiency and yields, we had the lowest rice production in 30 years. This threatens not only rice farms but the entire U.S. rice infrastructure, including mills and elevators, applicators and farm suppliers, and many other rural businesses and economies that rice farmers support.

Although input prices remain high, we are anticipating a rebound in rice acres planted in the U.S. to normal levels in the near future. In 2022, a mere 2.2 million acres was planted. However, USDA forecasts this year that the U.S. will plant 2.6 million acres of rice. This is at least one encouraging sign.

We know that demand for rice by consumers in the U.S. and abroad only continues to grow. Rice is the staple food for more than half of the world's population and highly efficient rice farmers in the United States want to continue to lead the way in feeding a hungry world, especially at times when there is such a high potential for food shortages.

More than 3.5 billion people depend on rice to provide approximately 20 percent energy and 13 percent protein per capita. Rice's wide use as a staple by many cultures underscores its ability to nourish diverse populations and to enhance varied dietary patterns. U.S.-grown rice is a popular addition to the diet of Americans and when included in the dietary pattern, it helps Americans meet Dietary Guidelines because both refined and whole grains are accessible, affordable, and available. In addition to U.S.-grown rice being accessible and affordable, rice enjoys near universal acceptance, which is one of the reasons U.S.-grown rice is so prevalent in government feeding programs.

Looking ahead, we need a permanent fix to the rice farm safety net in the 2023 Farm Bill to ensure the long-term viability of the U.S. rice industry.

The purpose of any Farm Bill should be to provide a foundation or measure of stability for farmers to keep them on the farm despite distorted global markets, often unforgiving weather, and other challenges thrown at producers that are totally beyond their control.

Recent years have seen new obstacles that the 2018 Farm Bill could never have anticipated, including a trade war, a global pandemic, unprecedented subsidization of farmers in other rice producing countries, and a string of especially severe and chronic natural disasters. In response to each of these events, supplemental assistance was provided by the Administration or Congress to support our vital critical infrastructure industry – agriculture – in order to see farm and ranch families through these volatile times which continue to reverberate through today.

This has meant that a significant additional investment in agriculture, above and beyond what the Farm Bill provides, has had to be authorized to support farmers on top of the baseline funding of the 2018 Farm Bill. While we understand this is not captured in the Congressional Budget Office's (CBO) baseline for the Farm Bill going forward, we still believe it is important to recognize that there were needs that the current Farm Bill simply could not handle. And, as such, we believe that the safety net under the 2023 Farm Bill must be strengthened. A stronger safety net for farmers in the Farm Bill would be more cost effective for farmers and taxpayers than continued ad hoc programs.

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. I want to thank you for the budget views and estimates letter that the committee sent outlining the importance of increased funding for the farm safety net. We want the 2023 Farm Bill to be for farmers and the only way to do that is by strengthening the farm safety net. We think standing by our nation's critical rice industry is a worthy investment. The pandemic taught us, among other things, that food security as a national security issue is not a clever slogan. It is a reality. We cannot afford to lose the domestic rice industry or other commodities vital to the nation's food, fiber, feed, and fuel supply.

Title I of the Farm Bill, specifically the PLC program, has traditionally been our true safety net. It's what has allowed us to better compete on a lopsided global playing field distorted by high and rising foreign subsidies, tariffs, and non-tariff trade barriers.

For example, China was found to have illegally over-subsidized just three crops — including rice — by $100 billion in a single year. For its part, India subsidizes its rice producers by upwards of 90 percent and injected even more financial support for its farmers facing escalating input costs. This results in India dumping rice across global markets at prices below the cost of production, causing India to gain market share steadily and unfairly. In fact, in the past ten years, India has become the largest rice exporter in the world, controlling over 40 percent of the world market. This was made possible through India's trade distorting practices and egregious violations of its World Trade Organization commitments. These are just two examples of a litany of predatory trade practices used by foreign competitors.

In the face of these and other challenges, USA Rice strongly believes reference prices under PLC need to be meaningfully updated and indexed in order to provide a relevant safety net that remains relevant over the long haul.

Payment limitations also need to be adjusted to reflect the growing risks undertaken by 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 not long ago wrote to the Department of Agriculture expressing concerns that the limitations applied to pandemic and trade war relief, the same limitations long imposed on Title I programs, simply did not cover the enormous losses suffered by producers. 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. We 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.

Further, we believe that Title I programs should be exempt from budget sequestration. These programs are already designed to ensure that the farmer is not made whole when suffering losses, but rather deliver a modicum of help to remain in business, hopefully until conditions improve. Sequestration has further limited assistance to farmers during the times they need it most. At present, for those few farmers who will receive a small amount of assistance under PLC or ARC for losses last year, the assistance will be further reduced by 5.7 percent due to sequestration. Promised producer planting flexibility has been a longstanding commitment to farmers by Congress to ensure that farmers are planting for the market and for the soil and not due to government programs. Any updates or reallocations to base acres should be voluntary and the farmer's decision.

In sum, the work you do on this Committee is extremely important to the farm families I represent, and I am grateful to have this chance to testify before you.

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 critical importance to farm families like mine.