Testimony of

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Introduction
Chairman Roberts, Ranking Member Stabenow, and Members of the committee, thank you for holding this important hearing to review the farm safety net. My name is Jennifer James, and I'm a fourth generation rice farmer from Newport, Arkansas. While I identify myself as a rice farmer, our family farm is diversified. I farm in partnership with my father and my husband, we primarily grow rice and soybeans, and provide overwinter habitat for migrating waterfowl on 6,000 acres every year. We take great pride in our commitment to the conservation of natural resources and instituting practices that provide wildlife habitat and conserve water.

I am proud to serve the rice industry as Chairwoman of USA Rice Federation's Sustainability Committee and as a member of the USA Rice Farmers Board of Directors, the USA Rice Domestic Promotion Committee, the USA Rice Communications Committee, and the USA Rice Asia, Turkey Promotion Subcommittee. I'm also active on the state level and serve as Vice Chair of the Arkansas Rice Farmers Board of Directors, a member of the Arkansas Agriculture Board, 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 appreciate your invitation and am honored to offer my testimony on behalf of the USA Rice Federation.

We operate our farm much like a publicly owned business operates. Although not officially, we recognize my father as the CEO, my husband as the COO, and myself as the CFO. We conduct monthly manger meetings with agendas and supporting documentation. We review our budget to actual costs and discuss crop conditions, marketing plans and progress, and human resource concerns. We report to our land partners regularly and meet with our lender in an official review at our request at least twice per year. We employ multigenerational family members as well as extended members of our family. Some employees have been with us for more than 30 years. We truly are a family farm.

I am very proud of the fact that the original farm has been owned and operated by our family for over 100 years and we are recognized as an Arkansas Century Farm. The land has provided a living for four generations and we are currently raising the fifth generation. My grandmother outlived her husband by 20 years. Because of the hard work of my father, our farm provided rental income for my grandmother which enabled her to have the full care she needed at assisted living facilities after my grandfather passed away. Our farm has provided for my Father who is now 73. I'm at the midpoint in my career and it has provided for me and my family as well. My son dreams of obtaining a degree in Agricultural business and returning to till the land his great-great grandfather purchased in the late 1800s.

I'm very proud of this heritage but I do fear that my son will have to downsize in the future because of the current and arbitrary AGI means test and restrictive and burdensome rules for program eligibility. Even if my son were to farm with his first cousins they would not be considered a family farm because my brother left the farm last year to pursue another business venture.

State of the Rice Industry
While the last few years have been extremely difficult for the U.S. rice industry we continue to have a major impact in our local communities and the national economy. The U.S. rice industry is a multibillion dollar industry that provides jobs and income for not only producers and processors of rice, but for all involved in the value chain. Much of this economic impact occurs in the rural areas of the Sacramento Valley in California, the Gulf Coast region of Louisiana and Texas, up and down the Mississippi River Basin starting in Illinois, down the Bootheel of Missouri, through the Grand Prairie of Arkansas, where I call home, and down through the Mississippi Delta. All combined, these areas plant rice on three to four million acres annually.

The U.S. rice industry is unique in its ability to produce all types of rice, from long grain, medium grain, and short grain rice, to aromatic and specialty varieties. Last year, rice farmers produced a crop directly generating $5.6 billion that was reinvested in local economies. This production and the subsequent sales of rice generated $34 billion in total value added to the U.S. economy from rice production, milling, and selected end users. The industry provides jobs and income to more than 128,000 people within the U.S. labor force.

Today, about 81 percent of all the rice that is consumed in the U.S. is produced here at home. And, despite significant trade barriers to exports, the U.S. remains the largest non-Asian exporter of rice and within the top five largest exporters worldwide. On average, about 50 percent of the annual rice crop is exported as either rough or milled rice. The top U.S. export markets for rice include Mexico, Haiti, Japan, Central America and the Middle East. Of the rice produced by our famers that remains in the domestic market, 53 percent is bound for direct food use, 16 percent is dedicated to processed foods, 15 percent is used to produce beer, 14 percent is for pet food, and the balance is used for industrial purposes.

Recent analysis conducted by Texas A&M's Agricultural and Food Policy Center concluded that on average, each rice farmer in the U.S. generates more than $1 million of economic activity in his or her local economy annually. While rice farming and the associated production and processing industries continue to act as economic drivers in rural communities, many of our growers have been struggling with rice prices well below the cost of production for the last three years. Farmers rely on good years to help support them through the bad years. This is especially challenging for young and beginning farmers, who have not yet had an opportunity to build reserves.

When the current Farm Bill was enacted in early 2014, U.S. rice prices across all grain lengths averaged $16.30 per hundredweight. The USDA's most recent forecast for the 2016/17 prices show an average price of $10.50 per hundredweight – a ten-year low for the industry, and an overall decrease of 36 percent. Even more extreme, California's Temperate Japonica rice was averaging $21.60 per hundredweight for the 2014/15 marketing year, and is now forecast at $13.60 per hundredweight – a 37 percent decline in just two years. In addition to the low prices we are witnessing, the rice industry has been severely impacted by natural disasters. Over the last four years, our national average yields have taken a significant hit and decreased annually due to extreme flooding or drought throughout the rice-growing regions. The U.S. rice industry has clearly been injured by factors far outside of our control. Weather events will continue to impact our yields and other major rice producing countries, many of which do not abide by World Trade

Organization (WTO) rules, will continue to overproduce and artificially depress world market prices for rice. A robust safety net is necessary to protect American farmers from not only extreme weather events but also multiple year price declines.

Beyond the substantial economic and nutritional benefits of rice are the environmental dividends from winter-flooded rice fields that provide critical habitat for migratory waterfowl and other wetland-dependent species. Using flooded rice fields over winter for waterfowl habitat is a leading example of the compatibility of agricultural and natural resource management. Rice farmers capture winter rains to help decompose straw, prevent erosion, and control weeds. But the flooded rice fields have an additional benefit, food for wildlife and waterfowl including waste grain, weed seeds, and invertebrates. These natural byproducts of rice production provide vital nutrients for millions of migratory birds need to survive the winter and to prepare for their journey north the following spring.

All of the major rice-producing areas in the U.S. host important waterfowl activity during winter months. In the Delta region of Arkansas, Mississippi, Missouri, and Louisiana, at least 70 wildlife species rely on rice fields for habitat. In California, rice fields provide habitat for 230 species of wildlife, and provide wintering habitat for some seven million ducks and geese that winter each year in the Pacific Flyway. This habitat is so critical to the flyway that experts estimate we would lose more than one million ducks if California rice acres were cut in half. Additionally, rice production areas in Texas correspond with the bird migration corridor known as the Central Flyway, providing important habitat to hundreds of bird species that rely on these temporary wetlands during their migratory journey.

The cost of replacing existing rice habitat with managed natural wetlands would be more than $3.5 billion, and the operation and maintenance costs of maintaining those managed seasonal wetlands would average $73 million a year. Without rice farming, the amount of wetland habitat in the U.S. would be vastly reduced – a loss that would have a disastrous effect on waterfowl, shore birds, and a host of other wetland-dependent species.

This symbiotic relationship with the waterfowl industry led to a historic partnership with Ducks Unlimited, called the Rice Stewardship Partnership. While we both have separate missions and methods, we have managed to collaborate and find common ground and develop goals for our Partnership, including work on the Regional Conservation Partnership Program (RCPP).

Regional Conservation Partnership Program is a Success

Our Partnership was awarded $10 million in 2015 by the USDA's Natural Resources Conservation Service (NRCS) to implement an RCPP project across the six major rice-growing States. The project directly funds Environmental Quality Incentives Program (EQIP) and Conservation Stewardship Program (CSP) contracts with rice growers. While the CSP portion of our project is still underway, the Partnership has been able to facilitate more than 200 EQIP contracts with growers throughout the country to further improve rice's environmental footprint. This year, the same Partnership was able to secure an additional $15 million through two new RCPP projects, further stretching the reach of the cost-share programs throughout the South.

It is important to us that this fiscally responsible program is reauthorized when you are writing the next Conservation Title. Our three projects alone have pulled together nearly 100 diverse partners to help implement their goals, communicate successes, and ultimately share the cost of investment in working lands conservation programs to ensure NRCS gets the most bang for their buck.

The Importance of Working Lands Programs

CSP, and especially EQIP, are referred to by farmers as the "workhorses" of NRCS conservation programs. They are valuable cost-share programs that incentivize farmers to implement a number of conservation practices on our operations that have proven benefits to the environment. The relatively small investment made by the program has no doubt made our land more resilient to extreme weather events by reducing erosion and runoff and improving soil health.

EQIP is vital because it is such a straightforward program with an extensive list of practices that NRCS is able to assist farmers with implementing. EQIP's structural practices can help establish the equipment needed to better manage water resources, help with irrigation efficiency, fencing, and erosion control.

CSP has been revised to become more like EQIP but operates with five-year contracts to provide more time for the extensive work to be completed. This program helps to target specific resources using a number of complimentary practices, and has been a great tool for rice farmers to have in our toolbox to pay for expensive long-term management practices.

In the South it is not uncommon for farmers to rent portions of their cropland. Many farmers do not have certainty of whether they will hold the lease on a piece of ground from one year to the next so it is often not worth the risk to invest a lot of capital into someone else's land. These cost-share programs are the only thing that helps to bridge that gap, allowing land-renters to install conservation measures while footing only a portion of the cost. Improvements in efficiencies benefit the farmer while the environmental perks benefit the landowner by simultaneously raising the land value. Across the country, a great deal of EQIP and CSP contracts are carried out on rented land that would otherwise probably be left untouched by conservation improvements.

Working Lands Programs are Economic Drivers

Throughout rural America, working lands programs serve as economic drivers. It takes more than just one farmer to complete the work needed to implement an EQIP or CSP contract. Think about the outside technicians, engineers, and local soil and water conservation districts needed to help oversee the conservation planning; the scientists, the land movers, the equipment that needs to be purchased to implement these conservation practices.

Not to mention, with working lands programs the land is still in production, so the economic drivers of small communities are still working, unlike some programs like the Conservation Reserve Program (CRP) that pay farmers not to grow a crop. Small towns like mine rely on the agriculture industry for jobs and investment or they would disappear; when my business prospers, everyone around me benefits in one way or another.

More than 75 percent of rice farming operations in the South operate in what USDA considers "StrikeForce counties"— rural counties with more than 20 percent of the population below the poverty line. These communities all rely on vibrant farming operations to stay alive and NRCS working lands programs help to shoulder the burden of high operating expenses. These conservation practices have helped me stay in business over the course of this depressed farm economy having increased my efficiency by increasing my yields and decreasing my input costs to boost my margins.

When we are not in the growing season and purchasing inputs, we are still growing the local economy. The waterfowl hunting business brings millions of dollars to the South’s local economies during the fall and winter months when work elsewhere is short. Visitors travel from all over the world to hunt in rice fields and they all need lodging, food, equipment, etc.

As an industry, we see EQIP and CSP targeted every year during the appropriations process. Their mandatory funding is cut, reducing the amount of work NRCS can provide in each of your Districts throughout the country and creating a backlog that will take years to catch-up to the demand that is out there. It is important to us that these are not only preserved but codified in a way that they are not always seen as low-hanging fruit when it’s time to find savings.

EQIP Provision Limits Long-Term Effectiveness
Current EQIP rules place an arbitrary three-year limit on funding annual management practices. As strong stewards of the land and staunch advocates for migratory waterfowl, we support a change in this limitation for projects implemented “purely for the benefit of wildlife”. This is necessary in order to sustain these beneficial practices and demonstrate long-term benefits. While these annual management practices benefit waterfowl, some of them ultimately reduce farm profitability because of their expense to the farmer. Therefore, producers will most likely stop implementing them if cost-share assistance for these proven, effective annual management practices is terminated after three years.

SAM/DUNS is a Barrier to Conservation Adoption
Currently, farmers who want to participate in Farm Bill conservation programs have to wade through an annual registry process called the System for Award Management (SAM) and Data Universal Numbering System (DUNS), designed for transparency for multi-billion dollar federal defense contractors. This complicated process to comply with SAM and DUNS typically ties up hours of my time and that of our local soil and water conservation district or NRCS office. It is disincentive for many us to sign-up for these important conservation programs. Immediately following a successful registration using SAM, my inbox, mailbox, and phone are flooded with solicitors who have just been provided my information, a serious breach of my privacy. The rice industry is supportive of efforts to exempt NRCS programs from complying with this burdensome reporting process.

Sustainability is Necessary for Future Generations
As a mother, farmer, conservationist, and on behalf of the USA Rice Federation, I greatly appreciate the work this committee has done to ensure that farmers have the tools they need to implement conservation practices and feed our growing population. While conservation may not necessarily be the most controversial issue in the Farm Bill, it is a vital part of our industry and a necessary investment if we want to leave our land and operations as a legacy for our children. I urge this committee to increase farm bill resources in working lands programs.

The reality is that if we aren't good stewards of our working lands, the food security we enjoy today in the United States may not be available to our children. That's why I have worked as Chair of the USA Rice Sustainability Committee over the past eight years to make conserving water and providing habitat for waterfowl a priority for the rice industry.

Over the past 20 years, rice farmers have decreased land use by 35%, energy use by 38%, and water use by 53%. Conservation may not be at the top of our list every day, but it is on the list every day.

Trade and Export Factors Influencing U.S. Markets

The U.S. rice industry relies heavily on exports. Approximately 50 percent of our annual crop is exported to more than 120 countries around the globe, accounting for 8 percent of global rice trade. These exports are critical to rice farmers, millers, and merchants. U.S. rice exports have been inconsistent over the last decade, adding to the uncertainty in our markets and we are also seeing a consistent increase of imported foreign rice, growing from 5 percent to nearly 20 percent of consumption over the last two decades. These growing imports are mostly originating from our global trade competitors that are frequently in violation of their WTO obligations.

According to a 2015 study on the global competitiveness of the U.S. rice industry by the U.S. International Trade Commission (USITC), rice has the highest levels of government-interference when compared to all other crops. U.S. farmers simply cannot compete with foreign government treasuries, like that of China, India, and Thailand. Producers in these and other countries overproduce as a result of the lucrative subsidies they are provided that encourage them to plant rice even when the market tells them otherwise, distorting the world market price. Thankfully, last year the U.S. Trade Representative finally initiated a case against China's grain subsidies at the WTO, including their rice subsidies. We appreciate this Committee's recognition of these WTO violations and for holding several Congressional hearings to bring the issue to the forefront. We are confident that the U.S. has a strong case and will win. While WTO cases take some time to run their course, we are already seeing other bad actors take note of the case against China. Two weeks ago, India, another notorious violator of WTO commitments, requested "observer status" on the case out of concern that the U.S. will soon challenge their illegal subsidies. It is critical that the U.S. government continue to go after the bad actors that put American rice growers at an unfair disadvantage and threaten our livelihood.

The USITC report lays out these problems in great detail. The key conclusions are well known to our industry and my fellow producers. It outlined the extent of foreign government involvement in global rice markets and the high levels of foreign tariffs that keep U.S. rice from competing in those markets. USITC analysts concluded that U.S. rice production would be 1.3 million metric tons (mmt) higher in the absence of global tariffs. Removing foreign tariffs not only leads to higher production in the U.S., but would also increase U.S. exports by slightly more than 1.3 mmt or approximately 25 percent. Please keep in mind that U.S. import duties on rice are essentially zero.

Examples of Export Challenges

The U.S. rice industry continues to face a number of challenges in exporting our safe, nutritious, and cost-effective crop. Several examples include:

- No access to the Cuban market.
    - With the appropriate statutory changes, the U.S. could regain 30 percent of the Cuban rice market within two years. That is an estimated 135,000 metric tons of new demand. We anticipate the U.S. share of the market would exceed 50 percent within five years, and it could reach 75 percent or more within ten years with full commercial relations. That is equal to somewhere between $40 and $60 million worth of new demand from Cuba within those first two years of lifted sanctions. We appreciate the leadership of Senators Heitkamp and Boozman for introducing S. 275, the Agricultural Export Expansion Act, which seeks to remove private financing barriers for agricultural commodities with Cuba, and also appreciate the support of the cosponsors on this committee: Ranking Member Stabenow, Senator Cochran, Senator Leahy, Senator Klobuchar, and Senator Bennet.

- Irregular/non-transparent tenders for rice to be shipped to Iraq.
    - The U.S. State Department worked with the Iraqi government to sign a memorandum of understanding that supports regular U.S.-specific tenders for rice. While we have seen some positive movement, this large export market remains inconsistent and intergovernmental corruption in Iraq often acts a barrier to selling our rice. Iraq at one time was the largest market for U.S.-grown rice but in recent years has been sourcing much of its rice from Thailand – a major competitor with the U.S. in terms of rice exports.

- Lack of meaningful, quality access to Japan.
    - While the Trans Pacific Partnership (TPP) trade deal would have provided some new access for U.S.-grown rice to Japan, the real gains were unclear and volume remained below what we felt was fair. The industry sought a higher volume tariff rate quota (TRQ) for U.S.-grown rice going into Japan. We support a bilateral trade deal with Japan that revisits the TRQ level for U.S.-grown rice and provides the additional assurances we need on quality of access.

- Little to no access to the European Union (EU) and the United Kingdom (UK).
    - U.S. rice exports to the EU effectively halted in 2006 due to an incident where genetically engineered rice accidentally entered the commercial supply. The issue has been resolved yet the market never recovered beyond a small quantity shipped largely to the UK under an existing trade concession. EU duties applied on U.S. rice outside the concession are high but unfortunately they provide favorable trade concessions for our global competitors. USA Rice is seeking substantive market access gains in Europe. That is why we support a U.S.-UK bilateral trade deal once the UK has formally exited the EU in 2019 and why we support returning to talks surrounding the Transatlantic Trade and Investment Partnership.

U.S. International Food Aid Programs
In addition to trade and export challenges, USDA and the U.S. Agency for International Development (USAID) international food aid programs continue to be a target for cuts and statutory revisions by Congress, the administration, and others. These international food aid programs have long been a critical component of our diplomatic success. They are supported by farmers, shippers, processors, mills, and humanitarian organizations. They have a distinguished record of saving lives in the face of daunting emergency situations and preventing crisis through effective monitoring and response. The programs have an extensive history of measurable successes reducing hunger and malnutrition while also supporting education, democracy, and agricultural development in vulnerable populations throughout the world. This year in particular, our food system is projected to face unprecedented demand, especially in nations across Sub-Saharan Africa and the Middle East.

Rice is one of the primary commodities utilized by a number of these programs, whether it is by direct aid or through monetization. Unfortunately, the administration's recent budget proposal threatens to reduce or even eliminate this already small market for U.S. rice farmers through cuts in funding. The U.S. rice industry has invested a lot of time and capital into developing fortified rice which has been recently approved for use in food aid to reduce global hunger and malnutrition, particularly in women and children. Despite only serving as a one to five percent share of all rice exports, it is important to the industry that we continue to play a strong role in providing our nation's agricultural bounty to those in need by fully funding the USDA's Food for Progress and McGovern-Dole Food for Education programs and USAID's Food for Peace program.

Export Marketing and Development Programs are Worth the Investment
Trade and exports are not self-sustaining without regular, strategic marketing of our products. The majority of U.S. agricultural products are promoted globally through the USDA's Market Access Program (MAP) and Foreign Market Development (FMD) program that provide annual allocations to commodity organizations through an extensive application/request process. These programs are vital in promoting growth and new opportunities for our agricultural exports and have a long track record of measurable success throughout their lifespan.

USA Rice not only effectively utilizes our annual allocation, but we contribute $7 in private industry funds for every $1 in federal funding through MAP and FMD, making them true economic drivers. Unfortunately, funding for these programs through the farm bill has remained flat for a number of years. Without additional funding, there are less dollars for us to develop export markets. Each year, commodity organizations participate in these programs which highlights their success but also means there's less money to go around. Additionally, annual sequestration cuts means the programs will become less effective. We would like to see a significant increase-- even a doubling of funding for these programs to help grow agricultural exports amid this turbulent trade atmosphere. We believe providing additional resources will help to elevate commodity prices, thus offsetting the costs of the Commodity Title.

Increasing Costs for Production
According to USDA's Economic Research Service, the 2018 crop year is forecast to have some of the highest production costs on record – nearly $1,000 per acre for rice. Our operating costs

plus labor exceed every other crop covered by the Commodity Title. To put that into perspective, the production costs forecast for 2018, including labor, are: $679 per acre for corn; $479 per acre for soybeans; $312 per acre for wheat; and $317 per acre for sorghum. Folks may question why rice farmers do not typically choose to grow something else, and the answer has many important aspects. Weather, water availability, and soil type all play a role in whether it is agronomical to grow rice in a region. But, most importantly, it is economics. The initial investments for rice farmers including equipment, infrastructure for irrigation, conservation measures that have been installed, etc. are so specialized that it is difficult to economically justify a shift from year to year.

According to USDA's February Agricultural Prices Report, the Prices Received to Prices Paid ratio in January for food grains, including rice, was at 62.9 percent, down 15 percent from a year ago. With rising input costs and decreasing rice prices, our reserves, if we have them, are going to continue to dwindle for the foreseeable future.

Options for Different Crops & Production Regions

Farm policy must be designed to give producers options of what policy will work best for their mix of crops and growing region. I consider my farm to be diversified, growing four of the major program crops. We are fortunate to farm in an area where we have the ability to rotate among several crops. Not all production regions have that ability and may be limited to just one or two crops that can be profitably produced. Because of this great diversity across American agriculture we need policy options that can be tailored to the risks we are faced with.

On my farm in the Mid-south I can rotate up to three other crops with my rice, whereas rice producers on the Gulf Coast have, in most cases, only one other crop rotation option, and yet in California, rice producers have, in most cases, only one cropping choice: rice. Due to a host of differences in market prices, production costs, yields, marketing patterns, and uses. Each crop has very different pricing and marketing options.

For rice farmers and our lenders, statutorily set reference prices are simple and bankable, and if set at the appropriate level will provide some level of protection from our main risk, multiyear price declines. However, the current reference prices are not reflective of our increased cost of production and do not take into account year over year inflation.

In the past, there have been concerns raised about statutorily set reference prices distorting planting decisions and resulting in significant acreage shifts. Based on my personal experience, the experience of the thousands of rice farmers that the USA Rice Federation represents, as well as the analysis of accredited economists that this committee relies on; the reference prices that we are currently conducting economic analysis on, will not create distortions or drive planting decisions. This is because the reference prices are below the cost of production and will be decoupled from production (paid on historic base acres) and use only percentage of historic yields for purposes of calculating the payment rates. Further, PLC only covers 85% of base acres and any assistance that comes from PLC is calculated and distributed more than a year and a half after I planted the crop.

As I noted earlier, we have a diverse cropping mix, and our planting decisions are based on a number of economic, agronomic, and marketing factors, but farm policy that sets support levels below costs of production is not a factor in those planting decisions. For these reasons, I do not believe that it is possible to plant simply for the purpose of receiving program payments under the current policy.

Price Protection is Key

The development of farm policy should be focused on providing producers with price protection, not just for price moves during the growing year, but for multiple years of price declines as we've seen since the current legislation was enacted. Those that say crop insurance is the centerpiece of farm policy or that believe crop insurance is the cornerstone of the safety net, certainly don't understand the nature of growing rice. Crop insurance can't, and it was not designed to, provide price protection across multiple years. Adequate price protection is the most critical component of the next farm bill and must be included in any policy option.

It is safe to say that the reason I am still in business today is because of the safety net provided by the 2014 Farm Bill and, specifically, Price Loss Coverage (PLC). When prices were as high as they were during the last farm bill's development, USA Rice advocated for a safety net to protect us during multi-year price declines (i.e., PLC) instead of shallow losses. We appreciate this Committee's recognition that the farm safety net is not one-size-fits-all and for including PLC, which, by and large, is working as intended.

The 2014 Farm Bill allowed growers to choose between PLC and the Agriculture Risk Coverage (ARC) within Title I. While a small number of rice farmers elected to use ARC, the vast majority enrolled in PLC. In total, 99 percent of long grain rice farms and 94 percent of medium grain rice farms selected PLC as their safety net of choice.

Rice is unique in that it has different market prices for Southern-grown long grain and medium grain rice types and California's Temperate Japonica-type rice. Since the current farm bill has been in place, a small number of insubstantial ARC payments have been made to rice farmers in select counties. PLC has been the primary safety net for rice farmers. Long grain rice prices settled below the reference price after the 2014 and 2015 crop years and growers received much needed assistance. Southern medium grain rice growers only received support through PLC for the 2015 crop year.

We acknowledge the political and budgetary considerations at play in writing the last farm bill, and the subsequent need to shift assistance timing for Commodity Title benefits until the crop year is fully completed. But the time delays are exaggerated for rice. If triggered, USDA issues PLC assistance to long and medium grain rice growers in the South in November based upon the previous crop year's Market Year Average price -- so the payment is made roughly 18 months after the crop had been planted. For Temperate Japonica rice growers in California, PLC assistance is issued even later -- in February -- based on the Market Year Average price for the crop that had been planted two years before.

There are multiple problems created at the farm level as a result of this delay. The bills for our input costs ahead of planting season do not wait until a year after the crop is harvested before coming due. When farmers go to the bank after harvest, it is nearly impossible to predict a year and a half in advance what kind of assistance they may qualify for – making it impossible to accurately predict cash flow. That has a big negative impact on the ability of farmers to access capital through financing.

Our first priority in the upcoming reauthorization of the farm bill is to increase the rice reference prices for PLC or any price triggered program to more closely reflect the significant increases in production costs for rice across all regions and take inflation into account as well.

We also request that this Committee look into mechanisms to accelerate at least a portion of the PLC assistance which growers are anticipated to receive. I believe that the assistance will be more effective if producers can start utilizing it sooner during the year. More importantly, bankers would be more apt to approve our annual operating loans if the PLC assistance is advanced or accelerated.

Program Eligibility and Payment Limitations

The 2014 Farm Bill made very substantial changes to the payment eligibility provisions, lowering the adjusted gross income (AGI) means test and, included a very significant tightening of "actively engaged" requirements for eligibility. In my opinion, USDA over-stepped the intent of Congress in key payment eligibility provisions and issued regulations that are overly complicated, restrictive, and punitive.

Following the publication of USDA's 2015 Actively Engaged in Farming regulation there was a lot of confusion and disruption throughout farm country. This regulation is burdensome and costly for the affected operations, which are primarily in the Mid-south. There are, unfortunately, no safeguards in the USDA's final rule that would protect entities from maintaining "family farm" status following the death or retirement of a lineal family member, such as a parent or grandparent. It was not the intent of Congress to force family farms out of eligibility as a result of family transitions. As a daughter, granddaughter, and mother, I can truly attest to the importance of estate planning activities to ensure the continued operation and viability of a family's farm. My son hopes to one day take over the family farm from and this rule makes that future less certain because of a few misguided or perhaps unintentional phrases in a federal regulation. This Committee should revise the statute to provide an exemption or safeguard to protect hardworking farm families against unforeseen linkage breaks in their operating structure. This Committee should revise the statute to provide an exemption or safeguard to protect hardworking farm families against unforeseen linkage breaks in their operating structure.

In addition, the regulations should not include a cap on active personal farm managers. Invoking an arbitrary limit of one to three farm managers completely ignores the diversity and unique needs of farming operations across different crops and regions. Southern family farming operations are often larger than three individuals, and are most affected by this limit. While a family operation can have as many farm managers as required to manage the complexity and scope of the operation, it is irrational to then limit the number of eligible farm managers in similar operations that involve non-lineal family members, friends, or neighbors. The diverse sizes and scopes of farming operations across the nation require different types of expertise and numbers of individuals to adequately manage such operations. A limit ignores economies of scale, the increasing need to achieve efficiencies in agricultural production, and the complexity of such operations.

USA Rice opposes additional eligibility requirements based on a producer's adjusted gross income (AGI). In fact, we firmly believe that this AGI test should not exist at all. Farmers need to build up reserves in good times in order to weather bad times. But, an AGI test that excludes farmers from farm bill assistance in a given year due to the AGI of the farmer in previous years turns this fact of life on its head.

Additionally, a $125,000 payment limit seemed like a farfetched problem when the 2014 farm bill was written and prices were higher. Unfortunately, in current market conditions, many growers are at or close to the payment limits. If a farmer is limited at $125,000 and their losses are $200,000 across the operation, there is a serious problem with the effectiveness of the safety net. It seems counterintuitive to maintain policy that provides full assistance to producers when they experience some losses but only partial assistance to those that are hit the hardest and experience deep losses.

Finally, the fact that the previous Administration chose to impose sequestration after pay limits were applied has effectively changed the pay limit. Farmers have already been sequestered through our own budget reductions and more than a 50 percent decline in farm income over the last few years. We believe that the farm safety net should be exempt from sequestration. If not exempted we believe that any future sequestration rates should be applied before the pay limit is applied.

Crop Insurance Needs Improvement
Crop insurance has not been as valuable a risk management tool for rice as it has been for other crops and regions. Rice farms are 100 percent irrigated, and on average, our yields are very consistent. Our financial problems occur with higher production costs due to irrigation or as the result of a weather event in the fall that disrupts our harvest and affects the quality of our crops.

Revenue Protection policies work well when prices are high and were increasingly utilized by rice farmers through 2014, but have faced challenges and diminished sales in recent years. Revenue-based insurance uses averages from the Rough Rice Futures Contract in the fall to set the expected price used to calculate revenue. Unfortunately, because rice is a thinly traded commodity in the futures market, in 2015 there was not an adequate amount of activity for RMA to determine an expected price. Therefore, revenue policies were not available for that year and producers were forced to use Yield Protection coverage, which did not provide adequate protection.

Though rice yields do not tend to be as variable as other crops due to our irrigation practices, crop insurance rates remain high relative to other crops. For example, a 75 percent Revenue Protection policy for corn in Floyd County, Iowa on a slightly above average Actual Production History would cost the farmer $9 per acre — that is $1.70 out of pocket for every $100 in coverage. The same policy on rice in Richland Parish, Louisiana would cost $23 per acre — that is $4.87 for $100 in coverage. So in this example, the cost of rice insurance is nearly three times as high as the corn insurance – and this is reflective of the cost across the rice belt. With the price guarantee of $10.30 per hundredweight of rice this year, it is easy to see why standard Revenue Protection insurance is not as useful of a tool as we had hoped it would be for rice farmers.

The 2014 Farm Bill created a county-wide insurance-based policy called Supplemental Coverage Option (SCO) that we had hoped, coupled with PLC in the Commodity Title, would provide a complementary set of risk management tools for our growers. However, after the product was rated by USDA's Risk Management Agency (RMA), in most counties it was economically infeasible to purchase for most producers.

USA Rice spent several years working with consultants to develop an insurance product that would provide coverage for drastic changes in margins based on rising input costs. This product was finally approved in 2015. However, in the course of its development it was merged with a product designed to cover margins in other crops, and the resulting changes did not meet the needs of the rice industry. Participation in the Margin Protection insurance product has been very low, with the number of policies sold in the single digits last year. For all of our investment and efforts, the product is simply not functioning as an adequate risk management tool. However, this does not mean the concept is without merit. Because of our investments in the initial product structure and the need to cover our margins as input costs rise in the future, we would be very supportive of this Committee looking into ways to revise Margin Protection to be more affordable and to better fit the needs of rice farmers.

Finally, we have made attempts to improve crop insurance for rice farmers through the promotion of a downed rice policy that indemnifies producers for increased harvest costs associated with late-season storms that lay the rice down. This policy has been fairly successful in certain areas but problems with the overall range of the policy persist. As an industry, we plan to continue to work to improve crop insurance coverage and options for rice farmers and will continue to utilize basic coverage options to, at least partially, insure our crop in the event of catastrophic losses due to weather.

Farm Policy is Necessary for National Security

Our nation's strong farm safety net would not be what it is without all of the pillars that make up farm policy. Agriculture is not a partisan issue. We divide ourselves by region and sector but not by political beliefs. Fortunately, the Commodity Title and other titles make sure that each of our different sectors and regions has something that works. Without the certainty of this legislation, our already high-risk career would take on a new level of risk.

While some of the factors affecting the farm economy are within the control of the farmers themselves, most of them are not. Illegal and over-subsidizing of rice production by our foreign competitors, phony sanitary and phytosanitary barriers, lack of private financing options, etc. all play into the need and justifications for strong farm policy to protect our basic agricultural infrastructure.

The average U.S. farmer faces more and different risks than any other business we could point to. We are affected by global futures and cash markets, weather, pests and disease, and any number of other factors that could cause our crop to fail and our farms to go bankrupt. We are at the mercy of our bankers who have to be able to justify giving us our annual operating loans and determine if the lenders can absorb the unique risks associated with farming. The business of agriculture is high stakes. Most farmers borrow more money in one year than the average family borrows in an entire lifetime.

When threats are made to cut or eliminate funding and policy for the farm safety net, the very existence of the full-time family farmer is put in jeopardy. Without a strong and predictable safety net, only a small number of truly consolidated operations would survive. These would not be the competitive family enterprises we know today.

Please keep in mind that if it were up to us as farmers, we would prefer to prosper solely on the great prices our crops bring at the market. Unfortunately, commodity markets are not always kind, and agricultural markets are distorted by our foreign competitors. The simple fact is that right now our crops are not bringing enough at the market to pay our loans and buy our supplies for next year without the assistance provided by the farm bill.

I am here to ask for this Committee's consideration in not only maintaining our Commodity Title policies, but strengthening them by using our recommendations as you prepare to reauthorize the farm bill.

I want to again thank you, Chairman Roberts, Ranking Member Stabenow, and the Members of the committee for inviting me here today to provide insight on behalf of the U.S. rice industry.