Testimony of Nathan Reed
Producer Perspectives on the Agricultural Economy
U.S. Senate Committee on Agriculture, Nutrition, and Forestry
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Introduction

Good Morning

I am Nathan Reed, from Marianna, Arkansas. My wife, Kristin, and I farm 9,200 acres of cotton, corn, soybeans, and rice in Marianna with our four children: twins Jane-Anne and Stanley "Eldon" (12), Katherine (11), and Grace Austin (9).

I am a proud graduate of the University of Arkansas Dale Bumper College of Agricultural, Food, and Life Sciences. I am actively involved with the National Cotton Council (NCC) as a producer-director and former chairman of the American Cotton Producers. In addition, I am a former president of the Agricultural Council of Arkansas and serve on the Lee County Farm Bureau Board of Directors.

The NCC is the central organization of the United States cotton industry. Its members include producers, ginners, cottonseed processors and merchandizers, merchants, cooperatives, warehousers, and textile manufactures. A majority of the industry is concentrated in 17 cotton-producing states stretching from California to Virginia. U.S. cotton producers cultivate between 10 and 14 million acres of cotton, with production averaging 12 to 20 million 480-lb. bales annually. The downstream manufactures of cotton apparel and home furnishings are in virtually every state. Farms and businesses directly involved in the production, distribution, and processing of cotton employ more than 115,000 workers and produce direct business revenue of more than $22 billion. Annual cotton production is valued at more than $5.5 billion "at the farm gate," the point at which the producer markets the crop. Accounting for the ripple effect through the broader economy, direct and indirect employment surpasses 265,000 workers, with economic activity of almost $75 billion. In addition to the cotton fiber, cottonseed products are used for livestock feed, and cottonseed oil is used as an ingredient in food products and is a premium cooking oil.

Economic Overview

For me as a producer, the last couple years have been the most difficult of my life. Despite record yields, my operation has endured steep losses due to a sharp increase in input costs and low commodity prices. Since passage of the 2018 Farm Bill, cotton production costs are up by an average of $200 an acre. Interest expenses are up by more than 200%, while fertilizer costs have more than doubled. Expenses for labor, seed, and chemicals are up by approximately 50%. Unfortunately, market prices have declined as global cotton demand has weakened. Since 2018, cotton demand has fallen by 3.2 million bales while competition from Brazil and Australia has intensified as their production has jumped by 11 million bales. In addition, U.S. cotton producers face competition from the onslaught of Chinese polyester production, which is up by 35.5 million bales since 2018. Cotton demand is also facing serious headwinds due to the surge in low value textile imports, primarily made of synthetic fibers, entering the United States through the de minimis trade exemptions. As an industry, we are actively exploring opportunities to incentivize greater demand for U.S. cotton. However, we understand that these are longer-term solutions, and the financial pressure on producers is immediate.

I am blessed to farm in Northeast Arkansas, in the middle of the Arkansas Delta, where we produce yields and quality that surpass many other areas of the Cotton Belt. However, despite the vast improvements that have been made in seed technologies and chemistries, it is impossible for me to yield my way out of this economic crisis. I have grave concerns about what the future holds – not only for me, but for other farm families across the country. I have spoken to growers and lenders in my area, and there is serious concern across the board. Producers that I know personally who have spent their entire lives farming may not be able to secure operating loans to farm in 2025. For those like me who will survive another year, there is concern about what the future of production agriculture holds. My equity is depleting every year, and why would I risk everything that I have built for my family to continue down this road of annual losses on my operation? My children love growing up on the farm, and one day I would like to leave the farm to them just as my father did for me. Unfortunately, it's hard to imagine such a possibility considering the current economic climate.

It is not only a difficult time for cotton growers in Arkansas. Producers in the rest of the Cotton Belt have been devasted by the impacts of Hurricane Helene and the prolonged droughts in the Southwest. The state of Georgia alone lost approximately 600,000 bales (25-30% of the total crop) due to the impacts of Helene, according to the University of Georgia Department of Agricultural and Applied Economics. In 2022 and 2023, over 60% of the Southwest cotton crop went unharvested due to record droughts that devastated not only producers, but gins as well. Many of these gins have been forced to close or consolidate because they no longer have cotton to process.

Our industry understands that we must look inward to address many of our current challenges, because there are some problems that congressional leaders simply may not be able to solve. We must work with the companies that support our industry to get production costs more line with our global competitors. We must also seek innovative methods to grow demand for U.S. cotton, and we are excited about the opportunities to leverage the sustainability and traceability of U.S. cotton to incentivize its use.

2025 Farm Bill

We are grateful to Congress for providing $31 billion in economic and disaster assistance for producers in December's *American Relief Act*. This assistance will extend a lifeline to farmers across the country, and we are appreciative that Congress recognized the urgency of the need by calling for relief to be delivered within 90 days. We urge this Committee in the weeks ahead to provide the oversight necessary to ensure USDA delivers assistance to producers as efficiently and effectively as possible.

However, we must also recognize that even timely delivery of economic relief in the months to come may not be enough to save some producers who have been overwhelmed by multiple years of high production costs and low market prices. To prevent farms from failing throughout rural America, we must provide our producers with the multi-year certainty that only a new Farm Bill can provide, as well as ensure that any new legislation takes effect in time for the 2025 crop year.

We have now reached the third year without an updated Farm Bill, and we as producers are suffering the consequences. The bottom line is growers cannot hold on much longer without an enhanced safety net. While I understand that political realities and other congressional priorities may make passing a new Farm Bill difficult, we cannot allow these challenges to be an excuse for further inaction.

I want to commend Chairman Boozman for offering a Farm Bill framework last year that addresses many of the NCC's top priorities by advocating for an increase in the Price Loss Coverage (PLC) reference price and improved access to individual and area-wide crop insurance products, such as the Supplemental Coverage Option (SCO) and the Enhanced Coverage Option (ECO), which function similar to the Stacked Income Protection (STAX) program. We hope that the next Farm Bill will also modernize USDA's marketing assistance loan (MAL) program and strengthen support to the U.S. textile industry and Pima cotton producers.

While over 90% of seed cotton base acres are enrolled in PLC, increased production costs have rendered the current seed cotton reference price of 36.7 cents woefully ineffective. The same, unfortunately, can be said about the reference prices of nearly all other covered commodities, and this situation prevents producers like me from diversifying our operations. Thankfully, Chairman Boozman's proposal to boost the reference prices of all commodities will more closely align the PLC program with production costs.

A higher PLC reference price would likely do more than any other single Farm Bill reform to reassure lenders currently reluctant to invest in farm country. The bankers I speak with do not want to be forced to make decisions based on 11th-hour, temporary assistance from Congress – regardless of how essential such assistance is. Instead, they want long-term solutions. In this respect, they are no different than the producers they lend to.

As important as higher reference prices are, there are numerous other Farm Bill reforms that would greatly help the cotton industry. In the case of crop insurance, growers enrolled in the ARC/PLC programs are currently prevented from purchasing STAX on their enrolled farms. STAX is a crop insurance product for upland cotton that provides coverage for a portion of a producer's revenue based on the county, or area-wide, experience. While Chairman Boozman's framework maintains the prohibition on simultaneous enrollment in STAX and PLC, it would make SCO function more like STAX while maintaining a grower's ability to also enroll in PLC. The proposal makes important improvements to underlying policies by increasing the affordability of individual-based revenue and yield protection options at the highest levels of coverage. These changes would allow growers to tailor their risk management options according to their needs while decreasing their reliance on ad hoc programs, putting producers in charge of their own production risks.

To ensure that cotton continues to move through the economy as efficiently as possible, we must also make reforms to the marketing assistance loan program. We believe this can be achieved by nominally raising the loan rate, allowing storage credits to better reflect actual storage charges, determining a global competitive Adjusted World Price (AWP) based on three international prices, establishing a 30-day window for finalizing the AWP, and ensuring that delivery costs-to-market are fully reflected in the loan redemption calculations. If these reforms were in place today, growers would have already triggered much-needed marketing loan gains or loan deficiency payments due to the rapid decline in the cotton market.

We should also be mindful that there are two major types of cotton grown in the U.S. subject to two separate loan programs. Extra-long staple (ELS), or Pima, cotton producers in the West – like their upland cotton counterparts in my state and elsewhere – have experienced sharp increases in production costs in recent years, with current costs exceeding the safety net provided by the ELS loan program. We believe that an increase to the ELS loan rate is important, as well as adding "marketing loan" functionality to the ELS loan program. In addition, the Pima Trust Fund should be fully funded as quickly as possible. This important program was one of the numerous "orphan programs" that was not funded in the last Farm Bill extension.

The textile industry is still a vital part of many rural economies, particularly in the Southeast. We are grateful that the Trump Administration is prioritizing domestic manufacturing. The Economic Adjustment Assistance for Textile Mills (EAATM) program is a cornerstone of this effort. EAATM recipients must agree to invest funds in hard capital projects, such as the construction of new facilities as well as modernization and expansion of existing mills – including many facilities vital to our national defense and healthcare needs.

Overall, the EAATM program has reduced costs, increased efficiency, and allowed U.S. mills to out-perform foreign competitors. We believe there must be an increase in the EAATM payment. This boost would provide critical support to a domestic textile industry that continues to be battered by highly distorted global trade practices, including the devastating unintended consequences of current import de minimis rules.

Lastly, I want to the thank Chairman Boozman for recommending increases to commodity title payment limits and indexing them inflation. Current payment limit policies do not reflect the scale of production agriculture necessary for farms like mine to remain competitive and viable in today's global market. Artificially limiting benefits will not benefit rural America; instead, it will only serve to stifle efficiency and innovation.

Conclusion

I want to commend the Committee for conducting this important hearing to hear directly from producers about the challenges many of us are facing in the current environment of low market prices and increased production costs.

I want to finish where I started: me, my wife, and four children live and work on our farm, but any of us who are parents know the obligation we have to provide for and protect our family. If there is not an adequate safety net quickly created by Congress, I will be forced to answer a very sad question: Am I putting my family's future at risk by continuing the tradition of farming that my father passed down to me? That's not hyperbole – it's a question that I and many other farmers are considering.

Thank you for the opportunity to testify, and I would be pleased to respond to any questions.