Testimony of

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On behalf of

The U.S. Rice Industry

Before the

Committee on Agriculture

U.S. House of Representatives

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Introduction

Good morning, Chairman Goodlatte, Ranking Member Peterson, and Members of the Committee.

I am Paul T. Combs, a rice, cotton, wheat, and soybean producer from Kennett, Missouri.

I serve as Chairman of the USA Rice Producers' Group, a member group of the USA Rice Federation. My testimony today is on behalf of both the USA Rice Federation and the US Rice Producers Association.

Mr. Chairman, we thank you for holding this hearing and for the opportunity to express our views on the farm bill.

The U.S. rice industry supports maintaining an effective farm safety net that includes a marketing loan program, as well as income support payments and planting flexibility.
At this time, rice producers and others in production agriculture face an uncertain farm policy and financial future due to repeated proposals to cut our farm programs and the Doha Round World Trade Organization (WTO) negotiations.

We supported the efforts of U.S. negotiators in Geneva in July to hold firm for greater market access in the Round. Gaining greater, assured market access is a must if rice producers are to see any net trade gains from the Round.

As you probably know, on August 18th USDA announced the presence of trace amounts of genetically engineered (GE) rice mixed with a commercial long grain rice sample in the Southern rice producing states. This was the first occurrence of GE rice in commercial rice supplies and was a surprise to the industry given that there had been no commercial production of GE rice in the U.S. Both USDA Secretary Mike Johanns and Dr. Robert Brackett, Director of Food and Drug Administration's Center for Food Safety and Applied Nutrition, have clearly stated that their analysis of the Liberty Link 601 protein found in long grain rice poses no human health, food or feed safety or environmental concerns and is safe for consumption.

Unfortunately, in the face of the uncertainty presented by this situation the value of the U.S. rice crop fell an estimated $200 million to $250 million over the course of the next 2 weeks, based on the $1.36 cent per hundredweight fall in the rice futures price on the Chicago Board of Trade. As of the market close on September 14, 2006, nearby futures prices remain down $0.68 per hundredweight from the close of $9.83 per hundredweight on August 18, 2006. These domestic price reductions are particularly frustrating to rice producers, since world rice prices have been on an upward trend in recent months. This type of unexpected market event is just one more example of the need for a strong safety net for rice producers.

For these and other reasons, the U.S. rice industry supports an extension of the 2002 Farm Act until such time as the World Trade Organization provides a multilateral trade agreement that is approved by the U.S. Congress. Furthermore, we believe the policies and structure of the current bill should be continued.

2002 Farm Act Extension

There are a number of key factors that support extending the 2002 Farm Act until a final WTO agreement is in place.

1. Any unilateral reduction of the current programs and spending levels of the farm bill will result in the effect of "unilateral disarmament" by the U.S. and ultimately weaken our negotiating position with other countries.

2. Writing a new and different farm bill in advance of a final WTO agreement could result in a short-term bill that must be rewritten should the WTO negotiations be concluded and new trade rules put in place. Multiple farm bill authorizations in a short timeframe will weaken the predictability and stability that are key components of any effective farm safety net. This predictability is a key requirement for the lending community that provides financing for production agriculture. Any changes that inject uncertainty into this safety net will lead to financing difficulties.

3. Our current farm programs are a fiscally responsible approach to farm policy and provide a safety net when needed. As such, the Congressional Budget Office's (CBO) August 2006 budget baseline estimates that actual commodity title costs through 2005 reflect a real savings of nearly $19 billion relative to the levels estimated by CBO when the farm bill was approved in 2002. And total farm bill costs – which includes costs for commodities, conservation, trade, and any ad hoc disaster – during the period of 2002-2005 are approximately $17 billion below the total level estimated in 2002. Compared to the three years before passage of the 2002 Farm Bill, average annual costs are down 32%.

Certain WTO decisions ruling against U.S. programs make clear that crafting a WTO compliant farm bill is not easy, even when a good faith effort is made over an extended period of time. We believe it would be nearly impossible to write a farm bill to comply with a future WTO agreement while those negotiations are still incomplete.

Ranking Member Collin Peterson and a bipartisan group of more than 20 cosponsors have introduced a measure to extend the current farm bill to accommodate Congressional consideration of an eventual WTO Agreement (H.R. 4332). We support this and other similar such legislation that recognizes the realities of the legislative process while still respecting the multilateral trade negotiating process.

Another concern is the timelines for trade-distorting domestic support and tariff reductions in trade agreements. Any timeline for reductions in trade-distorting domestic supports should be concurrent with the timeline for reduction and elimination of tariffs and duties. It only makes sense that similar timelines for the phase-in of measurable market access gains and for any reductions in U.S. trade-distorting domestic support should be required in future trade agreements. Otherwise, how will producers manage their operations in the interim after support is reduced and increased market access is not obtained for several years?

To the extent that there is ultimately a successful WTO round that involves a reduction in so called trade distorting support, rice producers strongly believe that the amount of the reduction should be captured and dedicated to providing a more WTO compliant safety net of equal benefit to U.S. agricultural producers. Even in a world with expanded trade opportunities there will always be a need for a safety net in production agriculture. This will be true so long as other countries continue to employ trade barriers against certain commodities, including rice.

Critical Needs of Rice Farming Families

For the typical family farm that produces rice, economic survival is dependent upon several key factors:

- An effective farm program that provides basic support through marketing loan eligibility for all production and income support through counter-cyclical and direct payments;
- The maintenance of eligibility for farm program benefits for rice operations of all sizes; and
- The development and expansion of global markets for crop off-take.

While U.S. rice yields are among the highest in the world, our production cost per acre is significantly higher than that for other grains.

Even with the safety net in place, much higher production costs, in particular for fuel and fertilizer, have reduced and will continue to reduce rice profitability far below levels previously expected.

These higher costs of production had a direct impact on 2005 crop returns and have impacted producers' 2006 crop planting decisions and returns. In fact, USDA reports that U.S. rice plantings this year are down 14% from last year, and are at the lowest levels in 10 years.

The current programs do not ensure that individual rice farms can make a profit. In the face of rising production costs many farmers—especially those who must rent much of their land—can and do experience significant losses. These losses are occurring despite the current farm programs and the recent improvement in rice market prices off of their historically low levels.

It is important to note that the marketing loan levels were not increased for rice or soybeans in the 2002 Farm Act, while the loan levels for all other major crops were increased. Rice has maintained the same loan rate since 1989.

Regarding the rice marketing loan program, there was an initiative by USDA this year to adjust the loan rates for long and medium/short grain rice just as planting was starting in some parts of the rice belt. While there were several options under consideration, the ultimate effect would have been a reduction in long grain loan rates and an increase in medium/short grain rates.

The industry raised its concern over this proposal and the poor timing of such a change with USDA and Members of Congress. USDA ultimately chose to set rice loan rates by class for the 2006 crop year as they have consistently for the past 18 years. We greatly appreciate the willingness of USDA to work with the industry on this issue, and to forego any changes in the loan rates for the 2006 crop year. This will allow time for further study and analysis of the

production and market impacts of such changes in the loan rate, and the industry is currently undertaking such an analysis. However, given the current situation detailed earlier regarding the GE rice discovery in long grain rice, we are urging USDA to delay any further action on loan rate adjustments until a more appropriate time, and at least until the situation in our export markets is resolved and market prices stabilize and recover.

We look forward to continuing to work with USDA on this issue.

Payment Limitation Policies

To be a viable family farm, we must use economies of scale to justify the large capital investment costs associated with farming today. This is especially true for rice farming, which has the highest cost of production of any major grain crop. Payment limits have the negative effect of penalizing viable family farms the most when crop prices are the lowest and support is the most critical.

The U.S. rice industry opposes any further reduction in the payment limit levels provided under the current farm bill. We also oppose any government policies that attempt to "target" payments or apply a means test for agricultural production payments. It is essential that rice producers maintain non-recourse loan program eligibility for all production. Arbitrarily limiting payments results in farm sizes too small to be economically viable, particularly for rice farms.

The Real Facts on Farm Statistics

When the issue of payment limits is brought up, oftentimes opponents of production agriculture attempt to use misleading statistics taken out of context for the purpose of making their argument. Here are some key points that I know you are all probably aware of, but it's important to be reminded of so that we see the real picture of production agriculture.

1) **Statistics skewed by "Rural Residence Farms":** "Rural residence farms" as defined by USDA represent about two-thirds of the 2.1 million "farms" in this country. Excluding these farms where farming is not the primary occupation of the family results in a very different picture about the percentage of "farms" receiving farm program payments. The universe of farms actually producing this nation's food and fiber is much smaller than 2.1 million. In fact, 38% of farms produce 92% of our food and fiber. While producing 92% of our food and fiber these farms receive only 87% of farm program payments. We appreciate the efforts by the chairman and members of this Committee to cut through the rhetoric of those who apparently would like to see reductions in support of rice and other farm families. Thank you for your continuing efforts to focus on the realities of the U.S. food and fiber production system.

2) **Sector-wide "Averages" Hide Unhealthy Subsectors:** Using only averages for the farm sector as a whole when it comes to income data can be misleading about the true condition of various sectors of the agriculture economy. Certain sectors may be squeezed between high costs and low prices while others are experiencing high prices and average costs. Since program crops are being targeted for cuts, when statistics are given on Net

Farm Income, program crops should be examined individually and separate from other agricultural sectors (i.e.: livestock, fruits, vegetables, etc.). A healthy farm economy as a whole does not necessarily translate into all sectors of the farm economy being healthy.

Economic Contributions of the U.S. Rice Industry

The regional concentration of rice production makes it an extremely important crop in key producing states. Rice production is an important economic driver in all states and regions where inputs for rice production are manufactured and where rice is grown, milled, and processed for food or other uses.

Rice production ranks in the top 8 most valuable crops produced in each of the six major rice-producing states (Arkansas, California, Louisiana, Mississippi, Missouri, and Texas).

Given the high costs of producing rice compared to most other basic agricultural commodities, the contribution to general economic activity from land devoted to rice production tends to be much higher than for other crops.

High input expenditures for rice production imply significant economic activity for the sectors that supply those inputs in the regions where rice is produced.

Each dollar's worth of rice produced in the United States generates about 90¢ worth of revenue for the industries that supply variable production inputs.

Based on state estimates of production costs and rice acreage planted in 2005, U.S. rice farmers spent nearly $1.7 billion to produce 3.38 million acres of rice, including both variable costs and basic ownership costs associated with rice production.

Even modest adjustments to the levels of current support could create a more significant reduction in rice acreage. These effects would be even more acute when combined with the current spike in fuel, fertilizer, and other energy input costs.

A reduction in rice acreage would reduce the total economic activity in the region where the reduction occurred due to the impact on the processing, transportation, marketing, and input supply sectors. Some of this reduction in economic activity would occur regardless of whether or not an alternative crop is planted, because rice contributes disproportionately to the revenues of various input sectors due to its higher production costs.

It is also important to note that in many regions producers have few viable alternatives to producing rice, so the adverse impact on the agricultural economy is severe when rice acres decline.

Economic Contribution to Key Industries

In addition to the economic activity generated from rice farming, an extensive transportation and processing infrastructure has evolved alongside farm-level rice production. These allied

industries are highly dependent on the continued supply of rice to support their economic contribution to the overall economy.

Mills: The U.S. rice milling industry performs the important function of processing rice into forms useful to the food and feed industries. The U.S. Census Bureau estimates that the rice milling industry employs more than 4,000 people, and supports an annual payroll in excess of $135 million.

Ports: At major Gulf ports, for example, rice accounts for about 35% of all food products shipped. At some West Coast ports (Stockton and Sacramento), rice accounts for 27-37% of total outbound shipments. Studies have suggested that each ton of rice handled by major ocean ports generates $50 to the local economy and $75 to the state economy.

Environmental Contributions of the U.S. Rice Industry

Conservation Programs

Conservation programs play an important role in production agriculture by providing financial cost-share and technical assistance to producers in their continual efforts to conserve water, soil, air, and wildlife habitat. The rice industry supports maintaining a strong conservation title in the farm bill. The Conservation Security Program (CSP), the Wetlands Reserve Program (WRP), the Environmental Quality Incentives Program (EQIP), and the Conservation Reserve Program (CRP) each offers valuable resources that assist producers and helps protect the environment and conserve natural resources. All of these programs are important to rice producers.

Rice producers were some of the early participants in the CSP and we see real benefits from continuing this and the other conservation programs. Specifically on the CSP, we would like to see the program implemented on a nationwide basis in an equitable fashion. We look forward to working with the Committee to address any refinements to the program going forward.

While all these conservation programs play an integral and important role in agriculture, any additional funding that may be provided for these programs should not come at the expense of the current commodity programs. The commodity programs provide an important farm safety net and are the first line of defense in ensuring producers remain on the land and can continue to be good stewards of our natural resources.

Water Quality

Modern rice production is critically dependent on a reliable supply of water to flood fields. However, the use of this water in responsible rice farming actually produces several environmental benefits that simple irrigation of alternative crops cannot match. For instance:

- **Much of rice irrigation water is returned to its original source.** About 25%-35% percent of the water used for irrigating rice is “recycled” back into the environment. Outflow irrigation water is either reused, percolates to groundwater to recharge aquifers,

or drains back into rivers, thereby conserving water that could otherwise be lost from future beneficial use.

- **Modern rice cultural practices preserve water quality.** The practices widely adopted by rice farmers are credited with preserving water quality and minimizing ground and surface-water contamination relative to many alternative crops. The flooding of rice fields is itself a powerful means of weed management that decreases the need for herbicide use, and timely planting and rapid establishment of rice plants at the proper spacing also suppresses weeds by eliminating the space and light that weeds need to grow. When pesticides are applied, water retention in the flooded fields helps to biodegrade the remaining chemical substances and minimizes the potential for contamination.

Wetlands, Waterfowl, and Wildlife

Rice farming is one of the few commercial enterprises that actually promotes wildlife habitat and improves biological diversity.

Since the very nature of rice production requires that fields be flooded for many months of the year, evidence shows unequivocally that it plays a vital role in supporting common environmental goals, such as protecting freshwater supplies and providing critical habitat for hundreds of migratory bird species.

Rice fields are typically flooded for at least five months a year, during which time they become temporal wetlands with enormous significance to bird populations wintering and breeding in the rice-producing states of Arkansas, California, Louisiana, Mississippi, Missouri, and Texas. Like natural wetlands, these agricultural wetlands are also indispensable to wetland-dependent bird populations.

Without rice farming, wetland habitats in the United States would be vastly reduced. A loss of this magnitude would have a disastrous effect on waterfowl and a host of other wetland-dependent species.

Arkansas, Louisiana, Mississippi, and Missouri production areas are located in the lower portion of the Mississippi Flyway, which is the continent's most heavily used waterfowl migration route. This Flyway ranks first in abundance of mallards, wood ducks, blue winged teal, gadwalls, and many other migratory birds. The state of Mississippi is among the Flyway's most important waterfowl breeding areas, producing more than 15% of the continent's fall flight of ducks during years with good water conditions.

With 95% of original wetlands now gone, the waterfowl, shorebirds, and other wildlife along the Pacific Flyway have come to depend on ricelands. At certain times of the year, rice acres now hold up to 60% of the millions of waterfowl in the Pacific Flyway. More than one million Northern Pintails have been counted in recent years during January waterfowl surveys in California's Central Valley. The Valley's rice country is now critical habitat for the recovery of

this highly valued duck species. In addition, upwards of 300,000 shorebirds are known to use our fields annually.

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 artificial wetlands during their migratory journey. According to the Texas Ornithological Society, Texas is home to nearly 650 different bird species, more than half of which can be found in the Texas Rice Belt.

The clear and positive benefits that commercial rice production has for migratory birds and other wildlife species contribute not only to a more interesting and diverse landscape, but also provide economic benefits that support local economies and create jobs.

By providing an environment favorable to wildlife advancement, rice production clearly generates positive benefits to the economy and society.

As commercial development and urban sprawl continue to pressure existing agricultural and wetland resources, rice farming provides an environmental counterweight in the form of "surrogate" wetlands that directly support waterfowl and a wide range of species that would otherwise be even more threatened by habitat destruction. These widely noted environmental benefits accrue not only to current and future generations of wildlife enthusiasts, but also produce economic benefits that support recreational industries and, ultimately, local economies.

Taking rice acreage out of production in favor of other crops would eliminate the environmental benefits of wetland creation and habitat protection. Farmers are good stewards of the land and operate in an environmentally sensitive manner. With regard to rice production, the clear and undisputed benefits of it rank the commodity among the top of all agricultural systems in terms of a positive environmental impact.

Trade Policy Impacts on the U.S. Rice Industry

The U.S. market for imported rice is virtually an open-border market, with U.S. tariffs on rice imports almost non-existent. The U.S. rice industry supports the elimination of all rice duties in other importing countries, and equitable tariff treatment for all types of rice.

Despite the general continuing trend towards market liberalization, rice outside the United States has remained among the most protected agricultural commodities. The level of government intervention in the international rice market through trade barriers, producer supports, and state control of trade, is substantially higher than for any other grains or oilseeds. High tariff and non-tariff barriers, such as discriminating import tariffs on U.S. paddy and milled rice exports, also are used.

These are major factors contributing to price volatility in the international rice market and a fundamental reason why the U.S. industry needs the stabilizing influence of current Federal rice programs.

Because the U.S. rice industry exports between 40 and 50 percent of annual rice production, access to foreign markets is fundamental to the health of our industry. We believe that multilateral negotiations through the WTO are a way to bring down trade barriers worldwide. However, the Doha Round negotiations are also about agricultural domestic supports. If an agreement is ultimately reached, the U.S. proposal tabled in late 2005 would substantially reduce the allowable levels of Amber Box support. It will also substantially reduce the potential for providing support through the Blue Box. Therefore it will be necessary for a Doha Round agreement to foster an open market that provides for the opportunity of a substantial increase in the world price of rice. Only such enhanced market opportunities can begin to make up for the price and income support we will be losing. In addition, we are concerned about the number of countries that will declare rice a sensitive product to block or delay rice imports.

Merely shifting support to the Green Box in the form of conservation payments will likely not work for commodity support. Currently, 63% of U.S. conservation funding goes to operators whose primary occupation is not in agriculture. Conservation support is mostly cost share funding and not price or income support.

With the Doha Round currently suspended, the overall effect of any final agreement on our industry will depend on the overall package that may emerge. We recognize the difficulty in reaching an agreement with 149 countries in the Doha Round that will be beneficial for the US rice industry. Given these factors, Free Trade Agreements on a bilateral or regional basis may be as important an avenue to increase market access for rice.

The United States' share of world rice exports has averaged between about 10% and 13% over the last 10 years, down from a peak of about 30% as recently as 1975.

This decline in world export share reflects increased supplies from traditional exporters like Thailand and Vietnam, among other factors. U.S. sales are also constrained by market access barriers in high-income Asian countries like Japan, Korea, and Taiwan, and the European Union and Latin American countries.

Remember the type of governments we are dealing with when signing trade agreements. We must realize that, unfortunately, they are not always reliable. The U.S. really has limited recourse against a country that fails to follow through on its trade commitments. The EU withdrew a trade concession on brown rice in 2004. It took six to nine months to resolve and they imposed a higher tariff than originally agreed to. Mexico has imposed anti-dumping tariffs on milled rice imports from the U.S., contrary to WTO rules, and is playing the review system as a way to continue these tariffs. Time is of utmost importance when controlling grain inventories. If a surplus arises due to a country's refusal to open its market as agreed to, then our prices start to fall due to over supply.

The recent discovery of trace amounts of GE rice has also raised trade concerns. Even with the strong and continued assurances of our government regarding the complete safety of our rice, concerns have been raised by key importing countries, particularly the European Union (EU), which has put in place a strict requirement for testing of imports of U.S. long grain rice to certify it is free of Liberty Link 601 genetically engineered rice. The EU represents a 300,000 metric

ton market annually worth over $100 million. USDA and USTR continue to work on our behalf to help ensure we maintain access to this and other key markets. Given there are no safety concerns with this GE rice and that the Liberty Link protein has been approved in several other crops (corn, soybeans, canola, cotton) in a dozen or more countries also speaks to its safety and level of acceptance. We urge your Committee's support and assistance in working with USDA, USTR and our trading partners to ensure rice exports do not suffer.

We continue to work with USDA as it undertakes its investigation into how the GE rice became mixed with commercial long grain rice. We are also in discussions with Bayer CropScience, the developer and owner of the Liberty Link technology, to help determine the best avenue to address this situation.

Market Promotion Programs

To assist the industry in continuing to promote our product in overseas markets, we utilize both the Market Access Program (MAP) and the Foreign Market Development Program (FMD) to conduct promotional activities. Both of these programs play a critical role in our promotion activities and we support continuing to fund both programs at no less than the current authorized levels. The industry uses MAP and FMD extensively and successfully in one of the federal government's finest public-private export development and promotion partnerships.

In several countries, such as in Central America, the U.S. rice industry partners with local governments to "do good while doing well" by collaboratively participating in rural and school feeding and education programs using U.S. rice. Reducing funding for these programs will have immediate negative consequences for the rural poor in these countries, as well as for U.S. farmers. The programs have benefited U.S. rice trade with Japan, South Korea, Taiwan, Mexico, Turkey, and Ghana.

More than 70 U.S. agricultural organizations participate in these important cost-sharing programs. MAP participants have increased their funding share to $1.66 for every dollar contributed by USDA. FMD participants have increased their contributions to $1.39 for every USDA dollar provided. The programs benefit American jobs, help counter subsidized foreign competition, and they are outstanding public-private cost-sharing partnerships. We strongly support their reauthorization and full funding.

Food Aid Programs

The U.S. rice industry is proud to contribute to the humanitarian feeding and food assistance programs that the federal government provides to those in need in foreign countries. The P.L. 480 Title I and Title II food aid programs, the McGovern-Dole International Food for Education Program, Food for Progress, and the Bill Emerson Humanitarian Trust are federal aid programs that feed the hungry and malnourished overseas. We encourage the continuation and funding of all U.S. food aid programs

Title I of the P.L. 480 Program has provided U.S. food aid successfully for over fifty years. Though funding for the program in FY 2007 is opposed by the Administration and no new

funding was provided in the House or Senate Agriculture Appropriations bills currently under consideration, the industry believes the program still serves as an important food aid resource and should be reauthorized and funded.

The U.S. rice industry strongly opposes any attempt to convert P.L. 480 Title II food aid donations to a cash food aid program. The industry also strongly opposes any effort to authorize the use of U.S. taxpayers' funds to purchase food grown in foreign countries to be used as U.S. food aid, thereby displacing the use of U.S. farm products for food aid in the process.

The industry wants to work closely with the Congress in achieving reauthorization of P.L. 480 Title I and to make sure that the Title II Program of P.L. 480 uses taxpayers' funds to procure and provide food donations of U.S.-produced agricultural commodities.

U.S. Trade Sanctions Unfairly Impact the Rice Industry

In addition to the distorted international markets faced by the U.S. rice industry, U.S. policies intended to punish foreign nations or encourage regime change disproportionately harm U.S. rice producers.

Unilaterally imposed U.S. trade sanctions have played a key role in destabilizing the U.S. rice industry and in constraining its long-term market potential. U.S. sanctions have and continue to place downward pressure on market prices to U.S. producers.

Trade sanctions have caused disproportionate harm to rice among U.S. commodity groups. At various times within the past four decades, our number one export markets were closed because of unilaterally imposed U.S. trade sanctions policy:

Cuba: Prior to 1962 Cuba was the largest market for U.S. value-added rice, but since then this important market has been largely closed to U.S. exporters. As a result, China, Vietnam and Thailand have emerged to become major suppliers of the roughly 500,000 metric tons of rice that Cuba imports annually. Recent efforts to ease restrictions on U.S. sales of food and medicine to Cuba under the Trade Sanctions Reform and Export Enhancement Act of 2000 have allowed the United States to regain a share of this market, with U.S. rice exports to Cuba reaching nearly 177,000 metric tons in 2004, valued at more than $64 million. However, even these important gains are threatened by restrictive regulations imposed by the U.S. Treasury Department that have resulted in the volume of rice exports to Cuba declining by 25% in 2005. The United States has a considerable freight cost advantage over other exporters, which suggests that the further easing of the restrictions that remain in place could provide substantial opportunities for much larger rice exports to Cuba.

Iran: Similarly, in the 1970's the U.S. rice industry exported on average 300,000 metric tons of value-added rice to Iran. This was the largest U.S. rice export market for value- added rice, and it also was eliminated through the unilateral imposition of U.S. trade sanctions on Iran. But Iran's demand for imported rice continues to grow. In 2004 Iran imported 973,000 metric tons of rice valued at nearly $300 million, mainly supplied by Thailand and Vietnam.

Iraq: In the 1980's, U.S. rice exports to Iraq averaged about 400,000 tons. United Nations sanctions eliminated the market for U.S. producers even while this market grew to nearly 1 million metric tons ($200 million) supplied primarily by Thailand, Vietnam and China through the U.N. Oil for Food program. In 2005, U.S. rice sales to Iraq were resumed with exports of approximately 310,000 metric tons. We appreciate the efforts of our government to reopen this vital market.

The total of these three markets represents more than 2.5 million metric tons of market potential per year that the United States had lost for decades, and that in many cases remains restricted today far below its full potential. This is equivalent to approximately 25% of current U.S. production.

In light of significant market access barriers in many key rice-consuming countries, U.S. rice farmers are denied the opportunity to compete openly and fairly. These further restrictions imposed by our own government interfere with the industry's opportunity to discover a market price structure that could reduce the need for government support.

Renewable Energy & Agricultural Research

As you know, there has been considerable discussion and speculation already about the role renewable energy will play in agriculture policy in the future and in the upcoming farm bill debate.. While the ethanol and biodiesel industries are currently expanding at a rapid pace, we believe cellulosic ethanol and the use of cellulose products for energy production is an area primed for growth and expansion. Certainly, resources are now being devoted to research and development of technologies to convert cellulose material into ethanol and other renewable energy products.

As technologies improve, the economics of renewable energy production from cellulose, including rice straw, may be aligning for other regions of the country to contribute towards our increased energy independence. We believe the use of rice straw for ethanol holds promise for both enhancing the financial health of the rice industry and the benefit of the nation's energy needs. And, it stands to reason that the demand for ethanol will track large population centers across the nation and a number of those are located near the rice growing regions of the country and will offer numerous marketing opportunities.

We urge Congress to include a comprehensive renewable energy title in the farm bill, including new funding for the research, development, and commercialization of the use of rice, rice straw, and other rice byproducts in ethanol and cellulosic ethanol production. In addition, new funding may be necessary to restore our rice research and foundation seed infrastructure as a result of the encroachment of genetically engineered rice into our rice seed supplies and rice crop.

However, in developing and expanding the renewable energy and research titles, any additional funding for these initiatives should not come at the expense of the current commodity programs, which provide the foundation of the safety net for agriculture in general and for rice producers specifically.

Conclusion

U.S. farm policy must provide a stabilizing balance to markets and a reliable planning horizon for producers.

We urge you to recognize how well the current Farm Act is working for U.S. agriculture, and to consider ways to maintain its structure as we begin the debate on the next farm bill.

Rice producers:

- contribute a highly-nutritious food product for the nation;
- contribute to the nation's food security;
- contribute to the local, state, and national economies and the nation's balance of trade;
- contribute to conservation efforts and the environment.

Rice producers call on Congress to continue sound, fair agricultural policies in the next farm bill, including those policies in the current farm act that help to provide:

- producers with stability and reliability; and
- consumers with an abundant, affordable, stable, safe, and secure food supply.

Rice producers look forward to working with Congress and the Administration in the development, enactment, and implementation of a sound, equitable farm bill and rice program.

In the interim, however, in light of the need for a strong safety net as part of U.S. farm policy, the U.S. rice industry supports extending the 2002 farm bill until a Doha Round trade agreement is negotiated to completion and approved by Congress.
Thank you, Mr. Chairman, for holding this hearing.

This concludes my testimony.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

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Organization you represent (if any): USA Rice Federation + USA Rice Producers Association

1. **Please list any federal grants or contracts (including subgrants and subcontracts) <u>you</u> have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do <u>NOT</u> require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

Source:_____ **Amount:**_____

Source:_____ **Amount:**_____

2. **If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) <u>the organization</u> has received since October 1, 2004, as well as the source and the amount of each grant or contract:**

Source: FMD **Amount:** $3,103,054

Source: MAP **Amount:** $9,601,429
EMP $115,000
QSP $206,850

Please check here if this form is NOT applicable to you:

Signature: Paul T. Combs

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

PAUL T. COMBS

Paul T. Combs is President of Combs Farming Company and Sunrise Land Company, family farm companies with farming interests in Dunklin and Pemiscot Counties in Missouri. Crops produced on these farms include rice, cotton, wheat and soybeans. He is also President of Baker Implement Company, a family-owned retail farm equipment dealership with nine locations in Southeast Missouri and Northeast Arkansas.

Combs is a member of the Board of Directors of the Federal Reserve Bank of St. Louis. He is also a member of the Board of Supervisors of the Little River Drainage District, the largest agricultural drainage district in the country. Combs is a member of the Board of Directors of the Missouri Rice Research and Merchandising Council and is Chairman of the USA Rice Producers Group. He also serves as a Director of the Southeastern Equipment Dealers Association. He is a member of the Executive Board of the Greater St. Louis Area Council Boy Scouts of America. In 1995, Missouri Governor Carnahan appointed Combs to a six-year term on the Board of Curators of the University of Missouri, which is the governing board of the University system. During his tenure, Combs served as both Vice President and President of the Board.

Combs earned his bachelor's degree in accounting from the University of Missouri—Columbia and is a Certified Public Accountant. Prior to joining his family business, Combs was a tax associate at the Price Waterhouse accounting firm in St. Louis.

Combs and his wife Holly have two children, Meredith (14) and Hayden (11) and make their home in Kennett, Missouri.