**Testimony of**

**L. Dow Brantley III**

**Before the U.S. House of Representatives**

**Committee on Agriculture**

**Subcommittee on General Farm Commodities and Risk Management**

**Hearing regarding an Update on the Financial Health of Farm Country**

**Washington, D.C.**

**June 2, 2015**

## Introduction

Chairman Crawford, Ranking Member Walz, and members of the subcommittee, thank you for holding this important hearing on the financial health of farm country. I am honored to have the opportunity to offer testimony before the committee concerning my views on the current state of the agriculture economy.

My name is Dow Brantley. My farm is located in central Arkansas near the community of England. We grow rice, cotton, corn, and soybeans. I farm in partnership with my father, mother, two brothers and our families. Due to the hard work of my grandparents and parents, our family farm has grown from just a few hundred acres in 1946 to around 9,500 acres in row crop production today. I am pleased to serve as the Chairman of the USA Rice Federation, Arkansas Rice Federation and Arkansas Rice Farmers, as well as a board member for many other agribusiness associations in the state, but I offer my testimony today from my perspective as a diversified farmer.

## Industry Overview

As I stated, my farm is diversified, but rice is one of our primary focuses. It is worth noting that Arkansas grows rice on approximately 1.3 to 1.5 million acres each year, which is nearly half of the entire U.S. rice crop. Rice production, transportation and processing play important roles in the state by providing thousands of jobs in what is referred to as the Mississippi River Delta. Rice is the state's second highest value commodity and the top agricultural export. Nationally, the U.S. rice industry contributes $34 billion in annual economic activity. It provides jobs and income for not only rice producers and processors, but also for all involved in the value chain, contributing 128,000 jobs.

About 85 percent of all the rice that is consumed in the U.S. is produced domestically. Despite significant trade barriers to exports, the U.S. remains the largest non-Asian exporter of rice and one of the largest exporters worldwide.

Rice fields are flooded during the growing season to provide water that the plants need and to help control weeds. While drought during the growing season adds to the cost of maintaining the flood and certainly adds to the labor required to check irrigation pumps and keep levees intact, we fortunately do not typically lose a rice crop due to drought. On the other hand, this year's planting period in Arkansas and surrounding areas has been hampered by unusually wet weather.

In their recent outlook for its representative farms assuming the 2014 farm bill provisions and FAPRI January 2015 Baseline price projections, the Agricultural and Food Policy Center (AFPC) at Texas A&M University indicates a significant amount of financial stress for rice farms over the life of the farm bill. Six of thirteen representative rice farms are projected to be in good financial condition (small probability of not cash flowing or losing real equity), none are projected to be in marginal condition and seven are in poor condition (high likelihood of not cash flowing and losing real equity). The AFPC projections should be viewed as optimistic because the analysis used a price forecast that was more than $1.00/cwt higher than currently projected prices.

This year's rice crop is expected to bring approximately $3.00/cwt average less than the 2013 crop. Throughout this time period input costs have continued to rise, especially for seed and implements and other key inputs -- U.S. farmers cannot control these costs. The stakes are higher and higher, and the profit margins are continuing to shrink and in many cases are in the red today.

In addition to low prices, the industry is trying to defend itself from a food safety standpoint as critics urge the Food and Drug Administration to set a standard for inorganic arsenic levels in rice to a level significantly lower than the international CODEX standard. Mounting unnecessary regulations on the industry which do not have scientific backing will only further magnify the U.S. trade disparities and cause additional harm and burden for our farmers, millers and merchants.

**Global Challenges of U.S. Rice Industry**

When we're not battling Mother Nature we still have uncontrollable factors that could make or break us any given year, a prime example is government interference in rice production. It is decisions taken by our own federal government and the governments of nations around the world. As rice is the most government-interfered crop in the world, the U.S. has difficulty competing with foreign governments who illegally subsidize their crops and participate in unfair trade negotiations. Unfortunately, these bad actors are the same entities that set the world price and without a powerful farm bill, rice producers would be in more trouble economically than they are currently. It is critical that the U.S. government continues to go after the bad actors that put our nation's rice producers at an unfair advantage.

A study released last month on the global competitiveness of the U.S. rice industry by the U.S. International Trade Commission (USITC) lays out these challenges in great detail. The key conclusions are well known to our industry and my fellow producers. It outlined the pervasive extent of government involvement in global rice markets and the high levels of foreign tariffs that keep out U.S. rice exports. 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 – U.S. import duties on rice are essentially zero – not only leads to higher production but would also increase U.S. exports by slightly more than 1.3 mmt or approximately 25 percent.

Here are some examples:

1. Thailand's recently discontinued Paddy Pledging Scheme purchased rice from Thai farmers at the equivalent of $22.22/cwt. The U.S. market price is in the $13/cwt range. Thailand amassed approximately 12 million to 15 million metric tons of rice stocks as a result and the government is now disposing of these stocks by using export subsidies.
2. India, one of the world's top rice exporters, subsidizes the cost of fertilizer and other inputs for its farmers and the country has emerged as a major world exporter.
3. Iraq's government-controlled tender process since 2014 has nearly shut U.S. rice out of a traditional and large market despite continued price competitive offers from U.S. exporters. .
4. South Korean negotiators, at the eleventh hour, demanded that rice be excluded from the so-called Korea Free Trade Agreement because they considered rice a "sensitive crop." U.S. negotiators agreed to the exclusion.
5. China continues to deny access to U.S. rice despite years of technical negotiations with the U.S. government on a phytosanitary protocol.
6. Japan's continued reluctance to grant meaningful market access to U.S. rice in the Trans pacific Partnership negotiations raises real questions about the value of the TPP to the U.S. rice industry. We know that the administration is questioning key WTO members about compliance with their WTO obligations as regards domestic support for agriculture, but these efforts are, unfortunately, insufficient.
7. While the U.S. has extended trade and travel status with Vietnam and China, countries which were our enemies in the 1960s and 1970s, we have not restored normal travel and trade relations with Cuba where the U.S. government continues an embargo that was put into place more than 50 years ago. For my commodity, rice, where government intervention and trade barriers are rampant, Cuba offers a rare, new opportunity for an export market where I and other U.S. producers can compete on price and quality.

In this sense, a big risk to the U.S. rice industry is not crop failure as it may be for some producers, but rather our own government's trade policies and the trade policies of foreign governments. I believe the first order of business should be to at long last right this wrong. But, as our government hopefully works toward that goal, U.S. farm policy continues to be an important and even vital risk management tool.

**2014 Farm Bill Review**

The 2014 Farm Bill made significant changes, many of which should be very helpful, but some of which are making managing our operation a little more challenging. For rice farmers, there is no doubt the elimination of the direct payment has created an enormous challenge. The direct payment was capital that a farmer could count on and that helped us do our work and manage our farm better. We all understand why direct payments were eliminated, and ultimately we were able to support this given the PLC option that was put in the new farm bill, but I don't want to pass over the fact that not having this payment last October, at the same time prices for our products were sliding below costs of production, has made this business a lot more difficult.

With that said, PLC which is what most rice farmers chose, should in fact provide some real support in time of need. I appreciate the certainty that there should be some help on the way this October. This by no means guarantees me a profit, but it does at least give me a fighting chance and the confidence I need to go out and spend the money to try to make a good crop. For other crops in my area, the ARC program looked like a good option for the next couple of years anyway, and will provide some helpful liquidity. Finally, for cotton and for the other crops, I am grateful for the new insurance options of STAX and SCO. None of this was particularly attractive this year due to distorted global markets and their impact on prices, but I do believe that in a free and fair market these policies can be a valuable tool for producers.

I recognize the challenge Congress was faced with to make improvements to crop insurance and commodity policy. Having watched the 2014 Farm Bill process in its 4-year entirety, it seems like nearly a miracle that you were able to put together and pass a bipartisan farm bill and maintain as strong of policies as you did. I do want to thank you for this Committee's tireless efforts on behalf of producers of all crops in all growing regions.

**Crop Insurance**

Crop insurance, as a whole, has not worked for rice generally, and on my farm particularly like it has for other crops and areas. Our farm is 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. We have made attempts to address these shortcomings through the promotion of a downed rice policy, and as I stated earlier we are hopeful about the new SCO policy. I would also note that the 2014 Farm Bill included a provision which would allow producers to purchase insurance to cover their margins. It appears this policy is on track to be made available for the 2016 crop year, and so we are eager to see if in fact it will be as viable as we hope. It is imperative that SCO is made available to all of the rice growing counties to be fully effective and that revenue protection be available every year and not inconsistently offered.

**Payment Limitations/Means Testing**

Farms from my home area and rice farms in general tend to be larger and thus more sensitive to payment limit provisions. The 2014 Farm Bill retained workable payment limit provisions, and for this we thank you. This was coupled the authority granted to the Secretary of Agriculture to: (1) change "actively engaged" requirements for eligibility; and (2) impose a hard limit on marketing loan benefits which only serves to hamper the orderly marketing of certain crops.

A number of farm organizations joined in submitting a comment on the proposed "actively engaged rule," and the six rice producing states also submitted a comment. I would encourage Committee members to read and consider these carefully. For purposes of this testimony, let me just say that these changes would require our farm to make changes in our day-to-day operations that do not make good business sense. This would come at a significant cost and thus be punitive to my family's operation. Note that we are a family operation, and thus we were supposed to be exempt from any change. This rule needs to be revised significantly.

Regarding the marketing loan, this was largely an issue for cotton with the 2014 crop, but under the combined pay limit it impacts the safety net for all commodities. I don't think anyone anticipated at the time of farm bill passage that the marketing loan would come into play for any crops including cotton, and no one would have wanted the orderly marketing of crops to be disrupted. Unfortunately, this has become the case and I believe this problem should be addressed.

**Conclusion**

In summary, I appreciate the work of the Committee on Agriculture in crafting the 2014 Farm Bill and the work you're doing to monitor the agricultural economy. I know implementing this farm bill and developing the next farm bill will present its own set of challenges. I remind you that it is critical that we maintain provisions that allow us to be competitive in world markets distorted by high foreign subsidies and tariffs that contribute to the kind of depressed prices we have today. This includes providing necessary acts of enforcement towards foreign markets that operate illegally and put U.S. rice farmers at an unfair disadvantage.

Without these price protection and other farm policies in place, the current economy will not only discourage farmers from continuing to farm but it will discourage future generations from becoming involved in new or existing farming operations, leaving our industry in peril. I want to leave my operation as a legacy for my children. We as an industry need to do all we can to invest in today's economy.

Thank you for the opportunity to present my views today and I will be happy to respond to any questions.

# L. Dow Brantley III

Dow Brantley of England, AR is a third generation family farmer and a partner of Brantley Farming Company. He joined the family operation in 2000, producing rice, corn, cotton and soybeans. Brantley is a 1998 graduate of the University of Arkansas at Fayetteville where he received a bachelor of science in agricultural, food and life sciences. After graduation, he worked at the United States Department of Agriculture in Washington, D.C., before returning to the family farm.

Dow currently serves as Chairman of the Arkansas Rice Farmers as well as Arkansas Rice Federation, the advocate for all segments of the state's rice industry. He has held these positions since July of 2011. In July 2014, he was elected to serve as Chairman of the USA Rice Federation.

Brantley is active in the National Cotton Council, USA Rice Federation, Agricultural Council of Arkansas and Arkansas Farm Bureau. He is the Past President of the Lonoke County Farm Bureau and represents the University of Arkansas Division of Agriculture on the Council for Agricultural Research, Extension and Teaching (CARET), a national grassroots organization which works to enhance national support and understanding of the land-grant university system's food and agricultural research, extension and teaching programs. He was recently named to the Arkansas Business "40 Under 40 Class" of 2014 and has been recognized by the Arkansas Democrat-Gazette High Profile section. Additionally, he participates in several state hunger relief organizations including the Arkansas Rice Depot and Arkansas Hunger Relief Alliance.

Brantley and his wife, Amy, have three daughters, Caroline, Virginia and Ruth.

**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, 2009.**

**Name:** ___________Laudies Dow Brantley III____________________________________

**Organization you represent (if any):** ___Brantley Farming Company__________

1. **Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2009, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

**Source:**_______________n/a_____________________________ **Amount:**_______________

**Source:**_____________________________________________ **Amount:**_______________

2. **If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2009, as well as the source and the amount of each grant or contract:**

**Source:**__________n/a__________________________________ **Amount:**_______________

**Source:**_____________________________________________ **Amount:**_______________

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

**Signature:** Dow Brantley ______________________________

* Rule XI, clause 2(g)(5) 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.*

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