Testimony of

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Before the U.S. House of Representatives

Committee on Agriculture

Hearing to Review the Future of U.S. Farm Policy and the Formulation of the 2012 Farm Bill

Jonesboro, Arkansas

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Introduction

Chairman Lucas, Ranking Member Peterson, and members of the committee, thank you for holding this important hearing on the re-authorization of the farm bill. I am honored to have the opportunity to offer testimony before the committee concerning my views on current farm policy and the changes needed.

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 8,500 acres in row crop production today. I am pleased to serve as the Chairman of the Arkansas Rice Federation and the Arkansas Rice Producers' Group, 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 farmer, and not on behalf of any one organization.

Industry Overview

As I stated earlier, 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 the third largest exporter 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 do not lose a rice crop due to drought.

Global Challenges of U.S. Rice Industry

The bigger challenges facing the U.S. rice industry are challenges over which rice farmers have no control. They are decisions taken by governments—our own federal government and the governments of nations around the world. Here are some examples:

1. Brazil's PEP (Petrobras Environmental Program) program provides a $60 per ton export subsidy for rice shipped to Central America, Haiti, Nigeria and to the U.S. All are traditional U.S. rice markets.
2. Thailand's Intervention Price is buying rice from Thai farmers at the equivalent of $10 per bushel. The U.S. market price is in the $6.00 per bushel range. And U.S. rice faces Thai rice in world markets every day.
3. India, one of the world's top rice exporters, subsidizes the cost of fertilizer and other inputs for its farmers.
4. Iraq's recent tender specifies rice varieties grown in Thailand and Vietnam, but not in the U.S. Thailand's unreasonable demands have led to a 77 percent drop in sales of U.S. rice to the country.
5. 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.
6. China has yet to accept imports of U.S. rice as a result of China's lack of phyto-sanitary requirements.
7. Japan's desire to join the Trans Pacific Partnership has caused the rice industry to question the impact of the TPP on rice trade within that group of nations.
8. There have been no recent country updates as required by the WTO, which brings into question the level of engagement by the Administration in enforcing the trade issue.
9. 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.

The biggest risk to the U.S. rice industry is not crop failure, but our own government's trade policies and the trade policies of foreign governments, which are either condoned or ignored by our government. These trade polices and the increased costs of inputs, especially fuel and fertilizer, over which the U.S. rice farmer has no control, cannot be covered by a one size fits all farm policy.

The U.S. rice industry is seeking risk management tools that will allow rice farmers to secure their production loans and to repay the loans should forces over which they have no control lead to an increase in input costs or a decline in rice prices which make U.S. rice less competitive.

Not providing such a policy option threatens not only U.S. farmers who grow rice, but the thousands of Americans who transport, process and market U.S. rice across our nation and around the world.

2008 Farm Bill Review

The 2008 Farm Bill continued the traditional mix of policies consisting of the non-recourse marketing loan, loan deficiency payment, and the direct and counter cyclical payment. While the counter-cyclical payment and marketing loan have been helpful in the past, they have recently been overwhelmed by the cost of production. If crop prices drop sharply most producers, including myself, will be in dire financial straits by the time these policies make payments. However, the marketing loan also plays a key role in the orderly marketing of crops for both producers and our marketing cooperatives, especially for rice and cotton. This policy should be continued without being encumbered by limitations on how much of a commodity a producer can place under loan. The direct payment, whatever its imperfections, has assisted rice producers in meeting the ongoing and serious price risk of farming in today's environment. It is a bit ironic that the Federal government has been sending signals to the agriculture community that we should shift our policies towards those that are green box and WTO friendly, such as direct payments. The rice industry heeded those instructions in previous farm bills, and we, more than any other commodity, will be severely impacted by the loss of the direct payment unless Congress works with us to find a workable policy solution.

The new policies created in the 2008 farm bill included the addition of Average Crop Revenue Election (ACRE) as an alternative to counter cyclical payments for producers who agree to a reduction in direct payments and marketing loan benefits. The bill also added Supplemental Revenue Assurance (SURE) as a standing disaster assistance supplement to federal crop insurance.

The support mechanisms within ACRE do not provide an adequate farm policy for rice farmers or others in the Mid-south when compared to the DCP program. As evidence by the lack of sign ups, ACRE has not proven to be a viable alternative for Southern agriculture. In my home county, we have 1,650 producers, and not one has elected to choose ACRE. I understand that only one producer in the entire state of Arkansas has enrolled 20 acres in ACRE. Specifically, in the first year of ACRE signup, only 8 rice farms, representing less than 900 acres, were enrolled nationwide. A one-size fits all policy will not work, but a regional or crop-based policy could provide the assurance that rice farmers will be able to endure the challenges they face.

SURE has provided little, if any, assistance to row crop producers, including those producers in the Mid-south who suffered significant monetary losses due to heavy rains and flooding occurring prior to and during harvest and spring flooding.

I recognize the challenge facing Congress to make improvements in this program. Without increased baseline spending authority, there will be no funds to continue the policy in the next farm bill much less make the necessary improvements for it to be an effective disaster relief mechanism. However, I do not support reallocating existing spending authority from current farm policy to apply to SURE.

Crop Insurance

Crop insurance, as a whole, hasn't worked on our farm or many others like ours in Arkansas. 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. These circumstances can't be hedged.

Conservation

My family has participated in several conservation initiatives over the years. Initiatives such as the Environmental Quality Incentives Program (EQIP), Wetlands Reserve Program (WRP), and Conservation Reserve Program (CRP) have helped us conserve our natural resources and become better stewards of the land. Conservation initiatives such as the Conservation Stewardship Program (CSP) can lead to improved environmental and conservation practices, however I believe that this program is not succeeding in the way it could. Of all the conservation initiatives offered by USDA, the CSP might have the most potential in terms of producing the desired environmental results that are beneficial to both the environment and the farmer. This initiative is a win-win for everyone, but it has been vastly underfunded. The CSP has been hampered by overly restrictive payment limitations contrived by USDA regulators, and I do not believe the statute supports the restrictions. Because the CSP regulations limit payments to an "agricultural operation" and because the payment limits are so low, most farmers do not have the opportunity to enroll all of their land, even if their land would otherwise be eligible. In order to enroll more land in CSP, a producer is required to have more than one agricultural operation. This is a very costly and inefficient way for a producer to operate (e.g., multiple loans, multiple operating accounts, multiple sets of operating records, etc.). Again, this probably has something to do with the level of funding, but it would seem to me that an initiative that produces benefits for both the environment and the producer would warrant more funding. With that being said, conservation initiatives should not serve as the primary delivery mechanism for farm policy and should not come at the expense of our farm policies.

Payment Limitations/Means Testing

The 2008 Farm Bill also made very substantial changes to the payment eligibility provisions, establishing an adjusted gross income (AGI) means test and, a very significant tightening of "actively engaged" requirements for eligibility. In my opinion, the USDA over-stepped the intent of Congress in key payment eligibility provisions and issued regulations that are overly complicated and restrictive.

These changes have not only been expensive, but they have required our farm to make changes in our day-to-day operations that do not make good business sense. FSA's financing rules, active personal management rules and the decision by USDA to allow FSA and NRCS to operate under different actively engaged rules, are a few examples of the problems that we are facing. Sound farm policy provisions are of little value if commercial-size family farming operations are ineligible for benefits. While I oppose any artificial payment limitations, I advocate administering the current provisions within the intent of Congress and strongly oppose any further restrictions.

2012 Farm Bill

I believe Congress should reauthorize the farm bill this year.

I understand that the budget situation facing this committee is a key consideration in the development of the farm bill. These budget pressures, coupled with the outcome of the U.S.- Brazil WTO case means some farm policies must be modified to satisfy both budget constraints and specific trade objectives.

Some key components of the farm bill should be maintaining planting flexibility that began with the 1996 Farm Bill and the countercyclical policies that have been in place for more than a decade now.

Given the aforementioned budget pressures and other considerations facing Congress, I believe that the following priorities represent the needs of producers for crops here in the Mid-south:

- First, the trigger levels for assistance should be updated to provide tailored and reliable help should commodity prices decline below today's production costs, and should include a floor or reference price to protect in multi-year low price scenarios.
- Second, as payments would only be made in loss situations, payment limits and means tests for producers should be eliminated, or at a minimum not tightened any further.
- Third, federal crop insurance should be improved to provide more effective risk management for all crops in all production regions, beginning with the policy development process.

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 saw occur in the late 1990's. Those that hold out crop insurance as the centerpiece of farm policy certainly don't understand the nature of farming in my area. 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.

The first priority should be to concentrate on increasing the prices or revenue levels at which farm policy would trigger so that it is actually meaningful to producers, and would reliably trigger should prices decline sharply.

The reference price for rice should be increased to $13.98/cwt ($6.30/bu). This level would more closely reflect the significant increases in production costs for rice on my farm. And this reference price should be a component of both the price-based option and the revenue-based option to ensure downside price protection.

The existing price trigger levels have simply not kept pace with the significant increases in production costs. It is for this reason that I believe strengthening U.S. farm policy would be helpful in ensuring that producers have the ability to adequately manage their risks and access needed credit.

Options for Different Production Regions

I believe that farm policy must be designed to give producers options of what policy will work best for a farmer based on our mix of crops and our growing region. I consider my farm to be rather 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 I can use to tailor the best risk management tools possible on my farm.

Using rice as an example, here 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, there is the potential for a properly designed revenue-based policy to work for rice growers in California, while I know that for my rice enterprise here in Arkansas I need a price-based policy. But I would like the opportunity to evaluate both price-based and revenue-based options for my other crops to see which will best fit my situation. Each crop has very different pricing and marketing options.

Plain and Bankable Policies

The current SURE has too many factors and is not tailored to the multiple business risks producers face — it is not plain. The current ACRE, while offering improved revenue-based protection, is complicated by requiring two loss triggers; providing payments nearly two years after a loss; and provides no minimum price protection — it is not bankable. The marketing loan and target prices are plain and bankable — unfortunately the trigger prices are no longer relevant to current costs and prices.

Planting Flexibility

Any commodity specific farm policy that is tied to planted acres must be designed with care so as to not create payment scenarios that incentivize farmers to plant for a farm policy. Whatever is done should accommodate history and economics and allow for proportional reductions to the baseline among commodities. Some commodities are currently more reliant on countercyclical farm policies (ACRE/CCP) while others are receiving only Direct Payments in the baseline. Generally, the least disruptive and fairest way to achieve savings across commodities would be to apply a percentage reduction to each commodity baseline and restructure any new policy within the reduced baseline amounts.

There have been concerns raised about higher reference prices distorting planting decisions and resulting in significant acreage shifts, including for rice. Based on my understanding of the reference price levels included in the Agriculture Committees' package last fall, a reference price for rice of $13.98/cwt that is paid on historic CCP payment yields and on 85% of planted acres results in a effective price level well below my average cost of production, so I find it hard to imagine why I would plant simply due to this policy given these levels. As I have noted earlier, we have a very diverse cropping mix, and my 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 planting decisions.

Research

We support the funding for our Land Grant Universities through the Research Title, particularly the formula funding like the Hatch and Smith-Lever that enable our universities to deliver initiatives so important to our states. These initiatives are not only matched 7 to 1 with state dollars but finance important efforts on key issues at the state level like herbicide resistance, water quality, profitable and sustainable production practices and 4-H.

Conclusion

In summary, I appreciate the work of this Committee in crafting the 2008 Farm Bill and, more recently, the recommendations developed last fall with your counterparts in the Senate. I know developing this next farm bill will present its own set of challenges especially from inadequate budget authority and international trade obligations.

Based on my experience in working with the rice and cotton industries and the Arkansas Farm Bureau, I know they will work closely with this committee to ensure that we have an effective farm policy. It is critical that we maintain provisions that allow us to be competitive in world markets and provide support in times of low prices. Our industries will evaluate different delivery systems as necessary to accomplish these goals.

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

L. Dow Brantley

Dow Brantley of England serves as Chairman of the Arkansas Rice Producers' Group and Arkansas Rice Federation, the advocate for all segments of the state's rice industry.

Brantley 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. Brantley is also active in the National Cotton Council, USA Rice Federation, Arkansas Ag Council, and Arkansas Farm Bureau.

Brantley and his wife, Amy, have three daughters, Caroline (6), Virginia (4), and Ruth (1 year old).

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

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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