Testimony from Alex Clark
US Rice Producers Association

United States International Trade Commission
Investigation No. 332-603

Rice: Global Competitiveness & Impacts on Trade & the U.S. Industry

April 30, 2024

Introduction

My name is Alex Clark, I serve as the Immediate Past Chairman of the US Rice Producers Association (USRPA). I am a proud third generation rice, corn and soybean farmer from Butler County, Missouri, where I farm with my brother and father. I also serve as a member of the Missouri Rice Council, and under the umbrella of USRPA we represent the interests of rice producers in marketing their crop, maximizing their returns, and cultivating international demand for U.S. rice.

We are thankful for the good work that the Commission did in producing its 2015 report, Rice: Global Competitiveness of the U.S. Industry. We are also grateful that Ways and Means Committee Chairman Jason Smith, representing my home district in Missouri, has catalyzed the Commission to revisit this important issue and update this valuable resource.

We appreciate the opportunity to provide insight as the industry's leading advocate for the U.S. rice producer, and to discuss how the strengths and weaknesses of the U.S. rice industry, both in production and exports, have evolved historically, and since the last ITC study.

Genesis of the US Rice Producers Association

John F. Kennedy wisely observed that, "The farmer is the only man in our economy who buys everything at retail, sells everything at wholesale, and pays the freight both ways."

Understanding this predicament and the challenges compounded by international markets, farmers from rice producing states came together in 1997 to establish the US Rice Producers Association. Through USRPA, rice producers provide a voice for their fellow rice farmers in their efforts to better leverage their opportunities in the marketplace and to increase the number of buyers bidding for their rice at the farm gate. One way to achieve this has been to build cross-border relationships with our customers, to listen, learn, and collaborate to build market opportunities that maximize returns both for U.S. farmers and for our customers.

The United States occupies a unique position in the global market for rice. U.S. rice farmers grow about 9 million tons of rice on about 3 million acres each year. This equates to only about two percent of global production. On average we export about one-half of the rice that we produce. But that one percent of global production equals about 5 percent of global exports. This makes the U.S. the fifth largest exporter of rice in the world.[1]

The United States Should Sell Rice in the Form that Customers Demand

Beginning in the mid-1990s one of the major developments in the U.S. rice export market has been the emergence of the export of rough (unprocessed, or paddy) rice. In the late 1970s and

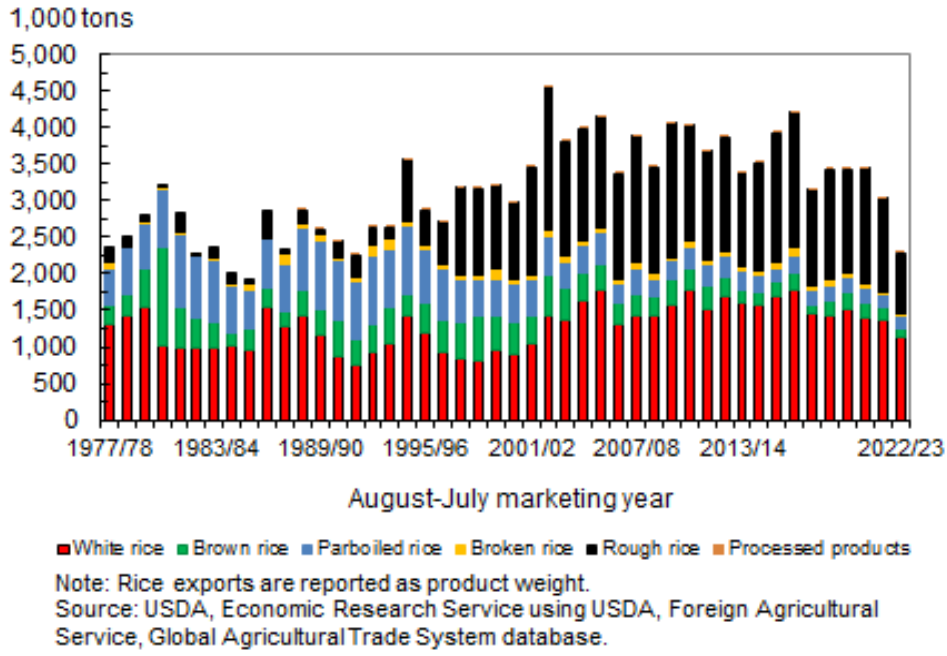
[1] This curious math can be explained, in part, by the maxim that "Ninety percent of the rice grown in the world is consumed within 50 miles of where it is grown." However accurate, this maxim illustrates the fact that the amount of rice that makes its way over the rail of a ship for export constitutes a small percentage of the rice produced in the world. For example, USDA's Economic Research Service forecasts global rice production in the 2023/2024 marketing year to be 515.5 million tons; global total supply to be 693.5 million tons; and global trade (exports) to be 53.45 million tons. (Childs, N., & LeBeau, B. (2024). Rice outlook: April 2024 (Report No. RCS-24C). U.S. Department of Agriculture, Economic Research Service, at page 2.)

early 1980s, well above 90 percent of U.S. rice exports were in the form of processed rice (milled white, brown, or broken rice; or processed parboiled rice).

As the demand for quality U.S. rough rice grew beginning in the 1990s, some in the U.S. rice processing value chain likewise called for an imposition of a ban on the export of rough rice. Like those in other countries that have instituted rough rice export bans, the justification for this policy was to protect the rice milling industry. USRPA worked to successfully discourage the adoption of a U.S. export ban, which paved the way for sales to the countries that now constitute the largest buyers of U.S. rice – Mexico and Central America.

The following graph illustrates how export sales of U.S. rough (or paddy) rice that began to grow in the mid-1990s have become an indispensable part of the export sales from the United States.

U.S Rice Exports by Type, 1977/78—2022/23

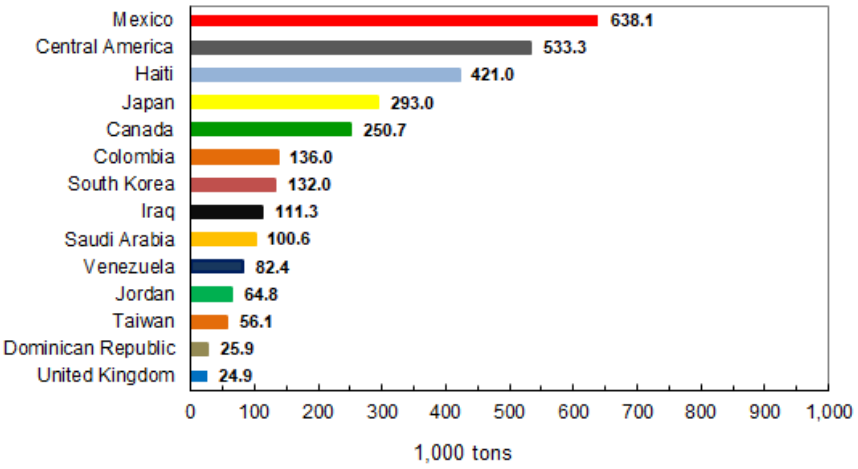


Note: Rice exports are reported as product weight.
Source: USDA, Economic Research Service using USDA, Foreign Agricultural Service, Global Agricultural Trade System database.

Rough rice accounts for around 30 percent of U.S. rice exports each year, with Mexico and Central and South America accounting for nearly all sales.[2]

[2] Rice Sector at a Glance, U.S. Department of Agriculture, Economic Research Service, https://www.ers.usda.gov/topics/crops/rice/trade/, accessed April 22, 2024.

U.S. rice exports by market, 2018/19—2022/23, annual average shipments, 1,000 tons



1 metric ton = 2,204.62 pounds. All shipment averages are reported in actual shipment product weight.
Note: Central American market includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.
Source: USDA, Economic Research Service, using USDA, Foreign Agricultural Service, Global Agricultural Trade System database.

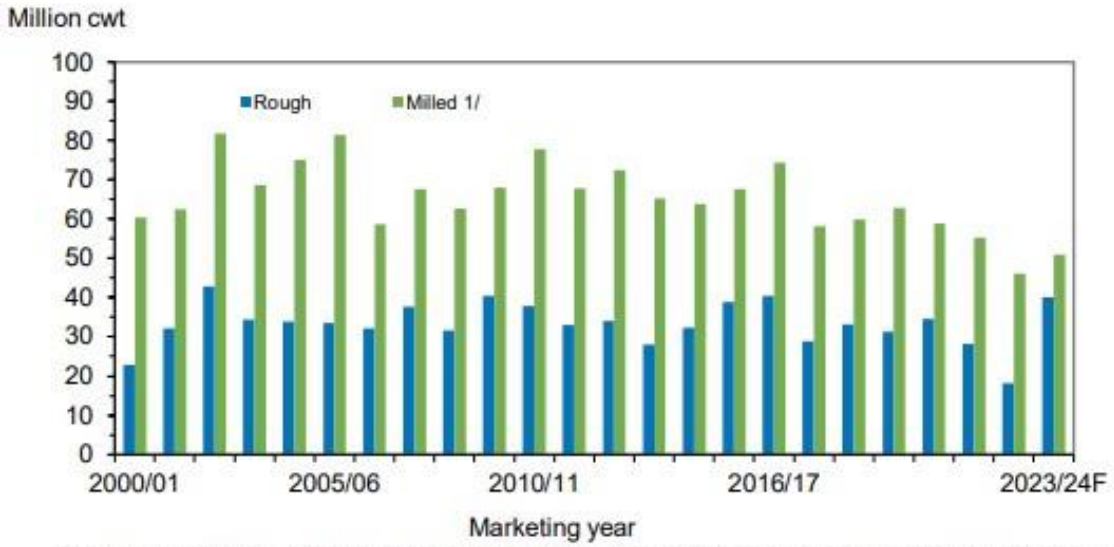
[3]

The United States is the only major exporter that allows rough-rice exports. The other major global exporters (i.e., India, Thailand, Vietnam, Pakistan, China, and Burma) restrict rough-rice shipments to protect their domestic milling industries. Central and South American exporters ship rough rice, within the region.[4]

In its most recent Rice Outlook, USDA's Economics Research Service forecasts that for the 2023/2024 marketing year, rough rice will account for 44 percent of U.S. rice exports, amounting to 57 percent of long-grain rice exports.[5]

[3] Rice Sector at a Glance, U.S. Department of Agriculture, Economic Research Service, https://www.ers.usda.gov/topics/crops/rice/trade/, accessed April 22, 2024.
[4] Rice Sector at a Glance, U.S. Department of Agriculture, Economic Research Service, https://www.ers.usda.gov/topics/crops/rice/trade/ , accessed April 22, 2024.
[5] For the 2023/2024 marketing year, ERS forecasts total rice exports of 91 million cwt., comprised of 40 million cwt. in the form of rough rice (44 percent) and 51 million cwt. in the form of milled rice (56 percent). ERS forecasts that 70 million cwt. out of total exports will be long-grain rice varieties, of which 40 million cwt. (57 percent) will be in the form of rough rice. (Childs, N., & LeBeau, B. (2024). Rice outlook: April 2024 (Report No. RCS-24C). U.S. Department of Agriculture, Economic Research Service, at page 10.)

U.S. 2023/24 rough-rice export forecast raised 4.0 million cwt to 40.0 million



Cwt = Hundredweight. 2023/24 are forecasts.1/ Milled- and brown-rice exports on a rough-rice basis. F = forecast.

Source: USDA, Economic Research Service, *Rice Yearbook* dataset, 2000/01–2020/21; USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*, 2021/22–2023/24.

[6]

These markets for U.S. rough rice represent income to the U.S. rice industry of about $400 to $500 million annually. These sales benefit rice farmers directly by purchasing their crop, and indirectly by bidding up the price for rice across the U.S. market.

Collaborative International Relationships Yield and Sustain Sales of U.S. Rice

Going a step further, USRPA has worked hard to encourage policies that are mutually beneficial to both U.S. rice farmers, the entire rice value chain, and our foreign customers. As many export markets are interested in rough rice, the farmers and professionals in USRPA have worked collaboratively with our customers who import rough rice to build the relationships that lead to profitable market opportunities for U.S. rice farmers as well as those who purchase their rice.

Perhaps the best example of this international collaboration is the development of the largest value and volume U.S. rice export market, Mexico, which up until recently counted on the United States for nearly 100 percent of its rice imports, mostly rough rice shipped to Mexican millers. With the free trade agreement advantages of shipping duty-free rice and shared borders, rice exports south of the border increased substantially for a number of years until 2022 when Mexico opened up duty free access for rice from Brazil, Uruguay, Argentina, and other markets that have incrementally displaced U.S. rice sales.

[6] Childs, N., & LeBeau, B. (2024). Rice outlook: April 2024 (Report No. RCS-24C). U.S. Department of Agriculture, Economic Research Service, at page 11.

Central America proved another success story for U.S. rice shipments, becoming the second largest market for U.S. rice exports overall, buying about one-third of all U.S. rough rice exports. Price, economic conditions, and some quality concerns U.S. grain has led Central American buyers in recent years to look for other sources of rice, particularly from South American origins.

The marketing of U.S. rice in all forms – particularly rough rice sold straight from farm-to-market – has expanded sales and improved product value. Off-farm U.S. jobs have reaped the benefits of this expanded trade, from rail lines to ports and other shippers, handlers, and processors of U.S. rice.

Port facilities in Louisiana and in Texas have relied upon marketing relationships that USRPA has cultivated over the years, especially in Latin American markets. Farmer-marketer members of the Louisiana Independent Rice Producers Association, which operates using the marketing expertise of USRPA created the South Louisiana Rail Facility (SLRF) comprised of hundreds of rice producers, has been part of the broader effort of selling rough rice for years by rail, truck, barge, and ocean vessels. Even in years when U.S. rice exports lagged overall, SLRF had record-breaking sales of over 165,000 tons of rough rice, winning new customers from different countries. In early 2019, Hansen Mueller became the first grain exporter to ship rough rice from the Port of Houston, providing a much-needed opportunity for rice producers in the region. USRPA has a record of assisting with rough rice moving through the Port of Houston since this breakthrough.

Unfair Trade Practices by Competitor Nations Harm U.S. Rice Producers

As discussed above, the United States produces only about 2 percent of global rice production, in recent years about 200 million cwt., or 10 million tons. By contrast, in the 2022/2023 crop year, China, the number one global rice producer, produced about 146 million metric tons of milled rice. India, the world's second largest rice producer, produced over 135 million metric tons of milled rice.

When countries like China and India produce rice in these quantities, and then manipulate their government policies, domestic markets, import, and export policies it not only forecloses market opportunities for U.S. rice exports, but also can cause disruptions in global markets. The impacts of these policies can threaten our market position in our traditional Western Hemisphere markets and drive down prices paid to U.S. farmers at the farm gate.

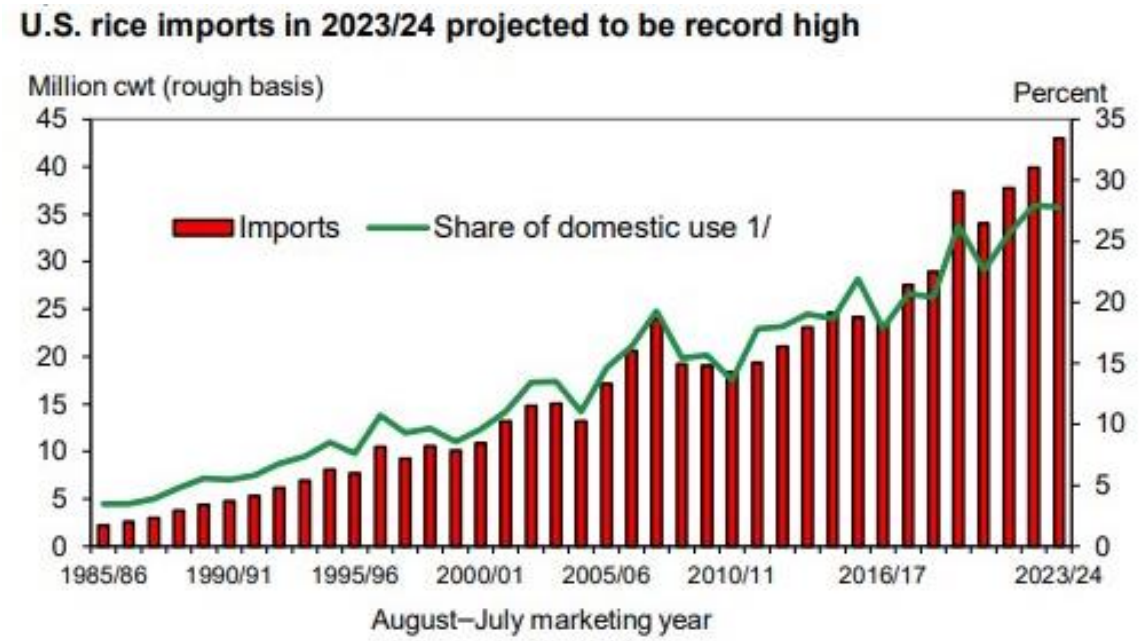
With opportunities to liberalize trade with such markets through multi-lateral trade negotiations foreclosed, our ability to police, sanction, or open these markets falls to either bilateral trade negotiations or trade enforcement actions. Either way, the work of the Commission to disclose and catalogue the practices in all our competitor markets will be key to educating and arming our industry and government negotiators with the tools necessary to work with our trading partners around the world toward leveling the playing field for U.S. rice exports.

U.S. rice producers have a strong record of opening, maintaining, and growing markets for our rice in nearby markets such as Mexico and Central America. With a better understanding of the playing field in other markets we believe that U.S. rice farmers can be competitive there as well,

whether through government-led negotiations, cross-border industry collaboration and customer service, or a combination of all of these. We look forward to working with the Commission to achieve progress in these markets.

Rice Imports Continue to Erode Domestic Market Share

According to USDA's Economic Research Service, U.S. rice ***imports*** have been increasing for more than 30 years, from around 7 percent of the domestic market in 1993/94 (August–July) to more than 25 percent by 2022/23.[7]



Cwt = Hundredweight. 2023/24 are forecasts.1/ Does not include seed use.
Source: USDA, Economic Research Service, *Rice Yearbook* dataset 1985/86-2019/20; USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*, 2021/22-2023/24.

[8]

It is unfortunate that the policies of competing nations restrict our ability to sell U.S. rice into many of their markets, while foreign rice consistently gains market share in our own backyard.

[7] Rice Sector at a Glance, U.S. Department of Agriculture, Economic Research Service, https://www.ers.usda.gov/topics/crops/rice/trade/, accessed April 22, 2024.
[8] Childs, N., & LeBeau, B. (2024). Rice outlook: April 2024 (Report No. RCS-24C). U.S. Department of Agriculture, Economic Research Service, at page 9.

Conclusion

Market share for U.S. milled rice has been eroded over decades by competition in both our domestic and export markets. Over the same period the emergence and nurture of our export markets for U.S. rough rice have brought substantial of income to U.S. rice farmers.

We urge the ITC and all policy makers to keep these important developments in mind when considering the structure of our rice markets, their interplay with international markets, and policies in the United States and other countries that can enhance or imperil the livelihoods of U.S. rice farmers.

It is ***Farmers*** who produce the rice.

It is ***Policies and Market Economics*** that structure markets.

But it is ***Relationships built on Trust, and Selling Customers Rice in the Form that they Prefer*** that experience proves will cultivate and harvest market opportunities.

We look forward to working with the Commission and other policy makers to nurture and grow these markets that in large part have been built by rice producers. We will continue to collaborate with our customers wherever possible to profitably cultivate our mutual interests.

Thank you again for your time and attention. I look forward to answering your questions, and to working collaboratively in the future.