

**Testimony of**

**Robert “Bobby” Hanks**

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**Subcommittee on Trade**

**Advancing America’s Interest at the World Trade Organization’s 13th  
Ministerial Conference**

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Good morning, Chairman Smith, Ranking Member Blumenauer, and Members of the Subcommittee.

Thank you for the opportunity to testify before you today concerning agriculture and the World Trade Organization (WTO).

My name is Bobby Hanks, I am the Chairman and Chief Executive Officer of Supreme Rice, LLC, a rice mill based in Crowley, Louisiana. In addition to the primary mill site, we also have additional milling and drying facilities throughout the state of Louisiana and in Arkansas. Our mill has been operating since 1936 and has grown during my 25 years of leadership to become Louisiana's largest rice milling operation, processing more than 1 billion pounds of rice annually. We are proudly 100 percent American-owned and privately held and we have hundreds of customers throughout the United States and have exported rice to more than 50 countries throughout the world.

My wife Molly and I are proud to have raised our three children in the town of Crowley and to have a business that provides more than 300 critical jobs in rural Louisiana and Arkansas. The mill operations have expanded over the years across many other rural towns and the families in Crowley and throughout our other locations all rely on us to stay profitable and functioning. Unfortunately, over the last decade, mine and the other 30 plus American rice mills have had our livelihoods jeopardized by trade distortion happening more than 8,000 miles away.

I'm here today representing USA Rice, the global advocate for the U.S. rice industry, a \$34 billion industry representing American rice farmers, millers, merchants, and allied businesses. I currently Chair the USA Rice International Trade Policy Committee and I formerly chaired both the USA Rice Millers' Association (2009-2011) and the USA Rice Federation (2020-2022).

Rice farmers in the United States produce 20 billion pounds of rice annually, which is grown sustainably on approximately three million acres of farmland. About half of our rice is consumed here at home while the other half is exported to more than 120 countries around the globe. Nearly three quarters of the rice consumed in the U.S. is produced and processed domestically.

This rice is produced on family farms across six major rice producing states – Arkansas, California, Louisiana, Mississippi, Missouri, and Texas – as well as a handful of other states, including Florida, Illinois, Kentucky, South Carolina, and Tennessee, with positive economic impacts in nearly every other state. On average, each rice farmer in the U.S. contributes \$1 million to their local economy and employs six people. This equates to more than \$5.6 billion in positive economic impact on the U.S. economy and a total of 31,710 jobs directly supported by growing rice. Also, rice farmers have an additional \$5.5 billion impact on the U.S. economy in value-added and labor income generated by their operations.

After harvest, rice milling, marketing, and movement around the country contributes \$9.34 billion in total output value of goods and services, along with an additional \$5.94 billion to the U.S.

economy through value-added products and labor income in all 50 states and U.S. territories. The broader rice industry supports more than 125,000 jobs nationwide.

However, it is widely understood and accepted that the global rice market is among the most distorted of any sector, a factor that underscores the vital importance of the U.S. farm safety net for rice farmers. The impact of the price distortion of world rice prices on our industry is the main reason we are represented here today, and because the WTO should and could play a vital role in making sure our industry can compete fairly.

American farmers depend on trade. And as mentioned earlier, U.S. rice growers export about half of what we grow, but our industry, and all it provides the U.S. economy, is threatened by trade barriers and distortions around the world. It's easy, and even popular sometimes, for foreign governments to impose trade barriers on food imports because the people directly hurt are usually farmers in other countries, like the United States.

One of the best publicly available resources that outlines the scope and impact of this trade distortion by bad actors like India is the 2015 U.S. International Trade Commission study, *Rice: Global Competitiveness of the U.S. Industry*. We commend the House Committee on Ways and Means Chair Jason Smith for his unwavering support and letter of request to the Commission to initiate an updated Section 332 study to outline further impacts of over-subsidization by global rice exporters.

And to further illustrate the impact that bad actors have on the global market, one need look no further than store shelves across the United States. Over the last 20 years (2003-2022), rice imports into the United States have grown from roughly 460,000 metric tons in 2003 to a record high 1.32 million metric tons in 2022. This 286 percent increase is primarily driven by imports from heavily subsidized Asian rice. Without intervention, this troubling trend is likely to continue.

### **Why the WTO Matters to U.S. Agriculture**

I acknowledge that the WTO has its problems. Too many countries flout the letter or the spirit of the rules and the negotiating function has mostly ground to a halt, especially on agriculture issues. Even supposed champions of the system, like the European Union, undermine it daily when rejecting the science-based regulatory disciplines of the WTO SPS Agreement. Disputes take too long and have too many administrative hurdles, raising costs of both litigation and exacerbating the economic costs of the policies being challenged. The Trump-Pence and Biden-Harris Administrations have both correctly raised many of these concerns.

We also need to see WTO Members do a better job notifying their policies accurately and to the appropriate WTO committees. Many countries are extremely delinquent or use incorrect methodology, which obscures the real policy effects. This makes it much more difficult to monitor policies and negotiate new rules. It also creates an unpredictable trading environment for businesses. Without appropriate enforcement mechanisms around transparency, trust in the

effectiveness of the WTO system erodes and it encourages industry and governments to tackle trade challenges outside of it.

This system has flaws, but on behalf of your constituents who depend on trade, I'd ask what better system could replace it? USMCA is a good agreement, but the core agriculture and SPS disciplines in USMCA outside of tariffs already apply to more than 160 other countries through the WTO. When the Office of the U.S. Trade Representative (USTR) brought the biotech case against Mexico, virtually every provision of USMCA cited in that case has equivalent language under the WTO – language that was originally pushed by the United States and now applies to 164 countries, not just three.

We certainly would not be able to negotiate bilaterally the agriculture rulebook that we already have in the WTO. U.S. agriculture needs this organization to work effectively.

### **Aggies for WTO Reform**

This is why USA Rice led the way in bringing together about a dozen other organizations to form a coalition that we call Aggies for WTO Reform, with the goal of encouraging and supporting robust U.S. engagement at the WTO on agriculture issues, including dispute settlement. We want the WTO to work better, to be a place where negotiations can happen, and where rules can be enforced.

We were concerned that the WTO was too often seen as an unsuccessful experiment; the Doha Round negotiations had failed and too many countries were flouting commitments. Many in the agriculture sector continue to view it this way. And we agree that those are serious problems, but we also don't salt the field just because the tractor ran out of fuel. There is much work that needs to be done to fix and improve the WTO, including how members negotiate, transparency and compliance with notification obligations, what should be enforced, et cetera. Let's just not destroy the foundation of what administrations and members of Congress of both parties have been building since World War II.

In that spirit, one of the coalition's top goals is to avoid backsliding on agriculture commitments. We are especially concerned about the insistence of India and several other large developing country exporters that their price support programs for commodities like rice should be exempt from WTO disciplines. India has threatened to take hostage virtually any outcome at the WTO unless they get what they want. But for our coalition, the status quo is better than any outcome the Indian delegation at the WTO have proposed, which would be a monumental step backwards on agriculture trade disciplines.

This requires some explanation. The "market price support" programs India wants to exempt are fundamentally different from U.S. farm bill programs like Price Loss Coverage, despite the superficial similarities. These programs don't just pay farmers when prices drop below a certain level; they require state intervention to maintain a minimum price within the domestic market.

Consequently, the government acquires huge quantities of stocks, which are expensive to maintain and exceed market demand. The excess is either sold domestically and displaces import opportunities or is dumped on international markets.

These programs used to be common in the United States, Europe, and elsewhere and led to persistent trade distortions and pervasive subsidies. The WTO negotiators recognized these problems and included a mechanism in the Agreement on Agriculture to penalize these types of programs and encourage countries to reform their support to be less trade-distorting. Instead of doing that, India, China, and others have “doubled down” on market price support programs and want to build exceptions for themselves into the WTO rules.

India intends to demand permanent public stockholding exceptions at the upcoming 13th WTO Ministerial Conference (MC13) by holding up progress on negotiations across the WTO chapters. By tying public stockholding to unrelated discussions, India may prevent any critical breakthroughs around dispute settlement and the eventual restoration of the Appellate Body function.

The United States has shown in several counter notifications<sup>1</sup> why India has sought these exceptions. India has a limit of 10 percent of the value of production that it can provide to rice specifically. In the 2014/15 marketing year, India’s market price support was 78.6 percent of the value of production. In 2020/21 it was up to 93.9 percent, according to the United States and the five other countries that co-sponsored the counter notification.<sup>2</sup> India should take steps to reform its programs given this trend, but instead it continues to raise subsidy levels while seeking unlimited exemptions through negotiations. That must change.

We’re grateful to USTR and the U.S. Department of Agriculture (USDA) for continuing to hold the line and prevent backsliding on probably the most important provision of the Agreement on Agriculture and we’re encouraging them to continue to do that at MC13. While this issue is arguably most acute for commodities like rice, it is a systemic issue for all agricultural commodities that benefit from a stable global trade environment.

### **Market Price Support in India and China**

This also ties directly to the top enforcement priority for USA Rice, which is India’s rice subsidy violations. India, like every other WTO member, is subject to limits on the support it can provide to its agriculture sector, yet it acts as if these limits do not exist, as demonstrated by the counter notifications. Rice exports have grown with these subsidies, to the point that India has gone from 15 percent of global rice trade in 2008 to nearly 40 percent in 2022. The United States and other countries have repeatedly demonstrated that India’s subsidies violate its limits, but the rules have

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<sup>1</sup> India is required to submit notifications on its support levels, but it uses a flawed methodology that obscures the actual level of its support, so the United States submitted a “counter notification” in 2018 (G/AG/W/174) and another in 2023 (G/AG/W/234) that provides a more accurate calculation.

<sup>2</sup> Australia, Canada, Paraguay, Thailand, Ukraine

not been enforced through dispute settlement. India has learned through our inaction that it can get away with ever-expanding subsidies for rice production.

USA Rice and some Members of Congress, including Members of this distinguished panel, have repeatedly urged USTR to file a dispute against India. The consequences of the failure to do so can be seen in India's growing global market share and the dependence that many countries now have on India's rice exports. The consequences of this dependence were made clear last year, when India pulled the rug out from under the global rice market by banning or taxing most of its rice exports.

This drove up international rice prices, which has temporarily benefited U.S. rice farmers, but unfortunately drives the narrative that relying on international markets is bad. In reality, relying on unreliable suppliers with heavily distorted internal markets and highly interventionist policies is bad, but when those suppliers are allowed to become dominant global players, everyone suffers. Unfortunately, reform has proven politically difficult in India as even small proposed reforms have been met with serious protests. It is time for India's trading partners and competitors to make clear that the status quo is unacceptable and unsustainable and bring a dispute to the WTO.

India is not the only country that internally distorts its rice market through price supports with external consequences. China has very similar policies in place. In fact, the United States won a case brought by the Obama Administration in 2016 and continued under the Trump Administration. China made minor changes that did not fix the problem, but allowed them to claim that they were now in compliance. The United States disagreed, but unfortunately that's where the story stops, in part because that disagreement was drowned out by the broader trade war. However, the dispute, access to the Chinese market, and prevention of dumping remain important to the rice sector.

The issues under dispute are systemically important for measuring market price support and therefore reducing trade distortions. USA Rice would like to see the United States pursue this issue further at the WTO to ensure that this method of pretending to be compliant is no longer seen as a viable option in the future, including with India, and to support the overall effort to reduce the impact of China's subsidies on the global economy, including agricultural trade. However, we are concerned that a win in the compliance stage of the dispute would lead to China appealing to a non-existent Appellate Body, closing off further options.

### **Dispute Settlement Reform**

This leads us to dispute settlement reform. U.S. agriculture needs the WTO to have binding dispute settlements where the loser cannot block a decision that it lost. I can guarantee that on almost any rice trade issue, if we won a dispute, the outcome would be blocked if that were an option for the losing party. Restoring binding dispute settlement should be a priority for the United States.

Right now, with no Appellate Body, WTO Members can appeal panel decisions "into the void," and the case effectively ends. This is the equivalent to the old General Agreement on Tariffs and Trade

(GATT) system, where a single member (usually the loser) could block the adoption of a panel report, and the case would end. This happened frequently in the 1980s, which led to the creation of the “negative consensus” principle in the WTO, whereby a report was deemed adopted unless it was rejected by consensus. It should be a top priority of the United States to restore that negative consensus principle.

There may be cases where the Appellate Body has overstepped, erred in its decisions, and played fast and loose with its rules. Certainly, reforms could be made to discourage this in the future. We support making it easier and faster to bring and resolve disputes as long as there are mechanisms to ensure predictability and legitimacy in the interpretation of the rules.

Another area of concern in dispute settlement reform is what’s called the “essential security” exception. USTR argues that this should be self-executing and non-justiciable. We do not take a position on that, but we are extremely concerned with how this exception could be abused if that is the end of the story. Food security is national security, but that does not mean that invoking national security should be the end of a dispute over a legitimate trade issue (trade is an important part of food security!). If other countries claim that food security qualifies as national security and is therefore nonjusticiable, the WTO’s agriculture disciplines would be practically worthless. Some policies should absolutely qualify as essential security, but dispute settlement reform must not pave the way for countries to invoke this exception for protectionist purposes without consequence.

### **Trade Enforcement Legislation**

USA Rice also supports legislation called the Prioritizing Offensive Agricultural Disputes and Enforcement Act that’s been introduced bipartisanly in the House with more than 20 cosponsors and support from the Almond Alliance, American Farm Bureau Federation, National Association of Wheat Growers, National Chicken Council, and the National Pork Producers Council. The bill would direct USDA to use its resources to help USTR develop offensive disputes on agriculture in consultation with Congress and establish a task force that would regularly provide reports to Congress and stakeholders on prime targets for U.S. agricultural trade disputes. Companion legislation has been introduced in the Senate.

We haven’t seen any agricultural disputes brought against a trading partner outside of North America in nearly a decade, and we’re eager to see a reformed dispute settlement system put to good use.

For far too long, U.S. agriculture has played defense, and this legislation would help encourage and hold USTR accountable for taking more proactive cases in support of American farmers and ranchers.

**Conclusion**

In summary, the WTO is an irreplaceable asset for U.S. agriculture and rice farmers. It needs to be more effective, not less, and we need more compliance to support global trade, not more so-called “policy space” to undermine it. It is critical that our competitors abide by the same rules that the U.S. abides by. Especially if you expect my business to be sustainable and profitable and support those more than 300 rural jobs in our community.

I’d like to thank the members of this subcommittee for their time and attention, and I welcome your questions.