

THE FUTURE OF AMERICA'S SMALL FAMILY FARMS

HEARING BEFORE THE SUBCOMMITTEE ON AGRICULTURE, ENERGY, AND TRADE OF THE COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

HEARING HELD
MARCH 23, 2017



Small Business Committee Document Number 115-011
Available via the GPO Website: www.fdsys.gov

U.S. GOVERNMENT PUBLISHING OFFICE

24-674

WASHINGTON : 2017

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THE FUTURE OF AMERICA'S SMALL FAMILY FARMS

THURSDAY, MARCH 23, 2017

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON AGRICULTURE, ENERGY, AND TRADE,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 2360, Rayburn House Office Building, Hon. Rod Blum [chairman of the Subcommittee] presiding.

Present: Representatives Blum, Chabot, King, Radewagen, Comer, Bacon, Lawson, and Schneider.

Chairman BLUM. I call this meeting to order.

Welcome to the first hearing of the Subcommittee on Agriculture, Energy and Trade in the 115th Congress. This is my first hearing as chairman of the Subcommittee, and I am pleased to be focusing on a topic that is important to both my district and America's heartland, small family farms.

Small farms have always been a part of our nation's fabric. It can not be stressed enough that the small family farm is also a small family business. Many of our country's Founding Fathers started out as small family farmers. In a letter to George Washington, Thomas Jefferson even referred to agricultural as, quote "our Nation's wisest pursuit." Although the industry has changed over time, agriculture is still a driving force in American America's economy.

Forty-one percent of all land in the United States is used for farming. U.S. agriculture has a \$45 billion trade surplus with other countries. Let me repeat that. U.S. agriculture has a \$45 billion trade surplus with other countries. While it may be surprising, over 93 percent of America's farms are still small family farms. Our nation's smallest farms continue to produce a significant amount of our nation's cattle, eggs, soybeans and other goods.

Small family farms are also at the forefront of the emerging sectors of agriculture. For example, direct to consumer sales through farm stands and farmer's markets have greatly increased in recent years. And small family farms account for almost 60 percent of those sales.

But more importantly, small family farms provide a living for people in places with limited opportunities and put food on the table for families across the world. And as I was saying earlier in discussions, sometimes I have to remind my colleagues from the cities that I like food and food is not grown in grocery stores.

While small family farms are a vital part of America's economy and food supply, historically low food prices have made it harder than ever to run a family farm. Since 2013 net farm income has dropped by 50 percent. And while larger farms are better equipped to handle periods of lower prices, small family farms get hit the hardest. In addition to low prices, small family farms have a multitude of other issues to worry about, from high taxes, increasing regulations and trouble selling their products internationally, it would seem like government bureaucracy is only making it harder to run a small family farm.

Today's hearing will be a tremendous opportunity to hear directly from the agriculture industry experts and even some first-hand accounts about what it is like to run a small family farm in 2017. Through the panel's testimony, this Subcommittee hopes to further understand how policies can be developed to help, not hurt, help small family farms succeed.

I now yield to the ranking member for his opening statement, Mr. Schneider of Illinois.

Mr. SCHNEIDER. Thank you, Mr. Chairman. And like you, this is my first hearing as ranking member. I am very excited not just to be on this Committee, but to be working with you, working to help small businesses and small farms across our country to continue to be the engine of our economy and I want to thank the witness for being here.

Agriculture is one of America's oldest and most important industries where family farmers and small businesses serve as the lynchpin. Most importantly it is a vital part of the Nation's economy, providing food and natural resources to millions. Although production has shifted to larger farms, small farms maintain significance in our economy. Based on data from the 2012 Census on Agriculture, there were 2.1 million farms in the United States and 97 percent were small, family owned operations.

U.S. farms income experienced a golden period from 2011 through 2014, driven largely by the strong commodity prices and agricultural exports. But since then, the state of the farming economy has weakened. Low commodity prices and high costs have posed concerns for many farmers across the country, market forecasts predict that that these trends will continue. As a result of these concerns, small family farmers may face difficult choices in how to maintain their businesses.

Small farmers experience many of the same concerns that other small businesses face. For example, even though USDA programs provide lending options specifically for farmers, access to capital remains difficult for certain subsets of agriculture, mainly startup and socially disadvantaged farmers and ranchers. Similarly, small farmers stress the need for comprehensive tax reform to reduce the complexity and burden that exists in the current tax system. And in order to continue to create jobs which drive the economy, many farms would benefit from sensible immigration policies to hire the workers they need. These policies are critical in helping our Nation's small farms remain competitive in domestic and global markets.

Small farmers need a strong commitment from Congress to assure them that agriculture remains a viable industry, especially as the gap between small and large farms become more divided.

Today's hearing offers the opportunity to gain a better understanding of their needs and the challenges they face. It is my hope that we will devise solutions today that will help small family farms thrive.

I thank the witnesses again for being here today and I look forward to hearing your comments.

I yield back.

Chairman BLUM. I would just like to take a second to explain the opening statements and the timing. If Committee members have an opening statement prepared, I ask that it be submitted for the record.

Your timing lights you should have in front of you. You will have 5 minutes to deliver your testimony. The light starts out as green and when you have 1 minute remaining, the light will turn to yellow. And at the end of your 5 minutes, the light will turn to red. And we ask that you try to adhere to your time limit. We are not going to shut your mike off, we are friendly here but try to stick to the 5 minutes.

With that, I would like to introduce our distinguished panel of witnesses today. Our first witness is Dr. John Lawrence, Associate Dean and Director of the College of Agriculture and Life Sciences at Iowa State University. Welcome. Dr. Lawrence is also a director of the Iowa Nutrient Research Center at the Iowa State University Beginning Farming Center which coordinates educational programs and assess the needs of beginning and retiring farmers. He received his Ph.D. in economics from the University of Missouri, and received both his masters and bachelor's degree from Iowa State. Thank you for coming to testify today, doctor.

Our next witness is Tim White, owner of White Farm, located in Lexington, Kentucky. He is vice president of the Kentucky Cattlemen's Association and will be testifying this morning on behalf of the National Cattlemen's Beef Association. White Farms have been operated by Mr. White and his wife for 27 years and is primarily a cattle operation with corn and soybean crops as well. Mr. White is a graduate of Eastern Kentucky University with a degree in beef cattle management. Thank you for testifying this morning, Mr. White, and welcome.

Our third witness is Sarah Rickelman, a manager of Degener-Juhl Farms—did I pronounce that right—a hog farm in my district in Hudson, Iowa. Last fall Ms. Rickelman was selected to participate in the Iowa Farm Bureau Agriculture Leaders Institute, congratulations, which brings Iowa's leaders in the agricultural industry to meet with agriculture policy experts here in Washington, D.C. She graduated from Iowa State University, in agricultural studies, and will be testifying this morning behalf of the Iowa Farm Bureau. Thank you very much for being here. It is always great to see one of my constituents.

And I will now yield to Ranking Member Schneider to introduce the minority witness who I happen to know very well.

Mr. SCHNEIDER. Thank you. It is my pleasure to welcome Chuck Conner. Mr. Conner is president and CEO of the National

Council of Farmer Cooperatives where he oversees the organization's work to promote and protect the business and public policy interest of America's farmer owned cooperatives.

Prior to joining NCFC, Mr. Conner served as deputy secretary at the U.S. Department of Agriculture. He also served as special assistant to President Bush and as an adviser to Senator Richard Lugar. Mr. Conner is a graduate of Purdue University, which I will mention is in the Sweet 16 and I welcome Mr. Conner, thank you for being here.

Mr. CONNER. Thank you, Congressman.

Chairman BLUM. Dr. Lawrence, you are now recognized for 5 minutes.

STATEMENTS OF JOHN D. LAWRENCE, PH.D, ASSOCIATE DEAN AND DIRECTOR FOR EXTENSION AND OUTREACH, COLLEGE OF AGRICULTURE AND LIFE SCIENCES, IOWA STATE UNIVERSITY, AMES, IA; TIM WHITE, OWNER, TA WHITE FARM LLC, LEXINGTON, KY, TESTIFYING OF BEHALF OF THE NATIONAL CATTLEMEN'S BEEF ASSOCIATION; SARAH RICKELMAN, MANAGER, DEGENER-JUHL FARMS, HUDSON, IA, TESTIFYING ON BEHALF OF THE IOWA FARM BUREAU; AND CHUCK CONNER, PRESIDENT & CEO, NATIONAL COUNCIL OF FARMER COOPERATIVES, WASHINGTON, D.C.

STATEMENT OF JOHN D. LAWRENCE, PH.D

Mr. LAWRENCE. All right, thank you for the opportunity to speak to you today about family farms. You will be hearing from individual farmers this morning and their important perspectives on this panel. My comments are going to focus on the demographics and economics of family farms and the challenges they face, and then finally I will share with you some of the programming at Iowa State University that works to help sustain family farms across the generations.

I am going to speak initially here using USDA definitions of farms on size. We are going to talk about resident farms, intermediate farms, and commercial farms, all of which would be, depending on your definition, may be small. Almost certainly most of them in Iowa are family owned.

I don't want to get too much into the distinctions, but it is important to note that of the 87,000 farms in Iowa, nearly half of them are considered resident farms, meaning that they are not farmers. Their primary occupation is off farm or they are retired. They still live in communities, they still contribute to the farm economy.

Intermediate farms, those that have gross sales less than \$350,000, a year make up about 30 percent of our farms, 26,000 of them. Yet 70 to 90 percent of their household income comes from our farms sources. The commercial farms, those with sales over about \$350,000 or about 600 acres of corn-soybean rotation, make up about one-fourth of the farms, they control 67 percent of the land, and they account for 80 percent of the value of production. Again, family owned, family operated, small on some scales but larger in others. They still have off farm income in their household of about \$100,000 a year on average.

The policy that impacts markets and helps farmers manage risk are going to be more important to these commercial farmers because they have more acres and more animals. Policies that impact rural employment are beneficial to all farmers but in particular those more dependent on off farm income.

The rural businesses obviously need those people for employees. Thus it is a symbiotic relationship between farms and the rural businesses. The current conditions, and you will hear more about that from our farmers on the panel, but as was said commodity prices have dropped dramatically since their peak in either 2013 or in the case of livestock 2014. That has had an impact on financial conditions. I work with a “canaries in the coal mine” group that meets to discuss the financial health of farmers in recent years. Most farmers came into the situation in a strong equity position, yet that has been deteriorating. Many have been able to refinance to cover short-term debt needs, and spread the debt out over a longer period of time, and most but not all have been able to get financing and continue to operate.

If prices continue as forecast, farmer equity will continue to slowly deteriorate. Certainly the most vulnerable are the younger producers who did not have a cushion going into this downturn.

As we look at the challenges to sustaining family farms I am going to talk about three of them.

First, is just managing a business in a globally competitive environment such as agriculture, dealing with variable weather, variable markets, evolving technology, regulations and narrow margins.

Second, is to be able to grow that business to not only support one family, but at times support two families as you think about a transfer of the business from one generation to the next.

Third, and often the most difficult and challenging, is simply the communication about the future of the farm. Farmers by nature do not like to talk about things like this, and yet it is important to plan ahead so everybody has a common vision and a common time-frame.

Iowa has the first in the Nation beginning farmers center, it was created by the Iowa legislature in 1994 to assist facilitating the transition of farming operations from established farmers to beginning farmers. That center is part of the extension program and the College of Agriculture and Life Sciences at Iowa State University.

I want to talk about two programs in particular, one we call returning to the farm, which is for farmers who know who their successor will be, oftentimes a relative, a child—to get them together in a pair of two day workshops and really start the communication process that will set the footing for the coming years of discussion.

A second one called ag link works with farmers who do not have an heir already identified but is a matching service of sorts. But unlike a dating service, where we simply give each others names, this is an interview process, a facilitated discussion over several months to make sure we pair up the right people and we continue to work with them into the future to try to move that business into the future intact rather than in pieces. There are many other programs working with these farmers and I look forward to answering questions about that, thank you.

Chairman BLUM. Thank you, Dr. Lawrence. Mr. White, you are now recognized for 5 minutes.

STATEMENT OF TIM WHITE

Mr. WHITE. Thank you, Chairman Blum, Ranking Member Schneider for allowing me to testify today on behalf of the future of America's small farm, family farms.

My name is Tim White, my wife, Amy and I own and operate TA White Farm, LLC in Lexington, Kentucky. We have a pure bred Angus operation and a commercial cow calf operation, and I am currently the vice president of the Kentucky Cattlemen's Association.

Cattle producers in this country are small business owners, by in large with the average cow herd in the United States at 40 head. The current state of the farm economy is very much weakend. The cattle market has been in a slump. It has many producers struggling. According to the USDA's economic research service, this year marks the fourth consecutive year of farm income dropping on a national scale.

Congress plays an important role in several areas that impact cattle producers, including regulation, tax, trade, and the farm bill. While these issues alone can be managed by producers, when combined with the losses of natural resources, urban encroachment and natural disaster we have a real hurdle that producers must overcome to be successful.

The biggest concern of our small business is overregulation. The EPA's WOTUS rule is such an example. The overreach of this regulation would require many beef producers to get permits, and to comply with those permits, which would be a huge burden and not to mention it would open up lawsuits for activist groups.

As a small-business owner, I am particularly concerned about the lack of outreach to the small business community by Federal agencies such as the EPA. As a family owned business, I know that this regulation would have had a negative impact on my operation. The positive news is President Trump signed an executive order requiring the EPA to go back and revise the WOTUS rule.

We want to work together with the EPA so that we can get clarity, that we need, in the WOTUS replacement that works for cattle producers, protects our water quality, and follows the rule of the law.

U.S. livestock producers understand and appreciate the role that taxes play in maintaining and improving our Nation. However, they also believe that the most effective Tax Code is a fair one. For this reason, a full immediate repeal of the estate tax must be a top priority as Congress considers comprehensive tax reform legislation.

As you may know, in 2012 Congress permanently extended the estate tax exemption level to \$5 million per individual and \$10 million per couple. While this was a positive step, the current state of our economy has left many agriculture producers guessing about the ability to plan for estate tax liabilities.

When it comes to trade, cattlemen have always been strong believers in international trade. We support positions at open markets and remove trade barriers intended to keep our products out

of foreign markets. The most dependable way to secure access to foreign consumers is through free trade agreements because they remove tariff and nontariff barriers.

Another major item on the agenda for small family farms is the creation of the 2018 farm bill. With the farm bill in mind, cattle producers oppose the involvement of the Federal Government in determining how they market their cattle. We are strong in opposition to the GIPSA rule on competitive injury. If this rule is implemented we are led to believe that the packers would offer one price for all cattle regardless to the quality. As they are not willing to open themselves up to frivolous lawsuits.

NCBA would also like to reiterate the opposition to the mandatory, government run, country of origin labeling or COOL. Repeal of the previous mandatory program was necessary as it provided no market benefit to producers or consumers.

I also would like to mention today the need for a stronger, more sufficient foot and mouth disease vaccine bank. Estimates show that if an FMD outbreak happened in the United States, it would cost our livestock producers billions of dollars in the first 12 months. NCBA also requests the support for funding of \$150 million a year over the next 5 years. This is important to the beef industry as countries across the globe continue to grapple with foot and mouth disease.

Again I would like to thank you for your time today and I look forward to working with you and answering any questions that you might have.

Chairman BLUM. Thank you for your testimony, Mr. White.

Ms. Rickelman, you are now recognized for 5 minutes.

STATEMENT OF SARAH RICKELMAN

Ms. RICKELMAN. Good morning. I am Sarah Rickelman, manager at Degener-Juhl Farms in Hudson, Iowa. Let me begin by thanking Chairman Blum, Ranking Member Schneider and members of the Committee for allowing me the opportunity to share my story with you today.

I especially want to thank my House Member Representative Blum for inviting me to testify. Thank you for the warm introduction and this opportunity to talk about small family farms in Iowa.

Iowa Farm Bureau members from Black Hawk County and rural Iowa, where I along with my husband, help manage a 1,700 head farrow to finish pig farm. My husband and I are two of several producers who provide the hands on daily work to generate a safe, nutritious and affordable product that is consumed by families across the United States and around the world.

My passion for agriculture started as a young girl, growing up on a small acreage and being heavily involved in the local 4-H club, learning about agriculture, caring for my animals and preparing them for county fair year after. This was the beginning of my love story with agriculture.

Wanting to continue my education at agriculture I attended Iowa State University, taking classes in agricultural studies with an emphasis in swine production.

ISU empowered me to learn the skills and obtain the knowledge that I use on the farm every single day. Some of my daily duties

include animal observations, recordkeeping, and training employees on public relations work. I love being inside the barn every day, working closely with the animals and ensuring they are given the best possible care. From the early morning to late night, work on the farm is never done and I wouldn't want it any other way.

My goal in college was to find a career that would balance farm work with local, State and national agriculture advocacy. I got involved with Farm Bureau 3 years ago and I really enjoyed the opportunity to share my story of how I got started in farming and how important agriculture is to my family and rural Iowa. I truly believe that being on the family farm is the best career choice I could have ever made.

While I couldn't be happier with my decision to farm with my family, we face significant challenges and threats to our livelihood. Being a young farmer, I am concerned about the ability to continue this profession and one day pass it along to my children. I am concerned about the ability—excuse me, with commodity prices depressed over the past several years, net farm incomes have decreased by 46 percent over the past 3 years with another 8 percent decrease projected for 2017. While grain and livestock prices have a major effect on our operations, the laws and policies that are enacted in D.C. also have a significant impact on the success of small family farms.

In these challenging, economic times it is more important than ever that we have a strong and adequately funded farm bill. The farm bill provides a basic level of risk protection in bad economic times and in years with poor weather. Federal crop insurance in the farm bill has been successfully proven and essential safety net for family farms across the country. I hope that Congress will continue to appreciate the importance of the farm bill and pass it before the current farm bill expires.

Another way that D.C. is affecting the family farm is through current tax policy. As Congress looks to reform our Nation's tax policy, I hope that lawmakers will consider the impact any change will have on the thousands of family farms across the country. While lowering individual tax rates is a positive reform, family farms will ultimately pay more taxes if essential tax policies for small businesses are eliminated.

Agriculture is a capital intensive business and being able to deduct business expense a critical tool. This should include the ability to deduct interest expense. As a young farmer, I am extremely concerned about the ability for the next generation to purchase their first piece of ground or expand their operation if they can't deduct interest expense. A tax reform package that doesn't include these provisions will ultimately increase taxes on family farms. On that same note, I hope Congress will finally and permanently eliminate the death tax while maintaining stepped up basis. These tax provisions are essential to survival of the family farm.

As I mentioned before, the pork we raise on the farm not only feeds families in Iowa but also feeds people across the world. I am blessed to farm in an area of the world that is immensely fertile and productive. Our country grows far more food than we could ever use, with 98 percent of the world's consumers living outside of our borders.

Agriculture is a growth industry and expanding export opportunities is vitally important to the success and future of the family farm. I hope that Congress and this administration will push for expanded trade opportunities and work with other countries to negotiate trade deals that lower tariffs so we can sell more of products to those markets.

We face many challenges as farmers grow fewer and the divide between the general population and agriculture grows wider, but I am optimistic that if we continue to share our story we can shine a light on the work we grow safe, affordable, and sustainable food for the world. Being a family farmer isn't just is a career, it is a lifestyle of which I am extremely proud.

Now pregnant with my first child, I look forward to the day when our little one can come out to the barn to see the baby pigs with me and my husband, to enjoy agriculture as much as we do. With a strong safety net, progrowth tax policies, and increased trade opportunities I know America's small family farms have a bright future. Thank you.

Chairman BLUM. Thank you for your insights, Ms. Rickelman, and congratulations.

Ms. RICKELMAN. Thank you.

Chairman BLUM. That is great news. I would also like to bring a knowledge of the chairman of the full Small Business Committee, Representative Chabot down at the end there. Thank you, chairman, for honoring us with your presence at this Subcommittee meeting.

Mr. CHABOT. Don't screw it up.

Chairman BLUM. Tell that to the President today.

Thank you, Ms. Rickelman. Mr. Conner, I would like to recognize you now for 5 minutes.

STATEMENT OF CHUCK CONNER

Mr. CONNER. Chairman Blum, Ranking Member Schneider, and members of the Subcommittee, thank you for holding today's hearing on the future of the family farm.

I am Chuck Conner, president and CEO of the National Council of Farmer Cooperatives and I am honored to be here today on behalf of America's nearly 3,000 farmer owned co-ops and their nearly 2 million producer owners.

The focus on the future of America's family farms is especially timely today. As we work our way through the bottom of the price cycle, producers are looking to improve their margins in any way possible. In today's ag economy, the difference between making small profits or harboring very big losses is controlling your costs down to the very penny. Producers know that many of these costs are simply beyond their control, some are driven by markets, others by mother nature, but some costs are also driven by public policy. These policies can act either as investments that help lower costs or as regulatory hammers that raise them.

Our common goal, ultimate goal, is to preserve the productivity of our farms. Today I would like to focus on three issues before Congress with a direct impact on our members and their farmer owners. Tax reform, immigration and trade.

NCFC supports pro growth tax reform. However, some aspects of the House tax reform blueprint could profoundly impact farmer co-ops and their members. For example, the border adjustability tax, it includes a 20 percent tax on imported goods. This would be detrimental to cooperatives, cooperatives that import fertilizer, fuel, farm machinery components, other items.

The blueprint also eliminates the deduction for net interest expense, repealing the deduction for interest on debt would cause harm to farmers and their co-ops by hindering business expansion, new hiring and product development.

Additionally, the blueprint calls for the repeal of section 199, the deduction for domestic production activities income. Section 199 promotes jobs, it promotes job creation and domestic production of goods. Section 199 benefits our returned to the economy through new job creation, as well as increased spending on agricultural production and in rural communities. We urge you to maintain this incentive for domestic production.

An immediate threat to many of our farmers is the lack of available labor. As part of the agricultural workforce coalition, NCFC is seeking a legislative solution to address this threat. We must ensure our farmers have access to the labor they need to harvest crops and care for livestock. Unfortunately, instability in the ag labor workforce has reached critical levels today. Farmers face a shortage of legally authorized and experienced workers each year and the cumbersome H-2A visa program isn't serving as a safety net to meet the workforce demands today.

We can and we must do better for our farmers by modernizing our immigration system. This includes work eligibility for our existing workforce and a farmer friendly program to provide for future guest workers for all of agriculture.

Our farmers also depend heavily on foreign markets and trade is vital to the prosperity of our farming sector. While small farmers may not have access to international markets directly, the prices they receive for their commodities are clearly dependent on exports. Additionally, farmer owned co-ops offer farmers access to the global marketplace by providing services that would be more difficult, if not impossible to accomplish individually.

The co-ops increased earnings due to foreign sales flow back to the farmer owners through increased patronage dividends, boosting farmers income well beyond the farm gate. With over 95 percent of the world's population living outside the United States, expanding access to foreign markets is essential to our future success, this includes maintaining and increasing access markets through existing and future trade agreements and leveraging export programs that serve as a catalyst for increased market access.

In my written testimony I have highlighted a few more issues of importance to NCFC. We must reduce agriculture's regulatory burden, as well as make improvements to our Nation's transportation infrastructure, especially in rural America. This should be a high priority. I have also included information on a new sustainability initiative NCFC has launched.

In conclusion, I realize this testimony covers a lot of ground, some of which may be outside the jurisdiction of this Sub-

committee, but these issues are certainly no less impactful to the future of America's family farms.

Thank you, Mr. Chairman, for the opportunity to testify today. Chairman BLUM. Thank you for your insights, Mr. Conner.

I would now like to recognize myself for 5 minutes. And this is a question for the entire panel, in the last 4 years that I have been in politics I have met a lot of farmers in eastern Iowa, and I have yet to meet one farmer who started their family farm, starting out in farming that wasn't involved in a family farm, that didn't inherit the land and the farm from their parents or didn't purchase it at a severely reduced price, a less than marketplace price.

I am concerned about the shrinking number of farmers. I don't want five mega corporations to control our food supply in this country. And where I am heading here is I would like to have everyone's insights on financing to start farms. Is there credit there? Is it reasonably priced? Can a young person start out without having parents in the business and make it in a family farm today?

I am a small business person. I started out in software and made it. In almost every other industry you can start out in your basement or your garage and make it, potentially. But the family farm, I am very concerned about the dwindling numbers. So I would love to hear your insights on can a person, not inheriting the land or inheriting the farm, make it today?

Maybe we will start with Dr. Lawrence.

Mr. LAWRENCE. That is a difficult challenge. And it is not a new one. We have often said you either had to be born into it, marry into it and some have higher costs than others. So we do see in fact our beginning farmer center does work with nonrelated parties to maintain a family farm. It moves from one family to another, they just don't happen to be related to each other.

We have a database that has over 700 young people that want to get into a farming operation, and about 35 existing farmers that want to find a young family to take over. So there is a bigger demand than there is a supply.

The challenge is how do we encourage more of the existing generation to move their assets into the next generation intact? It is easy to have a farm machinery auction and rent the farm to the highest bidder down the road, but then you lose a family out of the community.

There is a bit of a balancing act. If we are going to grow our businesses, oftentimes we have to acquire other assets. So where do they come from unless we can do value added or grow within our operations.

Chairman BLUM. Mr. White?

Mr. WHITE. You know, I think in our part of the world there is young guys that are struggling, because they are trying to get into the agriculture business and in our country cattle business. And several of them got in and it is high market, and now this market has gone the other way and it has really killed their equity and capital position if they had any to start with. So when we look at it, to get into this business one, it has to be a desire and a life's goal because this is not an industry that is easy, it is an industry you have to have discipline in, and you have to do things and the way we do it. In my operation is we have to think out of the box

and try to do it in ways that other people aren't, kind of like a niche market. And to start on your own, it is tough. It is hard for these young people to come out. And there are regulations that are in place that are really—that do hinder.

And as Dr. Lawrence was just saying we are talking about if there is any passing down, the estate taxes and stuff, our business like you said is capital rich, cash poor. And so it is really hard. I think young producers have to start out maybe working with others that are already in the business and work through that way.

Chairman BLUM. Ms. Rickelman?

Ms. RICKELMAN. I am going to go off what Mr. White said. My family did not farm. We had an acreage, but I had a passion and desire to be in the farming industry. I wanted to be a part of it somehow. I didn't have the capital. But I went to Iowa State and had the desire and the passion for it. And I started working in the barns, just doing little tasks. And I worked my way up to herdsman and managing positions and where I am part of teaching other employees.

So I don't have any money invested in the farm, but I make the operation work. And this is how I think young people need to get into farming, not get so tied up with I need to raise corn, soybeans and I need to have a big green tractor. Maybe work on niche markets and partnering with others who already farming like I have done and work your way up and eventually take over or expand in different operations in the farm.

Chairman BLUM. Thank you.

Mr. Conner briefly.

Mr. CONNER. I think there are opportunities for those who may not have been a farming operation to get in farming today, but the key point that has been made is you are not going to get into that farming operation because of great financial returns, there has to be a passion associated with the land, with food production in order to drive you with this.

Because if you look historically the return on capital in agriculture just is never going to match other sectors, it just is not. We have highs and lows but it is never long term going to match it so there has to be something else driving you. And when you have that passion, I believe there are many, many opportunities to get involved in agriculture.

Chairman BLUM. That is good to hear.

My time has expired, I now yield to the ranking member, Mr. Schneider for 5 minutes.

Mr. SCHNEIDER. Thank you, Mr. Chairman.

And again, thank you to the witnesses for your very insightful testimony.

Mr. Connor, in many industries I think they talk about psychic income and I think that is what you are touching on is that passion.

Mr. CONNER. Yes.

Mr. SCHNEIDER. I wish I had an hour to discuss some of the issues. We have covered so much from technology, to trade to immigration, some of the things that jump out at me is the importance of access to knowledge. When you talked about the know how of

how to work a farm, that comes with a passion, the access to capital, the access to markets.

But as this is titled the future of farming, America's future in farming, Dr. Lawrence, you said something in your remarks that struck me. I spent my career as a consultant to small business, family business, dealing with succession and it is hard and people don't talk about it. And if there is a way that perhaps working in public, private partnership we on this Committee might be able to help foster the opportunities for those discussions, the tools necessary to begin the conversation on succession, what might we do?

Mr. LAWRENCE. Well, I can give you one example and this is a USDA beginning farmer and rancher development grant that Iowa State University received. One aspect is to train facilitators in both the public and private sector on how to start and carry out farm succession discussions with farmers. And so we certify these people. Some are extension professionals, others are attorneys, some are financial managers that are looking for business and see this as an opportunity to have an outside third party professional sit down with both generations and really help facilitate those discussions.

It is not about choosing the right legal structure, it is not necessarily about what the numbers crank out. It is ok they have a common vision and can had they communicate on things.

Mr. SCHNEIDER. Are there obstacles besides having the conversation to passing the farm on? What are some of those obstacles?

Mr. LAWRENCE. Well you have heard some of those here today about tax issues and some of those types of things. The stepped up basis is really important, one that I believe should be maintained. As far as other obstacles, sometimes there isn't enough growth or opportunity in the business to support two families. And oftentimes that involves somebody working off the farm, maybe multiple somebodies to work into it as Ms. Rickelman has spoken about.

Mr. SCHNEIDER. I will open it up to the rest of the panel. As you see the need for succession, Mr. White, is your farm a first generation, second generation, your cattle operation?

Mr. WHITE. My cattle operation is a first generation. And at this point my kids—my son plans to come back, he is in college and he is planning to come back to the operation. And I am getting to the age that I am having to start to think about what I am going to do and how I am going to transition my operation in the future.

We just went through this in my family about 15 years ago. And with my family, my father was sick and we went through some estate work. And that is why it is important to NCBA, and for me personally, and that is why I am here today. I have a bull sale Saturday morning which is a major portion of my income, but this is important to me. This will be the future of my operation and that is why I am here today.

The estate tax is huge for us. We have to be able to pass this along because if we have to worry—if I have to worry the next 20 years about saving money to pay my liabilities for the estate taxes that takes away from my operation to build it where I can make room for my son to come in to my operation to sustain both families.

Mr. SCHNEIDER. Thank you. Before we go further, Ms. Rickelman, congratulations to you and your husband. The next generation of farmers is important.

The last thing I want to touch on in my 1 minute, we talked a little bit about immigration, Mr. Conner, you talked about the need for immigration. And I asked this question yesterday, at another hearing in this room, assuming we could come together across the aisle and find a solution that addresses border security, comprehensive immigration reform. The CBO estimates that would add \$2 trillion to our economy. The stability, how positive of an impact would that have on each of your operations if we could get there?

Mr. CONNER. Well, it is a great question and I would just say it would have a tremendous positive impact. And it would create jobs and economic growth in this country, because we currently cannot get the labor force that we need to do what we do for America today which is feed and clothe them every single day. It is getting to a dire circumstance.

Just, very, very briefly we have what is estimated to be up to 70 percent of our hired labor force on our farms and ranches today are those who may not be here with legal documentation, up to 70 percent. That is an incredible number. We can't do what we do if we lose that labor force, it is just pure and simple.

And the unfortunate part of that is, if we lose that labor force, consumers aren't going to feel it in grocery stores or at least not very much, because we are just simply just going to import that product. And that is a horrible, horrible thought to think that we are driving production overseas for products that we can very, very competitively produce here in the United States.

Mr. SCHNEIDER. I thank you. With that, I am out of time, I yield back.

Chairman BLUM. Thank you. The gentleman yields back. The gentleman from Iowa, Mr. King, is recognized for 5 minutes.

Mr. KING. Thank you, Mr. Chairman. I appreciate you holding this here today. I would start out with this as sometimes Mr. Schneider needles me, but I wanted to just ask you, Ms. Rickelman, are you as happy about Purdue being in the Sweet 16 as he is?

Ms. RICKELMAN. I would have to say no.

Mr. KING. And Dr. Lawrence has already expressed his unity with you. And so for those who are not watching, that it was at the expense of Iowa State. Purdue was in the Sweet 16.

Mr. SCHNEIDER. With that Midwestern has taken their time and made it to their first ever.

Mr. KING. Well, reclaiming my time. Hopefully that does set a good tone here in this Committee, but when I listen to your testimony, Ms. Rickelman, I am sitting here and I am smiling for a whole series of reasons, because you do embody much that we want to see come into agriculture and with an expanding family on top of it.

I have long said if you want to do something great for our country have a lot of babies and raise them right. And the best place to do so is on a family farm. And so I am happy to hear your testimony.

I had a question 1,700 head, how many sows is that? That is farrow to finish, right?

Ms. RICKELMAN. Seventeen hundred sows, we finish 40,000 a year.

Mr. KING. Okay. That resets my perspective on your operation and how busy you really are. So I hope you get a lot of cheap labor coming up in your family. And it reminds me when you talk about niche marketing also. And it would be about 15 years ago I remember a discussion that I had in northwest Iowa with a family on the street of one of those communities I won't name here in the hearing. And at that time if you were going to lay out the gross receipt cash flow for corn it would be about \$300 an acre gross receipts, roughly.

And so they had 1,100—no excuse me, 1,099 acres of corn. One acre of what I would call a glorified garden, and out of that single acre that family took \$28,000 worth of crop off of that single acre in probably the 2001 crop is what it was. And I remember framing that in my mind. And I gave a speech to Iowa State and said that out loud, a couple of kids in crowd that didn't know that. And they let me know there was probably \$50,000 worth of cheap labor, child labor is how they described it. That was their joke and not an estimate.

But someplace between \$28,000 an acre for a labor intensive well managed, well marketed, irrigated crop rotational piece of ground at \$28,000 an acre, and that \$300 an acre is probably more like \$700 an acre now. There are a lot of solutions for entrepreneurs that want to get into the business. And you had your eye on it and you found that niche to do that.

So I am encouraged by that by your testimony on it and I—the list of components here seems pretty universal and the death tax, it is a direct tax on the American Dream itself.

When you think the people that came over to this country to plant their stake out on the prairie it was about leaving a farm or two or three for their—however many children that they had, and when it interrupts that. And also I didn't hear anybody say this, but I want to add, that it takes sometimes generations to put together a unit. And that unit might be row crop, and pasture, and hay ground, and drain leg and harvest stores and feed lots.

All the balance of that package is artfully put together over one or two or three generations blown up by the death tax. And so that one really resonates with me. I think it hurts the family farm more than anything else. I hear the discussion on trade and I think that universal also, that we have a surplus and we need to promote the trade.

So I think that I would—I want to point also out that we are taking a good look at the vaccine bank and that is an important piece. Maybe I will turn it back to you Ms. Rickelman and ask you was there anything your hogs, Mr. White's cattle, is there anything you heard that doesn't much up with what you think between of two of you? I will turn back to Mr. White if he has anything either.

Ms. RICKELMAN. No, there is nothing I heard. I am in agreement.

Mr. WHITE. I agree.

Mr. KING. Okay. I will ask one then, Mr. White, could we open up trade with China if we did identification and traceability on our cattle, do you think that we would open up the beef trade in China if we did that?

Mr. WHITE. I wouldn't say that that would be the backbreaking issue. I don't think it would hurt things. I don't think it would hurt things at all, but I don't think it would be a big deal breaker. They are interested in knowing about where their product comes from, but they do know that the United States has the safest meat inspection and pricing. And we have the best commodities and they do know that.

Mr. KING. Thank you.

Mr. Chairman, indulge me for just a quick moment here in this hearing I would like to turn to Mr. Conner and make this point that there are 103 million Americans of working age who are not in the workforce. Roughly 82 million of them would be available if we mobilized it to World War II level.

We have got over 70 different means tested welfare programs that is paying people not to work. And I think at the center of that out of 103 million we ought to be able to find some people to go to the farm and do some work. If you care to respond, I will give you an opportunity to do that.

Mr. CONNER. I will respond, Mr. King. And you and I have had this conversation in hearings in the past as well. I will just say our evidence, time and time again and would be happy to provide some of that documentation evidence to the Committee, shows that these are jobs that Americans simply will not do. And I don't think it is fair to place it on the back of the farmer to sort of go out there and try and solicit jobs among people that again these are jobs that have been proven time and time again. It has been tried, it has been tested in a number of States and it just simply never works.

Mr. KING. I promised you the last word.

I yield back, Mr. Chairman.

Chairman BLUM. Thank you. The gentleman yields.

And now I recognize the gentleman from Florida, Mr. Lawson, for 5 minutes.

Mr. LAWSON. Okay. Thank you very much. I think one thing too like I heard my colleagues say there the government is paying people not to work. And that is really not true if you have the opportunity to really look at the people who are disabled have all kinds of situations in their families. And so the government is not paying them, this is to sustain their livelihood.

Now, I have some questions about immigration and I heard what you stated earlier about you couldn't actually get to market, you know, if you didn't have this, during the course of the campaign there was considerable amount of discussion about illegal immigrants how do you go about vetting them that work on your farm? Have you had any kind of problem because that is always where the biggest issue is.

I would like have Mr. Conner to elaborate on it and maybe some of you all can.

Mr. CONNER. Well, Congressman, let me just say that this is a sizable chunk of labor on our farms and ranches as I have noted estimates as high as 70 percent of our hired labor force. These are

not people who come and go as a general rule. In many cases these are workers that have been on these farms for 10, 15, perhaps even 20 years. They are skilled laborers, they are skilled workers. And that is on the economic side.

On the human side in some cases they are part of the families of these family farming operations, been there a very, very long time, integrated into the community. And again, the key point here is if those people were not there, we would not do what we do for the American people in terms of food production and we would ship and it is already happening. I can cite numerous examples where we are importing a product from somewhere else that we used to grow and produce here domestically simply because we can not get the labor to do it.

And I think that is awful. We ought to be growing and producing as much as we possibly can here in the United States, use that labor. We have a saying within our organization, your fruit and vegetables will be handled by foreign workers, the only question is, is that handling going to occur in the United States or in another country? We want it to be here in the United States.

Mr. LAWSON. All right. I am trying—incidentally, Iowa State and I know the University of Iowa is a little bit different there. I had the opportunity to go to the University of Iowa to take a job, but I ended up going to Florida State and coaching. And in 1972 we played UCLA March Madness is all over me at this particular point, you know.

But I will say one thing when you talked about the small farm, is my father and my grandfather, you know, pretty much farmed on weekends and worked into the city, you know, during the week in order to really make—I didn't really define it as being a small farm but I guess it was really a small farm.

The problem that occurred is that if they had not been working in the city by the time guys like me grew up who wanted to play basketball and didn't want to go back and do it, the work, they probably wouldn't have had any kind of retirement benefits.

And so my question was and I take Ms. Rickelman is that having to do other jobs, to bring in revenue, how does that affect your family in terms of when they reach age 65 or most farmers don't even care about that until they can't go any more, for retirement purposes because they will have to depend on Social Security and other means if they are not able to save any money. With you being much younger, how do you handle that in working in a family farm?

Ms. RICKELMAN. Thank you. My situation is—might be a little unique in perspective. My parents did not farm. My father grew up in the city of Cedar Falls and he works for the University of Northern Iowa as a landscape groundskeeper. My mom was a stay-at-home mom.

For me personally right now we have profit sharing at the work and we have a 401(k) program at our operation. As far as retirement, and I guess I honestly haven't thought about it yet, but our—the operation that we worked for that my husband and I both work for has an excellent profit sharing program and 401(k) benefits. And that is where we are putting our money right now so other than that I can't speak on other operations.

Mr. LAWSON. I know my time has expired, but I have always been concerned about farmers, especially cattle farmers how if you get a chance to, Mr. Chairman, how do you go about preparing for the future?

Mr. WHITE. Well, to be honest, the way we look—my wife and I look at it, our retirement is what we are able to accumulate over the hopefully 50, 60 years that we farm. And we always tease, it is kind of a joke at my house, my retirement is the four legs of cows and equipment that I have running around. That is my retirement.

And so there again is my concern. If my son wants to come back to the farm and he comes back and comes into the operation, when I get in my later years, we should be in a comfortable position that he can come into our farm, get into the operation and we be successful.

But at the end when it comes—if I have to continue to worry about inheritance tax and estate planning, that makes it harder on my wife and I to be comfortable to have enough money that I can provide for my wife if something was to happen for me. So that is what is important to us on the estate tax. It let's us continue to do our business today the way it needs to be done and not manipulate the way we have to do business.

Chairman BLUM. Thank you, the gentleman's time has expired.

The gentleman from Missouri, Mr. Luetkemeyer, is now recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman. As somebody who raised hogs and cattle for about 20 years growing up I thank all of you for your testimony today. It brings back a lot of memories. I still have a farm, but don't do too much with it because I spend too much time here in D.C.

Mr. Lawrence, you have in your testimony ongoing challenges list, and two of them is technology and information. And part of it is open access tools and broadband. This is a real concern. You know, these folks next to you here I am sure their businesses are such that they look at the commodities market every day and probably need to have access to that. And without broadband, it is very difficult to manage their operations in a way that is in their best interest.

And so can you elaborate on that a little bit because I know this is a concern I have, I represent a very rural district as well?

Mr. LAWRENCE. On a couple of notes. The one you just mentioned, access to information in a timely manner, the other is relates to small businesses and small entrepreneurs in these rural areas that may be the farmers themselves or hiring farmers.

The other one about the technology really gets to data portability. We have machines collecting information now on acres and on animals. But who owns that data? If it is in a green machine and I want to put it in a red machine, do they talk to one another, do I have access to it.

Those are some policy issues as well as some that the marketplace still trying to figure out. But as information is powerful and has value farmers being able to control that to their own best interest is absolutely essential.

Mr. LUETKEMEYER. Mr. White and Ms. Rickelman, would you like to comment on that?

Mr. WHITE. And technology, yes, I follow the market every day. We do also graze some yearling cattle. I follow the market because I try to contract and we have to do a lot of hedging. In this day in time if we are going to stay in time, the hedging is of utmost importance.

Mr. LUETKEMEYER. Stockbroker is one of your most important people at this point, a commodities broker.

Mr. WHITE. Yes.

Mr. LUETKEMEYER. Like an accountant or a doctor or a veterinarian, that is part of your portfolio of folks who help you manage your business.

Mr. WHITE. Yes, yes. And so if I could go back, we have to follow this every day. You watch the market, you have got to no this market moves so fast now that we—I mean it is almost like you have to sit and watch your phone or it can move \$4 or \$5 in seconds. It used to be \$3 in a day and you had to quit.

So things have changed in our lives. So it is not like—we can't go sit on a tractor anymore and just drive and enjoy the sunshine, you have to be doing this, looking at your phone, you know. You have to have the technology with you. What will we do without our phones?

But it comes back. The one thing that does concern me with what you are asking, it comes back to the GIPSA rule. Because if competitive marketing goes away, I don't—I will no longer need that. I don't need my phone for marketing, because I am going to get one price for my product, like everybody else across the board.

But that is the way I make my living, sitting and watching that market and hitting it at the right time.

Mr. LUETKEMEYER. So access to broadband is very, very important—

Mr. WHITE. Oh, yes, yes.

Mr. LUETKEMEYER. Ms. Rickelman, would you like to comment?

Ms. RICKELMAN. I would have to agree is what Dr. Lawrence and Mr. White said. The availability of knowledge and resources to make good marketing decisions is something that we need on a farm. And like Mr. White said, it is not something that you can decide what you are going to do in the morning and then look at it the next morning. It is something you have to be looking at and thinking about every day, every morning. So yes, I would just concur with what they have said.

Mr. LUETKEMEYER. Thank you.

Mr. Conner, you brought up and discussed, made several comments with regards to the border tax that is in the proposed plan at this point which is not necessarily much more than just a blueprint. It is pretty sketchy, rough structure. There is not a lot set in stone. But I was kind of curious, I mean can argue it either way. I don't really have any strong feelings either way on it, so don't take my remarks one way or the other here because I am still trying to gather information on this to ensure we do this right.

But my understanding is that not only if you sell product you don't get charged tax on that either. Is that correct? And whenever you import, there's taxes charged on that. Is that correct.

Mr. CONNER. That is my understanding, Congressman.

Mr. LUETKEMEYER. So if you import other food products that compete with what farmers are producing here, that would have at this point I think a 20 percent tax on that product. That would help make our products more competitive. Is that not correct?

Mr. CONNER. Well, I think our fear on the 20 percent tax—and again we are in much the same—we are more than even you in the same position than obviously the details are sketchy. But I used for example the fertilizer that is essential on our farms and ranches. We import—I am going to use the figure roughly 90 percent of our potash that is an essential fertilizer for agricultural production in this country.

You throw a 20 percent tax on that, what is going to happen? The farmer is going to pay more, period. And his ability—you know there is an argument that they may get it back in terms of not taxing other things, but remember again the farmer is a price taker in that circumstance. And when you are raising his cost of production as a price taker, you are pretty much taking that out of his bottom line. And so there needs to be a lot of caution.

And I say that as an organization that is a very strong proponent of tax reform in general. And we would like to figure out a way to make all these revenue numbers work, but that is one that could be a big problem.

Mr. LUETKEMEYER. I appreciate your perspective.

Thank you, Mr. Chairman. I yield back.

Chairman BLUM. Thank you, the gentleman yield back. The gentlelady from American Samoa, Ms. Radewagen is now recognized for 5 minutes.

Mrs. RADEWAGEN. Thank you, Mr. Chairman. I want to welcome and thank the panel for coming here today to testify before the subcommittee about the state of America's small family farms. I am proud to have been added to this subcommittee this Congress, because the majority of small businesses in my home district of American Samoa are small family farms.

These farms are the soul of the local community, each run by a family who sell their produce at the market in the center of Pago Pago. Our farmers markets provide many of our families their only source of income. However, the only market these farmers have is the local market, which means that our farmers' income relies solely on the health of the American Samoan economy at large.

What would you recommend for farmers like those in the territories whose incomes are more prone to shocks?

Mr. LAWRENCE. I have to admit, I do not know much about your situation, but, it would clearly depend on the ability of your consumers to pay. So a healthy economy for your local consumers who are buying is a key part of it. And then the ability to export even if it is to other States as well as other countries. That likely gets at not only regulations but finding those markets, and what their quality demands, and types of specifications that they are asking for.

Mrs. RADEWAGEN. Thank you. And if you have any recommendations, how we can promote the produce of really small farms to more than just their local areas?

Mr. LAWRENCE. I would be happy to visit with you more about this later, because it would require more detail. But obviously, transportation, and perishability, works against you. So how do you preserve that in a way that can be shipped to other locations would be one of the first obstacles.

Mrs. RADEWAGEN. Thank you.

Mr. White? And you are very correct about the handheld devices in the middle—even out in those remote islands that I call my home district, our farmers are out there farming coconuts an taro on the mountainside, and they have got these handheld devices while they are planting the taro and everything. So do you have any perspective on these two questions I just asked?

Mr. WHITE. Well, I mean, you know you are at a disadvantage because like you said, transportation is huge. But the other thing, something—adding a niche marketing and value marketing basis in your products would be something that I guess I would recommend. And this wouldn't be exactly the same, but in Kentucky we have what you call Kentucky Proud, and it is a marketing base, Statewide marketing base that is a value added program that they use to market across the country.

And it goes—honestly, when consumers see that in today's time consumers like to know where their products are coming from. And so from that standpoint, I think that would help you from that standpoint.

Mrs. RADEWAGEN. Thank. Ms. Rickelman?

Ms. RICKELMAN. I would say, kind of going off of what Mr. White said, I had this written down, niche markets, and maybe a different crop or selling it to consumers in a different way. I know for us on our farm we try to be very transparent as showing consumers what we do, having tours of our farm and having them go through the barn before we put the pigs in the barn. Something like that could help consumers buy more, be more interested in what you have to offer at the market.

Mrs. RADEWAGEN. Mr. Conner?

Mr. CONNER. Congresswoman, I am going to be pretty self serving here and suggest to you that I don't think your circumstance, is probably too much different than our producers here on the mainland in terms of being able to find new markets and export those products.

A lot of that happens here on the mainland through farmer-owned cooperatives, doing as a group what each individual probably can't do themselves. And even among the largest farmers here, their ability to go and contract for example with the Chinese or the Mexicans, even the very largest can't do that. It is outside of their ability to sort of cobble all that together.

But through a cooperative, through, joining together with our other producers they are able to do those kinds of things. And I think that kind of sector is right for farmer-owned co-ops that control their own destiny, their own business and they are able collectively to do those kinds of things and find the markets outside of their own little community.

Ms. RADEWAGEN. Very helpful.

Thank you, Mr. Chairman. I yield back.

Chairman BLUM. Thank you. The gentlelady yields back.

The gentleman from Nebraska. Mr. Bacon is recognized for 5 minutes.

Mr. BACON. As you can you imagine with the name Bacon I have been taking this in real well.

But thank you, Mr. Chairman, for the time. I thank each of you for being here.

I was raised on a family farm, still extended family, corn, soybeans, we had about 50 head of cattle. And it was a good childhood for learning work ethic and prepared me well for 30 years in the Air Force to follow.

So, I wanted to talk a little bit about bilateral trade and also health care. I will start off with health care because I don't think we have talked much about it today. In Nebraska we had 51 percent increase in premiums this past year. It falls most heavily on self employed, small business and of course we are talking about the family farmer who is having to pay for their own premiums. And we have had a 45 percent 50 percent drop in prices, land values going down. Throw in a 51 percent cost in premiums.

Could you talk about how ACA has impacted you in your income and expenses? And do you have any feedback on the bill we are getting ready to vote on today? We will start with Dr. Lawrence. We will go down the line.

Thank you.

Mr. LAWRENCE. I don't—I'm not in that situation. I have a benefit package through the university so I don't think it is fair for me to comment.

Mr. BACON. Okay. Thank you, sir.

Mr. White.

Mr. WHITE. My health insurance for my family this year went up over 100 percent.

Mr. BACON. One hundred percent?

Mr. WHITE. One hundred percent.

Mr. BACON. You are probably asking for relief, aren't you?

Mr. WHITE. Well, it would be nice, because it does—you know, we talk about people not having insurance and that is—you are not supposed to do that. You are supposed to have insurance.

But it does come to a time that the economics of things make you do things that maybe you can't do. And we have to have health coverage. I mean I understand that, that is vital. Especially in farming, I have been injured. I know what it means to be—I know what a big hospital bill is.

So it is an issue that we have to take care of on today's vote. I really couldn't give you an opinion one way or the other, other than in our State, giving our State an opportunity to have some competitive bidding on it.

Mr. BACON. Right. And we voted on that yesterday out of the House. Will tax credits help you when you buy your insurance?

Mr. WHITE. Sure, it would.

Mr. BACON. It is in this bill. How about expanded has, where you get tax deductions. Would that help you?

Mr. WHITE. I currently use.

Mr. BACON. Thanks for answering the question that way.

Ms. Rickelman?

Ms. RICKELMAN. I don't think I have ever thought about insurance until was pregnant. I am 20 weeks pregnant. But yes, I buy my own insurance through Farm Bureau so does my husband. And the vote would be very, very helpful. We have a health savings account, but as this—the delivery comes, there is bills and things that we need to pay for.

Mr. BACON. Right.

Ms. RICKELMAN. And it definitely weighs heavy on our minds.

Mr. BACON. If you don't mind me asking, if you feel comfortable, what is your deductible? Because I find people with their deductible so high they pay every cent to deliver their child. Are you in that boat?

Ms. RICKELMAN. Yes.

Mr. BACON. See, that is not right.

Mr. Conner.

Mr. CONNER. Congressman, the healthcare challenges for rural America are, everything that all of our urban counterparts face and then some. And I can't advise you on today's vote. I will tell you that farmer-owned co-ops do believe that one of the things that hinders co-ops from getting into this space of providing health care for their members is the fact that there are the state line limitations.

Mr. BACON. Right.

Mr. CONNER. I know that is something that has been part of that debate. But let me just say as well, a big issue for rural health care equally as much is just access to the doctors themselves, programs like the—I am outside of my expertise space here a little bit, but I know programs like the J-1 program for bringing doctors to the rural areas, because in some cases at any cost there simply aren't doctors available. And that is as fundamental as the whole—

Mr. BACON. We've been hearing the same thing in rural Nebraska as well. I think the current ACA bill has probably hurt the family farmer as much as anybody. And I think we have to work hard to get relief now. And HSAs and the tax credits for buying your own insurance will have a huge impact.

I don't have a whole lot of time left, but on bilateral trade, Nebraska is a huge export State. Is there any advice if you guys got more insight versus another one. Are there particular countries we should be looking at more? How would you advise the administration to prioritize on bilateral trade, work that we need to be doing?

Mr. LAWRENCE. Obviously don't screw up what you have, right? Go where the money is and the markets are. China continues to be a growing market so how do we continue to tap into that one while maintaining our other markets. Canada and Mexico, are two large trading partners and Japan and then open up more countries.

Mr. BACON. Thank you.

Mr. WHITE. And to add to that, from the aspect from the cattle industry, you know, 96 percent of the population is outside our borders. And a majority—you know, we see a premium of about \$300 per fed steer to the cuts that are less desirable in the United States

that other countries think are premium cuts. And so anything we can do to level the playing field where we can get our product out of this country and help us move product would be a benefit for us.

Mr. CONNER. I would just say, Congressman, Japan. Japan would be a huge one. If we are indeed in an era of bilateral trade agreements versus multilateral, my advice to them is get to it.

Mr. BACON. As I yield back, I will just say Japan has I think a 40 percent tariff on cattle so we have got to work on than.

Thank you, chairman. I yield back.

Chairman BLUM. Thank you. The gentleman yields back. The gentleman from the great State of Kentucky is recognized Mr. Comer for 5 minutes.

Mr. COMER. Thank you, Mr. Chairman.

And let me begin by thanking all the panel for testifying today.

I want to single out Ms. Rickelman first. Thank you for your story, it is very inspiring. I grew up showing cattle at 4-H and FFA events all over Kentucky and everywhere else, and went to Western Kentucky University, got a degree in agriculture and then started my farm and operation pretty much from scratch. And that is what I do, I am a full-time farmer.

So I always love seeing people—the next generation of farmers decide to stay on the farm and hopefully pass it on to the next generation. So good luck, congratulations. And good look luck in your career.

I want to welcome Mr. White, my fellow Kentucky cattleman, fellow Kentucky Cattlemen's Association member. I appreciate you being here. I have a few questions for you.

Describe your experience with the estate tax. What are your thoughts on the need to permanently repeal the tax or whatever?

Mr. WHITE. Well in my experience, like I alluded to, my father was sick 15 years ago. And as we started going through it, my father was in construction, and his CPA told him, said you need to start doing something because of what inheritance tax will do to the liability. And the farm that originally that I am farming now, my father did buy. And my wife and I ended up buying that back from him. And so the struggle that we had of one, paying an outside entity to put together a program for my family to pass this forward, it took—us several years and it worked out financially because we were far enough ahead of it and the industry stayed good, cash flow was good and everything worked.

But when you look at the estate tax today how that would be detrimental to what we would have to do is just unbelievable. And so, you know, it is the only way—removing this tax is really the only way that we can continue as a small family farm to operate because our margins are so close. They are just pennies now. And so we just have to do everything, health care, have to do everything, but this is huge for us that we have to look at in the future.

Mr. COMER. You mentioned country of origin labeling. Is there a legitimate push to reinstate that program? And if so by who? And why would they think it might work this time around?

Mr. WHITE. No. There is not a push, not from us from producer's side, there is no push. Because we went through 6-1/2 years of implementation of this program. And it showed us no benefit at

all financially for the producer or, you know, for the consumers to do this.

So we have been through the courts. We found out that we were not in compliance with the national law. And so this just needs to go on by. We don't need this to come back.

Mr. COMER. Okay. You mentioned the foot and mouth disease vaccine bank. Can you talk about the need for a more adequate bank? And what would the economic impact be to the beef industry and many small family farming operations such as yours if there were an outbreak?

Mr. WHITE. Well, you know, if foot and mouth disease comes to the United States with the way social media is today, it would be an instant crash of every market, not just the cattle market, not corn, not pigs, every market. What, that would turn around economically. So that trickles down to me and I can't sell my product. Then I can't turn out and pay my supplier who I bought supplies from, equipment from. It goes all the way back and it will go to the consumer. Eventually, this thing will tackle our whole Nation, because the food supply is something we have to have to be sustainable.

Mr. COMER. When I was commissioner of agriculture in Kentucky, we were over the large animal veterinarians. The number one priority in our division of the Office of State veterinarians was to prevent livestock disease outbreak. So I appreciate your mention of this vaccine bank. And I appreciate your testimony.

Thank you, Mr. Chairman.

Chairman BLUM. Thank you, the gentleman yields back. The gentleman from Ohio. Chairman Chabot is recognized for 5 minutes.

Mr. CHABOT. Thank you very much. We pronounce it Chabot, but that is okay. I know, Mr. Chairman, I said don't screw it up. I am just kidding.

But in any event, I thought that I would mention just a couple of things first.

First of all the Sweet 16 came up so I have some bragging rights here too. Xavier University is in my district and they beat Maryland on the first round. And my apologies, Mr. Lawson, but they beat Florida State in the second round. And they are playing Arizona I understand this evening. I sent my wife the—because they had all the Members in a writeup. It was Politico, or the Hill, or one of the local rags up here in Washington. So I sent it back to her to show her that I had both Xavier and Cincinnati. And she told me that I am the only Member that had two teams in March Madness so I thought that was kind of cool. But there is one left and it is Xavier.

In any event, what I wanted to ask you, Mr. White, for some of the city folks I thought it was kind of interesting when you said you had a bull sale this Saturday, and that sounds like something that is much more interesting than what I will probably be doing this Saturday.

So for us city folks, could you tell us what that entails, how much of your time and advertising, and just how you get the word out there and just all that kind of stuff?

Mr. WHITE. Well, this is our third annual purebred Angus bull and female sale. This sale will bring in about 40 percent of my yearly income. It is a major part of our life. It is one section—we are a very diversified operation, but this is one major portion of it.

What is entailed in it, we are selling service age breeding stock. The auction will be held at our farm, at our facility there in Lexington. We will have probably 200 producers from Kentucky. I do have several Ohio producers that come and purchase from us. They come down. And there is a lot of work to this, a lot of advertising, social media advertising, newspaper print advertising.

And so the biggest thing—my biggest advertisement in my operation is my wife and I's determination that we are always honest, straightforward and we back up the product that we produce. And we are that way in everything that we produce. If it is grain or cattle or fed cattle or whatever it is, you know, it is something that is near and dear to us. This is a business. We love the cattle business. If we didn't, we probably wouldn't be in it to be honest. But we love what we do. And we are very passionate about what we do.

Mr. CHABOT. Thank you very much.

Ms. Rickelman, I think it was you that mentioned how much regulations can hinder success in your industry. Could you give us some examples of the kind of regulations that are either burdensome or, you know, don't make sense.

President Trump for example recently talked about getting rid of two regulations for every new one that comes out, which I think seemed a like a pretty good idea. So in your industry are there some that you think are particularly egregious or that we ought to look at?

Ms. RICKELMAN. Thank you for the question. The Waters of the U.S. regulation really threatened every farm in the country and every landowner as well. I am glad that the EPA will be writing this rule, but it is things like that that are enacted here in D.C. or thought about here in D.C. that they might not really know what is going on on the real farms in Iowa. These are the things that I worry about, EPA rules in general. Things like that are concerning to me and this is why I am here today to share my story of what really goes on in Iowa farms.

Mr. CHABOT. Thank you. And in the time that I have left here, which isn't a whole lot, in the area of TPP and trade, I tend to be more of a free trader myself. And so I have been a bit disappointed in kind of the direction we have seen. The President talked about bilateral deals rather than regional, multi country deals. I hope he is right and I am wrong, and it will work.

I know you all have already touched on this, but does one of you want to again touch on the importance of trade, especially with the agriculture industry and what it means?

Mr. CONNER. Well Congressman, I will take a quick shot at that. It is fundamental to our livelihood in American agriculture. We already export a substantial percentage of our product, nearly half of our soybeans, approaching 60 percent, a large percentage of our pork production. Just you name the commodity, it is very, very export dependent. And as all have testified, most of the consumers of the world are living outside the United States.

The upside demand potential for additional food consumption here in the United States is really pretty limited, but our productivity scale in American agriculture is on a very steep incline. And if we don't find new markets, there is absolutely no hope for the family farm, for the small family farm in particular because they just simply will not be needed, because we have limited ourselves to a relatively flat, domestic market only, and already a very small percent of the world's mouths to be fed. We can't do that.

We have to export. And these trade deals, whether multilateral or bilateral again. We preferred the multilateral, but if it is bilateral now get to it and get the markets open so we can get prices back to profitable levels.

Mr. CHABOT. Thank you very much. My time has expired.

Chairman BLUM. Thank you, Chairman Chabot. Sheep and rabbit, correct?

Mr. CHABOT. And I learned that it is Blum and not Bloom. Right? So there we go.

Chairman BLUM. With the indulgence of the ranking member I would like to ask one more question.

Mr. SCHNEIDER. Absolutely.

Chairman BLUM. One last question for the panel and I am going to write your answers down and you can see this as a lighting round, if you will.

We have trouble focusing in Washington I think, there is a lot of issues. I would just like to know, you give me the last word, what are the top two or three issues that the Federal Government can help the small family farmer? Top two or three issues and let's go right down the line and I am writing down what you say.

Mr. LAWRENCE. I think access to the capital, technology and markets is key. Also I think it should support a strong rural economy. It may be broader than just commodity and conservation issues, but there is a strong synergy between small farms and small communities.

Chairman BLUM. Mr. White?

Mr. WHITE. Stop overregulation and the estate tax.

Chairman BLUM. Thank you. Ms. Rickelman.

Ms. RICKELMAN. Overregulation and strong and adequately funded farm bill.

Chairman BLUM. Thank you. Mr. Conner?

Mr. CONNER. Certainly regulatory reform would be at the top of our agenda. I would add as well, Congressman, that we expect a large infrastructure bill. Rural America should get its fair share of that infrastructure bill which would include things like broadband, the discussion we had earlier in the hearing. That would be very, very important and then finally tax reform.

Chairman BLUM. Thank you very much.

I would like to thank our witnesses today for your testimony. You all were excellent and congratulations once again, Ms. Rickelman, upcoming addition to your family. We appreciate it very much.

I ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection so ordered. This hearing is now adjourned.

[Whereupon, at 11:27 a.m., the subcommittee was adjourned.]

A P P E N D I X

Testimony of

John D. Lawrence, Ph.D.

Associate Dean for Extension Programs and Outreach
Director of Agriculture and Natural Resources Extension
College of Agriculture and Life Sciences
Iowa State University

IOWA STATE UNIVERSITY
College of Agriculture and Life Sciences

on

Future of Family Farms: Economics and Demographics

Before the

Small Business Committee

Subcommittee on Agriculture, Energy & Trade

Hearing on the Future of Family Farms

United States House of Representatives
Washington, D.C.

March 23, 2017

Introduction

Thank you for the opportunity to speak with you today about family farms. I am a product of a family farm, have family involved in farming and have worked with family farmers throughout my career. In my current role as Associate Dean for Extension Programs and Outreach, I lead a team of dedicated extension professionals working daily to help family farms succeed. I am honored to address this topic and will be happy to answer questions or provide more information.

Farming continues to change as does the makeup and needs of family farms. You will be hearing from individual family farmers and their important perspectives on this panel. My comments are focused more about the demographics and economics of farmers. I describe a range of farmers that we see in Iowa and also, I believe, across much of the Midwest. I will then discuss the linkages between family farms and global markets and rural communities. I will also share my observations on challenges facing family farms and the role of land-grant universities in addressing them. Finally, I will share our programming at Iowa State University for farm succession planning and beginning farmers.

Farm demographics

Iowa's landscape gives the impression of homogeneous farms. Crop rotations, tillage methods, machinery, facilities and farmsteads often look similar. However, the number of acres farmed, financial conditions and reliance on off-farm income are difficult to see from the road. USDA's Economic Research Service annually surveys farmers regarding income and expenses of the farm business and family household income. All these families living on farms in rural Iowa are part of the farm economy. Table 1 summarizes select indicators for 2015, the most recent data available. Farms are divided into three categories based on gross cash farm income (GCFI) and occupation:

- **Residence farms:** less than \$350,000 GCFI and principal operator is retired or primary occupation is not farming.
- **Intermediate farms:** less than \$350,000 GCFI and principal operator's primary occupation is farming.
- **Commercial farms and nonfamily farms:** more than \$350,000 GCFI and principal operator's primary occupation is farming.

For perspective, at current prices, \$350,000 is the gross revenue from approximately 600 acres; and less if the farm also has livestock. Residence farms account for 46% of Iowa farms (over 40,000), control 15% of the land and 8% of the value of farm output. Approximately 90% of their household income is from off-farm sources. By definition, these rural residents have some farm income, but farming is not their primary occupation.

Intermediate farms and commercial farms identify farming as their primary occupation and probably look similar from the road. There may be different sizes or age of machinery and facilities, but similar brands and functions. They do differ in the number of acres farmed,

amount of livestock produced and sources of income. There is a similar number of farm families in both categories, but they differ greatly in the percentage of acres farmed and value of production. Intermediate farms in Iowa number nearly 26,000 (40%) and control 18% of the land and 12% of value of production. There are over 21,000 commercial farms (24%) that control 67% of the land and 80% of value of production. The average GCFI for commercial farms

Table 1. Iowa Farm Characteristics 2015 by Type of Farm*.

	Units	Total	Resident	Intermediate	Commercial
Farms	Number	87,501	40,374	25,882	21,244
Farms	% of total	100%	46%	30%	24%
Total value of production	% of value	100%	8%	12%	80%
Total acres operated	% of acres	100%	15%	18%	67%
Acres operated per farm	Acres/farm	357	118	218	980
Gross cash income	\$/ farm	305,534	49,438	111,004	1,029,232
Livestock income	% of income	36%	15%	18%	41%
Crop sales	% of income	47%	50%	59%	46%
Government payments	% of income	4%	11%	6%	3%
Other farm-related income	% of income	12%	24%	17%	10%
Net cash farm income	\$/ farm	87,916	NA	32,481	298,374
Net farm income	\$/ farm	63,503	17,187	34,389	186,993
Household income from off-farm	\$/HH	87,670	102,614	55,068	99,386
Total operator household income	\$/HH	149,021	115,941	83,138	297,166
Operators under 45	% of farms	15%	17%	12%	16%
Operators 45-64	% of farms	55%	51%	55%	63%
Operators over 64	% of farms	30%	32%	33%	21%

Source: Agricultural Resource Management Survey, USDA, December 2016

<https://data.ers.usda.gov/reports.aspx?ID=46940>

*Farm type defined by USDA Economic Research Service:

- Less than \$350,000 gross cash farm income
 - Residence farms: principal operator is retired or primary occupation is not farming.
 - Intermediate farms: principal operator primary occupation is farming.
- More than \$350,000 gross cash farm income
 - Commercial farms and nonfamily farms: principal operator primary occupation is farming.

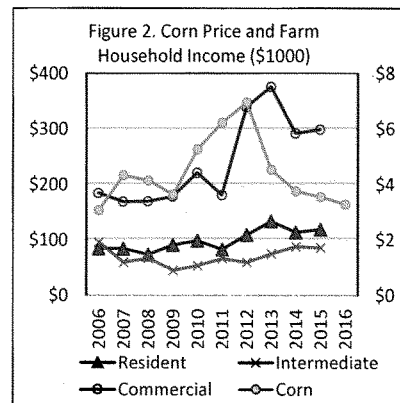
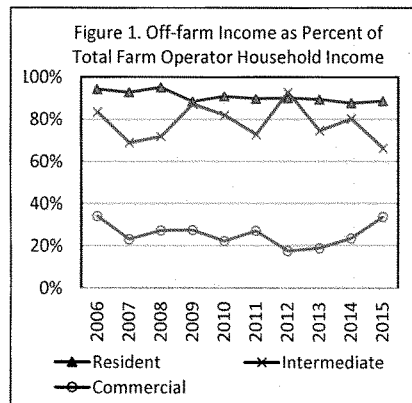
was more than \$1 million in 2015. Commercial farms manage nearly 1,000 acres and, on average, have income balanced between crops and livestock sales. Intermediate farms have much smaller number of acres operated (218), a GCFI just over \$100,000 and have nearly 60% of farm income from crops.

All three farm types have significant off-farm income: approximately \$100,000 for residence farms and commercial farms and \$55,000 for intermediate farms. Off-farm income is consistently 90% and 70 to 90% for residence farms and intermediate farms, respectively, and 20 to 30% for commercial farms (Figure 1). As such, commercial farms are more dependent on commodity prices for household income than the other two categories (Figure 2). Policies that impact markets and help farmers manage risk are more important to commercial farms,

whereas policies that impact rural employment are of more benefit to intermediate and residence farms. Conversely, rural businesses and communities depend on farm families as employees, entrepreneurs, volunteers and leaders.

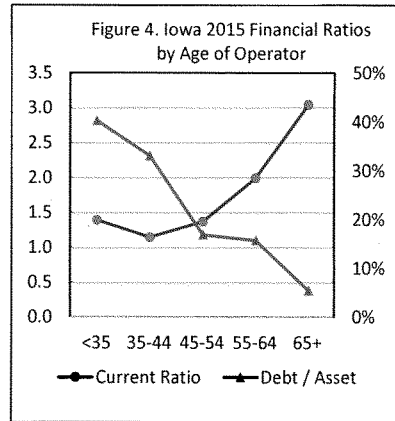
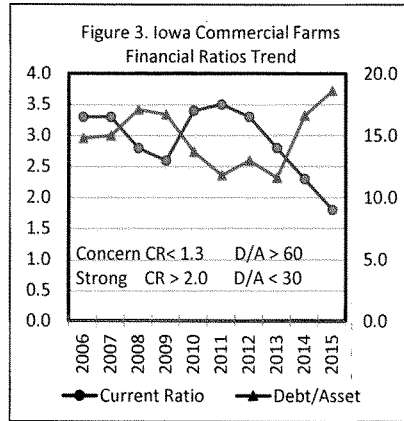
Another telling statistic in Table 1 and Figure 1 is the level of household income to support farm families. The average of the intermediate farms category — the lowest of the three — is over \$80,000 per year. If farming is to be the only source of family living expense, it takes a substantial and efficient operation to generate that level of income. Commercial farm operators are younger on average, 63% between 45-64 years old. One third of residence and intermediate farm operators are over 65.

Obviously, farm income is directed to more things than just supporting the household. Farmers reinvest profits back into the farm operation by purchasing or improving land, machinery and facilities. It may be cash payments or financed purchases with annual loan service payments. The decision between family living expenses and investment in the farm is a balancing act as old as farming itself. If a family farm is going to sustain itself into future, it must maintain its assets, whether they be physical or in support of the family.



Current Conditions

Corn prices, along with most agricultural commodity prices, increased from 2006 to 2013 or 2014. In recent years, prices have fallen sharply. This change in farm income has impacted farm financial conditions (Figure 3). With the price decline, farmer's current ratio weakened as they used working capital or short-term borrowing to meet cash flow obligations. Current ratios for commercial farms, which were near \$3.50 of current assets per \$1 of current liabilities in 2011, declined to an average of 1.7 in 2015. Current ratios below 1.3 are considered a concern by lenders. The ARMS data set estimates that less than 5% of commercial farms are below the 1.3 current ratio.



The ratio of debt to assets has increased for commercial farms since 2013, but on average, these farms remain in a strong position. These two indicators reinforce what we hear from farmers and lenders. Farmers have working capital challenges, but not a debt crisis — they have the assets to refinance short-term debt to a longer term loan with more manageable annual payments, and continue to operate. With current commodity prices, the financial conditions of most farmers will slowly deteriorate. But economists are not expecting a crisis as was experienced in the 1980s. While not shown in the graph, intermediate farms have similar current ratio and debt/asset ratio profiles as commercial farms.

As might be expected, financial conditions differ with the age of farmers (Figure 4). Older farmers have less debt and more current assets than younger farmers. Agriculture has enjoyed relatively low interest rates for a number of years. Higher interest rates expected from the Federal Reserve will impact younger, higher leveraged farmers more than older farmers.

Ongoing Challenges

One way to think about challenges facing family farms is to think about access. The kind of access that benefits farmers the most will depend on their operation. This includes access to:

- **Markets:** global trade, local buyers, effective infrastructure and transparent pricing.
- **Capital:** tools to manage risk, innovative business structures and choice of lenders.
- **Technology:** product development and choice, data portability and public research.
- **Information:** public data, information and education, open access tools and broad-band.
- **Opportunities:** local employment and/or entrepreneurship to augment farm income.

Land-grant universities address these access issues through integrated research and extension programs in every state and every county. This federal, state and local partnership makes

unbiased, research-based solutions and education available all farmers, not just those who can afford consultants or who buy specific products. These integrated programs address farming topics such as production efficiency, risk management, financial analysis, facilities and equipment, natural resource protection and emerging issues from invasive species to unmanned aerial systems. Extension programs educate and inform both farmers and the agribusinesses, consultants and agencies that serve them. It's important to note that while farmers increasingly turn to their private-sector advisors, the information and training these advisors receive often originates with land-grant universities and extension programs.

Federal competitive funds and capacity-building funds help assure innovative research and attention to local challenges. State funds leverage federal resources and assure integration between research and practical extension education to address state and regional needs. Local resources help address a broad range of family farm issues from youth, to family nutrition and finance to agriculture; they also relay emerging questions back to land-grant researchers.

Sustaining Family Farms

Family farms face many challenges to sustain the farm business from one generation to the next. One challenge is managing a business in a globally competitive industry like agriculture while dealing with variable weather and markets, evolving technology, regulations and narrow margins. A second challenge is to grow a business that can support a family — and for some farms, a business that can support two or more families as the operation is transitioned from one generation to the next. Third, and often the most difficult challenge, is the communication and planning necessary within the family about the future of their farm business. It is relatively easy for a retiring farmer to hold a farm machinery auction and rent the land to a neighbor. It is much more difficult to transition the operating farm business intact to the next generation, related or not, and maintain a farm family in the community. This is particularly difficult when multiple siblings are involved.

Many states are addressing these issues in different ways. In Iowa, we have the first-in-the-nation Beginning Farmer Center and a comprehensive program to facilitate successful farm succession planning. The Beginning Farmer Center was created by the Iowa Legislature in 1994 to “assist in facilitating the transition of farming operations from established farmers to beginning farmers.” The center is part of the College of Agriculture and Life Sciences and Extension and Outreach at Iowa State University.

The Beginning Farmer Center works closely with the ISU Extension farm management team to meet the needs of Iowa farmers and landowners. It coordinates programs and services that develop skills and knowledge in financial management and planning, legal issues, tax laws, technical production and management, leadership, sustainable agriculture, human health and the environment. Two programs led by the center target both families with a known successor and those looking for a new family. The *Returning to Farm Seminar* is a pair of two-day workshops for farm owner/operators and their known business successors, often family members. The focus is on starting the communication and planning that may continue over

multiple years. The *Ag Link* program links beginning farmers with established farmers desiring to transition their farm business to a new generation but that have not identified a family member. Ag Link is an intensive interview and consultation service to facilitate a successful match. In both programs, the goal is on sustaining successful family farm businesses intact rather than in pieces.

The Iowa State University Extension and Outreach program for beginning and transitioning farms is broader than the Beginning Farmer Center. We provide educational materials on farm succession to beginning and exiting farmers through many methods, including the internet, seminars and publications. Faculty and staff conduct targeted research on farm business succession planning, the needs for beginning farmers and other relevant topics. We also provide individual farm financial analysis for beginning farmers through the Extension Farm Financial Planning Program.

The Iowa State University Extension and Outreach Women in Agriculture program is a relatively new, but highly effective, avenue to educate and assist farm families planning for the next generation. Women care deeply about their farm and their families, and often are more willing to hold the discussions necessary to plan for the future.

Iowa State University, through a USDA Beginning Farmers and Ranchers Development Program grant, has launched three new programming efforts to assist beginning and transitioning farmers. First, Iowa State Extension is organizing “start-to-farm” groups of like-minded young farmers across the state. These groups identify educational needs that are addressed by Iowa State University and form long-lasting networks for the future. Second, we are collaborating with Iowa Veterans in Agriculture to address the needs of veterans returning to the farm, working in agribusiness or interested in starting a farm business. Finally, we are collaborating with a nongovernmental organization to train farm succession coordinators in the public and private sectors that can assist families with communication and plan development and implementation.

Thank you for the opportunity to share my thoughts on family farms and the opportunities and challenges they face.

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Testimony

on behalf of the

National Cattlemen's Beef Association

with regards to

"The Future of America's Small Family Farms"

submitted to the

United States House of Representatives
Small Business Committee
Subcommittee on Agriculture, Energy, and Trade

Rod Blum, Chairman

submitted by

Tim White
Owner
T A White Farm LLC
Member
National Cattlemen's Beef Association

March 23, 2017
Washington, DC



**National Cattlemen's
Beef Association**

Cattlemen • Leadership • Solutions

Thank you Chairman Blum and Ranking Member Schneider for allowing me to testify today on the future of America's small family farms.

My name is Tim White. My wife, Amy, and I operate a small family farm - the T A White Farm LLC - a beef cattle farm in Jessamine and Fayette County, Kentucky. We have a purebred Angus herd along with a commercial cow/calf herd. We also run stockers on an annual basis and host an annual Angus bull sale, along with raising corn. I recently served as Regional Vice President for the National Cattlemen's Beef Association, I am currently Vice President of the Kentucky Cattlemen's Association, and I am a member of the Fayette County Ag Development Board.

Cattle producers in this country are small business owners, by and large, with the country's average cattle herd size at 40 head. The state of the farm economy is weakened. The cattle business is currently in a market slump that has many producers struggling. According to the USDA's Economic Research Service, this year marks the fourth consecutive year of farm income dropping significantly on a national scale, estimated to decrease by 10.5 percent this year alone.

Congress plays an important role in several areas that impact cattle producers. Those areas include regulations, tax, trade, and the Farm Bill. While these issues alone can be managed by a cattle producers, when combined with other threats to our industry, like loss of natural resources, urban encroachment, and natural disaster, we have a real hurdle that producers must overcome in order to be successful. And that hurdle is especially large for new producers who are trying to get into the cattle business.

Our biggest concern is over-regulation. The EPA's WOTUS Rule is one such example. WOTUS has been a big concern to producers. The overreach is that regulation would require many beef producers to get permits, and comply with those permits, which would be a huge burden. Not to mention it would open us up to citizen lawsuits from litigious activist groups.

Producers pride themselves on being good stewards of our country's natural resources. At the White Farm, we employ a number of conservation practices, including rotational grazing, no-till practices, and a slicing technique for planting which is much less disruptive to the land. We maintain open spaces, healthy rangelands, provide wildlife habitat, and feed the world. But to provide all these important functions, we must be able to operate without excessive federal burdens, like the WOTUS Rule.

As a small business owner, I am particularly concerned with the lack of outreach to the small business community by federal agencies such as EPA. As a family-owned business, and knowing the detrimental impact this regulation could have on my operation, it is appalling the agencies could assert that it would not have a significant economic impact on small businesses. It is clear to me that the rule's primary impact would do just that. There was not outreach to us in the agriculture community before the rule was proposed. There wasn't a meaningful dialogue with the small business community as a whole. And because of that, what we got was a

WOTUS Rule that doesn't work for small businesses and doesn't work for animal agriculture.

The positive news is that President Trump signed an Executive Order requiring the EPA to go back and revise the WOTUS Rule so it doesn't regulate every drop of water in this country. We want to work together with the EPA so we can get the clarity we need in a WOTUS replacement that works for cattle producers, protects water quality, and follows the rule of law.

The positive news is that President Trump signed an Executive Order requiring the EPA to go back and revise the WOTUS Rule so it doesn't regulate every drop of water in this country. We want to work together with the EPA so we can get the clarity we need in a WOTUS replacement that works for cattle producers, protects water quality, and follows the rule of law.

U.S. livestock producers understand and appreciate the role that taxes play in maintaining and improving our nation in many ways, however, they also believe that the most effective tax code is a fair one. For this reason, a full, immediate repeal of the estate tax must be a top priority as Congress considers comprehensive tax reform legislation. The federal estate tax is in direct conflict with the desire to preserve and protect our nation's family-owned farms and ranches. As a land-based, capital-intensive industry, many agricultural producers are asset-rich and cash-poor, with few options to pay off tax liabilities. Unfortunately, all too often at the time of death, farming and ranching families are forced to sell off land, farm equipment, parts of the operation or the entire ranch to pay the estate tax.

As you may know, the American Taxpayer Relief Act of 2012 (ATRA) permanently extended the estate tax exemption level to \$5 million per person/\$10 million per couple indexed for inflation, and maintained stepped up basis. While we are grateful for the relief provided by the ATRA, the current state of our economy, combined with the uncertain nature of our business, has left many agricultural producers guessing about their ability to plan for estate tax liabilities and unable to make prudent business decisions. Until the estate tax is fully repealed it will continue to threaten the economic viability of family farms and ranches, as well as the rural communities and businesses that agriculture supports.

When it comes to trade, cattlemen have always been strong believers in international trade. We support aggressive negotiating positions to open markets and to remove spurious "health" regulations and other trade barriers intended to keep our products out of foreign markets. As you are aware, we continue to fight to recover the market share we once had in many countries, including China and Japan. We need continual engagement from Congress to end pseudo-scientific trade barriers designed to exclude us from foreign markets.

Most of the high-quality U.S. beef we produce is consumed domestically by American consumers. At the same time, Americans do not find all cuts of the beef carcass desirable—cuts like beef tongues, livers, and skirts—and that makes up the 10-15 percent of our annual U.S. beef production that is exported. Last year we

exported \$6.3 million of U.S. beef across the globe, with three of our top five markets located in Asia. Exports alone accounted for roughly \$300 per head of fed cattle last year. In a time of volatile cattle prices, we need secure and dependable access to foreign consumers who purchase our beef at a premium price which helps offset the swing in cattle prices. The most dependable way to secure access to foreign consumers is through free trade agreements because they remove tariff and non-tariff barriers that prevent us from meeting overseas demand for our product. We must continue to look at the 96 percent of the world population outside our borders as markets for our products. I ask this committee to continue to support the oversight and enforcement of our current trade agreements, and to push for further opportunities for the beef industry within the realm of international trade.

Another major item of the agenda for small family farms is the creation of the 2018 Farm Bill and how that could positively or negatively affect many small family farms and ranches. Development of this next farm bill is an important process for small business owners like myself. Whether directly or indirectly, the programs that are included in this Farm Bill have lasting effects, and sometimes a dramatic impact on producers. NCBA will oppose agriculture policies that pit one industry group against another, distort market signals, and inadvertently cause economic harm to the livestock sector.

The vast majority of my fellow livestock producers believe the livestock industry is best served by the process of free enterprise and free trade. Market freedom works better in our industry than government-regulated markets which deter innovation and distort production and market signals. We continue to oppose attempts to narrow the business options or limit the individual freedom of livestock producers to innovate in the marketing of their product.

Cattle producers oppose the involvement of the federal government in determining how their cattle are marketed. The beef industry continues to transition toward more value-based marketing methods. These systems allow cattle producers to capture more of the value of their cattle, while also allowing producers to better market to the specific needs and requests for our consumers. We believe these market signals have helped drive a significant improvement in Quality Grade, a predictor of a satisfactory eating experience. It is vitally important that we continue to protect each individual producer's ability to market their cattle in the way that best benefits their business.

With that being said, NCBA must reiterate our opposition to the Grain Inspection, Packers and Stockyards Administration (GIPSA) interim final rule on competitive injury. The rule has been opposed by the vast majority of cattle producers since it was first introduced in 2010. In issuing the interim final rule, GIPSA ignored the comments submitted by thousands of cattle producers in opposition to the rule, the decisions of eight separate federal appellate courts, and the intent of language included by Congress in the 2008 Farm Bill.

Our analysis of the interim final rule leads us to believe that if this rule is implemented, the packers will offer one price for all cattle, regardless of quality. Packers have indicated that they are not willing to open themselves up to frivolous lawsuits and the legal risks this change in the competitive injury standard would create. GIPSA claims the rule is needed to protect producers. However, we believe, since it would eliminate value-based marketing programs, it would in fact negatively impact producers and make it more difficult to provide the types of beef products that consumers are clamoring for. We do not want to see any attempt to bring this, or a similar discussion, forward in a new Farm Bill.

NCBA would also like to reiterate its opposition to mandatory, government-run country-of-origin labeling (COOL) and any mandatory COOL programs. Repeal of the previous mandatory program was necessary since, after six and a half years of implementation, it provided no market benefit to beef producers or consumers. On top of that, it also violated trade agreements with two of our largest and vital trading partners. I ask the committee to resist any attempt to reinstate this failed program within this Farm Bill or any other congressional vehicle.

Overall, we believe that the Farm Bill is no place for activities which restrict our market freedoms and deter the growth of small businesses. Our priority for the 2018 Farm Bill is to finally have one that does not include provisions like the ones above, or any others similar to it.

Another 2018 Farm Bill priority for NCBA is the protection of conservation programs. Several of these programs authorized in previous farm bills have played an important role in assisting farmers and ranchers in the enhancement of our nation's natural resources for food production, wildlife habitat, and water quality. In a number of states, the Environmental Quality Incentive Program (EQIP) is improving habitat for grassland-nesting birds under consideration for listing as threatened or endangered species, enhancing the health of grazing lands, improving water quality, improving soil quality, and reducing soil erosion. One important feature of EQIP has been its focus on livestock operations, and we would like to see continued funding to preserve this program. Federal funds spent on conservation are a good investment in our country's natural resources and the sustainability of agriculture and wildlife.

I would like to mention today something that my fellow producer David Clawson discussed during a recent Senate Agriculture Committee Field Hearing in Manhattan, KS. He discussed the need for a stronger and more sufficient foot-and-mouth disease (FMD) vaccine bank.

Please let me be very clear, an FMD outbreak is of great concern to the beef industry. FMD is highly contagious and has the potential to spread widely and rapidly, debilitating cloven-hoofed animals, such as cattle, swine, and sheep. The rapid spread of FMD can cause severe meat production losses; therefore, a widespread outbreak of the disease would have disastrous economic consequences. Analysts estimate that an FMD outbreak in the United

States could potentially cost our nation's livestock producers billions of dollars in the first 12 months alone.

An FMD outbreak has the potential to cause enormous economic losses to not only livestock producers, but also to auction markets, slaughterhouses, food processors and related industries, as well as consumers.

NCBA will be requesting support for the creation of a larger and more adequate FMD vaccine bank within the 2018 Farm Bill. We feel that this vaccine bank is vitally important to the beef industry as FMD is still a threat as countries around the globe continue to grapple with this disease. APHIS has publicly stated that our current FMD vaccine supply is insufficient to deal with a large scale outbreak in the U.S. and that a larger vaccine bank is needed. APHIS has also noted that expanding the current FMD vaccine supply is not an inexpensive investment, however having sufficient quantities of vaccine readily available and deployable to control an FMD outbreak would appear to be a critical part of the USDA APHIS mission. Rapid control of FMD protects the security of the U.S. food supply, limiting the economic damage from livestock losses due to the disease, and also shortens disruptions to trade and commerce that would occur as long as FMD goes uncontrolled due to a lack of vaccine.

For all of these reasons, we support additional funds dedicated to the development of a more adequate FMD vaccine bank. In addition, we support more work around Foreign Animals Disease preparedness that will continue to shed light on our response plans that recognize the limitations of current vaccination capabilities in an FMD outbreak.

The cattlemen and women of this country look forward to working with the Small Business Committee to ensure that we have the ability to do what we do best - produce the world's safest, most nutritious, abundant and affordable protein, while giving consumers the choices they seek. Together we can sustain our country's excellence and prosperity, ensuring the viability of our way of life for future generations. I appreciate the opportunity to visit with you today. Thank you for your time and I look forward to answering any questions you may have.

Biography

Tim and his wife Amy own the T A White Farm LLC, a 2,000-acre cow/calf and backgrounding operation. They raise 400 cow/calf pairs and background 1,000 stockers. Tim and Amy White are members of the Fayette and Kentucky Cattlemen's Associations as well as Kentucky Farm Bureau, the Kentucky and American Angus Associations, and the Lexington First Assembly Church. Beef farmers are active in local and state beef associations and some have served on the boards of national organizations such as the Beef

Promotion and Operating Committee, which prioritizes and funds national and international market development programs for beef.

The Whites have two children. Rod is 21 and he attends school at Eastern Kentucky University and plans to return to the farm after graduation. Addie is 16 and she is a sophomore at West Jessamine High School. The White family is involved in showing cattle, sports, and many church activities.

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Testimony of

Sarah Rickelman, Manager

Degener-Juhl Farms

Hudson, Iowa

“The Future of America’s Small Family Farms.”

United States House of Representatives

Committee on Small Business, Subcommittee on Agriculture, Energy, and
Trade

March 23, 2017

Washington, DC

Good morning. I'm Sarah Rickelman, manager at Deneger-Juhl Farms in Hudson, Iowa. Let me begin by thanking Chairman Blum, Ranking Member Schneider, and Members of the Committee for allowing me the opportunity to share my story with you today. I especially want to thank my House member Representative Blum for inviting me to testify - thank you for the warm introduction and this opportunity to talk about small family farms in Iowa.

I am a Farm Bureau member from Black Hawk County in rural Iowa where I, along with my husband, help manage a 1,700 farrow-finish pig farm. My husband and I are two of several producers who provide the hands-on daily work to generate a safe, nutritious, and affordable product that is consumed by families across the United States and around the world.

My passion for agriculture started as a young girl growing up on a small acreage and being heavily involved in the local 4-H club - learning about agriculture, caring for my animals, and preparing them for the county fair year after year. This was the beginning of my love story with agriculture.

Wanting to continue my education in agriculture I attended Iowa State University taking classes in agricultural studies with an emphasis in swine production. ISU empowered me to learn the skills and obtain the knowledge that I use on the farm every single day. Some of my daily duties include; animal observations, record keeping, training employees, and public relations work. I love being inside the barn every day, working closely with the animals and ensuring they are given the best possible care. From early mornings to late nights, work on the farm is never done, and I wouldn't want it any other way.

My goal in college was to find a career that would balance farm work with local, state and national agriculture advocacy. I got involved with Farm Bureau three years ago, and have really enjoyed the opportunity to share my story of how I got started in farming and how important agriculture is to my family and rural Iowa. I truly believe that being on the family farm is the best career choice I could ever make.

While I couldn't be happier with my decision to farm with my family, we face significant challenges and threats to our livelihood. Being a young farmer, I'm concerned about my ability to continue this profession and one day pass it along to my children. With commodity prices depressed over the past several years, net farm incomes have decreased by 46% over the past three years—with another 8% decrease predicted for 2017.

While grain and livestock prices have a major effect on our operations, the laws and policies that are enacted in D.C. also have a significant impact on the success of small family farms.

In these challenging economic times, it is more important than ever that we have a strong and adequately funded Farm Bill. The Farm Bill provides a basic level of risk protection in bad economic times and in years with poor weather. Federal crop insurance in the Farm Bill has been successfully providing an essential safety net for family farms across the country. I hope that Congress will

continue to appreciate the importance of the Farm Bill and pass it before the current Farm Bill expires.

Another way that D.C. is effecting the family farm is through current tax policy. As Congress looks to reform our nation's tax policy I hope that lawmakers will consider the impact any change will have on the thousands of family farms across the country. While lowering individual tax rates is a positive reform, family farmers will ultimately pay more taxes if essential tax policies for small businesses are eliminated. Agriculture is a capital-intensive business and being able to deduct business expenses is a critical tool - this should include the ability of the next generation to purchase their first piece⁴ of ground or expand their operation if they can't deduct interest expense. A tax reform package that doesn't include these provisions will ultimately increase taxes on family farms. On that same note, I hope Congress will finally and permanently eliminate the death tax while maintaining stepped-up basis. These tax provisions are essential to the survival of the family farm.

As I mentioned before, the pork we raise on the farm not only feeds families in Iowa but also feeds people across the world. I'm blessed to farm in an area of the world that is immensely fertile and productive. Our country grows far more food than we could ever consumer with 98% of the world consumers living outside of our borders. Agriculture is a growth industry and expanding export opportunities is vitally important to the success and future of the family farm. I hope that Congress and this administration will push for expanded trade opportunities and work with other countries to negotiate trade deals that lower tariffs so we can sell more of our products to those markets.

We face many challenges as farmers grow fewer and the divide between the general population and agriculture grows wider. But I am optimistic that if we continue to share our story we can shine a light on the work we do to grow safe, affordable, and sustainable food for the world. Being a family farmer isn't just a career, it is a lifestyle of which I am extremely proud. Now pregnant with my first child, I look forward to the day when our little one can come out to the barn to see the baby pigs with me and my husband - to enjoy agriculture as much as we do. With a strong safety net, pro-growth tax policies, and increased trade opportunities I know American's small family farms have a bright future.

Thank you.



Statement of Charles F. Conner
President & Chief Executive Officer
National Council of Farmer Cooperatives

Testimony before the
Subcommittee on
Agriculture, Energy, and Trade
House Small Business Committee
U.S. House of Representatives

Regarding
The Future of America's Small Family Farms

March 23, 2017

Chairman Blum, Ranking Member Schneider, and members of the Subcommittee, thank you for holding today's hearing on the future of America's family farms.

I am Chuck Conner, president and chief executive officer of the National Council of Farmer Cooperatives (NCFC). NCFC represents the interests of America's farmer-owned cooperatives. With nearly 3,000 farmer cooperatives across the United States, the majority of our nation's more than 2 million farmers and ranchers belong to one or more farmer co-ops. NCFC members also include 21 state and regional councils of cooperatives.

Farmer-owned cooperatives are central to America's abundant, safe, and affordable food, feed, fiber, and fuel supply. Cooperatives are owned by the farmers who have been producing food and responsibly caring for their land and animals for generations. Through cooperatives, farmers marketplace, allowing individual producers to compete globally in a way that would be impossible to replicate as individual producers. In short, cooperatives share the financial value they create with their farmer-owners.

By pooling the buying power of hundreds or thousands of individual producers, farmer cooperatives are able to supply their members—at a competitive price—with nearly every input necessary to run a successful farming operation, including access to a dependable source of credit. Furthermore, farmer cooperative members can capitalize on new marketplace opportunities, including value-added processing to meet changing consumer demand. Cooperatives also create and sustain quality jobs, businesses, and consumer spending in their local communities.

On behalf of my members, I thank this Subcommittee for supporting public policy that continues to protect and strengthen the ability of farmers and ranchers to join together in cooperative efforts in order to maintain and promote the economic well-being of farmers, ensure access to competitive markets, and help capitalize on market opportunities.

I also applaud this Subcommittee for taking a deeper dive into the factors influencing the current and future farm economy. It is imperative that federal policies promote an economically healthy and competitive U.S. agriculture sector.

In examining the dynamics of the farm economy and future needs of family farmers across the country, I remind you that numerous influences—some of which are out of our control—come into play. Extremely volatile weather and global markets result in equally volatile farm gate prices, yields, and production costs. Agricultural commodities currently face tight margins, and farm income has retreated significantly from the highs it reached just a few years ago.

Our common, ultimate goal is to preserve the productive capacity of our farms. In today's testimony, I wish to highlight legislative and regulatory efforts that will have a direct impact on our members and their farmer-owners as well as initiatives by our members to ensure the future of American agriculture remains strong.

Tax Reform

NCFC supports pro-growth tax reform and wants to work with Congress to achieve this result. However, certain aspects of tax reform must be coordinated with the special circumstances of agriculture in general and cooperatives in particular.

Farmer cooperatives calculate their taxable income under Subchapter T of the Internal Revenue Code. Under Subchapter T, earnings from business conducted with or for a cooperative's members are subject to single tax treatment as income of farmer members, provided the cooperative pays or allocates the earnings to its members. If the earnings are used to support the cooperative's capital funding or other needs, the earnings are taxed at regular corporate rates when retained and taxed a second time when distributed to the farmer members. Additionally, earnings from sources other than business with or for the cooperative's members are taxed at corporate rates. This method of taxation has been in use for nearly a century and was codified more than 50 years ago. NCFC supports the continuation of Subchapter T and related regulations.

The House GOP Blueprint would reduce the top individual marginal rate from 39.6 percent to 33 percent, and it would reduce the top pass-through rate to 25 percent on non-wage income. For cooperatives to thrive, the Blueprint should provide that patronage distributions from cooperatives are subject to the 25 percent maximum pass-through rate. Currently, patronage distributions are subject to individual tax rates, which max out at 39.6 percent. This is the same rate that currently applies to pass-through income from partnerships, limited liability companies, and S corporations. If the 25 percent rate is applied to income from these entities but not cooperatives, the maximum tax rate on patronage distributions will be 33 percent, placing cooperatives and their members at a disadvantage. It is essential that the rate on pass-through income apply to patronage distributions from cooperatives.

NCFC members also feel concern about the Border Adjustability Tax (BAT). The provision would make exports tax-free, a benefit to exporters. However, farmer cooperatives would need a way to pass that benefit through to their farmer members who produce the exported goods. The BAT also would disallow the business expense deduction for imported goods, resulting in essentially a 20 percent tax on imported goods (assuming a 20 percent corporate tax rate). For agriculture, a tax on imported fertilizer, fuel, farm machinery components, and retail goods would be extremely detrimental.

Tax experts say the BAT *should* cause a rise in the dollar's value, which would offset the loss of the deduction for imports by making imported goods cheaper. However, there is no guarantee on the timing or extent of the rise in value of the dollar. Also, consideration should be given to the effects of the strengthening of the dollar, which would increase costs for U.S. trading partners and likely result in retaliatory tariffs on farm exports.

The Blueprint also would eliminate the deduction for net interest expense and would allow for immediate expensing of capital invest-

ments, other than land. In many cases, farmers do not have the resources to satisfy all of their cooperatives' capital needs. As a result, cooperatives often rely on debt to finance growth. The repeal of the deduction for interest on debt would cause harm to farmer cooperatives and their farmer members by impeding business expansion, new hiring, and product development.

Immediate expensing of capital investments is also a challenge for farmer cooperatives. By not spreading the cost of an investment over the life of the asset, the provision will cause net operating losses that cannot be equitably shared among current and future members. Additionally, the Blueprint would repeal Section 199, the Deduction for Domestic Production Activities Income. The Section 199 deduction was enacted as a jobs creation measure in *The American Jobs Creation Act of 2004*. The deduction applies to proceeds from agriculture or horticultural products that are manufactured, produced, grown, or extracted by cooperatives, or that are marketed through cooperatives, including dairy, grains, fruits, nuts, soybeans, sugar beets, oil and gas refining, and livestock.

Cooperatives may choose to pass the Section 199 deduction through to their members or to keep it at the cooperative level, making it extremely beneficial to both. Section 199 benefits return to the economy through job creation as well as increased spending on agricultural production and in rural communities. Some have suggested lowering corporate rates to offset the impact losing of the deduction. However, because farmer cooperatives' income is passed through to farmer members, a corporate rate reduction would not benefit cooperatives and their farmers. NCFC opposes the repeal of this incentive for domestic production.

If tax reform retains the requirement to maintain inventory records for tax purposes, NCFC supports the continued viability of the last-in, first-out (LIFO) accounting method. The LIFO method is a widely accepted accounting method and is used by some farmer cooperatives. Taxpayers using LIFO assume for accounting purposes that inventory most recently acquired is sold first. If LIFO is repealed and replaced with the first-in, first-out (FIFO) method, farmer cooperatives and other businesses would be taxed as though they had sold all of their inventory assets, even though they would have received no cash. Obtaining the funds necessary to pay the tax on this deemed sale would cause severe strain on cooperatives' capital budgets. Taxation of LIFO reserves would be the equivalent of a retroactive tax on the savings of a cooperative.

NCFC also supports reinstating the alternative fuel mixture credit, which expired on December 31, 2016. The credit incentivizes use of propane, a clean-burning, low-carbon, domestic, and economical alternative to gasoline and diesel.

Immigration Reform

As part of the Agriculture Workforce Coalition (AWC) Steering Committee, NCFC has long advocated for immigration reform that meets both the short- and long-term workforce requirements of all of agriculture. Our primary objective remains legislation that fully addresses agriculture's workforce crisis.

The economic health of farmers, and the rural communities in which they live, is currently being threatened by the lack of a reliable, stable, and legal workforce. Our farmers face growing shortages of legally authorized and experienced workers each year, which in turn results in millions of dollars in economic loss. A 2012 survey found that 71 percent of tree fruit growers, and nearly 80 percent of raisin and berry growers, were unable to find an adequate number of employees to prune trees or vines or pick the crop.

The current uncertainty and unpredictability is causing many American farmers to shift production away from labor intensive crops, which include many fruits and vegetables. In fact, Texas A&M reported that 77 percent of vegetable farmers reported scaling back operations and more than 80,000 acres of fresh produce that used to be grown in California have moved to other countries. These production shifts make America increasingly dependent on imported food which threatens both food safety and our national security.

Jobs in agriculture are not easy; they are physically demanding, conducted in all seasons, and are often transitory. Most U.S. residents seeking employment do not find these conditions attractive. In response to a lack of a domestic farmworkers labor force, farmers have relied on workers admitted under a government sponsored temporary worker program known as H-2A and on workers who appear to have legal status to work in the United States.

The H-2A program contains significant and growing challenges. Capacity and infrastructure issues at the Departments of State (DOS), Homeland Security (DHS), and Labor (DOL) has led to greater processing delays than ever before. This means bureaucratic red tape and interruptions in the program seriously impact the viability and profitability of farmers and ranchers as workers show up to the farm well after the date they were needed, resulting with millions of dollars in agricultural production lost in the interim.

H-2A is the sole legal visa program available to production agriculture; however, it is limited to labor of a “temporary or seasonal nature.” Thus, leaving industries such as dairy and livestock left without any legal channel to find workers. Employment of H-2A workers has nearly tripled in the past five years; yet, it still only accounts for less than 10 percent of all seasonal farmworkers. This growth has occurred despite the program’s extreme regulatory hurdles, government inefficiencies, and high costs. In fact, an entire industry exists solely for helping farmers navigate the H-2A process. For many small farmers, accessing these services are financially out of reach, leaving them with limited options for hiring workers.

Despite farmers’ best efforts, many if not most, of the agricultural workforce is in the U.S. without proper work authority. There is no other industry with greater workforce demographic challenges and foreign labor reliance than agriculture.

While many foreign-born workers hold farmworker jobs, each farmworker creates many American held jobs. In fact, every farmworker engaged in high-value, labor-intensive crop and livestock production sustains two to three off-farm, but farm dependent jobs.

The activities that occur on domestic farms support not only farmworkers, but also an entire supply chain of transportation providers, input suppliers, processors, and consumer retail functions.

It is important for the subcommittee to know that many of those American jobs will be lost if access to agriculture's current workforce is jeopardized. Based on a farm labor study conducted by the American Farm Bureau Federation in 2014, the impact of an enforcement-only approach to immigration that causes agriculture to lose access to its workforce would result in agricultural output falling by \$30 to \$60 billion. Therefore, we must work together to ensure our agricultural economy stays strong by ensuring immigration legislation provides farmers and ranchers, across all of agriculture, access to a legal and stable workforce.

In summary, instability in the agriculture labor force has reached critical levels. Farmers face a shortage of legally authorized and experienced workers each year, and the cumbersome H-2A visa program cannot serve as a safety net to meet the workforce demands. We can and must do better for our farmers, our economy and country by modernizing our immigration system to include work eligibility for our current existing workforce and farmer-friendly programs to provide future guest workers for all of agriculture. If not, the future of America's family farms is in jeopardy.

International Markets

The U.S. food and agriculture sector is heavily dependent on international markets, and trade is vital to the continued prosperity of cooperatives and their farmer and rancher members. While small farmers may not have access the international market directly, the prices they receive for their commodities are dependent on exports. For example, approximately half of the U.S. wheat, soybean, and rice crop is exported. The percentage is even higher for crops such as cotton and tree nuts. Over the past few years, foreign markets have also become increasingly important to supporting the dairy industry, with exports now accounting for one out of every seven days of U.S. milk production. Clearly, without those markets, commodity prices received by producers would suffer.

By their nature, cooperatives bring together groups of farmers and ranchers, many are operators of small and medium-sized operations structured as family farms. By banding together, members of cooperatives can accomplish what would be more difficult, if not impossible, to do individually. In this case, cooperatives offer farmers opportunities to market their products internationally, by providing services such as consolidating, branding, marketing, processing, and transportation. This allows farmers access to the global marketplace. The increased earnings of the cooperative due to international sales flow back to the farmer-owners in increased patronage dividends, boosting farmers' income from beyond the farm gate.

With over 95 percent of the world's population living outside of the United States, expanding access to international markets is essential for our future success. This includes maintaining and increasing access to markets through existing and future trade agree-

ments, and leveraging export programs that serve as catalysts to increased market access.

Market Access Program

The Market Access Program (MAP) is of particular importance, both because it is a vital tool used by producers and their cooperatives to market products overseas, and because it represents such a good investment of taxpayer dollars with a 24 to 1 return on every dollar spent under the program.

Many specialty crop producers view MAP, above all other programs, as their “farm safety net” program. The ability of cooperatives to use MAP helps give individual farmers the opportunity to market their products overseas, which they otherwise would not be able to do on their own.

U.S. Department of Agriculture (USDA) Value Added Producer Grants (VAPG) and Cooperatives

As mentioned earlier, cooperatives by their nature bring many producers together who individually do not have the size, expertise, and resources to take advantage of the value chain beyond the farm gate and gives them the opportunity to profit from those down-stream activities. Value-Added Producer Grant (VAPG) funds empowers cooperatives to capitalize on new value-added business opportunities that would otherwise go unexplored. VAPG helps cooperatives differentiate and expand production, in turn helping them improve the value of their products through processing and marketing. Their successful, self-sustaining products have translated into greater and more stable income for producers from the marketplace. This also has served to promote economic development and create jobs.

The VAPG also assists independent producers at the farm level, many small and medium-sized, to market new and innovative products on a smaller scale. Of the 326 grants awarded in 2016, 287 were to independent producers (86 classified as small or medium-sized, 55 to beginning farmers, and 68 to socially disadvantaged farmers), and 21 to cooperatives. Based on information gleaned from cooperatives’ applications, 5,890 farmer-members of cooperatives, many being small and medium-sized farmers, benefited from the 21 grants to cooperatives in 2016.

The program is administered on a matching-fund basis, thereby doubling the impact of such grants and helping encourage investment in ventures that ultimately benefit rural America. As a cost-share program, it is as an excellent example of an effective public-private partnership bringing a number of self-sustaining products to market.

Other USDA Programs Assisting Small Farms

Funds provided by Rural Cooperative Development Grant (RCDG) program, helps fund non-profit groups, such as rural cooperative development centers to develop and expand cooperatives. These grants help provide the training and technical assistance

rural cooperatives need to be sustainable. This helps strengthen the rural economy by creating jobs and building assets that create infrastructure, especially in low income rural communities.

The Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program (2501 Program). The 2501 Program assists socially disadvantaged and veteran farmers and ranchers in owning and operating farms and ranches while increasing their participation in agricultural programs and services provided by USDA. The program assists community-based and non-profit organizations, higher education institutions, and tribal entities in providing outreach and technical assistance to socially disadvantaged and veteran farmers and ranchers.

Infrastructure

Improving our nation's transportation infrastructure must be a national priority that deserves urgent attention. Capacity constraints, structurally deficient bridges, deteriorating roads, and locks and dams long past their expected useful life require the necessary investment to efficiently move the country's freight now and into the future. As Congress prepares infrastructure investment legislation, we implore you to address the infrastructure needs in rural America.

Rural communities have seen their infrastructure deteriorate, jeopardizing jobs, our agricultural competitiveness, and the health of rural families. Past infrastructure initiatives often focused on urban and suburban infrastructure while not adequately addressing the unique needs of rural communities. We ask that you address this as part of any comprehensive infrastructure renewal efforts.

Our nation's ability to produce food and fiber and transport it efficiently across the globe is a critical factor in U.S. competitiveness internationally. Infrastructure that supports rural communities and links them to global markets has helped make the U.S. the unquestioned leader in agricultural production. Our deteriorating infrastructure threatens that leadership position.

Transportation infrastructure improvement is the most obvious need in rural communities, but not the only one. Highways, bridges, railways, locks and dams, harbors, and port facilities all need major investment to continue efficiently getting our agricultural products to market. For example, one-quarter of our road system's bridges require significant repair, or cannot efficiently handle today's traffic and many of the 240 locks and dams along the inland waterways need modernization. In addition, critical needs exist in providing clean water for rural families, expanding broadband to connect rural communities to the outside world, and enhancing the ability to supply affordable, reliable, and secure power for the rural economy.

The scope of the investment needed is staggering. Clearly the federal government must continue to play an important role in providing funding and those federal investments should increase. However, federal resources, likely cannot fill the need entirely. Cre-

ative solutions that pair federal investment with state/local government investment and private sources of capital hold promise for raising a portion of the funds necessary to do the job.

Regulatory Impacts on Cost of Production

We must also ensure that our public policy does not hurt the economic viability of farm and ranch families across the country. Often outside traditional farm policy, these issues come from corners of the federal government that may not understand production agriculture. Yet a broad range of regulatory actions—those pending at federal agencies or in the pipeline and coming soon to a farm near you—have the potential to increase the costs and reduce the margins of cooperatives and their farmer and rancher member-owners. Whether the regulations deal with the environment, immigration and labor, food safety, or financial reform, they can create an uncertainty that threatens to hold back investment and growth across the agricultural sector.

Over 20 million jobs across the country are directly or indirectly dependent on agriculture, and account for nearly \$1 trillion or 13 percent of Gross National Product. If our agricultural sector can preserve its competitiveness in the global marketplace, we can grow this number and be a strong contributor to a growing economy.

Congress and the administration must ensure that the marketplace, not the federal government, determines the cost of production for America's farmers, ranchers, and the cooperatives that they own. If our farms, ranches, and cooperatives are weighed down with costs imposed by either regulatory actions or delays in the regulatory process, farm income will decrease and market share will be lost to our competitors.

Sustainability

I also want to highlight NCFC's effort to ensure farmer cooperatives are a part of the sustainability conversation happening in today's marketplace. Organizations ranging from Wal-Mart and Whole Foods to NASCAR and the United Nations have embraced sustainability over the past decade. In turn, the concepts, definitions, and terminology have also evolved and standard-setting programs have proliferated. In many cases, these efforts vary considerably in their approaches to sustainability. Individual companies face substantial challenges in this environment, and ultimately, the farmers and ranchers do as well.

Our membership consists of more than 60 farmer co-ops, and that results in just as many different definitions of sustainable agriculture. The truth is, sustainability means different things to different people. It may not even matter if everyone agrees on a single definition, but one thing we can all agree on, as owner-members and managers of the nation's cooperative system, is that sustainability is an important concept to a growing number of our customers, both at home and abroad.

Sustainability is a topic that has gained momentum among the many companies who buy our agricultural products and who are ultimately being pushed toward sustainable sourcing by their own customers.

When many of our farmer-members hear the word “sustainability,” the conversation often turns to environmental issues and additional government regulation. As a cooperative organization, it’s important to understand that protecting our natural resources is only one part of sustainable agriculture. As Merriam Webster reminds us, the word “sustainable” can and should apply to our financial, human, and community resources as well.

Farmers and ranchers have been working over generations to ensure their own family businesses are sustainable. Likewise, cooperatives have been part of the rural landscape for generations and provide a historical perspective on the farmer’s legacy of stewardship of the land and involvement in the community.

Cooperatives have an intrinsic orientation toward engagement, shared economic participation, and community that provides a particularly strong foundation for conducting effective sustainability programs. In fact, our business model of farmer-ownership is inherently sustainable?

- The governance and ownership structure of cooperatives creates a strong foundation of stakeholder involvement among co-op members.
- Member participation fosters a shared economic interest in the cooperative’s performance, through patronage and dividend distribution, that is further reflected in the shared stake that co-ops have in the sustainability of their local communities.
- Cooperative precepts also include a strong commitment to education and training for cooperative members and for sharing knowledge among cooperatives.

Taken together, cooperatives have an intrinsic orientation toward engagement, shared economic participation, and community that provides a particularly strong foundation for conducting effective sustainability programs.

Sustainability also is in the soul of every good farmer and at the heart of co-op success, and it always will be. Cooperatives represent a connection to farmers that consumers value, and the close relationships with farmers help connect consumers to the farms that produce their food. In fact, because of their position in the food supply chain, cooperatives can help farmers and consumers better understand each other.

Our members believe that fostering collaboration among cooperatives and all segments of the supply chain is fundamental to furthering sustainability and continuous improvement in handling, processing, and marketing food, fiber, and fuel.

Cooperatives also offer a unique view of accountability, traceability, and transparency from farm to plate:

- **Accountability** - Cooperatives hold their members to high standards and can provide education and information on approved farming and animal care practices.

- **Local Sourcing** - Cooperatives serve as a conduit between the farm and the consumer and can offer transparency regarding food production by explaining sustainability practices their members use on their farms.

In order to be more productive, efficient and profitable, farmer cooperatives and their member-owners are continuously improving the ways they run their businesses. Cooperatives provide farmers and ranchers with the education, technology, innovative products, and services needed to help them continually improve the quality of the land they farm and the crops, produce, meat, milk, and eggs they produce. This continual progress is the driving component of sustainable agriculture.

NCFC's sustainability initiative is guided by principles fundamental to farmer-ownership that are integral to sustainably producing food, fiber, and fuel for America and the world. Our work is grounded in the core values on which farmer cooperatives were founded—shared economic participation, democratic member control, cooperation, and a lasting commitment to community. From those values, the work of NCFC and its member cooperatives, through their own individual commitments to sustainability, is based on the following principles:

- **Economic viability** - Providing safe and affordable food, goods, and services for our customers while supporting the long-term vitality of our members' family farms.

- **Environmental stewardship** - Managing our natural resources carefully and efficiently to help ensure the quality and integrity of the environment today and for future generations.

- **Community well-being** - Conducting our businesses responsibly, maintaining a safe, healthy, and respectful workplace for our employees, and fostering vibrant rural communities.

In conclusion, I realize this testimony covers a lot of ground, some of which may be outside the jurisdiction of the Subcommittee, but these issues are no less important and impactful to the future of America's family farms and are worthy of your attention. Especially at a time when farmers across the country face a tough economy and tight margins, we must identify ways for our agriculture sector to prosper.

Thank you again for the opportunity to testify today, and I look forward to your questions.

AUMUA AMATA COLEMAN RADEWAGEN
AMERICAN SAMOA

COMMITTEE ON SMALL BUSINESS
CHAIRMAN
SUBCOMMITTEE ON
HEALTH AND TECHNOLOGY
SUBCOMMITTEE ON
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SUBCOMMITTEE ON
DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS

March 24, 2017

The Honorable Steve Chabot
Chairman
House Small Business Committee
2371 Rayburn House Office Building
Washington, DC 20515

The Honorable Rod Blum
Chairman
Agriculture, Energy and Trade Subcommittee
1108 Longworth House Office Building
Washington, DC 20515

The Honorable Nydia Velázquez
Ranking Member
House Small Business Committee
2301 Rayburn House Office Building
Washington, DC 20515

The Honorable Bradley Scott Schneider
Ranking Member
Agriculture, Energy, and Trade Subcommittee
1432 Longworth House Office Building
Washington, DC 20515

Dear Chairman Chabot, Ranking Member Velázquez, Chairman Blum, and Ranking Member Schneider,

In connection with the House Small Business Committee Agriculture, Energy, and Trade Subcommittee's recent hearing on *The Future of America's Small Family Farms*, we are submitting as a statement for the record the attached email from Pete Gurr, the Deputy Director of the American Samoa Department of Agriculture on the most important issues facing the family farms on American Samoa. Thank you for your consideration and your leadership on these important issues.

Sincerely,

Aumua Amata

Rep. Aumua Amata Coleman Radewagen
Member of Congress, American Samoa

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Black, Daniel

From: Pete Gurr <gurrpete@yahoo.com>
Sent: Friday, March 24, 2017 2:28 AM
To: Black, Daniel
Cc: Michael Fuiava; Michael McDonald
Subject: Re: Agriculture concerns

Talofa Daniel:

As per our phone conversation, the following are the top priorities for the American Samoa Department of Agriculture:

- 1) Export of taro from Manu'a and Tutuila. As more and more residents are moving back to the land, we are beginning to see a surplus of taro on island. Funding for equipment (tractors) and vehicles to move planting material to different areas is necessary in order to mass produce taro to be exported. Roads to farm lands would also be required as well as a warehouse in Manu'a and Tutuila for packing the taro in vacuum packs and coolers to store the taro as it awaits to be exported.
- 2) Vegetable project--equipment (tractors, small tillers). Samoan farmers are beginning to see the financial benefits of vegetable farming (i.e. Asian farmers have dominated this type of farming and now Samoans want to do so as well). We need tractors and small tillers to help farmers prepare their land for vegetable farming.
- 3) Raising chickens: With over \$20 million in frozen chicken being imported into our Territory each year (this figure is probably much higher as these are old figures), raising chickens for meat and eggs would provide our locals with additional jobs; produce chicken that has a lower fat content than what is being imported into our Territory; and economically, the money would stay home. This could be the fish cannery of the 60's!
- 4) Slaughter House: With chickens and pigs raised in our Territory, a USDA approved slaughter house is needed so the meat could be sold in the stores, etc.

I look forward to discussing this proposal in further detail.

Regards,
 Pete Gurr, Deputy Director
 American Samoa Department of Agriculture

On Thursday, March 23, 2017 8:51 AM, "Black, Daniel" <Daniel.Black@mail.house.gov> wrote:

Talofa Pete,

It was a pleasure to speak to you over the phone. I'm looking forward to working with you. If you could list your top 3-5 priorities, I can send them over the committee staff.

Thanks,
 Daniel

Daniel Black
 Legislative Assistant | Press Assistant

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