

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

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**National Cattlemen's
Beef Association**

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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 producer, 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 in 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 no 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.

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 billion 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 on 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 of 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 Animal 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.