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Dinner Speaker from the USDA Agricultural Outlook Forum 2017

United States Department of Agriculture
93rd Annual Agricultural Outlook Forum
“A New Horizon: The Future of Agriculture”

February 23-24, 2017
Arlington, Virginia

**Remarks of Zippy Duvall, President
American Farm Bureau Federation
USDA Agricultural Outlook Forum
Crystal Gateway Marriott
Feb. 23, 2017, 6:30 p.m.**

Thank you for the opportunity to join you and speak to such a distinguished group.

I have given quite a few speeches over the years, but I don't think I've ever had the opportunity to speak to so many who are so well-versed in agricultural economics and ag policy at this level. The market knowledge that exists in this room is tremendously impressive. So I am honored to be here with you tonight.

I want to start with a brief introduction of the American Farm Bureau—for those who may not be as familiar with us.

Farm Bureau is the nation's largest general farm organization. We are a grassroots federation made up of the 50 state Farm Bureaus and the Puerto Rico Farm Bureau. I don't think any other interest group in Washington—certainly not any other agricultural group—has the “reach” that we have. I hope at least some of you are Farm Bureau members!

All of our policies come from our grassroots. That gives us credibility to speak for our farmer members, because we advocate for the policies THEY want.

Some of those policies for this year are:

- **A strong farm bill**
- **Immigration and ag labor reform**
- **Tax reform**
- **Regulatory reform**
- **Trade**

I want to go ahead and talk about the “elephant in the room.” And the pun is very much intended.

For agriculture, our new president represents a kind of “best of times, worst of times” situation.

Let’s start with the “bests.”

We have a few things to be optimistic about under the current administration and the new Congress.

- **At the top of the list is the nominee to serve as Secretary of Agriculture. I have known Governor Perdue for many years. You couldn’t ask for a finer gentleman or a stronger champion for our farmers and ranchers. I believe he could be one of the all-time great Secretaries of Agriculture. And we need him confirmed so he can get to work.**

REGULATIONS

- **Also on the “good” list is regulatory reform. Over the previous eight years, government has tried to place more regulatory burdens on farmers.**
- **I don’t have to tell the people in this room that many of our farmers are at a breaking point in terms of generating income to cover the cost of production. Increased regulation raises that cost of production, and farmers and ranchers simply cannot bear that burden in today’s ag economy.**
- **We need a certain level of regulation, of course. But we should not allow regulations to strangle our economy...strangle the innovation and optimism our nation needs.**

- **At the top of the list is the effort to expand federal control under the Waters of the U.S. rule. That rule will require farmers to get permits on millions of acres that previously were exempt. Farmers already face overzealous enforcement of the Clean Water Act. John Duarte in California faces millions of dollars in fines for plowing his wheat field.**
- **Let me mention one example as a way of saying “thank you” to USDA. EPA is trying to get rid of an important insecticide for specialty crop growers, and the agency has been relying on some shaky science to justify their actions. But the Office of Pest Management Policy filed excellent comments detailing where EPA cut corners on the science. We are grateful to USDA for standing up on this issue and making sure science drives policy. That’s how it should be.**

- I believe the new administration will bring a more common-sense view to regulations. At Farm Bureau we are working to reform the regulatory process. The Administrative Procedure Act, the law that guides that process, is 70 years old and doesn't consider the influence of things like Twitter and other tools agencies might use to drum up support for their own rules.

TAXES

- I would also put tax reform on the “good” list. I think we all expect tax reform to be a major part of the conversation this Congress.
- Lowering the business tax rate will go a long way toward helping our economy. But we can't stop there. We need a tax code that recognizes the financial challenges farmers and ranchers face. A tax code that encourages the next generation to stay in agriculture.

- **The devil is the details, of course. If we give up the deduction for business interest or something like cash accounting for a small adjustment in tax rates, we may not be doing much good. So we will work closely with the tax writing committees to help them get it right for our farmer members.**
- **Farm Bureau would like to see us eliminate the estate tax once and for all—so we can pass our farms on to the next generation without a big tax bill that forces them to sell the assets needed for farming. We need to be encouraging and helping the next generation to get started in agriculture—not penalizing them with a tax.**

BORDER ADJUSTABLE TAX

- **While on the subject of taxes, let me touch on something that has been getting more attention in recent weeks—the Border Adjustable Tax.**

- **It's one thing to focus on a specific country. It's different to talk about the kind of tax used by more than 150 other countries, including Canada and Mexico, and look at using the revenue stream to pay for other tax reforms.**
- **We still have a lot of studying to do on this issue. But it's important to keep it in the context of overall tax reform and how it fits with what other countries are already doing.**

IMMIGRATION

- **Some of the actions being taken or considered by the administration could harm agriculture if not done right. As economists, I am not telling you anything you don't know. If we can't get the labor to harvest our crops here in the U.S., we will be importing more fruits and vegetables and other commodities from other countries.**

- **We at Farm Bureau have estimated the U.S. could lose as much as \$60 billion in ag production to other countries if we lose access to all currently undocumented workers.**
- **An enforcement-only approach would cause food prices to go up 5 to 6 percent.**

These are not good outcomes for agriculture. They are not good for consumers. And they are not good for other areas of our economy that thrive and provide jobs because of agriculture.

- **Farm Bureau supports protecting our borders. But we can't just do enforcement and leave our farmers holding the bag. We also need a way for the workers who have been on our farms for years and know their way around a farm to get an adjustment in status and stay here, helping us feed America with American-grown food.**

TRADE

- **We are concerned about pulling back on trade. I'm sure everyone in this room understands the importance of ag trade. About a quarter of farm income comes from exports. For some crops, it's even higher.**
- **As a nation, we've had some harsh words, lately, toward some of our most important trading partners. I want to give a special mention to our Mexican customers. We in U.S. agriculture appreciate you. Without question, there are areas of disagreement—just as with any important trading partner. But let me go on the record as saying that the American Farm Bureau appreciates the agricultural business relationship our two countries have.**

- **Members of Farm Bureau’s Board of Directors had discussions with Mr. Trump when he was campaigning last year and he assured us that he recognized the importance of trade to agriculture. He said he wanted to expand markets for us. We are looking forward to working with the president’s trade team, in particular with Secretary-designate Sonny Perdue, to carry out those commitments.**

- **Our ag exports to Canada and Mexico have quadrupled (from \$8 billion to \$38 billion) since NAFTA went into effect. But there are issues we can discuss with both of those trading partners:**
 - **Canada has high tariffs and other trade barriers that hinder U.S. dairy and poultry exports.**

- **Canada has sided with the European Union on geographic indicators.**
- **Mexico places unnecessary pest-related restrictions on U.S. fruit and potatoes—restrictions it does NOT apply to domestic crops.**
- **Mexico has banned planting biotech corn.**
- **U.S. wheat exported to Canada is graded at a lower quality than Canadian wheat.**

So we clearly have opportunities in these areas and others to take care of concerns that have come up with our NAFTA partners. And Farm Bureau intends to work with other agricultural organizations to outline how we might address these issues without losing the progress we've made.

- **Interestingly, the Trans Pacific Partnership would have addressed at least one of these issues with Canada—it would have reduced tariff protections on dairy and poultry.**
- **In fact, the American Farm Bureau has estimated that the TPP agreement would have boosted U.S. farm income by \$4.4 billion a year—thanks largely to tariffs in the other 11 countries that would be reduced more in line with our already-low tariffs here at home.**
- **Again, this is why we need Gov. Perdue in place as Agriculture Secretary. He understands the importance of trade for agriculture. He worked hard to promote Georgia’s ag products around the world, and I am confident that he will be able to influence the administration’s trade policy in a way that is positive for our farmers and ranchers.**

FARM BILL

- **Last but certainly not least, I want to talk about a little something we call the farm bill. We start working on this next farm bill under very difference circumstances than when the current farm bill was written.**
 - **Commodity prices are obviously much lower**
 - **Farm incomes are down**
 - **Farmers have pulled hard on their cash reserves and cut back on buying new equipment**
- **We learned some things as the current farm bill moved from the development phase to enactment and then on to the real world.**

- **First, it's a good idea to make sure the statistics you are using to calculate payments are accurate.**
- **And I suspect our attachment to five-year averages might get a fresh look now that we are talking about \$3.50 corn as opposed to \$6 corn.**
- **Farm Bureau has gone through extensive work with our states to get as much input as possible for developing the next farm bill. We have written dozens of background papers on everything from ARC yields and the role of conservation programs to using state data to calculate dairy feed costs. You can find all of those background papers on our website: fb.org.**

- **We have started this work earlier than usual because we know that we have to make a lot of progress this year, before the next campaign season gets started.**
- **But our greatest challenge with the next farm bill isn't time. It's money. Our nation continues to operate under a budget deficit. And the Congressional Budget Office baseline for the farm bill has gone down. All of which means it will be very challenging to find the money to make adjustments in areas such as dairy supports and ARC payments. But we are going to keep reminding Congress and the White House that our farm economy is hurting. Agriculture has given back when we can (the last farm bill made \$23 billion in cuts), and we've asked for help when we have needed it. Now, we need it.**

WRAP-UP AND ENGAGE

- **I will close by sharing one of my priorities for this year. We in agriculture must increase our engagement with policymakers. We must make our voices heard on ALL of these issues.**
- **There's a tremendous amount of knowledge and passion for agriculture in this room. But that does not accomplish much unless we use it to inform and influence our leaders.**
- **So I will leave you with the same challenge I am giving to others across the country. Rural America made its voice heard last November. Let's keep raising our voice and make sure that our elected officials make decisions that help our farmers, our farm economy and our nation's food security.**
- **Thank you. Good night.**