Pennsylvania Farm Bureau — Growing Communities Many Voices United Vision

# Statement of the Pennsylvania Farm Bureau

**TO THE**
**HOUSE COMMITTEE ON SMALL BUSINESS**
**SUBCOMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE, TRADE, AND ENTREPRENEURSHIP**

**REGARDING: SMALL BUSINESS TRADE SNAPSHOT: AGRICULTURE AND THE DAIRY INDUSTRY**

**April 2, 2019**

Presented by Glenn Stoltzfus
Board Director, Pennsylvania Farm Bureau

Chairwoman Finkenauer, Ranking Member Joyce, and Members of the Subcommittee:

Thank you for inviting me to speak today on the state of the dairy industry and the benefits of trade agreements such as the United States Mexico Canada Agreement (USMCA).

My name is Glenn Stoltzfus, and I operate a 700-cow dairy in partnership with my three brothers, in Berlin, Pennsylvania, Somerset County. My brothers and I also farm approximately 1,700 acres, growing corn, soybeans, alfalfa and grass hay. We grow all our forages and high-moisture corn, and often sell our excess corn and hay.

In addition to helping operate and manage my farm operation, I currently serve on Pennsylvania Farm Bureau's Board of Directors, along with chairing Farm Bureau's State Dairy Committee.

I offer today's testimony on behalf of Pennsylvania Farm Bureau, an organization representing more than 62,000 farm and rural family members throughout Pennsylvania. Dairy farmers are the largest segment of producers within Pennsylvania Farm Bureau, and dairy is Pennsylvania's largest agricultural sector; in other words, it's the largest component of one of the state's largest industries. However, across Pennsylvania and the nation, the dairy industry is in dire straits.

Just last month, USDA reported approximately 2,700 dairy farms, a nearly 7 percent drop, ceased operations nationwide in 2018. Nationally, Pennsylvania suffered the second most closures with 370 dairy farms lost, a drop of just under 6 percent. One of my neighbors was one of those farms, and I fear the downward trend will only continue. And unlike traditional business closures, the prior business can't simply be replaced with a new sign and fresh paint. Instead, many of these farms will be permanently lost, and with it, a way of life.

Delving further into the issue, a perfect storm of decreasing consumer milk consumption, increased milk production worldwide, and a reversal of longstanding policies by governments to allow more domestic milk production have caused a global oversupply of milk for a sustained period. As to consumption, in 2016, USDA projected the per capita consumption of beverage milk at an all-time low of 154 pounds per person, with per capita consumption of milk products falling by 25 percent over the last twenty years. In practical terms, all these factors have meant the price American dairy farmers receive for milk has been lousy for a long time—all while input costs have remained level or even increased in some cases. In my case, my price per hundredweight of milk peaked at $26.80 in 2014 and went to as low as $13.90 just last year. The price has since improved to $17.30, but the future is uncertain and subject to numerous factors including trade barriers.

Compounding the problem, net farm income, a broad measure of farm profitability, is down over 50 percent since 2013, and presently at one of the lowest points in the past two decades. Thus, even diversified dairy operations such as mine have not been able to fully rely on other commodities to dampen the dairy despairs. Further, unresolved aluminum and steel tariffs threaten the health of the national farm economy. Nonetheless, despite all these problems, one material way that can help dairy farmers is to increase export market access.

Given its quality, efficiency, and decades of cultivating trade partners, the U.S. agriculture industry has been incredibly successful in utilizing trade to benefit farmers and our nation as a whole, resulting in over 25 percent of all agricultural products being exported; approximately 16 percent of all U.S. milk production was exported last year. In fact, agriculture is one of the few industries that exports more products than it imports, accounting for a $21 billion trade surplus.

Much of the nation's agricultural trade success has arisen from relationships with Mexico and Canada, which represent the top two agricultural trading partners for nearly every state in the nation, including Pennsylvania. Dairy is no different. Since 2015, Mexico and Canada have ranked first and third, respectively, in export markets for U.S. dairy products. As a result, any trade agreements involving Mexico and Canada are critical to our nation's agricultural industry, and the USMCA represents a chance to bring vital benefits to the industry, particularly for dairy farmers.

While not a cure-all for the industry's woes, if approved, USMCA will provide meaningful benefits for American dairy farmers. The agreement will increase dairy market access to Canada by 3.6 percent—a level even better than under the Trans-Pacific Partnership. Some specific examples include an export increase of 50,000 metric tons of fluid milk by year six of the agreement, along with 12,500 metric tons of cheese and 10,500 metric tons of cream over the same time frame. In total, the agreement is expected to increase dairy exports by 100,000 metric tons annually once fully implemented.

Additionally, within six months of USMCA's implementation, Canada has agreed to end its protectionist Class 7 pricing scheme that flooded the global market with subsidized skim milk powder and lowered Canadian demand of U.S. ultra-filtered milk for cheese production. In turn, many American dairy farmers will benefit from the pricing scheme elimination by being able to compete globally on equal terms.

USMCA will also provide benefits beyond the dairy sector. Canada has agreed to treat wheat imports in the same manner as domestic wheat for grading and pricing purposes. Poultry exports will increase by 10,000 metric tons over a six-year period, turkey exports can potentially increase by 1,000 metric tons each year for 10 years, and eggs and egg-equivalent product exports will increase by approximately 16 percent over a six-year period.

Finally, the USMCA includes provisions that enhance science-based trading standards as the foundation for sanitary and phytosanitary measures for agricultural products. The agreement is also the first of its kind to include provisions that address cooperation, information sharing, and other trade rules related to biotechnology and gene editing.

As the Administration was negotiating USMCA, many farm groups issued a simple message of "do no harm." Since its passage, NAFTA had worked remarkably well and brought significant benefits to agriculture, increasing U.S. agricultural exports to Canada and Mexico by approximately $30 billion. In our view, the Administration has succeeded in "doing no harm," and done one better. Nearly all agricultural exports remain subject to zero tariffs, significant and historical strides for the dairy industry have been made with Canada, and many other commodities such as poultry and eggs have gained increased Canadian market access. Given these advancements, we urge Congress to finalize USMCA's passage.

Beyond USMCA, the agreement provides a positive paradigm for future trade agreements, including potential noteworthy deals with Japan and the European Union, particularly given its emphasis on science-based sanitary standards and inclusion of biotechnology and gene editing. On the other hand, if USMCA's passage is substantially stalled or falls short, the Administration is unlikely to negotiate similar gains in future trade deals.

As mentioned, trade agreements in and of themselves are not a magic potion to fix all the difficulties with the farm economy. But when meaningful, long-term improvements are negotiated, such agreements can provide significant benefits to a farmer's livelihood and help keep farm operations afloat during cyclical downturns. We believe the USMCA is such an agreement. We believe the USMCA will help American farmers, particularly dairy farmers, and we respectfully request Congress move forward with its passage. Thank you again for allowing me the opportunity to share my story on behalf of Pennsylvania farmers.