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Hinhanni waste (*good morning*) and Wophila (*thank you*) Chairman Mann, Ranking member Costa, and members of the Subcommittee on Livestock, Dairy, and Poultry, for the opportunity to appear before you today to discuss animal agriculture stakeholder priorities.

INTRODUCTION

My name is Kelsey Scott, and I am here today in two capacities—as a rancher and direct-to-consumer grass fed beef business owner, and as the Director of Programs for the Intertribal Agriculture Council (IAC); an organization headquartered in Billings, Montana, that has, for 35 years, worked alongside Tribal producers throughout the United States to help develop their agriculture resources. As recent as the 2017 Agriculture Census, despite Tribal producers' agriculture operations accounting for more than 6 percent of U.S. farmland, our agriculture operations account for less than 1 percent of U.S. agriculture sales.[1] IAC works with Tribal producers in navigating and accessing USDA programs that are not necessarily tailored to meet the needs of Tribal producers, and the majority of agriculture producers, generally.

Home for me is on the Cheyenne River Sioux Indian Reservation, located in the Northern Great Plains of South Dakota; a vast landscape which many of my Lakota ancestors deserve credit for stewarding into the robust, resilient prairie ecosystem that is now home to 5.3% of the United States' beef cow inventory–the fifth highest in the country.[2] Our family operation allows us the privilege to engage with local consumers amidst a USDA defined "food desert". Our unofficial ranch motto is "*to be good stewards of the land and our community.*"

As a fourth-generation rancher on lands that include my great-grandfather's original allotment on the Cheyenne River Sioux Reservation, land stewardship and animal husbandry have been ingrained in me since birth. While running a cow-calf operation consists of grueling work, accompanied by risk of plenty, it offers fulfillment beyond what many have the chance to

[1] USDA NASS, 2017 Census of Agriculture, Highlights, American Indian/Alaska Native Producers (October 2019), https://www.nass.usda.gov/Publications/Highlights/2019/2017Census_AmericanIndianAlaskaNative_Producers.pdf.
[2] South Dakota Governor's Office of Economic Dev., *Livestock Development* (2023) https://sdgoed.com/key-industries/livestock-development/.

experience. It is a way of life that was passed on to me by my family, and it is one I hope to pass to my children. It is for this reason, as well as for the many other livestock producers who hope for the same opportunity, I am here with you today. I hope that in sharing how profoundly resilient one must be to carry out this way of life, you will appreciate the ways in which you can make improvements that will provide a greater chance of viability for the livestock producers who see the least help when the unforeseen and unplanned circumstances occur; detrimentally impacting their livelihood, stifling rural economies, and jeopardizing this Country's own food security.

Family operations are the cornerstone of rural communities throughout the United States. It is family operations that are responsible for stewarding what remains of this country's topsoil; the very lifeblood of our agricultural industry. We sequester carbon at rates unrealized in any other sector of the industry. We maintain safe haven landscapes where wildlife fauna can complete their mating rituals each spring so that the gamesmen and women can enjoy their annual hunts each winter. We offer our own reputation as the face of agriculture while we fortify rural economies; conducting our business in Small Town America. Serving on school boards, volunteering at the polling stations, and joining in county-wide trash clean up days, we find ways to model quality U.S. citizenship, and we so rightly deserve a more meaningful representation in congressional action as a response to the contributions we make to this country.

But to date, Congress has failed to respond to the very real needs of the majority of family operators in ways that will guard against farm and ranch closures and financial ruin. With nearly a decade of experience providing technical assistance as a USDA Cooperator, it is urgent that the realities endured by the majority of family farmers and ranchers guide Congress's actions in agriculture-related legislation.

IDENTIFYING GAPS IN USDA SERVICES TO SMALL FAMILY OPERATIONS

Recently, USDA's Economic Research Service published data on Farming and Farm Income, which noted that "[f]amily farms (where most of the business is owned by the operator and individuals related to the operator) of various types together accounted for nearly 98 percent of U.S. farms in 2021[, and] [s]mall family farms (less than $350,000 in GCFI) accounted for 89 percent of all U.S. farms."[3] A significant reality that has yet to guide meaningful legislation in recent years is that the approximately 89 percent of U.S. farms that constitute small family operations represent households that must "typically rely on off-farm sources for the majority of their household income. In contrast, the median household of operating large-scale farms earned $486,475 in 2021, and most of that came from farming."[4]

[3] USDA ERS, *Farming and Farm Income* (last updated March 14, 2023), https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/farming-and-farm-income/.
[4] *Id.*

The most meaningful takeaway that the subcommittee can have from my testimony is that the set of solutions often proposed by large scale animal agriculture stakeholder groups is an entirely separate set of solutions than those needed by the family agriculture operations that account for 89% of producers in the United States. If members of Congress want to meaningfully and adequately represent constituents who have family operations in their districts, all while addressing the consolidation and homogenization of our food system, then I would encourage Congress to prioritize the design of a solutions toolbox tailored also to the needs of smaller family operations. This toolbox would include:

1. Enhanced USDA Services & Programmings Customized for Family Operations
2. Cost-shared Risk Mitigation and Price Guarantee Tools
3. Unrestricted and Quality Access to Fair Credit
4. Meaningful Financial Investment in Infrastructure
5. Diversified Market Opportunities & Transparency in the Marketplace
6. Scalable Food Safety Regulatory Requirements & Increased Remote Meat Inspection Utilization
7. Investment in Value Added Production & Retail Market Access
8. Receptivity to Feedback on 2023 Farm Bill Implementation Process

SOLUTIONS TAILORED TO THE NEEDS OF FAMILY OPERATIONS AND HISTORICALLY UNDERSERVED PRODUCERS

Enhanced USDA Services & Programmings Customized for Family Operations

Enhanced county-level USDA services are critical to family operations. Among these enhanced services is the need for inclusive, renovated farm lending offerings, updated farm programming and conservation resources, and more flexible and responsive disaster assistance. Coupled with elevated investment in USDA cooperatorship, Congress can ensure dynamic accommodation and representation of the specific producer needs which tend to vary drastically from one county to the next. While the Farm Bill presents us with a unique opportunity to establish national efforts to support our agricultural and food systems, many aspects of implementation at the county level encompass efforts towards exclusion, rather than inclusion. This can be largely attributed to a mindset still practiced today in many USDA offices that producers should not need, or should not qualify for, the support initially intended by Farm Bill programming.

Disaster programming available to livestock producers does not carry the same weight in support as appreciated in other sectors of the industry. Each producer’s livestock valuation is based on an institutionalized pricing index that is updated (at best) annually by the USDA. This pricing valuation is not inclusive of speciality production practices and voids appreciation for a producer’s uniquely specific genetic pool they’ve curated to match their environment over generations. Additionally, this pricing index only compensates producers for a singular unit of production lost, rather than appreciating that when a livestock animal dies or loses their offspring, the entire production unit falls out of the operation. This displaces future income potential for the producer and also results in a significant loss of investment that had been placed in the production unit. Livestock producers therefore realize a financial hardship across several production seasons but can only find compensation for a short term income disruption through current USDA disaster programs.

Smaller family operations are often home to several operators who are reliant upon the pooling of resources in order to accommodate production demands. Certain disaster programming payment schedules do not account for this form of enterprise diversification. Further, many programs are absent of appreciation for the elevated livestock care apparent on family operations; this contributes to further disparity in disaster assistance programming valuation realized by family operators.

In addition to these programmatic variances from real-world experiences of family farmers and ranchers, these producers must navigate confusing application processes, limited and unaccommodating sign-up periods, and county office scrutiny that ultimately dissuades producers from applying. Not only does USDA disaster programming need to be expanded upon for family livestock operations, but the services provided to these individuals at a county level could stand to be enhanced as well. In other words, as federal assistance programs are updated to more adequately address the needs of family livestock operations, we need to ensure County Office services to these stakeholders adopt a mindset of enhanced, expanded, and inclusive outreach and programmatic access for our producers who are laboring day-in and day-out to provide for their families, communities, and this country.

Cost-shared Risk Mitigation and Price Guarantee Tools
Cost-shared risk mitigation and price guarantee tools must be created to do more for the livestock producer than hedge prices in the existing Cattle Market Exchange; these tools need to be affordable and must enhance–not prohibit–a manager's ability to adapt.

Accessing the current risk mitigation and price guarantee tools require time and financial resources that the majority of family operations do not have the liberty to expend. We operate at a level where economies of scale do not yet come into play. Each animal, acre, or unit of production that we are able to attain in our operation's expansion comes with a direct cost increase that offsets potential profit from expansion.

With this limited ability to expand production, family operators are under extreme pressure to elevate income derived per production unit. One common way family operations can attain this increase in income per unit, is by differentiating their product into a specialty commodity. The underlying goal in this diversification is to have a net gain realized in the valuation of your livestock in comparison to the industry standard. By growing an animal that better withstands the climate, raises a larger calf, or presents more desirable traits, family producers claw ahead incrementally with each elevated investment (often in the form of time, money, and expertise). However, current risk mitigation and price guarantee tools do not accommodate an awareness of this investment. Family producers that have made the effort to create an above industry standard animal through strategic management approaches have limited ability to protect this investment. And, in the instance there is a coverage tool that can offer such protection, the producers are often too overextended financially to take up the offering. For this reason, cost-share support for family operations to be able to access risk mitigation and price guarantee tools proves invaluable.

Unrestricted and Quality Access to Fair Credit

Family operations deserve unrestricted and quality access to fair credit that models a greater appreciation for family operations as the multi-generational businesses they truly are. We must abolish the suggestion that family operations have to be subsidized by off-farm incomes, we need to prioritize lowering the average age of producers, and we must focus on increasing equity for the smaller family farms that are the foundations for rural communities. With a credit system that is so intentionally tailored to the needs of corporate entities, family farms are reliant upon the federal government to lead this massive undertaking. The result? The next generations of family farmers assume the debt of their predecessors, oftentimes beginning at a deficit.

Like most family operations, in order to stay in business, I seek an off-farm income to subsidize the nominal profits that our on-farm enterprises can achieve. This is a reality endured by most family operations. In my work with the IAC, I've been able to get to know hundreds of family operations, and I have yet to meet a single producer not reliant on some form of an off-farm income.

When family operations get to enjoy profit margins in our businesses, it is because the weather patterns, market trends, and inflation rates were in our favor that production season. And when we do not see profit margins, we are told we are bad managers, when the truth of the matter is that the system is not designed for us to amass profits as a family operation. Even in the best years, though, most financial institutions do not allow for us to account for a livable wage in our cash flow. In fact, my local FSA loan officer once told me that "producer wages" are merely "owner's withdrawal" and that my cash flow could withstand a quicker repayment plan once we remove that expenditure.

I suggested to the loan officer that without producer wages, I would need an operating loan to accommodate the following production year's cash flow. Laughably, they suggested that using my off-farm income to cover on-farm operating expenses would be a better route, given I wouldn't have the interest costs to worry about that fall. Unsurprisingly, the next year I found myself in a similar situation as most other family operations–floating my annual operating expenses on credit cards, after the local bank that my family has been loyal customers to for three generations was not able to "find enough collateral to extend credit," since I didn't have my calf crop on the ground yet.

With a credit system that does not equitably serve us as generational businesses that span across multiple lifetimes, we continually overextend ourselves on our balance sheets just to accommodate a banking system that better serves the large scale producers. This is a reality that needs to be addressed, or young and beginning farmers and ranchers will never be able to step in as the next generation of producers, and the family operations will go extinct.

Meaningful Financial Investment in Infrastructure

Meaningful financial investment in livestock infrastructure is necessary to withstand extreme weather conditions, adopt climate smart practices, and update decades old land management developments. Infrastructure investment will help keep family operations stewarding our most important ecosystems that prop up this country's agriculture economies.

Like most family operations in rural America, we must navigate expansive landscapes void of the necessary infrastructure conducive to withstanding extreme weather. For example, our closest gas station is 25 miles away, and the grocery store we frequent is 50 miles further. When we sell our calves, we ship them 98 miles to a livestock auction barn with the slogan, "An Oasis on the Prairie." While traffic does not usually burn up our time, the vast distances we have to travel for basic accommodations, do. Our extreme rural existence also drives the prices of basic living expenses higher, and demands a forward thinking resourcefulness when it comes to how we extend our investments into infrastructure on the landscape.

Production at this scale embraces tradition and culture that is rooted deeply in the "help thy neighbor" teaching. This friendly rural value system may currently be why family operations are able to remain in business. At present, this teaching results in the sharing of dilapidated infrastructure resources well beyond their useful lifespan. For instance, a watering location shared by several herds, loading corrals frequented by multiple producers, an irrigation line that is no longer efficiently distributing water, and beyond. Producers can be found sharing because they can't afford not to. When this exchange works, it's great. However, an over extended resource can quickly serve as a point of contention for neighbors. Overwhelmed by the lack of support they are receiving by the industry, producers have no choice but to "blame thy neighbor" for a lack of functional infrastructure that is limiting their ability to manage.

Approaching the investment in infrastructure must accommodate an awareness of individual operation demands. Present USDA infrastructure support does not adequately account for the supply-chain disruptions, inflated costs of materials and present-day labor shortages.

Additionally, most infrastructure support is funded through competitive ranking processes and family operations often do not score high enough to receive the financial support necessary for otherwise critical infrastructure. This shortfall is especially true for many family operations that are so small they are currently sharing infrastructure access with their neighbors.

Unique to producers on Tribal lands, is a reality where livestock producers function in a quasi-shared leasing management system. The functionality and responsiveness of Bureau of Indian Affairs and Tribal Land Offices adds in an additional layer of complexity that oftentimes results in the expense of a producer's timely eligibility for current infrastructure support.
A heavy infrastructure cost-share offering must be extended to family operations, perhaps offering a prioritization of support to efforts of producers cooperating amongst one another and operating on Tribal lands.

Diversified Market Opportunities & Transparency in the Marketplace
Family operations are reliant upon extremely limited market opportunities; many, like myself, rely upon access to a couple feasible entry points. Lack of market entry points for my livestock results in an undervalued commodity product. Within each of these limited market opportunities, exists demand for homogeneity and uniformity in my livestock herd. Penalized for lack of uniformity; the same uniformity undermines our ability to withstand nature's woes.

Conforming to this demand benefits industry monopolies, vastly undermines resiliency offerings of diversified livestock herds, and is reliant solely on my own investment. Greater scrutiny of industry monopolies (such as aggregators and corporations) that amass wealth at the expense of our livelihoods and sanity is one of several steps needed to enhance market opportunities and transparency in the marketplace.

Scalable Food Safety Regulatory Requirements & Increased Remote Meat Inspection Utilization
Livestock producers hoping to contribute to their local food system will benefit greatly from scalable food safety regulatory requirements that acknowledge small scale processing immensely reduces potential for cross contamination. Further, embracing today's technology to increase remote meat inspection capabilities will significantly increase the prevalence of local meat purchasing options.

DX Beef is my family's direct-to-consumer grass fed beef business. Our livestock leave the ranch for the first time ever when we load them in the 26 foot horse trailer on slaughter day. We drive them 45 minutes to a mom and pop butcher shop in a town of less than 700 people. Upon arrival, we unload them into a facility that will only be occupied by livestock from a handful of operations throughout the entire week. Eventually, I'll pick up the product and we will typically feed a maximum of 15-20 households per month, all within the state of South Dakota (most often, within the tri county area).

Demand for this butcher's services and access to the limited state certified meat inspection is so high that my slaughter dates are scheduled anywhere from 12-18 months in advance. When the weather does not accommodate a slaughter delivery date, we are simply out an entire month's product, as our butcher is not able to easily reschedule with the inspector without further disrupting his clientele base.

In addition to restrictive inspection access, production at my scale is further encumbered by out of line food safety regulatory requirements. I'm required to meet similar food safety regulation standards of slaughter plants that process hundreds of animals per 12 hour shift. I've had instances in which the state lab testing timelines have impeded my delivery schedules by nearly 2 weeks. I do not highlight these realities to merely complain about the system. Rather, I hope to demonstrate how nationally enforced regulatory requirements intended to keep the masses safe actually create a disadvantage to family livestock operations that would otherwise love to contribute to local meat production efforts.

An increase in market opportunity and value added production potential for the producer can be matched by a localization of food dollars that will have a net positive income on the communities that the current food system most significantly exploits. Ultimately, this can contribute to the decentralization of our meat supply chain. The result would be a more informed consumer, as local meat offerings will once again connect consumers with their farmers.

Investment in Value Added Production & Retail Market Access

Continued investment in value added production and retail market access to fortify prevalence of local meat purchasing options available to consumers.

Enhanced local market entry is not feasible until the underlying issues with access to credit are first addressed. With each diversification we pursue in an attempt to increase our ability to feed our communities, we have to stand up an entirely new enterprise on-farm. We have to do this enterprise development from the profits, or lack thereof, from our already existing cash flows.

Receptivity to Feedback on 2023 Farm Bill Implementation Process

Congressional intent advanced through the Farm Bill is not always matched in agency implementation. The actions this Congress takes in the upcoming Farm Bill require agency accountability through implementation to ensure that improvements to the animal agricultural sector for operations of all sizes are actually achieved.

I can't, in good faith, use this opportunity to directly speak to many of the issues presented by my fellow panelists before you today without highlighting the glaring differences in the reality of their stakeholders, and that of ours. The current livestock industry has been systematically designed to exploit family operations. The reality is that few of the 12% of producers who do not have to seek income outside of their agriculture operations to make a liveable wage represent the historically underserved at USDA. The missing piece for the historically underserved producers, and their fellow producers in the 89 percent is not hard work. Rather, it is laws and policies that create barriers to agriculture production providing a respectable, living wage for the majority of this Nation's producers.

I have hopes that these stories will shed light in a way that inspires longer conversations that span far beyond this Farm Bill season. This country's small family farmers and ranchers–especially our historically underserved stakeholders who are working zealously to hang on to operations passed down to them or working to bring new lands into production–are the strongest neighbors, partners, and cornerstones for the Tribes, counties, states, and regions from which we come. I respectfully ask this subcommittee to in turn be good partners for small family farms, historically underserved producers, and the 89 percent who, despite their best efforts, cannot live off their agriculture operations alone. This type of partnership will only serve to enhance this Nation's food security and food economies.

CONCLUSION

I want to conclude by thanking the Subcommittee for inviting me here today to share with you the priorities of the stakeholders that include small family operations, Tribal producers like myself, and more broadly, historically underserved producers. Our commitment to the land, our families, our rural communities, and this Nation's food systems is unparalleled. These priorities, if addressed, will not only strengthen this country's food security, they will uplift rural economies by supporting living wages for producers. I hope that this Subcommittee, and the Agriculture Committee as a whole, will continue to reach out to smaller family operators like myself to inform how your decisions can enhance or impede our livelihoods. And I have faith that together, we can build a future where my son enjoys a ranching livelihood where his take home pay is no longer best measured in Meadowlark songs, sunsets on the prairie, and "it'll get better" promises.