



**TESTIMONY OF ROB LAREW**

**President**

**National Farmers Union**

**SUBMITTED TO THE U.S. HOUSE OF REPRESENTATIVES, COMMITTEE ON SMALL BUSINESS**

**“How COVID-19 Impacted Small Businesses Across the Food System”**

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Chairwoman Velázquez, Ranking Member Chabot, members of the committee, thank you for the opportunity to testify today.

I am Rob Larew, president of National Farmers Union, an organization that works to improve the wellbeing of and economic opportunity for family farmers, ranchers, and rural communities through grassroots-driven advocacy. Founded in 1902, today NFU represents approximately 200,000 farmers across the country.

The public health emergency precipitated by the COVID-19 pandemic has upended the lives of many Americans, and that includes family farmers, ranchers, and those residing in rural communities. The pandemic has led to dramatic shifts in consumer demand and the shuttering of processing facilities, which has crippled agricultural supply chains. Farmers, ranchers, and rural residents are also grappling with a deficient rural health infrastructure and inadequate access to broadband Internet as the world continues to shift daily essential tasks online. While the disruptions caused by the pandemic are unprecedented, many of the problems we face are nothing new. Rather, the pandemic laid bare the fragility underlying parts of our current food and farm system. We should institute reforms that increase the resiliency of the system in order to protect farm families and consumers alike.

### **Conditions facing family farmers and ranchers prior to the COVID-19 pandemic**

Over the past several decades, the farm economy has been beset by sustained corporate consolidation, rising concentration in agricultural markets, and chronic cycles of overproduction in several commodities. These issues have been compounded in recent years with low crop prices, a global trade war, and increasingly frequent and severe weather events. Additionally, rural communities face underfunded and understaffed hospitals and often lack adequate broadband access.

#### Farm financial crisis

Since 2012, annual net returns for farmers have trended downward for major row crops, including corn, soybeans, and wheat, due to rising production costs and declining prices for commodities.<sup>1</sup> A highly concentrated and uncompetitive market for agricultural chemicals, fertilizers, and machinery has resulted in rising input costs. At the same time, prices for major row crops have been relatively low since 2014.<sup>2</sup>

A clear example of the crisis in the farm economy can be found in the dairy sector, where farmers in the United States have been going out of business in large numbers. In 2019, dairy farmers experienced a fifth straight year of low prices. For some farmers, this meant losing money and taking on more debt to stay in business, while other farmers chose to sell their herds. The number of dairy farms declined each

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<sup>1</sup> “Producers see negative net returns for corn, soybeans, and wheat in recent years,” September 11, 2020, USDA Economic Research Service (ERS), <https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=99306>.

<sup>2</sup> “U.S. Farm Income Outlook: September 2020 Forecast,” *Congressional Research Service*, September 23, 2020, <https://crsreports.congress.gov/product/pdf/R/R46539>.

year for more than a decade, and the pace of herd loss accelerated in 2018 and 2019. More than 2,700 dairy farms closed in 2018 (a 6.8 percent decrease), and nearly 3,300 dairy farms were lost in 2019 (an additional 8.8 percent decrease).<sup>3</sup> A recent price rebound will not be sustainable as it is driven by government purchases and reverberations from pandemic-related supply and demand shifts. The loss of small dairy herds, the rise of mega-dairies, and the phenomenon of dairy prices consistently sitting below the cost of production have become business as usual.

As a result of these financial challenges, farm debt today is at an all-time high, akin to the debt load farmers carried during the crisis of the 1980s.<sup>4</sup> While economic conditions on the farm are not identical, especially with much lower interest rates today as compared to 35 years ago, farm bankruptcies are on the rise.<sup>5</sup>

### Trade wars and retaliatory tariffs

In 2018, the Trump Administration imposed Section 232 tariffs on steel and aluminum imports and Section 301 tariffs on many U.S. imports from China. In response, China levied retaliatory tariffs on nearly all U.S. agricultural products; many other countries also targeted U.S. farmers and ranchers with retaliatory tariffs of their own. These tariffs depressed prices for certain agricultural commodities and reduced export volumes. In 2018, these lower prices and exports, combined with higher input costs, resulted in a 16 percent decrease in U.S. net farm income as compared to 2017.<sup>6</sup>

The U.S. Department of Agriculture (USDA) offered multiple rounds of short-term financial assistance to farmers and ranchers through the Market Facilitation Program (MFP) to attempt to offset losses. However, despite nearly \$25 billion spent under MFP, these payments did not address the long-term consequences of the trade war such as shifts in trade patterns and loss of export markets that took decades to build.

### Climate Change

Climate change is creating new challenges for farmers and ranchers and increasingly putting the food supply at risk. Extreme weather events are wiping out fields of crops while changing precipitation patterns and average temperatures are affecting growing seasons and stressing livestock. The summer of 2020 was the fourth hottest on record in the United States and brought with it record hurricane

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<sup>3</sup> James M. MacDonald, Jonathan Law, Roberto Mosheim, “Consolidation in U.S. Dairy Farming,” *USDA Economic Research Service*. ERR-274, July 2020, <https://www.ers.usda.gov/webdocs/publications/98901/err-274.pdf?v=8873.9>.

<sup>4</sup> “Assets, Debt, and Wealth: Farm sector equity (wealth) forecast to remain steady in 2020,” *USDA Economic Research Service (ERS)*, September 2, 2020, <https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/assets-debt-and-wealth/>.

<sup>5</sup> Jesse Newman, “More Farmers Declare Bankruptcy Despite Record Levels of Farm Aid,” *Wall Street Journal*, August 6, 2020, <https://www.wsj.com/articles/more-farmers-declare-bankruptcy-despite-record-levels-of-federal-aid-11596706201>.

<sup>6</sup> Anita Regi, “Retaliatory Tariffs and U.S. Agriculture,” *Congressional Research Service*, R45903, updated September 13, 2019, <https://crsreports.congress.gov/product/pdf/R/R45903>.

activity in the Atlantic Ocean and wildfires in the West.<sup>7 8 9</sup> To be sure, 19 of the 20 warmest years on record have occurred since 2001—a trend that is expected to continue, further exacerbating the issues farmers face.<sup>10</sup>

Farmers have always had to contend with inhospitable weather conditions. Every season, farmers face the risk of losing crops or livestock due to drought, excessive rainfall, a late spring cold snap, a withering heatwave, or a major storm. For example, in mid-August this year, a devastating derecho passed from South Dakota to Ohio, leaving a path of destruction; in Iowa, as much as 43 percent of the corn and soybeans grown in the state may have been affected.<sup>11</sup>

### Corporate consolidation and market concentration

Prior to the disruptions precipitated by the COVID-19 pandemic, family farmers and ranchers were already facing immense consolidation in the agricultural markets that both supply to and buy from their operations. Multiple waves of nearly unfettered mergers and acquisitions over several decades has resulted in an agricultural and food supply chain system that is less competitive, resilient, and flexible, and underpays farmers while overcharging consumers. Just four companies controlled approximately 83 percent of beef slaughter and processing in 2017, and there are high levels of consolidation in pork and poultry as well. In 2015, four companies controlled 85 percent of the market for seed corn and 76 percent of the market for soybean seeds in the United States.<sup>12 13</sup>

Livestock slaughter and processing facilities are also heavily consolidated. Today there are approximately 835 federally inspected slaughter facilities and 1,938 other slaughter facilities in the United States.<sup>14</sup> In 1968, there were nearly 10,000 total slaughtering establishments across the

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<sup>7</sup> “Summer 2020 ranked as one of the hottest on record for U.S.” National Oceanic and Atmospheric Administration. September 9, 2020, <https://www.noaa.gov/news/summer-2020-ranked-as-one-of-hottest-on-record-for-us>.

<sup>8</sup> “‘Extremely active’ hurricane season possible for Atlantic Basin.” NOAA. August 6, 2020, <https://www.noaa.gov/media-release/extremely-active-hurricane-season-possible-for-atlantic-basin>.

<sup>9</sup> Blacki Migliozi, Scott Reinhard, Nadja Popovich, Tim Wallace and Allison McCann, “Record Wildfires on the West Coast Are Capping a Disastrous Decade,” *The New York Times*, September 24, 2020, <https://www.nytimes.com/interactive/2020/09/24/climate/fires-worst-year-california-oregon-washington.html>.

<sup>10</sup> “Global Temperature,” *National Aeronautics and Space Administration (NASA)*, <https://climate.nasa.gov/vital-signs/global-temperature/>.

<sup>11</sup> Matthew Cappucci, “Midwest derecho devastates Iowa corn crop. Satellite imagery shows damage,” *The Washington Post*, August 13, 2020, <https://www.washingtonpost.com/weather/2020/08/12/iowa-derecho-corn-damage/>.

<sup>12</sup> Jorge Fernandez-Cornejo, “The Seed Industry in U.S. Agriculture: An exploration of data and information on crop seed markets, regulation, industry structure, and research and development,” *USDA Economic Research Service*, [https://www.ers.usda.gov/webdocs/publications/42517/13616\\_aib786\\_1\\_.pdf?v=3857.1](https://www.ers.usda.gov/webdocs/publications/42517/13616_aib786_1_.pdf?v=3857.1).

<sup>13</sup> James MacDonald, “Mergers and Competition in Seed and Agricultural Chemical Markets,” *USDA Economic Research Service*, 2017, <https://www.ers.usda.gov/amber-waves/2017/april/mergers-and-competition-in-seed-and-agricultural-chemical-markets/>.

<sup>14</sup> “Livestock Slaughter: 2019 Summary,” *USDA National Agricultural Statistics Service (NASS)*, April 2020, <https://downloads.usda.library.cornell.edu/usda-esmis/files/r207tp32d/34850245n/5712mr72x/lisan0420.pdf>.

country.<sup>15</sup> As the number of plants has shrunk, many remaining plants have grown in size; for example, just 50 plants slaughter and process 98 percent of all cattle in the United States.<sup>16</sup>

### Rural Health and Infrastructure

Rural communities have limited access to health care, including mental health services, as well as high speed broadband. A lack of infrastructure holds back rural economies, reduces educational opportunities, and worsens health outcomes.

Before the pandemic started, one in four rural hospitals were at risk of closure<sup>17</sup> and nearly half were operating at a loss.<sup>18</sup> Rural hospitals are chronically underfunded and understaffed, leading to 125 rural hospitals going out of business over the past decade.<sup>19</sup> The remaining facilities are overburdened with too many patients relative to personnel. Urban areas have 31.2 physicians per 10,000 people and 263 specialists per 100,000 people, while rural areas have just 13.1 physicians and 30 specialists for the equivalent population.<sup>20</sup> Additionally, rural health professionals are typically under-resourced, with fewer beds and older medical equipment. Yet, the need is great because people aged 65 and older make up a large share of rural communities.<sup>21</sup>

Internet access has become essential as more daily tasks move online. Yet, the digitization of modern life has left many Americans behind. One in three<sup>22</sup> rural Americans do not have access to broadband Internet, making it more difficult for them to run their businesses, communicate with friends and family, access telehealth services, and participate in online education.

### **Impacts of COVID-19 on family farmers, ranchers, and rural communities**

The COVID-19 pandemic has been incredibly disruptive and damaging to family farmers, ranchers, and rural communities. Almost overnight, some farmers completely lost markets they depended on.

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<sup>15</sup> “Livestock Slaughter: 1969,” *USDA Statistical Reporting Service*, April 1970, <https://downloads.usda.library.cornell.edu/usda-esmis/files/r207tp32d/ht24wp48q/9k41zj37t/LiveSlauSu-04-00-1970.pdf>.

<sup>16</sup> Michael Corkery and David Yaffe-Bellany, “The Food Chain’s Weakest Link: Slaughterhouses,” *The New York Times*, April 18, 2020, <https://www.nytimes.com/2020/04/18/business/coronavirus-meat-slaughterhouses.html>.

<sup>17</sup> Dave Mosley and Daniel Debehne, “2020 Rural Hospital Sustainability Index,” *Guidehouse*, April 8, 2020, <https://guidehouse.com/insights/healthcare/2020/rural-hospital-sustainability-index>.

<sup>18</sup> Jessica Seigel, “Rural Hospital Closures Rise to Ninety-Eight,” *National Rural Health Association*, February 20, 2019, <https://www.ruralhealthweb.org/blogs/ruralhealthvoices/february-2019/rural-hospital-closures-rise-to-ninety-seven>.

<sup>19</sup> Ayla Ellison, “Rural America braces for COVID-19 as more hospitals close,” *Becker’s Hospital CFO Report*, April 13, 2020, <https://www.beckershospitalreview.com/finance/rural-america-braces-for-covid-19-as-more-hospitals-close.html>.

<sup>20</sup> National Rural Health Association (NRHA), <https://www.ruralhealthweb.org/about-nrha/about-rural-health-care>.

<sup>21</sup> “Defining Rural Population,” *U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA)*, <https://www.hrsa.gov/rural-health/about-us/definition/index.html>

<sup>22</sup> Andrew Perrin, “Digital gap between rural and nonrural America persists,” *Pew Research Center – Fact Tank*, May 31, 2019, <https://www.pewresearch.org/fact-tank/2019/05/31/digital-gap-between-rural-and-nonrural-america-persists/>.

Disruptions were caused by a combination of massive shifts in consumer demand; the closure of restaurants, bars, schools, and other institutions; and outbreaks at critical points in the supply chain, especially in livestock slaughter and processing facilities.

Prior to the pandemic, farmers were already experiencing a steady decline in commodity prices. The pandemic pushed prices lower, while also increasing the price of food for consumers. The U.S. Department of Agriculture “prices received” index for agricultural, crop, and livestock production shows a nearly 6 percent decrease from April through July 2020 compared to the same period in 2019.<sup>23</sup> Price changes differ by crop, but most farmers operate on razor-thin margins and cannot easily absorb losses. The losses farmers have incurred have not been passed on to consumers. Instead, consumers are paying higher prices for food. So far in 2020, the Consumer Price Index for food is approximately 3 percent higher compared to the same period in 2019.<sup>24</sup> At grocery stores in particular, consumers paid 5.6 percent more in June 2020 compared to June 2019, the largest increase in nearly a decade.<sup>25</sup>

While many variables influence the prices for farm products and the retail cost of food, the large price swings during the pandemic have been largely attributed to disrupted supply chains. Prior to the pandemic in 2019, more than half of total food expenditures by consumers, businesses, and governmental entities were away from home (schools, restaurants, planes, trains and cruise ships) compared to food at home (grocery store purchases).<sup>26</sup> The pandemic drastically reduced food-away-from-home spending. Many farmers and ranchers were left without a market for their products, leading to surplus crops being buried and milk being dumped. Other farmers who managed to find a market often had to accept a lower price due to sudden loss of demand. Some farmers reported deciding not to plant, concerned about loss of markets.

The vulnerability of these supply chains to shocks is a feature of the extreme concentration in the middle of the supply chain between farmers and consumers: in processing, distribution, and retailing. At least 370 meatpacking plants, or about one third of the national total, experienced COVID-19 outbreaks among employees; as of September 23, 2020, there have been nearly 43,000 cases in the meatpacking sector.<sup>27</sup> These outbreaks have led to temporary closures, greatly reducing processing

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<sup>23</sup> USDA National Agricultural Statistics Service (NASS), “Agricultural, Crop, and Livestock Production, United States: Received Indexes by Month,” accessed September 22, 2020, [https://www.nass.usda.gov/Charts\\_and\\_Maps/graphics/data/received.txt](https://www.nass.usda.gov/Charts_and_Maps/graphics/data/received.txt).

<sup>24</sup> *USDA Economic Research Service (ERS)*, “Summary Findings: Food Price Outlook, 2020,” accessed September 22, 2020, <https://www.ers.usda.gov/data-products/food-price-outlook/summary-findings/#:~:text=In%202020%20so%20far%20compared,an%20average%20of%202.8%20percent>.

<sup>25</sup> *USDA Economic Research Service (ERS)*, “Retail prices for nearly all food-at-home categories up in June 2020 compared to June 2019,” July 27, 2020, <https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=99014>.

<sup>26</sup> “U.S. food-away-from-home spending continued to outpace food-at-home spending in 2019,” *USDA Economic Research Service*, June 15, 2020, <https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=58364>.

<sup>27</sup> Leah Douglas, “Mapping COVID-19 outbreaks in the food system,” *Food and Environment Reporting Network*, April 22, 2020, accessed September 23, 2020, <https://thefern.org/2020/04/mapping-covid-19-in-meat-and-food-processing-plants/>.

capacity. At the peak of closures, beef and pork facilities were operating 25 percent<sup>28</sup> and 40 percent<sup>29</sup> below average, respectively. This bottleneck stranded farmers with animals that were market-ready, but had nowhere to go, leading to euthanized animals and depressed prices.<sup>30</sup> While many plants have reopened, processing capacity remains strained.

Across the country, in rural and urban communities alike, Americans are suffering from heightened food insecurity. In July, 1 in 5 Americans with children reported that they were not able to afford enough food to feed their families<sup>31</sup>, despite the fact that participation in the Supplemental Nutrition Assistance Program has risen substantially.<sup>32</sup> Supply chain disruptions have added to the problem. Many organizations that typically donate large amounts of food have shut down, such as restaurants and hotels. Grocery stores have had less to donate because panicked customers have at times stripped shelves bare. Food banks have had to purchase food that would typically be donated.<sup>33</sup>

While economic conditions as a result of the pandemic are troubling, the state of rural health infrastructure is also worrisome. Between the cost of treating acutely ill patients and losing revenue from elective care, the pandemic has added to hospitals' financial difficulties. The loss of rural health care facilities is an especially concerning possibility as the daily number of new COVID-19 cases in rural counties is growing at a higher per capita rate than in urban areas.

The pandemic highlighted the deficit of broadband access in rural areas as work and school have shifted to the home environment. Without sweeping action to close the gap between the rural-urban broadband divide, many rural residents will be left behind.

### **The federal government's pandemic response for agriculture and rural communities**

The Coronavirus Aid, Relief, and Economic Security Act (CARES), as well as some earlier relief measures, provided crucial support for many struggling farm families. Congress should be commended for taking swift action when it became clear that the pandemic would have severe effects on our national health

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<sup>28</sup> Laura Reiley, "Meat processing plants are closing due to COVID-19 outbreaks. Beef shortfalls may follow." *The Washington Post*, April 16, 2020, <https://www.washingtonpost.com/business/2020/04/16/meat-processing-plants-are-closing-due-covid-19-outbreaks-beef-shortfalls-may-follow/>.

<sup>29</sup> Laura Reiley, "Tyson says nation's pork production is down 50%, despite Trump's order to keep meat plants open," *The Washington Post*, May 4, 2020, <https://www.washingtonpost.com/business/2020/05/04/tyson-says-nations-pork-production-is-down-50-despite-trumps-order-keep-meat-plants-open/>.

<sup>30</sup> Michael Corkery and David Yaffe-Bellany, "Meat Plant Closures Mean Pigs Are Gassed or Shot Instead," *The New York Times*, May 14, 2020, <https://www.nytimes.com/2020/05/14/business/coronavirus-farmers-killing-pigs.html>

<sup>31</sup> David Harrison, "More Americans Go Hungry Amid Coronavirus Pandemic, Census Shows," *The Wall Street Journal*, August 16, 2020, <https://www.wsj.com/articles/more-americans-go-hungry-amid-coronavirus-pandemic-census-shows-11597570200>.

<sup>32</sup> Ryan McCrimmon, "After long decline, SNAP rising due to COVID-19," *Politico*, June 24, 2020, <https://www.politico.com/newsletters/morning-agriculture/2020/06/24/after-long-decline-snap-rising-due-to-covid-19-788755>.

<sup>33</sup> Nicholas Kulish, "'Never Seen Anything Like It': Cars Line Up For Miles at Food Banks," *The New York Times*, April 8, 2020, <https://www.nytimes.com/2020/04/08/business/economy/coronavirus-food-banks.html>.

and economy. With tens of millions of Americans out of work, food insecure, or in otherwise critical financial situations, the influx of trillions of dollars into the economy has been extremely helpful. Family farmers and ranchers have accessed aid through a variety of federal agencies, including the U.S. Department of Agriculture (USDA), the U.S. Small Business Administration (SBA), the U.S. Department of the Treasury, and the U.S. Department of Health and Human Services (HHS). The steps taken by lawmakers staved off some of the worst possible outcomes from the pandemic.

Some farmers, ranchers, and small non-farm businesses in rural communities, were able to access support through SBA relief programs, including the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) program. Farm and ranch businesses typically access government loan and grant programs through USDA. We commend Congress for recognizing the need and making farm and ranch businesses eligible for PPP and EIDL. Despite having access, some farmers experienced difficulties when applying to SBA programs. Ultimately, SBA data show that only 1.55 percent of PPP loan funds were distributed to agriculture, forestry, fishing, and hunting sectors.<sup>34</sup> The extent of EIDL usage by farm businesses is not clear.

Farmers struggled to access PPP, especially at first; some lenders were misinformed about the eligibility of farm and ranch businesses, and farmers reported being wrongfully denied access. Many of these problems were resolved as lenders became more familiar with program rules and SBA released formal guidance. Nevertheless, farmers showing negative net income in 2019 were never eligible for the program. Having a bad year farming is not uncommon and highlights a greater need for assistance.

Farm and ranch businesses were originally deemed ineligible for EIDL<sup>35</sup>, but the Paycheck Protection Program and Healthcare Enhancement Act corrected this issue.<sup>36</sup> Once farmers were eligible, NFU was told the application process was simple, especially compared to PPP. However, because most farm and ranch businesses have relatively few employees, many farmers received only a small fraction of the maximum allowable amount for the forgivable emergency grants. Additionally, some farmers applying for loans or emergency grants never received them because program funding ran out.

Cooperative businesses are incredibly important to rural America, including farmer-owned co-ops that help producer-members market their crops and livestock, consumer-owned rural electric and telecommunication co-ops, as well as retail food co-ops. Cooperatives were pleased to be eligible for SBA pandemic relief programs due to CARES Act language that waived the personal guarantee

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<sup>34</sup> “Paycheck Protection Program (PPP) Report: Approvals through 08/08/2020,” *U.S. Small Business Administration (SBA)*, <https://home.treasury.gov/system/files/136/SBA-Paycheck-Protection-Program-Loan-Report-Round2.pdf>.

<sup>35</sup> Jerry Hagstrom, “SBA Says No to Ag Aid: Farm groups question SBA loan restrictions,” *DTN Progressive Farmer*, April 2, 2020, <https://www.dtnpf.com/agriculture/web/ag/news/business-inputs/article/2020/04/02/farm-groups-question-sba-loan>.

<sup>36</sup> Small Business Administration (SBA), “SBA to Make Economic Injury Disaster Loans Available to U.S. Agricultural Businesses Impacted by COVID-19 Pandemic,” May 4, 2020, <https://www.sba.gov/article/2020/may/04/sba-make-economic-injury-disaster-loans-available-us-agricultural-businesses-impacted-covid-19>.



requirement. However, cooperative businesses have reported significant barriers to program access. For example, the EIDL application requires prospective borrowers to disclose all owners with a 20 percent or greater stake in the company. But in a co-op of just six or more people, no single member-owner holds that percentage stake and the EIDL application does not allow for any way to describe that fact. While a cooperative can ultimately be approved through an appeals process, a failing initial application puts them at that back of the line and requires an unnecessarily lengthy route to approval.

Assistance from USDA has been essential to farm and ranch families, though it is important to note some of the trouble spots in USDA aid programs. Assistance has not been distributed equitably through the USDA's Coronavirus Food Assistance Program (CFAP). As of September 20<sup>th</sup>, producers of just three commodities – cattle, corn, and milk – received approximately 77 percent of all program payments.<sup>37</sup> Due to program rules, many affected producers were not even eligible for support. Additionally, the top 1 percent of recipients received more than 20 percent of program payments, while the bottom 10 percent received just 0.26 percent.<sup>38</sup>

The application period for CFAP closed for most producers on September 11. A second round of CFAP, known as CFAP 2, was recently announced. CFAP 2 includes expanded eligibility for some crops that were previously left out. NFU will be watching closely how the program is administered. We remain concerned that many farmers that lost markets and were ineligible for the first round of CFAP may not realize that CFAP 2 includes updated eligibility guidelines. While NFU will communicate program changes to our members and the broader farming community, USDA must do more to reach out to farmers that do not typically access USDA programs.

The other main form of direct federal support for farmers and ranchers through USDA is the Farmers to Families Food Box (FFFB) program. The FFFB program is an attempt by USDA to facilitate the distribution of farm products to people in need of the food from farmers that lost markets due to supply chain disruptions. While the program has undoubtedly helped both people in need of food and some farmers without a home for their products, the program has also been riddled with problems: some suppliers were approved who did not have the capacity to deliver on the program; many smaller farms had difficulty accessing the program; some food banks received too much supply, while others did not receive enough or any; and some regions of the country were covered better than others.<sup>39</sup>

Amid the worst economic downturn since the Great Depression, the need for additional relief legislation is abundantly clear. The House-passed Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act could offer a helpful path forward for family farmers, ranchers, and rural communities if

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<sup>37</sup> USDA, "CFAP 1.0 Dashboard: Program Payments by Category and Commodity," Accessed September 23, 2020; dashboard last updated September 20, 2020, <https://www.farmers.gov/cfap/data>.

<sup>38</sup> U.S. Government Accountability Office (GAO), "USDA Market Facilitation Program: Information on Payments for 2019," August 21, 2020, <https://www.gao.gov/products/GAO-20-700R>.

<sup>39</sup> Lola Fadulu, "As hunger spreads with pandemic, government takes timid steps," *The New York Times*, May 13, 2020, <https://www.nytimes.com/2020/05/13/us/politics/coronavirus-hunger-food-banks.html?auth=login-email&login=email>.

enacted. In addition to offering \$16.5 billion in additional disaster relief for affected farmers, it would include essential funding for health services, state and local governments, housing assistance, infrastructure, biofuel plants, stimulus checks for taxpayers, and nutrition assistance. It would also require long-overdue protections for workers at risk of occupational exposure to COVID-19, including meat plant workers and other food supply chain workers.

### **Opportunities to improve the wellbeing of farmers, ranchers, and rural communities**

There are ample opportunities to improve the wellbeing of farmers, ranchers, and rural communities, ensure food security for consumers, and restore resiliency to our food system. We must find creative solutions to restore fair and transparent markets for farmers, increase competition across agricultural supply chains, regionalize and increase the capacity of livestock slaughter and processing, ensure pandemic aid is distributed equitably and where it is needed most, and strengthen rural health and broadband infrastructure.

#### Congressional oversight of pandemic aid

NFU is thankful for the aid Congress has provided to farmers and ranchers to make sure they can keep producing the food, fuel, and fiber essential to all Americans. But much of this aid has not been delivered equitably and to all farmers who need it. To ensure that future funding is allocated fairly Congress should oversee the development and execution of USDA farm assistance programs. Additionally, such programs must not contribute to the glut of agricultural commodities by incentivizing overproduction.

Certain restrictions on access to SBA programs should also be addressed. A key barrier to farm and ranch access to PPP is a requirement to show positive net income in 2019. Since 2014, more than half of U.S. farm operations had negative income from their operations. Thus, a significant number of farmers were ineligible to receive a loan through PPP. NFU supports H.R.7175, the Paycheck Protection for Producers Act, which would allow farmers experiencing net negative income in 2019 to qualify for the program using gross income.

We know that relatively few farms benefited from PPP given the small share of funds going to the agriculture, forestry, fishing, and hunting sectors. But we do not know the full scope of farm sector participation in the program due to how SBA reported on loans. We recommend Congress do more to hold SBA accountable and require the agency to provide more data about how these relief programs are used among different sectors, and how the programs are performing.

#### Fair and transparent markets

With the influx of federal spending on farm assistance payment programs such as CFAP and MFP, policy changes are needed to address the causes rather than simply the symptoms of a broken farm economy. For example, NFU commissioned a study, published in 2011, on the viability of supply management for major commodity crops, which found that if a reserve system had been in place between 1998 and 2010 for major commodity crops, it would have reduced government payments by nearly \$100 billion while

net farm income would have remained about the same.<sup>40</sup> Canada, meanwhile, has been successful in administering a dairy supply management system built around production quotas and fixed prices that allow farmers to cover costs at their current output levels. To preserve the viability of family farm agriculture, the next round of farm policies must take steps to establish fair prices, manage inventories, and ensure stable and equitable trade policy.

For years, U.S. trade policy has focused on free trade—not fair trade—to the detriment of U.S. farmers and ranchers. These open market policies have encouraged the production of a few crops on a huge scale, leading to overproduction, monoculture, and the loss of small farms that are unable to compete at scale, and allowed the import of less expensive agricultural commodities that take market share from U.S. goods. Further, the high value of the U.S. dollar has pushed down prices paid to U.S. farmers as foreign importers look for a deal.

Lax antitrust enforcement has allowed a few, large corporations to dominate every step of agricultural production. Recently, there has been a rise in private antitrust litigation in food and agriculture; several high-profile investigations and cases regarding price-fixing in the chicken and beef industries are ongoing. While private legal challenges are important, more must be done to protect farmers and consumers before they are harmed.

There is a need for stronger antitrust enforcement from the Department of Justice (DOJ), the Federal Trade Commission (FTC), and the Packers and Stockyards division of USDA. New legislation is needed to ensure that the burden of proof is placed more squarely on merging companies to show that their merger will not harm competition. Antitrust agencies should review competitiveness in all aspects of the food and agriculture supply chain and must work to restructure large firms where violations have occurred. Congress should provide these agencies the resources and direction they need to act.

Farmers need more options to bring their livestock to market. A more regionalized approach with more, small- to mid-size plants can help. NFU supports H.R.7490, the Requiring Assistance to Meat Processors for Upgrading Plants (RAMP-UP) Act that was introduced in July and would help state inspected or custom-exempt slaughter facilities gain federal meat inspection status, thus opening up new market opportunities and creating more competition in this sector.<sup>41</sup> Additional legislation will be essential as well. Farmers and ranchers urgently need more marketing options for their cattle, hogs, poultry, and other livestock. The cost of establishing federal or state-inspected plants, particularly smaller facilities, must be reduced. And the development of cooperative or producer-owned slaughter and processing facilities should be encouraged. Any changes must maintain consumer confidence in slaughter and processing in the United States. It is also crucial that the safety and well-being of processing plant workers and meat inspectors remains top priority.

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<sup>40</sup> Harwood D. Schaffer, Chad Hellwinckel, Daryll E. Ray, and Daniel G. De La Torre Ugarte, “A Study of the Impact of a Reserve Program Had One Been in Effect in the Period, 1998 to 2010,” September 2011, [http://nfu.org/images/stories/policy/091211\\_Report.pdf](http://nfu.org/images/stories/policy/091211_Report.pdf).

<sup>41</sup> House Agriculture Committee, “RAMP-UP Act will help meat and poultry processors access inspection to meet demand,” July 2, 2020, <https://agriculture.house.gov/news/documentsingle.aspx?DocumentID=1918>.

### Strengthen rural health infrastructure

Rural areas cannot grow and thrive without access to high quality health services. We must reverse the trend of hospital closures and ensure that rural hospitals have the necessary resources to stay open and provide adequate care. One important step to take is to set a 20 percent rural benchmark in the Provider Relief Fund to prioritize facilities with the greatest financial need, those hit hardest by COVID-19, and those serving a large portion of at-risk patients.<sup>42</sup>

NFU has been a leader in helping strengthen mental health resources for agricultural professional and rural residents.<sup>43</sup> For example, NFU has partnered with other organizations on a program to train individuals who interact with farmers and ranchers to recognize signs of stress and offer help.<sup>44</sup> We thank Congress for its strong support for the Farm and Ranch Stress Assistance Network (FRSAN).<sup>45</sup> And we urge Congress to continue to fully fund FRSAN and expand the network commensurate with need. There is also a need to allocate funding for farmer and rancher stress management training programs through existing USDA mission areas and agencies.

### Improve broadband connectivity in rural areas

Pandemic-related social distancing measures have accelerated the ongoing shift online and has highlighted the digital divide between rural and nonrural Americans. Expanding Internet access in rural communities will not only help these communities adapt to the pandemic, but it will also strengthen local economies and create new jobs. For example, USDA estimates that broadband-enabled precision technology could add more than \$18 billion to agriculture's total economic impact.<sup>46</sup>

NFU supports H.R.6723, the Universal Broadband Act that would treat broadband like the essential utility it is by expanding the Universal Service Fund (USF) contribution base to include broadband services. NFU also supports S.4113, the Broadband Reform and Investment to Drive Growth in the Economy (BRIDGE) Act, which will direct funding to states and Indian Tribes to deploy affordable, high-speed broadband in unserved and underserved communities.

## **Conclusion**

The COVID-19 pandemic has helped expose that while our food system is efficient, it is also brittle. Over the past 50 years, every aspect of agriculture has become more concentrated and more specialized. In

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<sup>42</sup> U.S. Department of Health and Human Services, "CARES Act Provider Relief Fund: General Information," accessed September 23, 2020, <https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/general-information/index.html>.

<sup>43</sup> "Farm Crisis Center," *National Farmers Union*, accessed September 23, 2020, <https://farmcrisis.nfu.org/>.

<sup>44</sup> "Farm Groups Partner to Help Farmers Manage Stress," *National Farmers Union*, December 11, 2019, <https://nfu.org/2019/12/11/farm-groups-partner-to-help-farmers-manage-stress/>.

<sup>45</sup> "Farm and Ranch Assistance Network (FRSAN)," *USDA National Institute of Food and Agriculture (NIFA)*, accessed September 23, 2020, <https://nifa.usda.gov/program/farm-and-ranch-stress-assistance-network-frsan>.

<sup>46</sup> "A Case for Rural Broadband: Insights on rural broadband infrastructure and next generation precision agriculture technologies," *U.S. Department of Agriculture*, April 2019, <https://www.usda.gov/sites/default/files/documents/case-for-rural-broadband.pdf>.

the absence of robust antitrust enforcement and appropriate support for family farm agriculture, most links in the food supply chain are now dominated by a handful of large corporations, and there are many fewer, larger farms. When so few operations are responsible for such a large portion of our food, closures or disruptions can shock the system and threaten our food security. We must act collectively to make our farm and food system more resilient.

Thank you for the opportunity to testify. This has been an extraordinary year for family farmers and ranchers and our daily lives have been upended, just as it has been for the rest of our country. I look forward to your questions.