

A Return to Washington, D.C.



“It makes a strong statement to Members of Congress and their staff when a dairy farmer takes the time away from the family and the farm to go to Washington, D.C., to share his or her views on legislation and regulations that affect the dairy industry. Elected officials want to hear what their constituents have to say on farm policy, tax reform and immigration reform. Members of the Jersey boards who came to Washington, D.C. in early March got to share their views on these issues and more during the many visits they had on Capitol Hill.”

—Charlie Garrison, The Garrison Group LLC

On March 1 and 2, six directors and two staff members from National All-Jersey Inc. (NAJ) and the American Jersey Cattle Association (AJCA) traveled to Washington, D.C., to discuss important policy issues facing dairy producers and the dairy industry. Meetings were scheduled in advance for each individual’s Senators and Representative, resulting in visits with 22 different House and Senate offices. In addition, the group met with Republican staff of the House Ways and Means Committee (which oversees tax and trade policy) and Democratic staff of the House Committee on Agriculture (which will craft the Farm Bill). Our efforts were led by Charlie Garrison, President of The Garrison Group LLC and lobbyist retained by National All-Jersey Inc.

This trip marked the third time in the past five years that NAJ has organized Congressional office visits for its members and Board of Directors. Maintaining regular

contact with Federal legislators is key to building relationships, which in turn is vital to gaining Congressional support on issues when needed.

This year’s meetings focused on four key issues: immigration reform, international trade, tax reform, and the 2018 Farm Bill. The importance of these issues is outlined below.

Immigration Reform That Works for Dairy

Dairy farmers face a critical shortage of legally authorized and experienced workers, which negatively impacts U.S. economic competitiveness, local economies and jobs. Every farm worker engaged in high-value, labor-intensive crop and livestock production sustains two to three off-farm, but farm-dependent jobs.

The U.S. dairy industry has three priorities for immigration reform legislation:

1. Earned legalization for the current experienced workforce.
2. Access to year-round workers for jobs like those on dairy farms.
3. Access to legal new workers when they are needed in the future.

Conversations revealed an understanding of the needs of the dairy industry and an expressed desire to pass immigration reform later this year. The process will begin in the House Judiciary Committee chaired by Bob Goodlatte (R-VA). Rep. Goodlatte also serves on the House Committee on Agriculture and during its hearings focused on dairy stated that the Judiciary Committee is

working on an expanded guest worker program that will address dairy's need for year-round labor.

U.S. Dairy Farmers Depend on International Trade

The U.S. exports approximately 15% of farm milk production, approximately the equivalent of one day's milk production per week. U.S. dairy exports grew from less than \$1 billion value per year to over \$5 billion per year in just two decades. The USDA estimates that each \$1 billion of U.S. dairy exports generates more than 20,000 jobs and almost \$3 billion in economic output at the farm level. At the processing level, each \$1 billion of exports supports about 3,200 jobs.

Under the North American Free Trade Agreement (NAFTA), Mexico has become the top export market for U.S. dairy products. The U.S. exported \$1.218 billion in dairy products to Mexico in 2016. Despite a sharp devaluation of the peso, Mexico alone purchased nearly 50% of U.S. milk powder production in 2016. Southeast Asia is the second largest export market for U.S. dairy products at \$671 million last year. Canada is our third-largest export buyer at \$632 million in U.S. dairy product purchases last year.

Talks to “modernize” NAFTA hold, for the most part, only potential to improve U.S. dairy market access in Canada. However, there is significant downside risk to U.S. dairy export sales to Mexico given that Mexico bought nearly 25% of U.S. dairy exports, by value, last year.

The Congressional offices had a keen understanding of the importance of international trade to all of agriculture given the states they represent. However, the NAJ delegation noted a general surprise at the sheer volume of dairy exports and their importance to the industry. The single most important point is the key role that Mexico plays and how losing this export market would negatively impact dairy farms across the U.S.

Tax Reform

Tax reform legislation is on the Congressional agenda this year. It has been 31 years since the last major reform of the Federal tax code. Both parties say this is a priority issue for 2017. There are several provisions in the Federal tax code that are important to family dairy farmers both on annual operating practices and on planning to pass the farm down to the next generation.

The agriculture community's top issues include retaining cash accounting and “1031” or “like-kind” exchanges. In

addition, farmers would support fewer brackets and lower income tax rates, along with a proposal to change capital gains tax rates. Immediate expensing of business purchases is also supported while a proposal to eliminate the deductions for business loan interest could prove to be problematic.

A border adjustability proposal, essentially a surcharge on imported goods, is a major source of revenue to make up for revenue decreases from lower corporate tax rates, lower income rates and fewer brackets.

2018 Farm Bill

The Senate and House Agriculture Committees have officially kicked off the debate for the next Farm Bill with hearings to examine the state of the farm economy under the current Farm Bill. The current Farm Bill expires September 30, 2018. The MPP-Dairy program is an annual signup and runs through the end of the calendar year, so it will remain in effect through December 31, 2018.

The Congressional offices expressed their understanding that dairy producers are not satisfied with the current structure of MPP and realize changes need to be made. All conveyed that they were open to suggestions. They urged the dairy industry to gather a practical, single solution for dealing with the current MPP issues.

What's Next

NAJ developed talking-point briefing summaries on immigration reform, international trade, tax reform and the Farm Bill to guide discussions during the visits and to leave with Congressional offices as reference materials. These are posted on NAJ's **2017 Objectives** page (permalink <http://bit.do/TalkingPoints>). Legislation addressing these four issues will be crafted throughout the remainder of 2017. NAJ members are encouraged to engage their Members of Congress on these important issues and to utilize the talking points.

The Annual Meeting of National All-Jersey Inc. is scheduled for June 23 in Gettysburg, PA. Charlie Garrison will be a guest speaker providing updates on the status of these legislative issues. His remarks will be timely as Congress could be at critical junctures on both immigration reform and tax reform.

Plan to attend this year's Annual Meeting so that you have up-to-date information to share with your Members of Congress to help adoption of legislation advancing the interests of milk producers and the dairy industry.