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**WRITTEN TESTIMONY OF DAVE WALTON
FARMER AND SMALL BUSINESS OWNER
WILTON, IA**

BEFORE THE

**UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS**

**HEARING ENTITLED
“HONORING THE NATION’S SMALL
BUSINESS HEROES”**

WEDNESDAY, MAY 8, 2019 AT 10:00AM

Good morning, Chairwoman Velazquez, Ranking Member Chabot, and Members of the Committee. I am honored to address you here today. Thank you, Congresswoman Finkenauer, for inviting me to speak as we recognize the positive impact of entrepreneurs and small business owners. It's truly an honor to speak on behalf of millions of hard-working farm families who are an important segment of the small businesses of America.

Once upon a time, the thought of testifying before the U.S. House of Representatives would have struck fear into my heart.

Turns out, it's a walk in the park compared to farming and owning and operating a business that sustains my family and provides employment and economic opportunity for a state built on agriculture.

For more than 100 years, the Walton family has farmed the land I call home near Wilton, Iowa. In 1835, we were the first European settlers to establish a farm, plant and harvest a crop in the area now known as Cedar County. But that's not where our story begins. Centuries ago, after a dispute with the King of England, my ancestors were given a choice. They left England and arrived in the Colonies during the early 1600s, settling on Staten Island first, and then began their migration to Iowa – first to Long Island, on to New Jersey, Ohio, and Indiana before arriving and putting down roots in eastern Iowa.

As my mother often likes to say, members of the Walton family may not have sailed on the Mayflower, but I'm quite sure they were aboard the second boat to make landfall.

I come before you today as an eastern Iowa farmer who has a passion for providing food, fiber and fuel for a growing and more demanding world population. My wife Paula, sons Brad, Alex, and I grow soybeans and corn, raise beef cattle and sheep, and operate a seed company in our hometown of Wilton. Recently, we established a trucking company to transport sand, gravel and fertilizer to provide additional revenue and an opportunity for our sons to join the operation as partners.

As with every business, some days are better than others. That said, there's nothing more rewarding than owning a business and succeeding at it. It takes passion, dedication, sacrifice and yes, some luck. Success in business is truly something to celebrate – not just during Small Business Week, but every week. While there's no single definition of a small business, they are the backbone of our nation – the meat and potatoes of our economy. It's an honor to be here today and speak on behalf of millions of hard-working farm families and small businesses.

For the past year – farm families like mine – the epitome of small business – haven't been in a celebratory mood. Regardless of running a diversified enterprise, managing cash flow responsibly and doing things the right way and for the right reasons – I can tell you firsthand these are difficult times, perhaps the most difficult I've faced as a farmer.

That may come as a surprise given the nation's historically low unemployment and solid gains across most financial indices and for the vast majority of personal pensions, mutual funds and 401(K)s.

But make no mistake – farmers, the communities in which they live and the businesses they sustain – are hurting. Soybean prices – a major source of revenue for my operation – are at 10-year lows – down almost \$2 per bushel from this time last year. Corn prices are also languishing. Dairy prices are at historical lows and beef prices aren't much better. Even pork prices were below the cost of production, increasing only recently due to the outbreak of African Swine Fever in China.

While I'd like to say all is well in rural America, it's not. Why? Well, you could say it's akin to death by a thousand cuts.

There's no one reason why prices farmers are receiving for their products are well below the cost of production. Rather, it's a multitude of challenges – some placed upon us by government's action or inaction, and some by our own making.

Complicating factors include:

- Record, global supplies of corn and protein, including soybeans;
- Trade disputes and disruptions with key export markets including Mexico, Canada, China, Japan, the European Union and the UK;
- China's lack of fair play within the World Trade Organization; this includes subsidization of domestic production while slow-walking the import approval of oilseeds with specific traits;
- Historic delays in the extension of the biodiesel tax incentive;
- Retroactive small refinery exemptions that have destroyed demand for more than 360 million gallons of biodiesel and renewable diesel; and
- Decaying infrastructure leading to catastrophic flooding along the Mississippi and Missouri Rivers and delays in getting bulk commodities transported from farms to market.

Combined, inaction on these and other critical issues are creating the kind of financial headwinds the likes we haven't felt since the 1980s farm recession.

If action isn't taken immediately by Congress and the Administration, the crop some farmers are currently planting may be their last.

As we celebrate Small Business Week, there's tremendous anxiety in places like Wilton, Wellsburg, Webb, Woodbine and West Bend, Iowa and locations throughout the Midwest. These communities may not ring a bell with most Americans, but they are the home towns whose inhabitants draw most of their income from agriculture.

America's farmers are astute at producing. What we need are markets. Many of you gathered here today understand the direct correlation between action you take and the livelihoods of those who farm and operate small businesses.

When access to markets is blocked, farm prices fall. Conversely, prices react positively when demand increases. I can think of few better examples than promoting and enhancing consumption of homegrown, renewable fuels like biodiesel.

I want to recognize Congresswoman Finkenauer for leading a bipartisan effort in the House to retroactively extend the biodiesel tax credit. To help shine the light on the need for boosting prices and demand, the Congresswoman has already held two hearings this year in her subcommittee related trade, the last featuring two corn and soybean farmers and a pork producer from Iowa.

This issue resonates with her as Iowa is the nation's leading biodiesel-producing state, producing nearly 365 million gallons last year. The production of biodiesel supports nearly 4,690 full-time equivalent jobs in Iowa.

Promoting energy made in the USA courtesy of the Renewable Fuel Standard (RFS) has a positive and far-reaching impact. For our farm, biodiesel production adds 63 cents to the market value of every bushel of soybeans – or about \$40 per acre – by generating greater demand for the oil found in each soybean. Now that's real money.

An additional \$40 per acre across my farm would mean that we could re-invest an extra twelve thousand dollars this year alone, into our operation to update machinery like a 20-year-old tractor that is wearing out or invest in technology to continue to improve our efficiency. Those dollars don't stop at the farm gate, they are spent at the local equipment dealership to help pay for the sales staff, the mechanics, the manufacturer and all their suppliers, those dollars in turn are spent in the local area boosting the bottom lines of other small businesses as well. A dollar spent by a small business, in my case a farm, at another small business is the economic driver that this country was built on.

The added value to the soybean oil makes the protein within the soybean more cost-competitive. This benefits livestock farmers by reducing feed costs by as much as \$40/ton. And, given most renewable fuels production facilities are in rural communities, the biodiesel tax credit and renewable fuels industry are a major boost to communities most in need of good-paying, blue-collar jobs and economic vitality.

Since 2005, when the biodiesel tax credit was first implemented, the U.S. biodiesel market has grown from about 100 million gallons to more than 2.6 billion gallons annually. This tax credit has now been expired for almost 16 months – the longest our country has ever gone without it.

Continued inaction is unacceptable. Biodiesel producers are suffering. Without the tax incentive, biodiesel producers will have to make difficult decisions. Already, facilities are beginning to idle production, resulting in reduced productivity and layoffs.

When Congress established the RFS and implemented the biodiesel tax incentive, it sent a signal that growth of the biodiesel industry was vital to achieving energy security, improving environmental health, and boosting rural economies. We continue to implore the Environmental

Protection Agency and members of Congress to fulfill the goals of the RFS by ensuring it's implemented as Congress intended.

America and small businesses like mine benefit directly from the biodiesel tax incentive. Biodiesel not only diversifies our fuel supplies so that we are less dependent on global oil markets – saving U.S. consumers at least 17 cents on every gallon of diesel – but it also improves environmental quality by reducing greenhouse gas emission by 57-86 percent.

The biodiesel industry is ready and willing to expand into the future by making capital investment, but it and the small businesses it sustains cannot do that with the continued uncertainty, particularly with inaction on the tax incentive and the open spigot of small refinery waivers granted by the EPA. To add insult to injury, the small refinery exemptions destroy demand for biodiesel and renewable diesel, creating even more uncertainty and market instability.

Bottom line, without congressional action to extend the biodiesel and renewable diesel tax incentive for 2018 and 2019, small businesses like mine will continue to suffer.

The same can be said for trade.

Continued disputes and disruptions with our trading partners have created tremendous financial strain for America's farmers and small businesses.

China is America's number-one market for soybean exports. Nearly one of every three rows of soybeans grown in the United States are exported to the country of 1.4 billion people. But that's no longer true. As a result, the downward pressure on soybean prices has been dramatic since the U.S. and China became embroiled in an escalating trade war almost one year ago. This included the implementation of tariffs on hundreds of billions of dollars of each other's imports. China's retaliatory duties primarily targeted agricultural products, including an extra 25-percent tax on U.S. soybeans.

The U.S. Soybean Export Council estimates that year-to-date U.S. soybean exports to China are down almost 90 percent. Despite our best efforts to open new markets and increase market share to other destinations including Europe and Southeast Asia, global U.S. soybean exports are down almost 25 percent this year. Soybean prices have plummeted about \$2 per bushel as a result, costing farmers billions of dollars.

Adding insult to injury is the spread of African Swine Fever in China. The disease is decimating the nation's pig herds resulting in steep declines in feed consumption. This directly and negatively impacts soybean meal demand, thus reducing Chinese soybean imports. Any and every reduction in soybean demand, whether here at home or abroad, negatively impacts the price of soybeans I have ready to sell and the value of the soybeans I'm getting ready to plant.

Any trade war involving food hits states like Iowa and small businesses like mine particularly hard. Adding to the complexity and pessimism is that no one knows when the anxiety and pain will ease.

The next one to three years is forecast to be very difficult for farmers to find profit opportunities. We excel at producing soybeans and other commodities in Iowa – far more than we can consume domestically. Therefore, export markets are critical. This is especially true for soybeans.

While farm families like mine support efforts to ensure the business that we do with China is fair, reciprocal and equitable, we need trade, not aid. We need markets and the opportunity to sell the quality products we grow to the countries and people who need and want them. That's currently not happening.

Government should work for and not against America's farmers. Small businesses like mine are hurting. We must end the gridlock and go to work advancing important ag policy. This includes extending the biodiesel tax incentive, approving the U.S. Mexico Canada Trade Agreement, resolving the trade war with China, and advancing much-needed funding for repairing and building our farm-to-market infrastructure. Doing so would be the best and most effective way to truly celebrate America's small businesses. My sincere hope is that these issues will be resolved quickly so many more generations of Waltons can continue this 400-year journey of farming in this great country.

I look forward to continuing the conversation and stand ready to assist you and your colleagues in crafting solutions and moving these issues across the finish line. Thank you again for allowing me to share my story on behalf of Iowa's soybean farmers. I am happy answer any questions you may have.