

March 10, 2020
Testimony of Chuck Lippstreu, President, Michigan Agri-Business Association
Michigan House Agriculture Appropriations Subcommittee
Budget and Policy Priorities

Good morning, Mr. Chairman and members of the Subcommittee. Thank you for the opportunity to join you this morning. My name is Chuck Lippstreu and I serve as president of the Michigan Agri-Business Association based in Lansing, Michigan.

Our association represents 400 members spanning the agricultural value chain. These members are companies that help farmers to get their job done, including agricultural retailers (local businesses that sell seed, fertilizer, chemistry and technology across rural Michigan); crop input manufacturers; trucking and rail companies; grain elevators and feed mills; and professional service providers such as CPAs, financial advisors, insurance agents and attorneys who work with farm families.

Our membership provides us with a broad view into Michigan agriculture, and an understanding of how farmers' success or failure ripples throughout Michigan's agricultural and rural economy. I would like to provide you with an overview of what we see headed into 2020, as well some of our overall budget and policy priorities.

Year of Uncertainty

2020 is truly the "year of uncertainty" for Michigan agriculture and the year is shaping up to be pivotal for our industry. Farm economics are a continuing concern, although there are some bright spots on the horizon. If realized, U.S. net farm income (NFI) in 2020 would be 55% higher than the decade low of \$62 billion seen just a few years ago in 2016. This is good news; however, this forecast would keep NFI 22% below 2013's high and would be only slightly higher than the 20-year inflation-adjusted average of \$93 billion. Like 2019, markets are likely to be influenced in large part this year by two factors: trade developments and weather.

On trade, the approval of the U.S.-Mexico-Canada trade agreement and the China "Phase One" trade deal were very good news for our industry. However, questions remain about China's ability to meet its \$40-50 billion import commitment, especially with daily uncertainty about the impact of Coronavirus. We are also not sure whether the U.S. Department of Agriculture will disburse additional Market Facilitation Program trade assistance payments, or what portion of those payments Michigan farmers would be paid.

The Trump Administration has also been very engaged in developing new bilateral trade agreements with the European Union, the United Kingdom, Japan and also potential new bilateral partners in Asia and Africa. These areas hold potential for U.S. agriculture, although China remains the critical question in 2020.

Extreme weather has also posed a challenge for our industry. 2019 was the wettest year in Michigan's recorded history, and we are currently in the wettest rolling three- and five-year average periods for our state. In 2019, approximately 20 million U.S. acres went unplanted. We saw this play out in a swath of Michigan stretching across the state, and bordering regions of Ohio and Indiana. Some early forecasts have suggested we may face a wet spring, which would come on top of already-saturated ground and compress planting season again this year, hurting farmers by keeping them out of the field and hurting businesses that work with them every day.

Overall, it is important to emphasize the wide range of potential outcomes in 2020. We could have a very strong year with drier weather and stabilization of export markets, or wet weather and difficulty with export opportunities could make the year "dèjà vu" from what we saw in 2019.

Policy

With many different variables already at play, it is critical that we continue to emphasize strong communication, collaboration and partnership between farmers, agribusinesses and state government to provide certainty. In terms of budget and policy priorities, some key considerations include:

- Supporting infrastructure improvements, particularly in rural Michigan, focused on badly-needed repairs to crumbling roads and bridges.
- Participating in collaborative efforts to help agriculture address its serious workforce needs.
- Supporting on-farm stewardship targeted to key resource concerns. Notably in this area, proposed funding for the Conservation Reserve Enhancement Program would restart a program that existed in Michigan from 2000-2016 and leverage significant federal resources to our state.
- Collaborating with MDARD on inspection and auditing activities in the Feed and Fertilizer Audit Program. We believe in-state inspection works well right now. Many among our membership share the concern of ensuring compliance among out-of-state companies.

I would also like to mention how agricultural environmental stewardship will remain a top priority for MABA because this arena continues to change at lightspeed – creating both new challenges and new opportunities in our industry.

Technology is key to the equation. In the past five years, technology has continued to become more advanced. It has equipped agriculture to target and optimize input use even more effectively. We are also seeing ag tech used specifically to model and deliver stewardship and sustainability results.

Ag retailers and the private sector are also critical. They play a major role in the deployment of this cutting-edge technology. Surveys show they continue to serve as farmers' trusted advisors, making ag retailer participation and leadership a pillar of effective, results-driven stewardship work. More broadly, private sector demand plays a bigger role virtually every day as markets demand – and even begin to reward – stewardship results. Major global food and agriculture companies have announced ambitious water quality, soil health and climate commitments. They are asking more from the agricultural system driven by consumer demand. Policy must take into account the changing private sector dynamics on this issue.

As a result, by positioning our industry to demonstrate continuous improvement, there is opportunity to unlock new economic opportunity as market value is placed on farmer-led stewardship. Ongoing research is going to be critical in this area, to equip our industry to quantify the results we achieve. Michigan should continue to fund research activities related to optimizing input use and maximizing stewardship benefits.

The Michigan Agri-Business Association will be focused in 2020 on helping our members navigate a rapidly changing landscape – sharing information, working with them to handle issues as they arise, and communicating concerns to policy leaders, including members of this Subcommittee. I truly appreciate the opportunity to join you this morning and provide this perspective on our industry.

I would be happy to answer any questions you have.

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