

May 31, 2017

The Honorable Kevin Brady, Chairman
House Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal, Ranking Member
House Committee on Ways & Means
1139E Longworth House Office Building
Washington, DC 20515

Dear Chairman Brady and Ranking Member Neal:

On behalf of our nation's family farmers and ranchers, the undersigned groups would like to thank you for your efforts to reform the U.S. tax code in a meaningful way for individuals, corporations, and small businesses alike, including the 3.2 million farmers who generate food, fuel, and fiber for Americans and people around the world. With that in mind, we write today to express our concerns regarding the House Committee on Ways and Means blueprint proposal to eliminate the deduction for interest payments as a business expense.

Agricultural production is capital intensive. While financing requirements will vary among the different commodities, the majority of family-owned farming operations are heavily reliant on credit. Even for everyday business, agricultural producers utilize credit in the form of operating and inventory loans. According to the United States Department of Agriculture (USDA), net farm income in 2017 is forecast to decline for the fourth consecutive year by 8.7 percent to \$62.3 billion. In a weak farm economy, income is restricted to cover family farmers' living expenses and the repayment of debt. During tough times, producers are often forced to take on substantial annual interest expense. Interest paid on these loans should be deductible because interest is, and has historically been, considered a legitimate business expense.

In addition, family farmers continue to grow their operations in order to remain profitable. Equipment and land acquisition necessary for long-term expansion is only possible through financing. USDA predicts that in 2017, farm real estate debt will reach a historic high of \$240.7 billion, a 5.2 percent increase from 2016. Eliminating the interest deduction will place further financial stress on an already debt-burdened industry, and prevent producers from staying profitable in challenging economic times.

Finally, the need for debt financing is particularly important for the next generation of agricultural producers. Less than 2 percent of the U.S. population is directly employed in agriculture. Consistent with a 30-year trend, the average age of principal farm operators is 58, making farmers and ranchers among the oldest workers in the nation. As older producers exit the workforce, financing will be critically important for new and beginning farmers and ranchers looking to establish businesses. Eliminating interest deductions creates a significant barrier for the next generation.

As Congress works to enact comprehensive tax legislation, the positive reforms made should not be undermined by negative, unintended consequences as a result of eliminating the business interest deduction for agricultural entities. It is our hope that future legislative proposals do not ignore this important sector of the nation's economy, and that they will consider the unique utilization and importance of credit management across the entire agriculture sector.

Thank you for your continued efforts in support of our nation's agricultural producers. We look forward to working with you on this important issue.

Respectfully,

Agricultural Retailers Association
American Farm Bureau Federation
American Mushroom Institute
American Sheep Industry Association
American Soybean Association
American Sugarbeet Growers Association
Cobank
Farm Credit Council
National Barley Growers Association
National Cattlemen's Beef Association
National Corn Growers Association
National Cotton Council
National Council of Farmer Cooperatives
National Peach Council
National Pork Producers Council
National Potato Council
National Renderers Association
National Sorghum Producers
Panhandle Peanut Growers Association
Southwest Council of Agribusiness
United Egg Producers
U.S. Apple Association
U.S. Canola Association
U.S. Rice Producers Association
U.S. Sweet Potato Council
USA Rice Federation
Western Growers Association
Western Peanut Growers Association