



Statement of the American Farm Bureau Federation

**Statement to the House Committee on Ways and Means Subcommittee on
Trade regarding the hearing:**

The Effects of Tariffs on U.S. Agriculture and Rural Communities

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Submitted By:

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**On behalf of
The American Farm Bureau Federation**

Hello, my name is Russell Boening. I am a farmer from Poth, Texas. With my family I operate a diversified farming business, where we grow watermelons, feed grains, wheat and cotton. We also run a 500-cow dairy and have a beef cattle operation.

I currently serve as President of the Texas Farm Bureau. I am also a member of the American Farm Bureau Federation's Board of Directors and chair the AFBF Trade Advisory Committee.

My testimony today will focus on the impacts the tariffs and the retaliatory tariffs are having, and will have, on American agriculture and on farming and ranching in Texas.

U.S. Agriculture and Retaliation

U.S. agriculture exported over \$140 billion in products world-wide in 2017. Over 25 percent of overall agricultural production goes to export markets, with many sectors, such as cotton and tree nuts, primarily dependent upon exports for their markets.

Trade action by the U.S. on steel and aluminum imports has already resulted in retaliation against U.S. agricultural exports. On April 2, 2018, China began imposing 25 percent tariffs on U.S. pork products and 15 percent tariffs on tree nuts (shelled and in-shell) including almonds, walnuts and pecans; fruit (fresh and dried) including apples, cherries, grapes, oranges and lemons; wine; ginseng; denatured ethanol and other products. This action is in response to increased U.S. steel and aluminum tariffs on China that went into effect on March 23, 2018. These tariffs by China will impact approximately \$2 billion of U.S. food and agricultural exports.

Given the significance of the Chinese market, reductions in farm prices and production are expected for each product on China's retaliation list.

Similar negative impacts on farm prices are expected from the retaliatory tariffs that have been imposed by Canada, Mexico and the European Union because of the U.S. imposed steel and aluminum tariffs. A wide variety of agricultural products are on these retaliation lists, including pork, apples, potatoes, rice, orange juice and cheeses. In FY 2017 U.S. agricultural exports to Canada were \$20.4 billion, Mexico was \$18.6 billion and the European Union was \$11.6 billion.

Unfortunately, for U.S. sorghum producers, a recent example of the impact of being at the center of a trade dispute is readily available. Since China's February 4, 2018, announcement that it was launching an antidumping investigation on U.S. sorghum exports, new sales of U.S. sorghum all but stopped. This trend was cemented on April 17, when the Chinese government announced its investigation had indeed concluded that U.S. grain sorghum was unfairly subsidized. As a result, U.S. grain sorghum imports immediately became subject to 179 percent duties upon entry. The loss of this important market has been devastating for U.S. sorghum growers. It drives home that real people's livelihoods are at stake in these times when trade rhetoric and action is particularly heated.

China has now lifted the duty on U.S. sorghum and stopped their antidumping investigation, but the damage has been done to U.S. sorghum producers and exporters.

On July 6, in retaliation for the tariffs imposed by the U.S. on \$34 billion of their imports, China has placed 25% tariffs on \$34 billion of U.S. exports to China. For agriculture, this list includes soybeans, wheat, beef pork, poultry, corn, sorghum cotton, tree nuts, fruit, wine, tobacco and other products.

This now leads to large cumulative tariffs that would completely price U.S. agricultural products out of foreign markets. China has now applied retaliatory tariffs on many agricultural products, such as pork, twice, as the result of the 232 steel and aluminum case and the 301 investigations. The combined new tariffs faced by U.S. agricultural products range from 40 to 50 percent.

While agriculture is bearing the brunt of retaliation for things that have absolutely nothing to do with our industry, it's not unfamiliar territory. In fact, for years the agricultural community has been highlighting the egregious tariff and non-tariff trade barriers being erected by our trading partners.

So, while we have serious concerns about the retaliation we are facing, I must also commend President Trump and his Administration for working to address problems that have existed for decades.

Tariff Impacts

- About 25 percent of U.S. farm products by value are exported each year.
- The retaliatory tariffs, from multiple countries, are, and will be, impacting many parts of U.S. agriculture. With farm prices low, we need to maintain and expand market opportunities. The back-and-forth tariffs are a challenge for U.S. agriculture.
- Crop prices fell sharply after announcements of U.S. tariff actions. New-crop corn and soybean futures have shown extreme volatility, during the first week of July they fell to their lowest levels of the year at \$3.600 and \$8.556 per bushel, down 66 cents and \$1.97 per bushel. The impact will only get worse as the trade fight drags on and harvest season approaches in a month or two.
- Farmers who raise livestock or milk cows have seen their income immediately erode due to trade uncertainty. Milk and dairy product prices have fallen by more than 10 percent over the last month, and going back to the beginning of 2018 lean hog e futures have lost 15 percent of their value due to increased trade uncertainty.
- Our crops are already in the ground this year. Farmers cannot turn back the clock to adjust to the trade situation now in front of them. The best many of them can do is ride it out during the growing season.

- Agriculture has traditionally been a bright spot in our nation's overall balance of trade. In 2017 we exported \$140 billion in farm products, which is \$21 billion more than we bought. We will quickly lose our place as a leader in the global marketplace, however, if we cannot be trusted as a trading partner and our farmers no longer have access to markets they depend upon.

Texas Impacts

With Texas relying so heavily on trade overseas, we are concerned with the blowback from the Administration's decision to place tariffs on our trading partners.

International trade is a major driver of Texas' agricultural economy. We rely on trade each day to market the products we work so hard to grow. In fact, about 25 percent of U.S. farm income is derived from selling agricultural products internationally.

We are concerned with the blowback from the Administration's decision to place tariffs on our trading partners. Agriculture is bearing the brunt of retaliation at a time when farmers are already facing low commodity prices, high input costs and unpredictable weather.

Net farm income has also dropped 52 percent in the last 5 years, making it extremely difficult for farmers and ranchers to continue operating. The addition of a trade war comes at a time they can ill afford it.

We are also concerned that many of the benefits of tax reform, which are helping so many farm and ranch families, will be nullified due to retaliatory measures on U.S. agricultural products.

That uncertainty applies regardless of whether you are a crop, livestock, or dairy producer.

On our farm, we just finished harvesting sorghum where we have seen a decline in market prices. I am paying to store this crop in hopes that prices will go back up. This is an extra cost we will endure, but as a true optimist, we are hopeful the market will improve.

We will begin cotton harvest on our farm in about six weeks, against the backdrop of significant volatility in the market. 46 percent of cotton exported to China comes from Texas. Any potential loss of this important market would be very difficult for our cotton farmers.

Also, on our dairy, we have already seen prices of milk and other products fall by more than 10 percent over the last month alone. These are just a few personal examples and there are many other farmers and ranchers who are facing the same challenges with all the uncertainty over trade policy.

Texas exported almost \$703 million worth of agricultural products to China in 2017. In 2017, exports of agricultural products added \$1.5 billion to the Texas economy and provided almost 11,000 jobs for Texans. China is a significant market for Texas agricultural products. About 46%

of the cotton exported to China originates in Texas, along with 25% of grain sorghum, 16% of pecans, and 13% of beef.

Additionally, placing tariffs on our closest trading partners—particularly Canada and Mexico—is concerning. Farm Bureau believes we must continue working toward a strong modernized North American Free Trade Agreement (NAFTA). Ideally, this deal would be wrapped up as soon as possible while refraining from doing anything that limits investment protections.

While I could pick from a list of examples, I'll highlight just one. In 2015, China's "minimum support price" for corn, rice and wheat was estimated to be nearly \$100 billion in excess of the levels China committed to when they joined the World Trade Organization.

Let me make this clear: for just three crops - in just one year - China illegally exceeded its WTO limits by 100 billion dollars. Some may think that's no big deal, but let me put this in context. We just finished a hard-fought farm bill debate, where some questioned the need for support provided to our farmers, BUT China's illegal subsidies - for just three crops - in one year - exceeded what we will spend on the entire farm safety net for every crop on every acre in this nation over the entire life of the farm

Conclusion

Farm Bureau urges our trade officials to engage in discussions to resolve trade concerns before resorting to tariffs. Tariffs targeting the many countries that export automobiles and automotive parts will potentially result in extensive additional retaliation against U.S. agricultural exports by tariffs and other restrictions.

If the President is successful - and we want and need him to be sooner rather than later - this could be a tremendous opportunity for agricultural trade. Absent a successful outcome, farm and ranch families like mine will suffer. No one wants the Administration to be more successful in this effort than we do, but it's important to know these decisions have the potential to greatly damage our livelihoods.