

United States Senate

May 20, 2019

COMMITTEES:
APPROPRIATIONS

COMMERCE, SCIENCE,
AND TRANSPORTATION

VETERANS' AFFAIRS

INDIAN AFFAIRS

BANKING, HOUSING,
AND URBAN AFFAIRS

The Honorable Sonny Perdue
Secretary
United States Department of Agriculture
1400 Independence Ave., SW
Washington, D.C. 20250

Dear Secretary Perdue:

I write to express my continued concerns regarding the impact the ongoing trade war with China is having on Kansas farmers and ranchers, and offer my recommendations on the potential additional round of trade assistance programs.

The administration's top priority ought to be to quickly and successfully resolve the ongoing trade disputes to provide greater market certainty for farmers and ranchers. I am disappointed trade discussions with China took a step back, resulting in the most recent escalation in the trade war.

Kansas farmers' and ranchers' ability to earn a living depends on selling the food and fiber they grow around the world. Without exports, the question becomes: what 48 percent of wheat acres do we no longer plant in Kansas? The income generated by exports keeps Kansas producers in business and sustains our rural communities.

The President has encouraged U.S. consumers to not buy goods from China as a way to avoid paying tariffs. However, consumers changing their purchasing decisions to avoid the tariffs provides no solution or relief for Kansas and other states who are dependent on selling what we produce to China and other foreign markets. The same logic expressed by President Trump applies to foreign buyers who are choosing to no longer purchase U.S. agriculture commodities in a similar attempt to avoid the retaliatory tariffs applied to our exports.

The tariffs our country levied against China, and China's retaliatory tariffs targeted at our farmers and ranchers, threaten to cause long term damage to U.S. agriculture. Kansas farmers and ranchers understand the need to hold China accountable for bad behavior on trade. Yet, net farm income has fallen by 50 percent since 2013 and the trade war has pushed commodity prices down even further. Many farmers and ranchers are on the verge of financial collapse.

Another round of payments to producers and commodity purchases by USDA may provide short term relief for farmers, but will not make up for lost export markets and long term implications of the trade disputes. It is also important to recognize the harm the tariffs have inflicted on U.S. manufacturers and businesses, which have not received disaster relief.

Recent analysis of a cross section of Kansas farms by the Kansas Farm Management Association found Market Facilitation Program (MFP) payments comprised an average of 37 percent of the net farm income in 2018. These figures indicate the financial safety net MFP payments provided for many producers last year. At the same time, I am concerned the increased reliance of farm income generated from government payments instead of markets is not sustainable.

While USDA recently announced it will move forward with another round of trade assistance, you have been clear that producers should not anticipate MFP payments in the future. In other words, an average farmer in Kansas cannot count on 37 percent of last year's income going forward. This inherent unpredictability of ad hoc disaster assistance underlies the strong preference of farmers and ranchers for markets to sell their livestock and crops instead of government payments.

Farmers and ranchers are hurting. It is critical the upcoming trade assistance be structured in a manner that does maximum good for our farmers and ranchers. When determining the design of the trade programs, I urge you to include investments in international food aid programs, make certain payments to farmers do not distort planting decisions, and focus export promotion programs on new markets immediately available to producers.

I agree with President Trump that investing in international food aid ought to be a component of trade assistance efforts. There are four areas in the world facing famine or near-famine conditions, and over 800 million food insecure people total. Of those people, approximately 113 million people are in imminent danger of death due to starvation. We must do better at getting the food we grow across Kansas and our country to starving people around the world. This trade assistance package offers us an opportunity to do good and save lives around the world, while also helping American producers at home by purchasing and shipping U.S.-grown commodities. I urge you to allocate additional funds through the Food for Peace and McGovern-Dole International Food for Education programs, or initiatives of similar design.

It is reported that payments directly to producers will be a significant portion of the trade assistance. Farmers planting for the market, not government programs, has been a central tenant of farm policy for over two decades. It is important this principle continue to be followed and for trade payments to not distort planting decisions. This can be accomplished by basing payment acres on a farmer's recent history of planted acres, and yields on the higher of actual 2018 yields or average, historic yields for each commodity. Further, payment rates for each commodity should be determined in a manner that recognizes both direct and indirect impacts of the trade dispute.

Finally, investments in export promotion programs ought to be focused on finding and developing new markets that are immediately available to producers. I recommend placing an emphasis on promoting commodities exports not included in the direct payments to producers, particularly livestock and meat exports.

I recognize the desire for another round of trade assistance payments as farmers and ranchers have been caught in the middle of the trade war with China. I also reiterate my strong preference to see our ongoing trade disputes resolved for the benefit of Kansas farmers and ranchers. Thank you for your consideration of my recommendations.

Very truly yours,



Jerry Moran