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September 7, 2018

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
1400 Independence Ave., S.W.
Washington, DC 20250

Dear Secretary Perdue:

I write to express my continued concerns – and the concerns shared by thousands of North Dakota farmers and ranchers – about how foreign retaliatory tariffs have damaged, disrupted, or eliminated markets for American producers. I don't need to tell you that net farm income has experienced a dramatic reduction since 2013 and appreciate that you recognize the administration's trade war has had a negative impact on the agriculture sector by announcing the details of a trade aid package for American farmers and ranchers on August 27. However, I have several concerns about how the Market Facilitation Program will be administered.

First, soybeans are China's main target in their retaliatory tariffs on American agricultural products, and under the U.S. Department of Agriculture's (USDA) assistance package would receive an initial \$1.65/bushel. Unfortunately, that payment will only be applied to one half the crop, effectively resulting in \$0.83/bushel that falls short of the needed assistance. This does not cover a significant portion of the price loss – \$1.96/bushel from June 1 through August 27 and North Dakota soybean producers have had severe difficulty getting their product to market and have seen their basis widen immediately after the tariffs went into effect on July 6. The current basis for new soybean crops ranges from \$1.35/bushel to \$1.50/bushel – and some areas in the state have seen basis climb as high as \$2.00. Additionally, some elevators have pulled new soybean bids and are not offering any bid to-date for new crop soybeans given the difficulty in marketing these crops overseas. It is imperative that the USDA consider regional variations in price and the widening basis in determining the payment rates for soybean farmers.

Second, I request that canola be listed as an eligible commodity under the trade aid package. While canola has not experienced retaliatory tariffs at this point, it has been demonstrated that canola and soybean prices maintain a strong correlated relationship in pricing. As soybean prices have fallen due to Chinese tariffs, canola prices have fallen in tandem. Using 2017 yield averages, canola growers in the United States have lost \$32.70/acre on the 2 million acres of canola planted in 2018. Clearly canola growers have experienced serious losses as a result of the current trade war.

Third, wheat growers would only see \$0.14/bushel or \$0.07/bushel payment due to the payment reduction policy and have determined that their losses have amounted to \$0.75/bushel. There have been zero U.S. wheat sales to China since tariffs were first threatened in March and sales to

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Mexico year to date are lagging by 1.3 MMT compared to 2017. Similarly, corn growers would see only one cent per bushel under this trade assistance package – effectively ½ cent/bushel or in North Dakota a \$1.00 an acre. This is very concerning to me since many corn growers have seen commodity prices fall from \$4.00/bushel on June 1 to \$3.51/bushel on September 6. While no farmers are expected to be made 100 percent whole, this aid to corn farmers is completely inadequate. A study commissioned by the National Corn Growers Association, which I have enclosed for your reference, on realized corn losses in the United States shows that corn has suffered a \$0.44/ bushel loss in value since May of this year. I request that USDA make public the data and economic analysis used in determining these losses and provide justification for the price amount set in the aid package.

Fourth, I want to stress the important role local Farm Service Agency (FSA) offices play in implementing all of our farm programs. It is important our local FSA offices are properly staffed and have the tools and training necessary to implement this trade aid package. As you know, last year we experienced a severe drought in North Dakota and additional personnel were deployed to the state to help work through the paperwork backlog – as many county offices have only one employee or are working to become fully staffed. It is important that the USDA allocate additional resources to help implement this trade assistance package.

In addition to these modifications to the trade assistance package, I ask you to take additional steps to provide assistance to farmers in this challenging time. I have been proactively working to develop smart trade policy proposals that will protect our farmers during this trade war and work to strengthen and expand existing markets and help open and develop new ones. I ask USDA to actively support legislation I have introduced to expand Trade Adjustment Assistance for farmers and producers whose exports are hurt by retaliatory tariffs and direct revenue from the tariffs collected to trade promotion assistance to help open new markets. Farmers and ranchers have invested time and valuable resources over many years developing these important markets and they will take time to rebuild after this trade war has concluded. By reinvesting the revenue from these tariffs into trade promotion we will begin the important process of reestablishing trust and confidence in American grown products.

During these difficult times we must not only be looking at expanding our international markets, but expanding our domestic markets as well. I have been constantly championing the investment and expansion of biofuels markets and have been an ardent supporter of the effort to allow the year-round sale of E15. I encourage you to continue your support of the biofuels industry and to urge the Environmental Protection Agency to utilize their rulemaking authority to allow the year round sale of E15. This market will provide stability to corn prices and open up more opportunities for farmers to sell their crop.

In addition, USDA should examine existing farm programs to make sure they are operating in a way that will protect farmers from extreme financial harm. One option that must be considered is raising the reference prices in the Price Loss Coverage Program. This would ensure the program is acting as a true safety net and protecting all commodities that are experiencing a drop in prices.

Lastly, access to credit is a concern I am increasingly hearing about from folks in my state and an issue I have been monitoring closely. Without the guaranteed certainty a new Farm Bill can provide and the unpredictable nature of this administration's trade strategy, financial lending institutions are becoming increasingly cautious about issuing operating loans for the 2019 growing season. Farmers are also looking to invest in additional storage facilities on their operations and are in need of capital to make those investments. Increasing loan rates and making additional credit opportunities available is an avenue that must be pursued in order to ensure farmers and ranchers are able to make it to next year's growing season and keep their operations running.

It is abundantly clear these Chinese retaliatory tariffs have had a negative impact on America's farmers and ranchers. Farmers understand this aid will not make them 100 percent whole, but this assistance must reflect the damages done and many producers are concerned that with this limited assistance, they could still be forced out of business. While I appreciate that the USDA recognizes this and has outlined an assistance package to assist farmers and ranchers, more needs to be done to ensure impacted commodities are receiving aid and that the aid reflects the negative impacts of these tariffs.

I urge you and the administration to engage our trade partners in a constructive manner and work proactively to support policies that help our farmers and ranchers. Thank you for your consideration of my requests.

Sincerely,



Heidi Heitkamp
United States Senate