United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510–6000
202–224–2035

November 12, 2019

The Honorable Sonny Perdue
Secretary of Agriculture
United States Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Perdue:

This Administration's chaotic trade agenda has irreparably harmed farmers, on top of the market instability and extreme weather challenges they already face. While we support the use of the U.S. Department of Agriculture (USDA) Commodity Credit Corporation (CCC) to help farmers in need, we are concerned that the Administration's agricultural trade assistance is picking winners and losers among farms and regions. Instead of taking a careful approach like Congress did in the recent bipartisan 2018 Farm Bill, the USDA has replaced markets with short-term, inequitable payouts that lack transparency.

The Administration's Market Facilitation Program (MFP) has treated farmers unfairly by:

- Picking winners and losers between regions and crops
    - Farmers in the Midwest and Northern Plains have been hit both by lower national soybean prices and higher transportation costs to reach alternative markets.
    - Southern crops such as cotton did not have a price decline, yet 95% of top county payment rates have gone to southern farmers and the top 5 states for 2019 MFP are in the South.
- Helping wealthy farms and foreign companies instead of small farms
    - Payments made to billionaires and foreign-owned companies, including $90 million to JBS, a Brazilian company
    - No targeted assistance for small or beginning farms, which are most vulnerable
- Failing to recover market access
    - No long-term investment or plan for rebuilding markets

Despite the unprecedented scale of the USDA's ad-hoc trade assistance – nearly twice the cost of one year of farm programs in the 2018 Farm Bill – there are significant gaps and flaws that create inequity, fail to account for the actual damage to producers, and even leave some producers shut out. The formula and methodologies result in wide differences in payment rates between regions, counties, and even farmers in the same county that are difficult to explain or understand.

For example, out of the 2,901 counties receiving 2019 Market Facilitation Program (MFP) payments, there are 193 counties with payment rates of $100 per acre or higher. Of those 193 counties, over 95%, are in southern states. Meanwhile, 402 counties received only the minimum $15 per acre. The disparities across county lines, even in the southern states can be extreme. For example, in Georgia, Hancock County has a payment rate of $150 per acre and Baldwin County has the minimum rate of $15 per acre. For average size farms, this difference between counties could cause payments to range from $6,600 to $66,000.

The calculated trade harm does not align with the actual damages seen in price changes or actual export levels. For example, the highest payment rates are in cotton producing areas, suggesting the most severe trade damage, yet the projections do not align with reality. During 2018, cotton prices and exports did not exhibit the sharp declines one would assume based on cotton's payment rate. Conversely, the USDA's approach does not take into account any localized differences, like wider than normal crop basis for soybean farmers in the northern plains who would normally ship their crops to China.

The USDA does nothing to target assistance to those most vulnerable, including beginning farmers and small farms. We are concerned that it will lead to further consolidation of family-owned farms and wipe out the next generation of farmers. In certain cases of commodity purchases, the aid intended for U.S. farmers has flowed to foreign-owned corporations. It is unacceptable that American taxpayers have subsidized our competitors through trade assistance. We encourage the USDA to make changes to prevent foreign companies and their subsidiaries from benefitting from these programs and consider more flexible terms to maximize the number of potential US bidders.

Most specialty crop farmers did not receive direct assistance, even though many farmers had significant trade losses and requested direct assistance. Instead, the USDA decided to rely on a trickle-down approach through commodity purchases only. Assistance for dairy farmers was based on production history from over five years ago rather than recent production history, which gave other crops more favorable payments. Despite significant trade-related damage, some farmers have been shut out entirely from assistance because the harm they are experiencing is not directly related to retaliatory tariffs.

If these gaps and inequities are not addressed, the USDA's approach will continue to unfairly favor certain farms over others and replace the marketplace with government dependency. Unfortunately, even for the farmers that received payments, they are merely band-aids. The foreign market development efforts through the trade mitigation programs have been exclusively short-term, with no long-term investments to help rebuild markets that have been disrupted. There is growing concern that the damage to export markets will either be permanent or take decades of investment to recover.

In order to help farmers survive this unprecedented instability, the Administration must improve its trade assistance program prior to the next potential payments in November and January. All farmers harmed by unfair trade should be eligible for assistance to help them weather the storm caused by this Administration. In addition, it must pursue a focused, consistent trade strategy to rebuild the markets American farmers lost.

Sincerely,

Debbie Stabenow
U.S. Senator

Charles E. Schumer
U.S Senator

Richard J. Durbin
U.S Senator

Tina Smith
U.S. Senator

Patrick Leahy
U.S Senator

Gary C. Peters
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Tammy Duckworth
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Robert P. Casey, Jr.
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Sherrod Brown
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Tammy Baldwin
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Patty Murray
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Kirsten Gillibrand
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Jeffrey A. Merkley
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Maria Cantwell
U.S. Senator

Ron Wyden
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