

Trump administration unveils \$16 billion bailout to farmers hurt by China trade war

Jeff Daniels, Christina Wilkie



Farmer walks through his soy fields July 6, 2018, in Harvard, Illinois, the same day China imposed retaliatory tariffs aimed at the US soybean market.

NOVA SAFO | AFP | Getty Images

The Trump administration on Thursday announced a \$16 billion trade aid program for American farmers that includes a three-pronged aid package for American farmers who have been hurt by the U.S. trade war with China.

The centerpiece is cash payments totaling \$14.5 billion to producers of a variety of crops as well as dairy and pork producers impacted by retaliatory tariffs. U.S. tariff revenue collected by the Treasury would be used to support the program, according to the U.S. Department of Agriculture.

“The package we’re announcing today ensures that farmers will not bear the brunt of those trade practices by China or any other nation,” Agriculture Secretary Sonny Perdue said Thursday on a press call.

In addition, the government plans bulk purchases of about \$1.4 billion of fresh produce and other food products impacted by tariffs. Food would be used to help food banks, pantries and school meal programs.

The USDA also plans a \$100 million trade promotion program for livestock producers and certain crops to help industry sectors develop new markets. A similar program was launched as part of the administration’s 2018 trade relief program for agriculture.

“Frankly, all of this would have been moot if China had acted appropriately and fairly in many of the areas regarding intellectual property theft and non-tariff barriers that they have put up for many years,” Perdue said.

According to USDA chief economist Rob Johansson, the department’s \$14.5 billion direct payment program to farmers is above the administration’s \$12 billion plan announced last year. He said the new farm relief program looks at trade damages from last year’s tariffs but also goes back to previous actions by China and other trading partners with retaliatory levies against American agriculture.

“We are looking back a number of years to look at what China has purchased from us in the past, and we’re bringing that into our baseline,” Johansson told reporters.

Soybean farmers have been among the hardest hit in the China trade war in terms of dollar value. Before the trade war, China bought roughly half of the U.S. soybean exports. But the value of soybean exports to China fell 74% to \$3.1 billion in 2018 from about \$12.2 billion the previous year, according to the USDA.



Farmer harvests corn on October 22, 2015 near Burlington, Iowa.

Scott Olson | Getty Images News | Getty Images

Producers of more than two dozen agricultural commodities are eligible for Market Facilitation Program direct payments under the administration’s relief aid. Farmers of key crops such as soybeans, corn, wheat and cotton are part of the program as well as some specialty crops, including tree nuts, cranberries, grapes and cherries.

Despite assurances from Perdue that the aid would be distributed equitably, Democrats on Thursday were quick to challenge whether the aid program could accomplish its stated goals.

“Unfortunately, this complex scheme leaves them with more questions than answers,” said Sen. Debbie Stabenow, D-Mich., the ranking member on the Senate Agriculture Committee, adding

that she has “a number of concerns about whether this plan is fair and equitable to all farmers.”

“Government checks are no replacement for lost markets, and this temporary support will only go so far,” Stabenow said.

USDA is tapping into the [Commodity Credit Corp.](#), a federal agency given authority during the Great Depression, to implement the farm aid. However, the Agriculture secretary insisted U.S. tariff revenue would be used to help support the aid program.

“It is using CCC funding,” Perdue said, adding that tariff revenue goes directly into the Treasury. “The president feels very strongly that the tariff revenue is going to be used to support this program, which will come back out and replenish the CCC, as it does every year.”

Then again, Perdue conceded that the federal government can’t legally have direct revenue from the tariff payments currently being paid by U.S. importers. But he attempted to make the case on a call with reporters that with tariff revenues flowing into the Treasury, this actually meant that China was helping to pay for the American farm aid.

“While farmers themselves will tell you they’d rather have trade than aid,” Perdue said, “without the trade that has been possible, then they’re going to need some support from a profitability standpoint. We honestly and sincerely know and believe that it is a food security issue, which leads to a national security issue.”

The USDA said it expects there to be “up to three tranches” in terms of farmer payments, although it said the second and third tranches will be “evaluated as market conditions and trade opportunities dictate.” It expects the first payment to begin in late July or early August.

“It’s very difficult to contemplate how a trade deal could be finalized before the first tranche,” Perdue said.

President [Donald Trump](#) isn’t scheduled to meet with Chinese President [Xi Jinping](#) until late June at the G-20 summit. Trump is scheduled to deliver remarks to U.S. farmers Thursday.

“China hasn’t played by the rules for a long time and President Trump is standing up to them, sending the clear message that the United States will no longer tolerate their unfair trade practices, which include non-tariff trade barriers and the theft of intellectual property,” Perdue said.

Tariffs on Chinese goods have been paid almost entirely by U.S. importers, [according to a new International Monetary Fund study](#), and the costs are then passed on to U.S. consumers.

Correction: An earlier version misstated Sen. Debbie Stabenow’s state. It’s Michigan.