

**Written testimony of Tim Dufault, Owner/Operator of Dufault Farms in Crookston, MN**

House Ways and Means Committee Hearing on U.S.-China Trade and Competition

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1100 Longworth House Office Building

Mr. Chairman, Ranking Member Brady, and Members of the Committee. My name is Tim Dufault and I am the owner/operator of Dufault Farm, a grain farm in Northwest Minnesota where we farm wheat and soybeans. I am a fourth-generation farmer in Crookston, Minnesota where my Great Grandfather came 140 years ago. I have lived in Crookston all my life. I serve on the Minnesota Wheat Research and Trade Promotional Council as well as the school board for the Crookston Public Schools. I am honored and privileged to be here today to share my story of how the trade war has impacted my farm and community, which is representative of the stories of thousands of farmers and rural communities in your own districts and states.

As many of you know, while the stock market may be a bright spot for some Americans, the farm economy is suffering. Last year, there were 595 Chapter 12 family farm bankruptcies in the U.S., which marked the largest increase since the Great Recession. Those bankruptcies included 30 in my home state, a nationwide-high of 57 in neighboring Wisconsin, and 273 across the Midwest.

Delinquency rates for commercial agricultural loans in the second quarter of last year are at the highest level since 2012. Farm income is being propped up by government Market Facilitation Payments that are not a substitute for markets and trade. And commodity prices, which have plummeted since the trade war began, have actually fallen further after the U.S-China Phase One Deal.

<https://talkbusiness.net/2020/02/farm-bankruptcies-reach-great-recession-numbers/>

<https://www.fb.org/market-intel/the-verdict-is-in-farm-bankruptcies-up-in-2019>

<https://www.bloomberg.com/news/articles/2020-01-15/trade-deal-s-95-billion-commodity-centerpiece-already-doubted>

Today, I join you to discuss how these troubling trends are playing out on my farm and in my community. I grow Hard Red Spring Wheat. That is the major class of wheat in Minnesota, North and South Dakota and Montana. In 2016, American farmers exported over 41 million bushels of Hard Red Spring Wheat to China. In 2017, after the trade war began, exports dropped in half. In 2018, American farmers exported only 1.2 million bushels to China. That is a drop off of 97% in just two years.

On top of the hit my wheat has taken, the soybeans that I - and thousands of farmers across the country – depend on have been decimated by the trade war. China is the world's biggest importer of soybeans. Before the trade war began, U.S. soybean exports to China reached a volume of 1.3 billion bushels. Now exports have gone dry.

As you might expect, with sagging prices and reduced exports, my farm has been hit hard. The trade war has created a vicious cycle on farms like mine.

This cycle starts with the low commodity prices we've seen over the last 2 plus year. Just like any business, no farmer likes selling at a loss. So when prices are low and only going lower, you are left with two bad choices: lose money selling low or hold on to the crop in the hopes that prices will improve. In either instance your profits suffer.

Lower profits mean reduced working capital, or simply the money you pay day-to-day bills with. With prices low and exports slashed, anything you have sold in a previous year wasn't at a profitable price and the rest of the crop is still in the bin. That means there is simply less money in the coffers. And in farming, since you need to invest in seed fertilizer, fuel, repair bills, land taxes and other expenses 6-7 months before seeing any return – that means increased borrowing.

With more farmers borrowing to make ends meet and significant long-term market uncertainty, bank lenders are placing tighter terms on loans and lending less money. For many farmers this has meant seeking out loans at higher interest rates that are sometimes double the rate paid in the past.

<https://www.wsj.com/articles/farmers-in-crisis-turn-to-high-interest-loans-as-banks-pull-back-11573381801>

And with more farmers borrowing just to get through the year, it means we aren't making the investment in growing and modernizing our operations. On my farm that has meant putting off replacing old machinery. Just to give the members of the committee a sense of how bad things have gotten, we own two combines to harvest our crops. One is 22 years old and the "new" one is 18 years old. They are both old enough to vote.

Of course, the vicious cycle the trade war has created on American farms also ripples into all parts of rural America. While for most Americans the repercussions of the trade war are spread out and sometimes barely registered, the opposite is true for much of America's heartland.

It comes up at the coffee shop, on Main Street and in casual conversation. For instance, last summer, at a wedding reception, I was sharing a beer with a friend who is a rural ag banker who was asking me how farmers could make money when wheat was under \$5 a bushel. My answer was the sad truth, they couldn't. For a banker who is part of our community and who is simply trying to help farmers navigate the toughest ag economy in a generation, this was not the answer he wanted to hear.

Similarly, conversations with equipment dealers in the area inevitably focus on how slow sales of new or used equipment are. My local dealer was begging farmers all fall to promise to bring in equipment for winter service work. They don't want to lay off any more staff and currently are not filling the positions that are leaving.

Now, for any member of this committee who thinks we should just be patient – I want to remind you just how patient American farmers and rural communities have been. We are now nearly two years into a trade war that we were told would be good and easy to win. Time and again, we have been told to hold out for a deal that would make all the pain worth it. And while you would be hard pressed to find a farmer, who would disagree with the fact that China has been a bad actor, farmers have shouldered the pain for a strategy that has seen only one minor tariff reduction and several tariff escalations.

As far as the Phase One deal goes, the purchases, which have not yet materialized, are a promise while the tariffs are real. The ag economy doesn't live on promises. Until China buys we are not buying the promise. While there are some good provisions in the Phase One deal addressing non-tariff barriers – those are, at best, singles when what we need is a home run.

Similarly, the administration's trade mitigation payments, while they were welcome for many struggling farmers including myself, do nothing to alleviate the long-term consequences of the trade war. While we are being paid not to sell to one of the fastest growing markets in the world, our competitors are filling the void. Our loss is Canada, Brazil, Russia and Australia's gain. For example, in the past two years, Canada's wheat exports to China have increased 400% while ours have fallen. Its why American farmers have been nearly universal in their desire for "trade not aid."

It's harder and harder each day to find a coherent strategy. For decades, farmers have used grower money and some USDA grants to cultivate and grow foreign markets. Now we are losing them. Farmers are self-starters, they do not want to depend on government payments, but it's hard to be self-reliant when your government interferes with your markets.

Mr. Chairman, to conclude my remarks I just want to relate a conversation I had with a friend and fellow farmer in my home state. He is a successful farmer with two sons. The older son has a job in the agriculture industry off his farm but is interested in farming. The younger son is in the last year of college majoring in Agriculture and is excited to return to the farm.

This winter the farmer told me his boys are really questioning the idea of taking over the farm one day. They do not see a future in it. My friend said, "The last couple years I've just been treading water. If they aren't going to farm then why should I? If they aren't going to farm, I should quit now and stop losing money."

Mr. Chairman and members of the Committee, this can't be the future of American farming, we need to end the trade war and keep American farmers competitive globally.

I look forward to taking your questions.