Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

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Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities

U.S. House of Representatives,
Subcommittee on Trade,
Committee on Ways and Means,
Washington, D.C

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Cass Gebbers
President and CEO, Gebbers Farms
Northwest Horticultural Council
Witness Statement

Russell Boening
Owner, Loma Vista Farms, Boening Bros. Dairy Inc.
President, Texas Farm Bureau
Witness Statement

Kevin Paap
Corn and soybean farmer
President, Minnesota Farm Bureau
Witness Statement

Scott VanderWal
Secretary/Treasurer, VanderWal Farms
President, South Dakota Farm Bureau
Vice President, American Farm Bureau Federation
Witness Statement

Michelle Erickson-Jones
Co-owner, Gooseneck Land and Cattle
President, Montana Grain Growers Association
Farmers for Free Trade; National Association of Wheat Growers
Witness Statement

Jared Bernstein
Senior Fellow, Center on Budget and Policy Priorities
Witness Statement

WAYS AND MEANS
CHAIRMAN KEVIN BRADY

Chairman Reichert Announces Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities

House Ways and Means Trade Subcommittee Chairman David Reichert (R-WA) announced today that the Subcommittee will hold a hearing entitled "The Effects of Tariffs on U.S. Agriculture and Rural Communities." The hearing will address the effects on American agriculture and rural communities of U.S. tariffs imposed under both Sections 232 and 301 as well as retaliation by other countries against U.S. exports. The hearing will take place on **Wednesday, July 18, 2018, in 1100 Longworth House Office Building, beginning at 2:00 PM.**

In view of the limited time to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, http://waysandmeans.house.gov, select "Hearings." Select the hearing for which you would like to make a submission, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Wednesday, August 1, 2018**. For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days' notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available at http://www.waysandmeans.house.gov/

HEARING ON THE EFFECTS OF TARIFFS

ON U.S. AGRICULTURE AND RURAL COMMUNITIES

Wednesday, July 18, 2018

House of Representatives,

Subcommittee on Trade,

Committee on Ways and Means,

Washington, D.C.

The subcommittee met, pursuant to notice, at 2:02 p.m., in Room 1100, Longworth House Office Building, Hon. Dave Reichert [Chairman of the Subcommittee] presiding.

*Chairman Reichert. Good afternoon, everyone. The subcommittee will come to order. Welcome to the subcommittee, the Ways and Means Trade Subcommittee. I welcome all the witnesses and all the folks in the audience here today to listen to the testimony that we are anxious to hear. And I am sure you are anxious to get the questions that we have for you to share additional information.

But before we get started, let me just make a few comments. As many of you know, U.S. farmers, ranchers, and growers right now are caught in the middle of international crossfire.

First, they are hurt because products, such as equipment, chemicals, and fertilizer, which they need to run lean and competitive agriculture operations have been included on the Administration's Section 301 list, as well as the steel and aluminum they need.

And then, adding insult to injury, they are the first to face retaliatory tariffs from across the globe as countries react to U.S. trade policy decisions. In fact, U.S. agriculture now is facing -- are facing retaliatory tariffs from the EU, from China, Mexico, Canada, Turkey, Russia, and India.

Now, I know that the Administration did not intend for U.S. agriculture to be hurt or harmed, but the damage is entirely predictable.

As some of you know well, low commodity prices have been sort of the practice of the last several years, very challenging for American farmers to even survive and exist and operate at a profit. And what we are hearing from farmers, ranchers, producers, and fishermen in my home state of Washington and many other states across the country, is that U.S. agriculture just isn't in a healthy place. And that is putting it mildly.

Most of our agriculture producers today rely heavily on export markets, and unfortunately, many of these farmers and producers are now facing the loss of not just one of their top international export markets, not just their number-one market, but their number-two market, their number-three market, and their number-four market, all at once. They are facing severe and devastating uncertainty, and that goes right to their profitability.

Now, it is important to acknowledge that the President is absolutely correct that we need to stand up to China's unfair predatory trade practices, including overcapacity in steel and aluminum, IP theft, and other Chinese policies that endanger the innovative technologies developed by U.S. companies. As we take on China, though, we must take into account the effects of U.S. agriculture, like the examples we will hear today.

I have heard heart-wrenching stories in some cases of farmers and families already scrambling to make ends meet, who are forced to make difficult decisions to cope with the uncertainty caused by these tariffs. They don't know what and how much they should plant. They are having trouble getting financing, and they are forced to put expansion plans on hold. Entire rural communities are affected when farmers are struggling: their suppliers and workers, and even banks, restaurants, and school districts are struggling.

And as we learn about the challenges that many people in the ag sector are facing, it is critical to remember that many family farmers have invested everything that they have in their farms, their orchards, or their ranches, and sometimes these have been in their families for generations. This is serious business, it is their livelihood. It is their life.

And even worse, our small farmers and producers are suffering the most because they already are running on tight margins, without the economies of scale that the larger producers can benefit from.

In Washington State one winery has already lost half-a-million in export sales after China imposed tariffs in retaliation for the Section 232 tariffs. Their shipments dropped by 50 percent in the second quarter alone.

In another sector, USDA reported that China canceled nearly $140 million in soybean contracts at the end of June. And as you will hear in a few minutes from our witness from Washington State, cherry producers are really feeling the pinch during their short cherry season, as they face an additional 25 percent tariff in China. This is their top export market.

Today we will hear from a broad range of American agriculture producers about the real-world impact of increased tariffs. And I am eager to hear from our witnesses today and learn how these tariffs are affecting their farms, families, and communities. Our hearing will focus on both U.S. tariff increases related to the Section 232 action on steel and aluminum, and the Section 301 tariffs on China, as well as retaliatory tariffs from around the world.

And I look forward to learning from our excellent panel of witnesses today. Some have traveled a long way to be here with us. And we will continue to engage with the President, with the members of the administration on how we reach a durable solution to the challenging trade agenda.

And I, for one, have urged the President to restore the exemptions from steel and aluminum tariffs for Mexico and Canada. I have twice mentioned this to Secretary Ross, and he has made a promise that he would mention it to the President and seek an answer from him on this issue.

These are two of America's most trusted allies that are also incredibly important markets for our agricultural exports.

At the same time, I am encouraging the President to push forward with our negotiations with our international trading partners, including with China, to find a solution that evens the playing field for American workers, manufacturers, service providers, and farmers, while at the same time making sure that farmers don’t become collateral damage. We also cannot lose sight of the cost of inaction when it comes to new markets. When our trading partners move forward and make other agreements, and we are not included, our farmers, our workers, and our businesses fall behind. They lose their market.

*Chairman Reichert. I will now yield to Ranking Member Pascrell for the purposes of his opening statement.

*Mr. Pascrell. Thank you, Mr. Chairman. You know the great affection I have for you. I have deep respect. So I don't want you to in any manner, shape, or form interpret what I am about to say in any disrespectful way. And if you think it is, I will apologize. That is how much I think about you. We worked on too many things together.

*Chairman Reichert. True.

*Mr. Pascrell. And we are going to miss you.

*Chairman Reichert. Thank you.

*Mr. Pascrell. I want to welcome our witnesses on behalf of the committee Democrats. We look forward to hearing from you. I have read your testimonies about the impacts of the administration's tariffs on your communities. Make no mistake about it, we are in a slippery slope. And we don't know where it is going to end. And we don't really know all the consequences, which is a chaotic policy. So we have been asking this committee to hold more regular subcommittee hearings. So our meeting today is welcome.

But I have to say we are deeply disappointed that the committee Republicans did not call an administration witness to this hearing to explain the President's erratic trade actions. We get them in private meetings, in private consultations, nothing in public before any part of this committee. That is unacceptable. This is not transparency. This is delusion.

Last week committee Democrats sent Chairman Brady a letter requesting a full Ways and Means Committee hearing with an administration witness so we could demand answers. The American people deserve answers more than the Congress, answers about policies of trade, whether or not they are working, and that request stands.

No one on the Ways and Means Committee, no one in the administration can say that, as the ranking member or the Democrats on Trade, I have given everyone the benefit of the doubt of Mr. Lighthizer and his staff (sic).

So I accepted some Democratic criticism that I was not strong enough on the "other side." We don't know who the other side is, by the way. We are talking to diverse groups, because many on this committee chose a different path, and that is why you are here today. If the administration was running this hearing, you wouldn't be here. I will tell you that.

So we are having a subcommittee hearing, and there is no administration witnesses. So whether we are talking about soybeans and the price in the United States and Brazil -- we know what has happened there -- or we are going to talk about steel, all boats must rise. I said that last year, when I took the position. I say it now. There are too many losers right now, and we must do something about it.

I am all for fact-finding, but calling on Agricultural Secretary Sonny Perdue to testify today could shed some important light on the administration's tariff strategy with respect to our farmers.

And Mr. Chairman, before I continue, I am considering -- considering -- not coming to any more private meetings, except if the administration is here and it is open to the public. I am considering that right now. And I trust you, but I am telling you what I think, in terms of the overall picture. I like the return to regular order, but that is true in both parties. We have not had that opportunity. Public meetings are important. The administration must be here to defend the position. Now I had not a different policy when Mr. Obama was the president.

The subcommittee is scheduled for a hearing on 232 steel and aluminum exclusion next week. Correct me if I am wrong. Commerce Secretary Wilbur Ross should be here, listening to our witnesses, as well, and be held accountable for this administration's irrational actions. For too long free trade has benefitted some industries and corporations over others, often at the expense of American workers, Mr. Chairman, particularly in manufacturing. Trade enforcement is critical to defending the interests of those who have been left behind in globalization and free trade.

Can I just be able to finish?

*Chairman Reichert. I am sure you are going to be talking later.

*Mr. Pascrell. I think you --

*Chairman Reichert. I will give you another --

*Mr. Pascrell. I think you can bet on it.

*Chairman Reichert. I will give you -- I know I can bet on it. I will give you a few more seconds.

*Mr. Pascrell. Thank you. Tariffs are one tool that can be effective in enforcing fairer trade policies and bringing cheating actors like China to the table, but they also could be used as weapons, and I think they are being used as weapons against you. Let me say that now. Trade with China -- my last sentence

*Chairman Reichert. Okay.

*Mr. Pascrell. -- whose unfair trade props up its own industries at our expense, has eliminated or displaced millions of United States jobs, and contributed to a reduction in American wages over the last 20 years.

*Mr. Pascrell. And I thank you for your indulgence, Mr. Chairman.

*Chairman Reichert. The gentleman's time has expired. We all have passionate feelings around this issue. It has become one that -- as you can see, we have a full committee here today. We are serious about this issue, and that is why we have you here today. We want to know what you think. We want to know the impact, fully, from -- straight from your mouth and from the people that you represent.

Although the ranking member is passionate and has described some actions or inactions that have occurred or not occurred over the past few months regarding trade, let me just make the record clear on just a couple of points.

Earlier this spring we held two full committee hearings on -- I will not -- okay, I thought you were going to ask for me to yield.

Earlier this spring we held two full committee hearings on trade agenda, tariffs, and trade agreements, one with Ambassador Lighthizer and one with Secretary Ross. And we will continue to hold them accountable and ask for other hearings.

We also held a full committee hearing with the private-sector witnesses on tariffs. We are holding this hearing today on the impact of tariffs on agriculture to gather information about how the agriculture community has been affected. And it is important for us to engage with the stakeholders.

We will hold a hearing next Tuesday, as the ranking member mentioned, on a broken product exclusion process and, again, gathering evidence from stakeholders about how the process is working or not working, and how it can be improved.

We also had committee delegations at two of the NAFTA rounds, where we met with USTR officials, one in Montreal and one in Mexico City. Every member was invited to attend.

We have also held countless staff consultations with the administration, and as -- again, as Mr. Pascrell has mentioned, private meetings with Secretary Ross and Ambassador Lighthizer. And there may have been one with Mr. Navarro, if I am not mistaken.

But these are steps that we are continuing to take, and we want to engage with the administration and with our friends on both sides of the aisle, because it is going to take all of us to resolve these issues to make sure that our ag producers are successful today and into the future, and that your farms that have been in your families for generations continue to remain in your family for generations to come.

And so, today we want to welcome -- all of us on the panel want to welcome our six witnesses.

And first I would like to offer special welcome to our first witness from Washington State, Mr. Cass Gebbers, president and CEO of Gebbers Farms, and a member of the Northwest Horticultural Council. Gebbers Farms is a great family farm that is the world's largest producer of cherries and continues to be one of the biggest contiguous apple orchards in the world, in addition to raising cattle.

Our second witness is Russell Boening, owner of Loma Vista Farms and Boening Brothers Dairy, Incorporated, and president of the Texas Farm Bureau.

Our third witness is Kevin Paap, a corn and soybean farmer, and president of the Minnesota Farm Bureau.

And I would yield to Mr. Paulsen for any additional comments of introduction that he would like to make.

*Mr. Paulsen. Well, real quick, Mr. Chairman, I am proud to welcome Kevin Paap here, along with his wife, Julie, who is joining him, and is a fourth-generation farmer, as you mentioned. He is going to provide the Minnesota perspective on the negative impacts of tariffs. So I welcome him.

*Chairman Reichert. Thank you. And our fourth witness is Scott VanderWal, secretary and treasurer of VanderWal Farms, president of the South Dakota Farm Bureau, and vice president of the American Farm Bureau Federation.

And I would yield to Representative Noem for any additional comments.

*Mrs. Noem. Thank you, Mr. Chairman. I am proud to introduce my friend and fellow South Dakotan, Scott VanderWal, to everyone here today. I think it is imperative, when we have these discussions, that we have folks testifying that live the reality of these tariffs and the retaliation that we are seeing from other countries against our farmers and ranchers.

And Scott has long time been a leader for agriculture across the country, and his farm and ranch is just about 45 miles south of my ranch. I have known him for many, many years, and I have appreciated his leadership not just at the state level, but at the national level, as well. So him and his wife, Michelle, have been very active. They raise corn and soybeans and have a custom cattle feeding operation.

And I am just grateful he is here to tell his story, but not just his story, the story of what every single South Dakota farmer is going through right now during these difficult times.

So thank you, Scott.

*Chairman Reichert. Thank you.

Our fifth witness is Michelle Erickson-Jones, co-owner of Gooseneck Land and Cattle, president of the Montana Grain Growers Association, and a representative of Farmers for Free Trade and the National Association of Wheat Growers.

Our sixth and last witness is Jared Bernstein, senior fellow at the Center on Budget and Policy Priorities.

Before recognizing our first witness let me note that our time is limited. To the witnesses and the members, let me -- please limit your testimony to five minutes and questions to five minutes.

And members, please -- I hope that we can adhere to the five-minute rule as closely as possible.

Mr. Gebbers, your written statement will be made part of the record, but you are recognized for five minutes.

Turn on your microphone, please. Thanks.

STATEMENT OF CASS GEBBERS, OWNER AND OPERATOR, GEBBERS FARMS, NORTHWEST HORTICULTURE COUNCIL

*Mr. Gebbers. Thank you, Chairman Reichert and Ranking Member Pascrell, for the opportunity to testify before the subcommittee today on the effect that these tariffs -- in particular, those that have been imposed on agriculture products like cherries, apples, and pears -- in retaliation for the U.S. trade policies that are really unrelated to agriculture these past few months, and the effect that it is having on growers such as myself and my family and, really, all those families of small farmers that we represent.

I am Cass Gebbers, president and CEO of Gebbers Farms in Brewster, Washington, and we farm next door to Mr. Reichert's district. Gebbers Farms is a century-old, multi-generational family company located in a very rural community of Washington State, Brewster. Three of my siblings and I are the fourth generation, with 15 of my kids, nieces, and nephews from that fifth generation working around us every day. Only one year or two years separate the fifth from the sixth generation, so our roots go deep in farming of tree fruits and cattle and timber.

We grow fruit on approximately 13,500 acres, with about 10,000 of those being in apples and 3,000 in cherries and 500 in pears. Our sales company represents another 21,000 acres of our neighbors, 400 small growers that are members of a local cooperative, plus a couple of other independents. Thirty percent of all of that fruit is exported, so we really are heavily reliant upon foreign markets, over forty of those different countries that we export to. Those 400 families are employing between 8,000 and 9,000 people on a seasonal and daily basis.

Gebbers Farms also raises black Angus cattle on about 120,000 acres, with 50,000 of those being on Forest Service, State of Washington, and Game Department lands. We also graze those lands, and we harvest timber. We have to compete against imported timber from those lands, and it has closed almost all the mills in our north-central Washington area. I believe there is only one saw mill still operating. So trade is huge in our neck of the woods.

So, in effect, we are all stewards of the environment, where we carve out our existence caring for this great land.

I am going to focus my testimony today on the impact that these tariffs are having on the tree farm portion of our business.

The Pacific Northwest is home to many family-owned orchards that jointly supply three-quarters of the fresh apples, 88 percent of the cherries, and 88 percent of the fresh pears, and 81 percent of the cherries sold in the United States. So we are very heavily weighted towards the tree fruits. Together, these crops are valued at about 3.8 to $4 billion annually, and creates tens of thousands of jobs in our local communities, many of which are small and rural, like my own home town of Brewster.

Our growers lead the Nation in exports, with approximately one-third of all the apples, pears, and cherries grown in our region are exported out of the U.S.

Exporting fruit creates a huge layer of additional risk. We get laid in with inconsistent clearance policies are foreign ports. Hostile countries reject fruit. They will hold this perishable fruit until it rots, sometimes under unjustified phytosanitary concerns to maybe protect their industries or to just be vindictive on retaliating on another trade program.

Keep in mind that the further these delays go down the chain, the more we eat, as growers, and the more it punishes us, as growers, because we have already sunk those numbers into our crop. So when we have a load consumed in China through an inspection process, or heavily taxed, that goes back to the grower, because there is no way to pass that back on. We have tried that.

Unfortunately, in the past four months we have faced a multitude of additional and new trade barriers that have completely been outside of our control.

The consequences -- and I will just address perishable. We can't store this crop. We can't -- I can't turn my cows out -- I can turn my cows out for another six months and wait out the storm, maybe, or delay those fat cattle, or store some hay. I can't do that with cherries. They are rotten in 30 days, 30 to 40 days. We need to move them. Apples are perishable. Once you have committed them to a box, they have to be moved.

China is our number-one market for cherries, number five on apples and number nine on pears. And it is basically -- we are paying up to 50 percent in tariffs. And if you add the VAT tax on, it is another 10 percent.

Testimony of Cass Gebbers
Gebbers Farms
"The Effect of Tariffs on U.S. Agriculture and Rural Communities"
House Ways and Means Committee
Subcommittee on Trade
July 18, 2018

Thank you Chairman Reichert and Ranking Member Pascrell for the opportunity to testify before the Subcommittee today on the effect that tariffs – in particular those that have been imposed on agricultural products like cherries, apples, and pears in retaliation for U.S. trade policies unrelated to agriculture these last few months – are having on growers such as myself. I am Cass Gebbers, President and CEO of Gebbers Farms in Brewster, Washington – next door to Chairman Reichert's district.

Gebbers Farms is a century old, multigenerational family company located in the rural community of Brewster, Washington. Three of my siblings and I are the fourth generation in the business, with fifteen of my kids, nieces and nephews from the fifth generation all being involved as well on a day-to-day basis. Only two years separate the last of the fifth generation from the first of the sixth generation.

We grow fruit on approximately 13,500 acres, with 10,000 acres of apples, 3,000 acres of cherries, and 500 acres of pears. Our sales company also represents 14,000 acres of our neighbors and local fruit co-op members as well as another 8,000 acres of independent family growers. Approximately 30 percent of all this fruit is exported to over forty different countries around the world.

Gebbers Farms also raises Black Angus cattle on approximately 120,000 acres of rangeland, including in excess of 50,000 acres of government-owned grazing lands from the National Forest Service, Washington State Department of Natural Resources, and the Washington Department of Fish and Wildlife.

We also manage our family's timberlands where we actively tree farm and log, competing head-to-head with imported timber products.

I am going to focus my testimony today on the impact tariffs are having on the tree fruit portion of our operation. The Pacific Northwest is home to many family-owned orchards like ours that jointly supply more than three quarters of the fresh apples, 88 percent of the fresh pears, and 81 percent of the sweet cherries sold in the United States. Together, these crops are valued at approximately $3.8 billion annually, and create tens of thousands of jobs in rural communities like Brewster throughout our region.

Our growers also lead the nation in exports, with approximately one-third of the apples, cherries, and pears grown in the region sold to customers outside the United States. We compete in a global environment, not only against fruit imported into the United States, but also against these same competitors in the more than 50 countries we export to around the world.

Growing, packing, and shipping tree fruit is an inherently risky business. A rain storm on the wrong day can cause me to lose an entire orchard of cherries right before harvest, or apples that went into storage looking pristine can come out in a state unfit for sale due to a previously undetectable malady.

Exporting fruit creates an additional layer of risk, with unclear or inconsistent clearance policies at foreign ports, or hostile countries rejecting fruit shipments based on unjustified phytosanitary concerns to protect domestic industries – often costing the exporters tens of thousands of dollars. Keep in mind the later in the production chain this loss occurs, the more the grower loses in the substantial input costs that have gone into growing, harvesting, packing, storing, and shipping that perishable product.

Those responsible for every step of the production chain, like me, are businessmen that understand and accept these inherent risks of growing fruit and conducting sales in various international markets. Unfortunately, in the past four months, we have faced a multitude of additional tariff barriers to trade that have been completely outside of our control. The recent round of trade actions has greatly affected the outlook of how and where we export, and has disrupted the continuity of the markets we sell in.

I will begin with China, which was our fifth largest market for apples, number nine market for pears, and surpassed Canada to become our top export market for cherries last season. Due to our most favored nation status, U.S. shippers pay a 10 percent tariff to ship tree fruit to China. Effective April 2, China imposed an additional 15 percent tariff on apples, pears, and cherries imported from the United States in retaliation for the U.S.'s Section 232 tariffs imposed on steel and aluminum.

At that time, pear shipments to China were largely complete for the season and cherry harvest had not yet begun. While apple growers continued to ship in small numbers, the market was effectively closed in May when China imposed a 100 percent inspection policy on incoming fruit shipments – causing containers to sit at the port for days-to-weeks awaiting clearance, and in some cases facing outright rejection due to illegitimate phytosanitary concerns. The risk was simply too great to continue to ship.

This change in inspection protocols was clearly in retaliation for the U.S. duties on Chinese steel and aluminum, and returned to normal following progress in trade talks between the United States and China in early June. Apple shipments resumed at that point in much smaller numbers than last year.

When cherry harvest began last month, volume continued to move to China but pricing was impacted. This means that growers are getting less money for their cherries due to these tariffs. Let me be clear, China is a unique market for our cherries. There is strong demand for the largest and highest quality, and it is difficult to get anywhere close to the same price for these elite cherries in other markets. China is also unique in terms of volume. Last season, more than 11 percent of the total cherry crop worth roughly $130 million – 32 percent of the exports – were shipped to this market. This means that trade barriers to China are going to have a serious price depressive effect across the board for cherries sold domestically and throughout the export arena.

Another worry beyond just the actual tariffs is the looming threat of increased inspections and/or phytosanitary actions, which, vindictively, can hold fruit on arrival long enough for it to simply rot before it can be sold. While some shipments are clearing as normal, within the last few weeks, other shipments have faced delays ranging from hours-to-days in product clearing customs.

Potentially even more damaging, rumors have been running rampant among importers of a resumption of the 100 percent inspection protocol we saw in May that could lead to clearance delays of a week or more – causing some importers to reduce their purchases due to the risk of cherries spoiling while awaiting inspection at the port. Fortunately, that has not occurred – yet. There is little question that this is related to the escalating trade tensions between our two countries.

On July 6, an additional 25 percent tariff was imposed on cherries, apples, and pears in retaliation for the U.S. Section 301 tariffs imposed on Chinese products due to concerns regarding intellectual property. This increases the total tariff rate to 50 percent.

Let me provide an example of how this tariff actually plays out. If a box of fruit is sold to a Chinese buyer for $10, the 50 percent tariff would enhance the cost of that box to $15. China imposes a value added tax based on the cost of product coming into the country, which would equate to $1.50 – increasing the total cost of that box of fruit to $16.50, or a 65 percent increase. This is impacting the volume of fruit that can be sold to Chinese customers and reducing even more the returns growers will receive for the cherries we have produced – to near zero in some cases.

The China market plays a very significant role in the Gebbers Farms and Chelan Fresh cherry marketing plan. We seasonally market 4.5 to 5 million boxes of cherries per season, of which up to 1.5 million boxes are earmarked for China. Because my farm is located so far north, we tend to harvest most of our cherries toward the end of the season – meaning we will be disproportionately impacted by the increase in the tariff from 25 percent to 50 percent. Ours is the largest cherry export program in the United States. Cherries are highly perishable and the season is extremely short as cherries cannot be stored until later. With the recent tariff actions our customers have cancelled orders and re-directed our program downwards by approximately one million boxes, thus forcing all of this orphaned fruit into the U.S. domestic market or potentially elsewhere in the world, pushing down prices with the extra volume. These customers and accounts have been developed through years of hard work and relationship-building, and will be difficult to simply start up again if or when the tariff situation is ever resolved. In the meantime, the grower will suffer, being on the “short end of the stick.”

The only losers here are the grower and the end user who was hoping to gain access to our beautiful Washington cherries. Where we went for years with a win-win scenario, we are now facing a “lose-lose” option. It just doesn’t make sense.

If the tariffs remain in place for the 2019 crop, buyers in China will look to secure supply from other origins such as the European Union or Turkey. Now we will be opening the door to all of our competitors who also grow cherries elsewhere in the world, who will snatch up these markets as soon as we stumble!

It also must be noted that while the impact of this tariff on apple and pear growers is minimal right now because we are nearing the end of the shipping season, should these tariffs still be in place when harvest begins in August, the 50 percent tariff will have a deeply chilling effect on our ability to continue to ship to China – a roughly $50 million market for apples and $1.5 million market for pears – at anywhere close to the volume of previous years and most certainly for a lower rate of return to the grower.

Unfortunately, the impact to my farm and those of my tree fruit neighbors in the Pacific Northwest does not end with China. India – which jumped from the fourth largest market last year to the second largest market so far this season for apples – has announced its plan to impose an additional 25 percent tariff on apples, effective August 4, in retaliation for U.S. Section 232 tariffs on steel and aluminum. This is on top of the already high tariff of 50 percent, raising the total tariff to a staggering 75 percent to ship to this important market that was valued at almost $64 million last season – a number that has nearly doubled to $123.5 million so far this season.

On June 5, Mexico, the top export market for our apples valued at more than $215 million last season, imposed a 20 percent tariff on this product in retaliation for U.S. Section 232 tariffs on steel and aluminum. When apples last faced a 20 percent tariff going into Mexico due to the cross-border trucking dispute in 2010, the impact was estimated to be $44 million per season. It is important to note that Mexico is one of very few export markets that remain strong this late in the shipping season, so the impact on growers like myself is immediate.

The effects of these retaliatory trade tariffs are directly hitting the growers who produce this fruit. With little to no ability to simply "pass on" the increased costs of tariffs, there is less revenue to operate the farm, which is already in a razor thin margin environment, so we are looking at how else to lower costs, and that will be done by getting rid of some employees where possible, cancelling some scheduled capital expenditures such as construction and equipment updates in the packing and storage facilities, as well as stopping any future new planting of orchards. This tariff disruption is having a drastic effect on the parts of agriculture that we are directly involved with, which leads to negative effects within our communities as well when we can't keep employing as many people or move the operations forward into the future.

To summarize, unless these retaliatory tariffs are removed immediately, I and my fellow sweet cherry growers will have faced a 25 or 50 percent tariff in our top export market for the entire 2018 cherry marketing season which began in June and will end in August. For the apples that I grow, we will be facing an additional 20, 25, or 40 percent tariff in our number one, two, and five export markets respectively going into the next harvest – the destinations of nearly half of our industry's exports this past season.

It is important to note that growers of Red Delicious apples will be disproportionately impacted by these tariffs. Nearly 90 percent of apples exported to India are Red Delicious, making it the top export destination for this variety. Mexico is the second biggest market for

Washington state Red Delicious apples – combined, more than 60 percent of Red Delicious exports go to one of these two countries.

Gebbers Farms and Chelan Fresh Marketing export a significant number of boxes of Red Delicious to countries such as Mexico, India, and China. It is the stalwart apple variety that can effectively and economically be shipped to these countries and arrive in excellent condition after the long trip. The customers of these countries have a long history of demand for Washington apples, especially the Red Delicious. With new tariffs we have experienced a huge decrease in demand and a huge decrease in pricing, thus putting the new pricing at or below the cost of production, while backing up the inventories that were previously scheduled to be packed and shipped. A crushing blow to the grower again!

I am not here today to comment on steel or aluminum policy or intellectual property law. My hope is that the U.S. government will prioritize negotiations with each of these important trading partners to negotiate a solution that addresses our country's concerns with these policies in a way that leads to the removal of the retaliatory tariffs imposed on cherries, apples, and pears.

If the U.S. determines that it will exclude some products from the Section 232 tariffs, I would strongly encourage our government to insist that the host country commit to reducing its retaliatory tariffs by an amount equal to the value of the products included in the exclusion discussions. This would require coordination among multiple federal agencies – including the U.S. Trade Representative, U.S. Department of Commerce, and U.S. Department of Agriculture. The Northwest Horticultural Council, which represents the Pacific Northwest apple, pear, and cherry industry on federal policy and international trade issues, has made this request of these agencies, and I would ask members of this Committee to consider supporting the institution of such a process immediately. Selfishly, I hope that apples, cherries, and/or pears would be first on the list for removal of the retaliatory tariff!

If removal of these tariffs does not happen in the short term, then I would encourage the U.S. government to leave on the table any and all mitigation options to assist the growers, packers, and shippers – as well as the people whose jobs they support – that are being impacted by these retaliatory tariffs. This includes more traditional routes such as USDA Section 32 bonus purchases, but must also involve thinking outside of the box because the benefits of bonus purchases are limited for high value, perishable products like ours. The mitigation development process should also be open ended, as some tariff impacts may be immediate while others may take more time to develop and be calculated. While many of these activities may ultimately fall outside of the jurisdiction of the Ways and Means Committee, engagement by members of this Subcommittee in ensuring a robust and thoughtful process in considering mitigation options would be appreciated.

Our priority is to open new markets or reduce barriers to export in current markets through action by USDA or USTR. These technical efforts move at a glacial pace and as an example, have prevented growers from selling apples and pears to Australia and South Korea, and have effectively limited apple shipments to Japan. Removal of tariff barriers in Taiwan and Egypt are another example of what we believe could be rapid measures that would result in immediate commercial opportunities for growers – thereby providing much-needed assistance to mitigate retaliatory actions without requiring taxpayer-funded assistance or the creation of new government programs.

Lastly, while I have focused my testimony today on the tariffs that have already been imposed or that we know are coming, I also want to note that we are watching the actions of Canada (the second largest export market for apples, pears, and cherries) and Japan (an important cherry market) closely to ensure that they do not take retaliatory action against our products should these trade disputes continue.

Once again, I would like to thank the Subcommittee for giving me the opportunity to testify before you today on the impact these retaliatory tariffs are having on my family business and fellow tree fruit growers. I am happy to answer any questions the Subcommittee may have.

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*Chairman Reichert. Your time has expired, Mr. Gebbers.

*Mr. Gebbers. That was quick.

*Mr. Reichert. Yes, it does go fast, doesn't it?

[Laughter.]

*Mr. Gebbers. Yes.

*Chairman Reichert. We are going to come back to you, though, and you will have an opportunity to share additional information.

*Mr. Gebbers. Okay.

*Chairman Reichert. So thank you for your testimony.

Mr. Boening?

STATEMENT OF RUSSELL BOENING, OWNER, LOMA VISTA FARMS, BOENING BROTHERS DAIRY, INCORPORATED, PRESIDENT, TEXAS FARM BUREAU

*Mr. Boening. Good afternoon, Chairman Reichert and Ranking Member Pascrell and members of the committee. I appreciate this opportunity. My name is Russell Boening. I am from Poth, Texas. My family and I make our living by farming and ranching. We grow feed grains, wheat, cotton, and watermelons. We also operate a 500-cow dairy and have a beef cattle operation. I currently serve as president of the Texas Farm Bureau and a member of the American Farm Bureau Federation board of directors. I chair the AFBF Trade Advisory Committee.

International trade is a major driver of Texas agricultural economy. We rely on trade each and every day to market the products that we work hard to grow. In fact, about 25 percent of the U.S. farm income is derived from selling ag products internationally. We are concerned with the blowback from the administration's decision to place tariffs on our trading partners.

Agriculture is bearing the brunt of retaliation at a time when farmers are already facing low commodity prices, some high input costs, and, of course, unpredictable weather. Net farm income has dropped 52 percent in the last 5 years, making it extremely difficult for farmers and ranchers to continue operating. The addition of a trade war comes at a time that we can ill afford it.

We are also concerned that many of the benefits of the tax reform, which are helping many of our farmers and ranchers, will be nullified due to the retaliatory measures on U.S. ag products.

On our own farm we just finished harvesting grain sorghum. We have seen a decline in the market price of 25 percent in the last 2 months. We are going to store most of this crop, and hope that -- in hope that the prices will go back up. This will be an extra cost. But as true optimists, we are hopeful that the market will improve.

We will begin cotton harvest in about six weeks against a backdrop of significant volatility in the market. Forty-five, forty-six percent of the cotton that is exported to China comes from Texas. Any potential loss of this important market would be very difficult for our cotton farmers.

On our dairy we have already seen the price of milk fall by more than 10 percent over the last month alone. These are just a few of my personal examples. There are many other farmers and ranchers who are facing the same challenges with all of the uncertainty over trade policy.

Furthermore, placing tariffs on our closest trading partners, particularly Canada and Mexico, is concerning. Texas Farm Bureau believes that we must continue working toward a strong, modernized North American Free Trade Agreement. Ideally, this deal would be wrapped up as soon as possible, while refraining from doing anything that limits investment protections.

Now, while agriculture is bearing the brunt of retaliation for things that have absolutely nothing to do with agriculture, this is not unfamiliar territory for us. For years, the agriculture community has been highlighting the egregious tariff and non-tariff trade barriers being erected by our trading partners. So while we do have serious concerns about the retaliation we are facing, we must commend the President Trump and his administration for working to address the problems that have existed for decades.

I will give you one example. In 2015 China's minimum support price for corn, rice, and wheat was estimated to be nearly $100 billion in excess of the levels China committed to when they joined the World Trade Organization. So let me be clear on this. For just three crops in one year, China illegally exceeded its WTO limits by $100 billion.

Putting this into context, we just finished a hard-fought farm bill debate, where some people questioned the need for support provided to our farmers. But China's illegal subsidies for those three crops in one year exceeded what we will spend on the entire farm safety net for every crop on every acre for the entire life of the farm bill. Yes, we must have ag trade in China, and yes, we appreciate their business. However, we must address this blatant abuse, abuse that extends beyond just China.

If our President is successful -- and we desperately want and need him to be sooner, rather than later -- this could be a tremendous opportunity for agricultural trade. But absent a successful outcome, farm and ranch families like ours will suffer. No one wants the administration to be more successful in this effort than we do. But it is important to know that these decisions have the potential to greatly damage our livelihoods.

Again, I thank you for the opportunity to be here, I would be glad to answer any questions later. Thank you, sir.

Statement of the
American Farm Bureau Federation

Statement to the House Committee on Ways and Means Subcommittee on Trade regarding the hearing:

The Effects of Tariffs on U.S. Agriculture and Rural Communities

July 18, 2018

Submitted By:

Russell Boening
Owner Boening Bros. Dairy Inc
Owner Loma Vista Farms
President of the Texas Farm Bureau

On behalf of
The American Farm Bureau Federation

Hello, my name is Russell Boening. I am a farmer from Poth, Texas. With my family I operate a diversified farming business, where we grow watermelons, feed grains, wheat and cotton. We also run a 500-cow dairy and have a beef cattle operation.

I currently serve as President of the Texas Farm Bureau. I am also a member of the American Farm Bureau Federation's Board of Directors and chair the AFBF Trade Advisory Committee.

My testimony today will focus on the impacts the tariffs and the retaliatory tariffs are having, and will have, on American agriculture and on farming and ranching in Texas.

U.S. Agriculture and Retaliation

U.S. agriculture exported over $140 billion in products world-wide in 2017. Over 25 percent of overall agricultural production goes to export markets, with many sectors, such as cotton and tree nuts, primarily dependent upon exports for their markets.

Trade action by the U.S. on steel and aluminum imports has already resulted in retaliation against U.S. agricultural exports. On April 2, 2018, China began imposing 25 percent tariffs on U.S. pork products and 15 percent tariffs on tree nuts (shelled and in-shell) including almonds, walnuts and pecans; fruit (fresh and dried) including apples, cherries, grapes, oranges and lemons; wine; ginseng; denatured ethanol and other products. This action is in response to increased U.S. steel and aluminum tariffs on China that went into effect on March 23, 2018. These tariffs by China will impact approximately $2 billion of U.S. food and agricultural exports.

Given the significance of the Chinese market, reductions in farm prices and production are expected for each product on China's retaliation list.

Similar negative impacts on farm prices are expected from the retaliatory tariffs that have been imposed by Canada, Mexico and the European Union because of the U.S. imposed steel and aluminum tariffs. A wide variety of agricultural products are on these retaliation lists, including pork, apples, potatoes, rice, orange juice and cheeses. In FY 2017 U.S. agricultural exports to Canada were $20.4 billion, Mexico was $18.6 billion and the European Union was $11.6 billion.

Unfortunately, for U.S. sorghum producers, a recent example of the impact of being at the center of a trade dispute is readily available. Since China's February 4, 2018, announcement that it was launching an antidumping investigation on U.S. sorghum exports, new sales of U.S. sorghum all but stopped. This trend was cemented on April 17, when the Chinese government announced its investigation had indeed concluded that U.S. grain sorghum was unfairly subsidized. As a result, U.S. grain sorghum imports immediately became subject to 179 percent duties upon entry. The loss of this important market has been devastating for U.S. sorghum growers. It drives home that real people's livelihoods are at stake in these times when trade rhetoric and action is particularly heated.

China has now lifted the duty on U.S. sorghum and stopped their antidumping investigation, but the damage has been done to U.S. sorghum producers and exporters.

On July 6, in retaliation for the tariffs imposed by the U.S. on $34 billion of their imports, China has placed 25% tariffs on $34 billion of U.S. exports to China. For agriculture, this list includes soybeans, wheat, beef pork, poultry, corn, sorghum cotton, tree nuts, fruit, wine, tobacco and other products.

This now leads to large cumulative tariffs that would completely price U.S. agricultural products out of foreign markets. China has now applied retaliatory tariffs on many agricultural products, such as pork, twice, as the result of the 232 steel and aluminum case and the 301 investigations. The combined new tariffs faced by U.S. agricultural products range from 40 to 50 percent.

While agriculture is bearing the brunt of retaliation for things that have absolutely nothing to do with our industry, it's not unfamiliar territory. In fact, for years the agricultural community has been highlighting the egregious tariff and non-tariff trade barriers being erected by our trading partners.

So, while we have serious concerns about the retaliation we are facing, I must also commend President Trump and his Administration for working to address problems that have existed for decades.

<u>Tariff Impacts</u>

- About 25 percent of U.S. farm products by value are exported each year.

- The retaliatory tariffs, from multiple countries, are, and will be, impacting many parts of U.S. agriculture. With farm prices low, we need to maintain and expand market opportunities. The back-and-forth tariffs are a challenge for U.S. agriculture.

- Crop prices fell sharply after announcements of U.S. tariff actions. New-crop corn and soybean futures have shown extreme volatility, during the first week of July they fell to their lowest levels of the year at $3.600 and $8.556 per bushel, down 66 cents and $1.97 per bushel. The impact will only get worse as the trade fight drags on and harvest season approaches in a month or two.

- Farmers who raise livestock or milk cows have seen their income immediately erode due to trade uncertainty. Milk and dairy product prices have fallen by more than 10 percent over the last month, and going back to the beginning of 2018 lean hog e futures have lost 15 percent of their value due to increased trade uncertainty.

- Our crops are already in the ground this year. Farmers cannot turn back the clock to adjust to the trade situation now in front of them. The best many of them can do is ride it out during the growing season.

- Agriculture has traditionally been a bright spot in our nation's overall balance of trade. In 2017 we exported $140 billion in farm products, which is $21 billion more than we bought. We will quickly lose our place as a leader in the global marketplace, however, if we cannot be trusted as a trading partner and our farmers no longer have access to markets they depend upon.

Texas Impacts

With Texas relying so heavily on trade overseas, we are concerned with the blowback from the Administration's decision to place tariffs on our trading partners.

International trade is a major driver of Texas' agricultural economy. We rely on trade each day to market the products we work so hard to grow. In fact, about 25 percent of U.S. farm income is derived from selling agricultural products internationally.

We are concerned with the blowback from the Administration's decision to place tariffs on our trading partners. Agriculture is bearing the brunt of retaliation at a time when farmers are already facing low commodity prices, high input costs and unpredictable weather.

Net farm income has also dropped 52 percent in the last 5 years, making it extremely difficult for farmers and ranchers to continue operating. The addition of a trade war comes at a time they can ill afford it.

We are also concerned that many of the benefits of tax reform, which are helping so many farm and ranch families, will be nullified due to retaliatory measures on U.S. agricultural products.

That uncertainty applies regardless of whether you are a crop, livestock, or dairy producer.

On our farm, we just finished harvesting sorghum where we have seen a decline in market prices. I am paying to store this crop in hopes that prices will go back up. This is an extra cost we will endure, but as a true optimist, we are hopeful the market will improve.

We will begin cotton harvest on our farm in about six weeks, against the backdrop of significant volatility in the market. 46 percent of cotton exported to China comes from Texas. Any potential loss of this important market would be very difficult for our cotton farmers.

Also, on our dairy, we have already seen prices of milk and other products fall by more than 10 percent over the last month alone. These are just a few personal examples and there are many other farmers and ranchers who are facing the same challenges with all the uncertainty over trade policy.

Texas exported almost $703 million worth of agricultural products to China in 2017. In 2017, exports of agricultural products added $1.5 billion to the Texas economy and provided almost 11,000 jobs for Texans. China is a significant market for Texas agricultural products. About 46%

of the cotton exported to China originates in Texas, along with 25% of grain sorghum, 16% of pecans, and 13% of beef.

Additionally, placing tariffs on our closest trading partners—particularly Canada and Mexico—is concerning. Farm Bureau believes we must continue working toward a strong modernized North American Free Trade Agreement (NAFTA). Ideally, this deal would be wrapped up as soon as possible while refraining from doing anything that limits investment protections.

While I could pick from a list of examples, I'll highlight just one. In 2015, China's "minimum support price" for corn, rice and wheat was estimated to be nearly $100 billion in excess of the levels China committed to when they joined the World Trade Organization.

<u>Let me make this clear: for just three crops - in just one year - China illegally exceeded its WTO limits by 100 billion dollars.</u> Some may think that's no big deal, but let me put this in context. We just finished a hard-fought farm bill debate, where some questioned the need for support provided to our farmers, BUT China's illegal subsidies - for just three crops - in one year - exceeded what we will spend on the entire farm safety net for <u>every crop on</u> <u>every acre in this nation</u> over the <u>entire life of the farm</u>

<u>Conclusion</u>

Farm Bureau urges our trade officials to engage in discussions to resolve trade concerns before resorting to tariffs. Tariffs targeting the many countries that export automobiles and automotive parts will potentially result in extensive additional retaliation against U.S. agricultural exports by tariffs and other restrictions.

If the President is successful - and we want and need him to be sooner rather than later - this could be a tremendous opportunity for agricultural trade. Absent a successful outcome, farm and ranch families like mine will suffer. No one wants the Administration to be more successful in this effort than we do, but it's important to know these decisions have the potential to greatly damage our livelihoods.

*Chairman Reichert. Thank you.

Mr. Paap, you are recognized.

STATEMENT OF KEVIN PAAP, CORN AND SOYBEAN FARMER, PRESIDENT, MINNESOTA FARM BUREAU

*Mr. Paap. Mr. Chairman, members of the committee, my name is Kevin Paap, as mentioned. I, along with my wife, Julie, who is here today, grow corn and soybeans in Blue Earth County, Minnesota. I am the Minnesota Farm Bureau state president.

Minnesota Farm Bureau strongly believes that, with the current financial stress farmers and ranchers are facing, we need to maintain and expand our market opportunities. We are truly blessed: we grow more than we need.

The current tariffs, continuing back-and-forth retaliatory actions, and trade uncertainties are hitting American agriculture from all sides, and are causing us to lose our markets. Once you lose a market, it is really hard to get it back.

Agriculture is facing the perfect storm: trade uncertainties, decade lows in farm income, agricultural labor shortages, and the uncompleted farm bill. It is quickly becoming more than we can handle.

In trade wars, agriculture has been and continues to be the tip of the spear. All commodities are being impacted, but in Minnesota we are hearing the most from our members that are growing soybeans and raising pigs. Page three of my written testimony clearly shows what trade uncertainty has done to our prices. Low prices are causing serious negative impacts on our farm income. Bottom line, lost sales lead to lower prices.

Now, many decisions in farming are not made week to week. We have to make decisions a long time before our crops are planted, much less harvested. We understand that there are things out of our control, like the weather. We can manage some of that risk through crop insurance and other risk management tools. What we didn't know was the level of trade tensions we would be experiencing and the serious price impacts they have on our crops as we move closer to harvest.

The impacts of tariffs on -- having on prices is what is keeping us up at night. Clearly, there are serious economic challenges, not only in agriculture, but also in our rural communities. Agricultural exports are important economic drivers. If you lose a market, it is really hard to get it back. We cannot afford to lose our place at the table as a leader in the global marketplace. We need to be at the table. If we are not at the table, we will be on the menu.

Tariffs are severely impacting our three largest markets: Canada, Mexico and China. Canada, Mexico, and China accounted for 43 percent of our farm exports last year. President Trump often talks about our need to export things that we make. But from a rural America perspective, we also need to export more of the things we grow.

We recognize that over 95 percent of the world's population does not live in the United States. We must work together to protect, modify, and modernize our current trade agreements. We must be at the table.

We must expand our market opportunities through new trade agreements. Minnesota Farm Bureau strongly believes that we need to resolve the trade concerns before resorting to tariffs. It is critical that we limit trade disruptions and resolve trade disputes through negotiations, not tariffs, and not withdrawals from other trade agreement discussions. We must be at the table.

Once you lose a market, it is really tough to get it back.

I appreciate the opportunity to appear before this subcommittee, and look forward to answering your questions.

STATEMENT OF
KEVIN PAAP
PRESIDENT

ON BEHALF OF
MINNESOTA FARM BUREAU

REGARDING
HEARING ON THE EFFECTS OF TARIFFS ON U.S. AGRICULTURE AND RURAL COMMUNITIES

BEFORE THE
HOUSE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE

JULY 18, 2018

1102 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC

Mr. Chairman and Members of the Committee:

My name is Kevin Paap. I, along with my wife Julie who is here today, grow corn and soybeans in Blue Earth County, Minnesota, and I serve as President of the Minnesota Farm Bureau Federation. Minnesota Farm Bureau is the state's largest general farm organization, representing more than 30,000 members of all farm sizes, types, commodities, and production methods, in every county.

Minnesota Farm Bureau strongly believes that with the current financial stress farmers and ranchers are facing, we need to maintain and expand market opportunities. The current tariffs, continuing back-and-forth retaliatory actions and trade uncertainties are hitting American agriculture from all sides and are causing us to lose our markets. Once you lose a market, it is really tough to get it back.

Current Financial Stress

Agriculture is facing the perfect storm - trade uncertainties, decade lows in farm income, agricultural labor shortages and the uncompleted 2018 Farm Bill. It is quickly becoming more than we can handle.

In trade wars, agriculture has been and continues to be the tip of the spear. All commodities are being impacted, but in Minnesota we are hearing the most from our members that are growing soybeans and raising pigs. On the next page are two commodity futures charts that clearly show what uncertainty in trade has done to our prices and the serious negative impacts it has had on our farm income.

November 2018 Soybeans Futures
October 2017-July 2018

December 2018 Hogs
October 2017-July 2018

Many decisions in farming are not made week by week. We have to make decisions a long time before our crops are planted, much less harvested. The soybean chart below shows when I bought my seed and when it was planted. As we were doing Spring planting, we understood there were things outside of our control, like the weather. What we didn't know was the level of trade tensions we would be experiencing and the serious price impact they would have on our crops as we move closer to harvest. Unlike other industries, it is nearly impossible to quickly adjust to factors outside of our control. We can manage some of our risks through crop insurance and other risk management tools. The impact tariffs are having on prices and on our farms is what is keeping farmers up at night. Clearly there are serious economic challenges not only in agriculture but also in rural communities.

Protecting and Expanding Markets

Agricultural exports are important economic drivers. Once you lose a market, it is really tough to get it back. In 2017, we exported $140 billion in farm products, which is $21 billion more farm products than we imported. We cannot afford to lose our place as a leader in the agricultural global marketplace.

Tariffs are severely impacting our three largest markets, which are Canada, Mexico and China. In 2016, agricultural and food exports accounted for nearly one-third of Minnesota's total merchandise exports. Specifically, more than 24 percent of all Minnesota agricultural exports go to Canada and nearly 24 percent of all Minnesota agricultural exports go to Mexico.

President Trump often talks about our need to export more things that we make, but from a rural America perspective, we also need to export more of the things we grow. U.S. agriculture carried a favorable trade balance, a surplus of $17 billion in 2017. Minnesota farmers recognize that more than 95 percent of the world's population lives outside of the United States and that we have the ability to reach customers outside of our borders through protecting, modifying and modernizing our current trade agreements and expanding market opportunities through new free trade agreements.

Bottom Line

Minnesota Farm Bureau strongly believes that we need to resolve trade concerns before resorting to tariffs. It is critical that we limit trade disruptions and resolve trade disputes through negotiations, not tariffs or withdrawals from other trade agreement discussions. Once you lose a market, it is really hard to get it back. I appreciate the opportunity to appear before the subcommittee and I look forward to answering your questions.

*Chairman Reichert. I thank you.

And Mr. VanderWal, you are recognized for five minutes.

STATEMENT OF SCOTT VANDERWAL, SECRETARY/TREASURER, VANDERWAL FARMS, PRESIDENT, SOUTH DAKOTA FARM BUREAU, VICE PRESIDENT, AMERICAN FARM BUREAU

*Mr. VanderWal. Thank you, Mr. Chairman, Ranking Member Pascrell, members of the subcommittee. Good afternoon. My name is Scott VanderWal. I am a farmer from Volga, South Dakota. We have a family operation, as Representative Noem mentioned, where my father is still involved at 82 years old -- he likes to do the feed lot chores whenever he can -- and my son, who is there, learning to manage probably earlier than he would have, because I am doing things like this. So it is good for him, as well.

I currently serve as president of the South Dakota Farm Bureau, and also have the honor and privilege of serving as vice president of American Farm Bureau Federation. My testimony today will focus on the growing concerns of farmers and ranchers across the country, due to the impact of tariffs on farmers -- farming and ranching, and all the -- also the impacts on South Dakota.

Our farmers are facing a lot of challenges right now. Since 2014 the American farmer's income has fallen 52 percent. Now farmers are dealing with big shifts in the commodity markets because of trade and tariff threats. Throughout history, some farmers have survived by expanding their operations. Today that option is nearly untouchable because of the lack of qualified labor and access to land.

The ingredients of this perfect storm, as President Paap said -- trade threats, lower income, the lack of labor, and possibly no farm bill -- will be more than many farmers can handle. We need Congress and the administration to remember that agriculture has traditionally been a bright spot in our Nation's overall balance of trade.

In 2017 we had a positive trade balance of $21 billion in regard to ag exports. We will quickly lose our place as a leader in the global marketplace, however, if we can't be trusted as a trading partner, and our farmers no longer have access to markets that they depend on.

Multiple rounds of U.S. tariff announcements and subsequent retaliatory tariffs by China have now led to large, cumulative tariffs that would completely price U.S. ag products out of foreign markets. Similar negative effects are expected from the retaliatory tariffs that have been imposed by Canada, Mexico, and the European Union because of the U.S.-imposed steel and aluminum tariffs.

And now to some specific impacts on South Dakota. According to the USDA Foreign Ag Service, 95 percent of the exports from our state go to the top steel exports; 84 percent of our exports go to the top aluminum exporters. Obviously, these markets are very crucial to us, and the retaliatory tariffs on our products hurt our state tremendously.

I am hearing more from farmers as time goes along that they still trust what President Trump is doing, and that he knows what he is doing, and that everything will be fine in the end. We understand that other countries, particularly China, have not played fairly, and we respect his desire to remedy those situations.

The problem is those countries know just where to punch us back in a dispute situation, and that is agricultural products. Through no fault of our own -- and unintentionally, I believe -- our industry ends up being used for leverage. Patience among farmers is running out, as we get closer to the main selling season.

As of yesterday, since the end of May, new crop soybean futures have dropped about $2 a bushel, or 20 percent, and corn has dropped about $.65 a bushel. The markets react daily to the trade wars and tariff news. And if sales have to be made at these price levels, this whole issue will show up as a massive shortfall in expected income on our financial statements. Specifically, for our small farm in South Dakota this amounts to a negative impact of about $150,000 for corn and beans alone.

Farmers and ranchers are among the most patriotic people in the world, but going bankrupt should not be a consequence of that dedication.

Now I want to make it crystal clear that we appreciate most of President Trump's efforts so far, such as reducing unnecessary regulations and taking a more conservative approach to issues that affect our industry the most. However, he does need to know that the ag industry has not participated in the current economic uptrend that we are seeing, and reductions in income due to long-term trade disputes only make matters worse.

We must ask. What is the exact goal? What is the exit strategy? If we knew this would all be over within a few months, we could hang in there and manage around it. But none of us know what that timeframe is.

We know that bankers are extremely worried. Ag lending is largely based on personal relationships. Lenders often work very long-term with their customers, and they become friends. They are members of the same community. They watch their kids play in sports together. The last thing a lender wants to do is sit across the desk from one of his customers and say, "I am sorry, but we can't renew your loan for this next year. You are out of business."

I am not exaggerating when I say that. That could become commonplace, if trade wars don't end soon. A banker I talked to yesterday said -- made an interesting comment. He said, "Driving around the countryside, the crops look fantastic. It is just too bad that there is not a drop of black ink out there."

Rather than fixing all the problems at once, we would suggest a more targeted approach. Get the Mexico and Canada deals done, and move on to China. We urge our trade officials to engage in discussions to resolve trade concerns. We must get back to the table, and get these issues worked out. If we can't do that, the consequences are dire.

Thank you very much.

Statement of the American Farm Bureau Federation

Statement to the House Committee on Ways and Means Subcommittee on Trade regarding the hearing:

The Effects of Tariffs on U.S. Agriculture and Rural Communities

July 18, 2018

Submitted By:

Scott VanderWal
Secretary/Treasurer of VanderWal Farms in Volga, South Dakota
President of the South Dakota Farm Bureau
Vice President of the American Farm Bureau Federation

Hello, my name is Scott VanderWal. I am a farmer from Volga, South Dakota. With my family I operate a diversified farming business, with the production of corn and soybeans, along with custom cattle feeding and custom harvesting.

I currently serve as President of the South Dakota Farm Bureau. I am also the Vice-President of the American Farm Bureau Federation.

My testimony today will focus on the growing concerns of farmers and ranchers across the country due to the impacts of the tariffs and on farming and ranching in South Dakota.

We urge the Administration and Congress to work to resolve trade imbalances through negotiations, not tariffs or FTA withdrawals that harm agriculture. We need to grow our export markets. At least 20 cents of every dollar in farm income comes from exports.

Our farmers are facing a perfect storm:

- Since 2014, the American farmer's income has fallen 52 percent. Now, farmers are dealing with big shifts in the commodity markets because of trade and tariff threats.

- Throughout history, some farmers have survived by expanding their operations. Today, that option is nearly impossible for many because of the lack of qualified labor.

- We also have the potential of going into harvest without a new farm bill.

The ingredients of this perfect storm—trade threats, lower income, the lack of labor and no farm bill—will be more than our farmers can handle.

We need to head off this perfect storm by showing the world that the U.S. can close a deal. Let's start with our closest neighbors, Mexico and Canada, engage with Japan, and move on to China.

<u>Tariff Impacts</u>

- Crop prices fell sharply after announcements of U.S. tariff actions. New-crop corn and soybean futures have shown extreme volatility, during the first week of July they fell to their lowest levels of the year at $3.600 and $8.556 per bushel, down 66 cents and $1.97 per bushel. The impact will only get worse as the trade fight drags on and harvest season approaches in a month or two.

- Farmers who raise livestock or milk cows have seen their income immediately erode due to trade uncertainty. Milk and dairy product prices have fallen by more than 10 percent over the last month, and going back to the beginning of 2018 lean hog futures have lost 15 percent of their value due to increased trade uncertainty.

- Agriculture has traditionally been a bright spot in our nation's overall balance of trade. In 2017 we exported $140 billion in farm products, which is $21 billion more than we bought. We will quickly lose our place as a leader in the global marketplace, however, if we cannot be trusted as a trading partner and our farmers no longer have access to markets they depend upon.

U.S. Agriculture and Retaliation

U.S. agriculture exported over $140 billion of products world-wide in 2017. Over 25 percent of overall agricultural production goes to export markets, with many sectors, such as cotton and tree nuts, primarily dependent upon exports for their markets.

Trade action by the U.S. on steel and aluminum imports has already resulted in retaliation against U.S. agricultural exports. On April 2, 2018, China began imposing 25 percent tariffs on U.S. pork products and 15 percent tariffs on tree nuts (shelled and in-shell) including almonds, walnuts and pecans; fruit (fresh and dried) including apples, cherries, grapes, oranges and lemons; wine; ginseng; denatured ethanol and other products. This action is in response to increased U.S. steel and aluminum tariffs on China that went into effect on March 23, 2018. These tariffs by China will impact approximately $2 billion of U.S. food and agricultural exports.

Given the significance of the Chinese market, reductions in farm prices and production are expected for each product on China's retaliation list.

Similar negative impacts on farm prices are expected from the retaliatory tariffs that have been imposed by Canada, Mexico and the European Union because of the U.S. imposed steel and aluminum tariffs. A wide variety of agricultural products are on these retaliation lists, including pork, apples, potatoes, rice, orange juice and cheeses. In FY 2017 U.S. agricultural exports to Canada were $20.4 billion, Mexico was $18.6 billion and the European Union was $11.6 billion.

On July 6, in retaliation for the tariffs imposed by the U.S. on $34 billion of their imports, China has placed 25 percent tariffs on $34 billion of U.S. exports to China. For agriculture, this list includes soybeans, wheat, beef, pork, poultry, corn, sorghum, cotton, tree nuts, fruit, wine, tobacco and other products. This action by China is already affecting farmers and ranchers across America.

This now leads to large cumulative tariffs that would completely price U.S. agricultural products out of foreign markets. China has now applied retaliatory tariffs on many agricultural products, such as pork, twice, as the result of the 232 steel and aluminum case and the 301 investigations. The combined new tariffs faced by U.S. agricultural products range from 40 to 50 percent.

South Dakota Impacts

I would like to briefly tell you about the impact on South Dakota specifically. According to the USDA Foreign Agricultural Service, 95 percent of agricultural exports from South Dakota go to the top steel exporters; 84 percent go to the top aluminum exporters; and 73 percent of our ag exports go to the NAFTA countries. Obviously, these markets are crucial to us and retaliatory tariffs on our products hurt our state tremendously.

I am hearing more from farmers as time goes along that they still trust that President Trump knows what he's doing and everything will be fine in the end. We understand that other countries, particularly China, have not played fairly, and we respect his desire to remedy those situations. The problem is, those countries know just where to punch us back in a dispute by targeting our agriculture products. Through no fault of our own, and unintentionally, our industry ends up being used for leverage.

Patience is running out as we get closer to the main selling season. As of July 13, since the end of May, new crop soybean futures prices have dropped $2.20 per bushel and corn has dropped $0.70 per bushel. The markets react daily to the trade war and tariff news, and if sales have to be made at these price levels, this whole issue will show up as a massive shortfall in expected income on our financial statements. Specifically, for our small farm, for just corn and soybeans, this amounts to a negative impact of $160,000 on our income statement. Farmers and ranchers are among the most patriotic people in the country, but going bankrupt should not be a consequence of that dedication.

I want to make it crystal clear that we appreciate many of President Trump's efforts so far, such as reducing unnecessary regulations and taking a more conservative approach to the issues that affect our industry most. However, he also needs to know that the agriculture industry has not shared in the current economic uptrend and reductions in income due to long term trade disputes only make matters worse.

We must ask, what is the exact goal? What is the exit strategy? If we knew this would all be over within a few months, we could hang in there and manage around it. Obviously, none of us know the time frame and that uncertainty is very detrimental.

We know that bankers are extremely worried as well. Ag lending is largely based on personal relationships. Lenders often work very long-term with their customers and can become personal friends as well. They are all members of their communities, attend church together and cheer on their children in school sports. The last thing a lender wants to do is to sit across the desk from one of their customers and say "I'm sorry, but we can't renew your operating loan for next year. You are out of business." I am not exaggerating when I say that this could become commonplace if the trade wars don't end soon.

Rather than fixing all of the problems at once, we would suggest a more targeted approach. Get the Mexico and Canada deals done and then focus on China. We need a win to give farmers and ranchers - and the markets - some optimism.

Conclusion

We urge our trade officials to engage in discussions to resolve trade concerns before resorting to tariffs. Adding additional tariffs, such as those targeting the many countries that export automobiles and automotive parts to the U.S., and on an expanded list of Chinese imports, will potentially result in extensive additional retaliation against U.S. agricultural exports by tariffs and other restrictions.

We must get back to the table and get these issues worked out. If we cannot do that, the consequences are dire.

*Chairman Reichert. Thank you.

Ms. Erickson-Jones, please?

STATEMENT OF MICHELLE ERICKSON-JONES, CO-OWNER, GOOSENECK LAND AND CATTLE, PRESIDENT, MONTANA GRAIN GROWERS ASSOCIATION, FARMERS FOR FREE TRADE, NATIONAL ASSOCIATION OF WHEAT GROWERS

*Ms. Erickson-Jones. Thank you, Chairman Reichert, Ranking Member Pascrell, and the members of the committee for the opportunity to testify today. My name is Michelle Erickson-Jones, and I am the co-owner of Gooseneck Land and Cattle. I am from Broadview, Montana. I also currently serve as the president of the Montana Grain Growers Association, I am on the board of the National Association of Wheat Growers, and I am a member of Farmers for Free Trade.

As a fourth-generation farmer it is my honor to testify here today on the impacts of tariffs on our farm, my industry, and, most importantly, my community that depends on trade for their livelihood.

American agriculture is a tremendous global success story, and the wheat industry is certainly no different. As such, trade is critically important to the U.S. economy and our rural communities. Farmers across the country depend heavily on our ability to sell our commodities to the foreign consumers. We are painfully aware of the prevalence of unfair trading practices used by some countries, and we support the administration's interest in finding solutions to tariff and non-tariff barriers that impede fair trade.

But what I would like to share with you today are some examples of the impact of tariffs imposed by our own administration and by the retaliatory tariffs leveled by our trading partners. These impacts felt by farmers such as myself throughout our supply chain, from higher input costs to reduced exports and lower market prices.

In May I testified at Section 301 hearings at the International Trade Commission. As I said then and believe more strongly than ever now, while many rural American families are optimistic about the economic growth under the current administration, there is mounting concern among farmers about trade policies that would reduce access to the export markets that we depend on.

There have been very few issues in my career as a farmer that have caused me to lose sleep, but these tariffs are one of them. I would like to share some of the effects that have been -- directly impacted my farm and my family.

The first wave started at the time the administration imposed tariffs on steel and aluminum. For me and farmers across the country, that translated into increased costs for capital investments.

For example, earlier this year we priced a new 25,000-bushel grain bin to increase our grain storage capacity on the farm. The price was 12 percent higher than an identical bin we had built in 2017. As we weighed our options, the bid on bin number two expired and we sought a second bid. In that timeframe the Section 232 tariffs had been enacted, and our secondary bid was 8 percent higher than the one we had received just a few weeks ago. That amounted to a 20 percent increase from a bin that we had built just a year before.

The bin company attributed the difference in the final bin cost to the significant increase in the cost of steel. I learned that their domestically-sourced steel suppliers had increased their price to match that of imported steel, which was subject to an additional 25 percent duty when imported. As a result of this dramatic cost increase and volatility in the market, we abandoned our grain storage expansion project.

The implications of that not only harm my operation, it also hurt my community: a small local construction company lost a project; a U.S. grain bin company missed a sale; and a domestic steel company had one less shipment to send out of their factory.

Another unexpected outcome is something we are living through right now. Back in January we built cattle guards for several capital improvement projects we had planned for later in the fall. A neighbor saw the finished project and asked to buy several from us. We agreed, because we thought we would be able to utilize the profits for other investments, or even to put away for a rainy day fund. Last week I priced the steel that needed to replace the cattle guards I sold. The price of steel had increased 38 percent, which evaporated our profits. We will now build those -- rebuild those cattle guards at a loss.

These scenarios are playing out across the Nation, particularly the states that depend on agriculture. These states depend on healthy agricultural commerce for a robust economy. As our profits evaporate and our ability to spend on rural Main Street businesses or take weekends away decreases, our other top economies, including tourism and manufacturing, are negatively impacted, as well.

While one singular example is -- of a small sum of money in the big picture is not much, adding them up across our rural economy becomes a staggering sum. There are countless examples in Montana where, last summer, large portions of the state were on fire. Just imagine the cost of replacing fencing or other equipment with prices increases by double digits at a time of record-low prices for the agricultural commodities. The impacts on our input costs, coupled with the increased market volatility and lower farm gate prices, have further reduced our already slim margins. According to the USDA Economic Research Service, net farm income is expected to drop to a 12-year low.

Now allow me to further illustrate the impacts of tariff on our top line, which is sales, especially in an industry that exports 500 -- or $450 million of wheat to China, annually, 65 million of which came from Montana. China is the world's largest wheat consumer, with a significant trade opportunity in their market. In the market year 2017, China was our fourth-largest customer. However, China -- when China placed a 25 retaliatory tariff (sic) against U.S. wheat, not one shipment of wheat has been purchased from the U.S. since March. The last shipment arrived last month.

And now I have -- see that I am running short on time, so I will wrap it up there, and welcome questions.

[Laughter.]

TESTIMONY OF MICHELLE ERICKSON-JONES

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON WAYS AND MEANS SUBCOMMITTEE ON INTERNATIONAL TRADE

JULY 18, 2018

Mr. Chairman and Members of the Committee. My name is Michelle Erickson-Jones and I am the Co-Owner of Gooseneck Land and Cattle from Broadview, Montana. I also currently serve as the President of the Montana Grain Growers Association, am on the Board of Directors of the National Association of Wheat Growers and a member of Farmers for Free Trade. As a fourth generation farmer, it is my honor to testify today on the impacts of tariffs on my farm, my industry and most importantly my community that depends on trade for its livelihood.

American agriculture is a tremendous global marketing success story. We export 50 percent of our wheat and soybeans, 70 percent of fruit nuts, and more than 25 percent of our pork. We are also the top exporter of corn in the world. Exports account for 20 percent of all U.S. farm revenue and we rely on strong commercial relationships in key markets including Canada, Mexico, Japan, the European Union and, of course, China – the second largest market for U.S. agriculture, accounting for nearly $19 billion in exports in 2017. U.S. agriculture exports also support over 1,000,000 American jobs. As such, trade is critically important to the U.S. economy and our rural communities.

Farmers across the country depend heavily on the ability to sell our commodities to foreign consumers. We are painfully aware of the prevalence of unfair trading practices used by some countries and we support the Administration's interest in finding solutions to tariff and non-tariff barriers that impede fair trade. But what I'd like to share with you today are some examples of the impact of tariffs imposed by our own Administration and by the retaliatory tariffs levied by our trading partners. These impacts are felt by farmers such as myself throughout our supply chain, from higher input costs to reduced exports and lower market prices.

In May, I testified at Section 301 hearing at the International Trade Commission. As I said then and believe more strongly than ever now, "while many rural American families are optimistic about economic growth under the current Administration, there is mounting concern among farmers about trade policies that would reduce access to the export markets they depend on."

There have been very few issues in my career as a farmer that have caused me to lose sleep. But these tariffs are one of them. I'd like to share some of the effects that have directly impacted my farm and family.

The first wave started at the time the Administration imposed tariffs on steel and aluminum. For me and farmers across the country that translates into increased costs of capital investments. For example, earlier this year we priced a new 25,000-bushel grain bin to increase grain storage capacity on our farm. The price was 12 percent higher than an identical bin we had built in 2017.

As we weighed our options, the bid on bin #2 expired, so we sought a second bid. This bid was 8 percent higher than the-one we received just a few weeks prior – a 20 percent increase total in the cost of the same steel product in just one year.

The bin company attributed the difference in the final bin cost to a significant increase in their cost of steel. I learned that their domestically sourced steel suppliers had increased their prices to match the price of imported steel which was subject to an additional 25% duty when imported. As a result of this dramatic cost increase and volatility in the market, we abandoned our grain storage expansion project. The implications of that decision not only harmed my operation, it also hurt my community: a small local construction company lost a project, a U.S. grain bin company missed a sale, and a domestic steel company had one less shipment to send out of their factory.

Another unexpected outcome is something we are living through right now. Back in January, we built cattle guards for several capital improvement projects we had planned for later in the fall. A neighbor saw the finished product and asked to buy several from us. We agreed because we thought we would be able to utilize the profits for other investments. Last week I priced the steel needed to replace the cattle guards I had sold. To my shock, the price of steel had increased 38% - evaporating our profits. To make matters worse, now we will no longer break even on the project.

These scenarios are playing out across the nation, particularly the states that depend on agriculture. These states depend on healthy agricultural commerce for a robust economy. As our profits evaporate and our ability to spend on rural main street businesses or take weekends away decreases, our other top economies, including tourism and manufacturing, are negatively impacted as well.

While one singular example is a small sum of money in the big picture, adding up those small singular examples shows the real and substantial increase to agriculture and rural main street.

There are countless examples in Montana, where last summer, large portions of my state were on fire. Just imagine the cost or replacing fencing or other equipment with prices increasing by double digits – at a time of record low prices for agriculture commodities. The impacts on our input costs coupled with increased market volatility and lower farmgate prices have further reduced our already slim margins. According to the USDA Economic Research Service net farm income is expected to drop to a 12-year low, down 6.7% from 2017.

Now allow me to further illustrate the impact of tariffs on our topline – sales – especially in an industry that exports $450 million in wheat to China annually, $65 million of which was from Montana. China is the world's largest wheat consumer, with a significant trade opportunity in their market. In market year 2016/2017 China was our fourth largest costumer, however when China placed a 25% retaliatory tariff against US wheat not one new shipment has been purchased from the US since March, and the last shipment arrived in June.

Wheat growers also understand that China hasn't been keeping to their trade obligations they agreed to when they joined the WTO, and as such the US has two cases against China for their domestic support programs and their TRQ requirements for wheat, rice and corn. We applaud the Administration for moving forward with these cases and believe this is the proper course of action to hold our trading partners accountable to their trade commitments. We do not, however, support the tariffs which have already hurt many farmers across the US through both the tariff retaliation and domestic decisions as I have outlined.

For Montana, other commodities are also being hurt. Our producers are already suffering from the 25 percent import tariff on American pork and are bracing for the impacts on beef. Mexico has also targeted these two sectors in response to the steel tariffs.

In addition, these markets that we've been growing for decades could be lost to our competitors who do not have tariffs against their products, a fate that could last for years or decades to come. The same can also be said by not seeking or joining new trade agreements, for example when CPTTP is implemented our Canadian and Australian wheat competitors will gain a price advantage in Japan against US wheat, potentially losing our largest wheat market.

Currently farmers like me are not only struggling to ensure this year's crop is profitable, but we are also concerned about the long-term impacts to our valuable export markets. For young and beginning farmers like me the stakes are even higher. We are often highly leveraged, just establishing our operations, as well trying to ensure we have access to enough capital to successfully grow our operations. Increased trade tensions and market uncertainty makes our path forward and our hopes to pass the farm on to our sons less clear. I hope to pass my farm to my sons and as such urge you to consider the tolls these tariffs will have on my operation and how it impacts that possibility, and many other family farms, as outlined in my testimony.

Thank you for the opportunity to testify today.

*Chairman Reichert. Mr. Bernstein?

STATEMENT OF JARED BERNSTEIN, SENIOR FELLOW, CENTER ON BUDGET AND POLICY PRIORITIES

*Mr. Bernstein. Chairman Reichert, Ranking Member Pascrell, members of the subcommittee, I thank you for the opportunity to testify today on troubling developments in international trade.

With no input and too little substantive push-back from Congress, the Trump Administration is actively engaged in an escalating trade war, by which I mean the imposition of new tariffs by both the U.S. and, in retaliation, our trading partners.

The economic record shows that expanded trade is a net positive for growth, both here and abroad. But that same record reveals people, places, and industries that have been hurt by the trade liberalization that has taken place since the 1980s.

China, for example, has often engaged in unfair trading practices, including suppressing the value of their currency to make their exports to us cheaper and ours to them more expensive. They have also dumped steel onto world markets. Their heavily subsidized steel sector increased its production by over 500 percent between 2000 and 2016, contributing to more than half of global over-capacity in the steel industry.

I credit the Trump Administration for raising these issues, but raising issues is not the same as effectively addressing them. And this administration's escalating trade war is likely to do more harm than good to American production, prices, investment, growth, and employment.

The Trump Administration is not helping those hurt by trade, and these latest actions are likely to hurt those helped by it. That is, by imposing a tax on imported inputs into U.S. production by inviting retaliatory tariffs, U.S. businesses that have fruitfully tapped the benefits of globalization now face rising barriers to trade, barriers that are becoming steeper with each new round of tariffs and counter-tariffs.

Based on evidence of price movements and the number of jobs by industry and area exposed to China's retaliatory tariffs, the trade war is already taking a toll on farmers in rural communities. Prices for U.S. soybeans, one of our main agricultural exports, have fallen sharply, while prices in Brazil remain competitive for global market share, and soybean exports have climbed equally sharply.

To be clear, the overall macro-economic impacts of the trade war as thus far economically small. The tariffs will likely only slightly boost top-line inflation and lower overall GDP growth. But in targeted industry, these effects are already meting out pain to exporters facing retaliatory tariffs and importers of inputs facing higher prices on incoming intermediate goods.

Also, the trade war is actively escalating, and the extent to which its impact will remain macro-economically small is yet to be seen.

Based on data from the Brookings Institution, my testimony looks at jobs exposed to China's retaliatory tariffs. While every job in affected industries is, of course, not at risk, this exercise shows the base employment exposed to China's tariffs thus far.

Their analysis finds about 2 million jobs in 40 industries that produced the products on China's list, including about 400,000 farm jobs. The authors also note that the "classic Heartland manufacturing base" jumps out, anchored by auto, SUV, and RV assembly plants in the Midwest and upper South along Interstate 65.

Likewise, the familiar Midwestern agriculture complex is visible, with counties dedicated to corn and soybeans, and led by the highly-visible rural counties in the Midwest and South that are dominated by slaughter houses. Similarly, rural fruit and nut-growing counties of the Northwest stand out as exposed, as does counties in Washington State, with its 38,000 aircraft manufacturing jobs, mostly at Boeing.

In fact, in a finding I thought might catch your attention, Chair Reichert, the Brookings data find that Washington is the state with the largest share of exposed workers, 154,000, almost 5 percent of the total.

Those hurt by trade really do need help. And while our steel industry may get some necessary relief from China's dumping, there is no rationale for letting these metal tariffs on friends such as Canada or the EU. Moreover, tariffs won't provide those whose economic prospects have been hurt by globalization with the economic opportunity they lack.

Thus, I urge Congress, and especially the Republican majority, as they hold the legislative cards, to claim back its constitutional role to set tariffs. I recognize that there are some efforts afoot to do so, but they have been demonstrably toothless and ineffective, thus far.

I welcome the opportunity to raise my concerns about the trade war today, but this hearing is no substitute for the type of congressional action that the founders of our Nation clearly articulated in the Constitution for moments like the present, when presidential overreach is so misguided and damaging.

Thank you.

Testimony by Jared Bernstein

The Effects of Tariffs on U.S. Agriculture and Rural Communities
Committee on Ways and Means, Trade Subcommittee

July 18, 2018

Introduction

Chairman Reichert, Ranking Member Pascrell, members of this subcommittee, I thank you for the opportunity to testify today on troubling developments in international trade.[1] With no input and too little substantive pushback from Congress, the Trump administration is actively engaged in an escalating trade war, by which I mean the imposition of new tariffs by both the U.S. and, in retaliation, our trading partners.

I have long argued that, while expanded trade is a net positive for both us and our trading partners, there are people, places, and industries that have been hurt by the trade liberalization that has taken place since the 1980s. China, for example, has often engaged in unfair trading practices, including currency suppression and the dumping of steel onto world markets. I credit the Trump administration for raising these issues.

But his administration has not done nearly enough to ameliorate the problems they've raised, and their escalating trade war is likely to do more harm than good to American production, prices, investment, growth, and employment. The Trump administration is not helping those hurt by trade, and these latest actions are likely to hurt those helped by it.

That is, by imposing a tax on and thus raising the price of imported inputs into U.S. production, and by inviting retaliatory tariffs, U.S. businesses that have fruitfully tapped the benefits of globalization now face rising barriers to trade, barriers that are becoming steeper with each new round of tariffs and counter-tariffs.

Regarding the subject of today's hearing, based on evidence of the number of jobs by industry and area exposed to China's retaliatory tariffs, I argue that the trade war will hurt farmers and rural communities. Already, prices for U.S. soybean, one of our main agricultural exports, have fallen sharply, while prices in Brazil, our main competitor for global market share in soybean exports, have climbed equally sharply.

To be clear, the overall, macroeconomic impacts of the trade war are thus far economically small, as I show below, in the sense that the tariffs will likely only slightly boost inflation and lower growth. But in targeted industries, these effects are already meting out pain to exporters facing retaliatory tariffs and importers of inputs facing new tariffs on incoming intermediate goods. Also, the trade war is actively escalating, and the extent to which its impacts will remain macroeconomically small is yet to be seen.

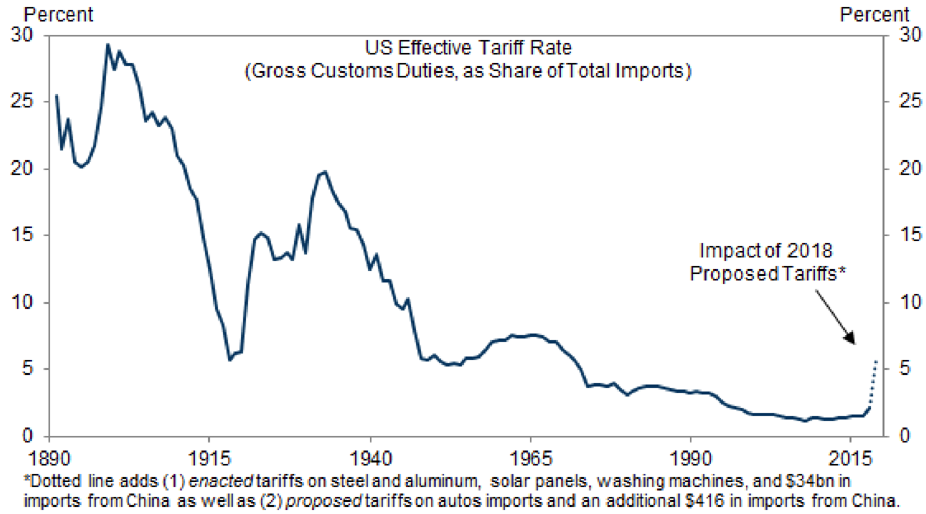
But whatever their magnitude, for most industries, they push in the wrong direction. Those hurt by trade really do need help, but as I stress in my conclusion, while our steel industry may get some necessary relief, tariffs generally won't provide those whose economic prospects have been hurt by globalization with the economic opportunity they lack. Thus, I urge Congress, and especially the

[1] My testimony and comments today do not reflect the views of my employer, The Center on Budget and Policy Priorities.

Republican majority, as they hold the legislative cards, to claim back its Constitutional role to set tariffs. I recognize that there are some efforts afoot to do so, but they have been demonstrably toothless and ineffective thus far. While I welcome and appreciate the opportunity to raise my concerns about the trade war today, this hearing is no substitute for the type of Congressional action that the founders of our nation clearly articulated in the Constitution for moments like the present, where presidential overreach would be misguided and damaging.

Economic Impacts: Small magnitudes so far, but all pushing in the wrong direction

Though many U.S. tariffs were in place before the Trump administration's actions, the overall effective tariff rate (customs duties as a share of the value of imports) in the U.S. before Trump's trade war was, as the figure below shows, at historical lows of just around two percent. As the dotted line at the end of the figure shows, recently enacted and proposed tariffs raise that effective rate to over five percent.



Source: USITC, Goldman Sachs Global Investment Research

To be sure, estimates of the economic impact of the tariffs are, as yet, economically small. To date, the Trump administration has levied tariffs on about $85 billion worth of goods, less than five percent of our $2.4 trillion in imports last year. Adding in the value of our trading partners' retaliation takes that the sum of our imports and exports to $165 billion, still less than one percent of U.S. GDP.

Researchers at Goldman Sachs (GS) offer a handy rule of thumb for mapping tariffs onto macroeconomic outcomes: for every percentage point increase in the effective tariff rate, the level of US real GDP would be reduced by 1-2 basis points, or hundredths of a percent. GS goes on to point out that "the total tariffs proposed, which would cover roughly $775 billion in US imports, would lower the level of US GDP by 0.1 percentage point compared with no tariff increases." Inflation, by their estimates, could increase by 20 basis points if all of Trump's threats come to fruition. Especially given the current solid condition of the U.S. macroeconomy and labor market, none of these estimates are large enough to come anywhere close to derailing the solid, ongoing expansion.

But the economic impact of the trade war is, by its nature, a moving target, and this creates an uncertain climate not picked up by the models from which the above results are derived. Moreover, as per the topic of today's hearing, some of the actual and potential impacts on farming and rural areas have been considerably more noticeable than the overall, economy-wide impacts.

For example, Muro et al of the Brookings Institution have examined how China's retaliatory tariffs might affect workers in targeted industries by state and county. To do so, they looked at China's list of targeted products and determined the industry that produce these exports. While every job in the industry is, of course, not at risk, this exercise shows the base employment exposed to China's tariffs. Note that this list was produced before the Trump administration's latest threat to significantly ramp up the amount of Chinese goods facing U.S. tariffs.

Their analysis finds about 2 million jobs in 40 industries that produce the products on China's list. Given total employment of 150 million, this exposed share is small relative to the total workforce. But, as the table below shows (a subset of the study's findings), many of these industries are in farming. For example, corn farming (18,000 jobs), soybeans (5,000), and hog production and slaughter (147,000); fruit and nut production (187,000), wineries (60,000), and distilleries (12,000).

Farm jobs exposed to China's retaliatory tariffs

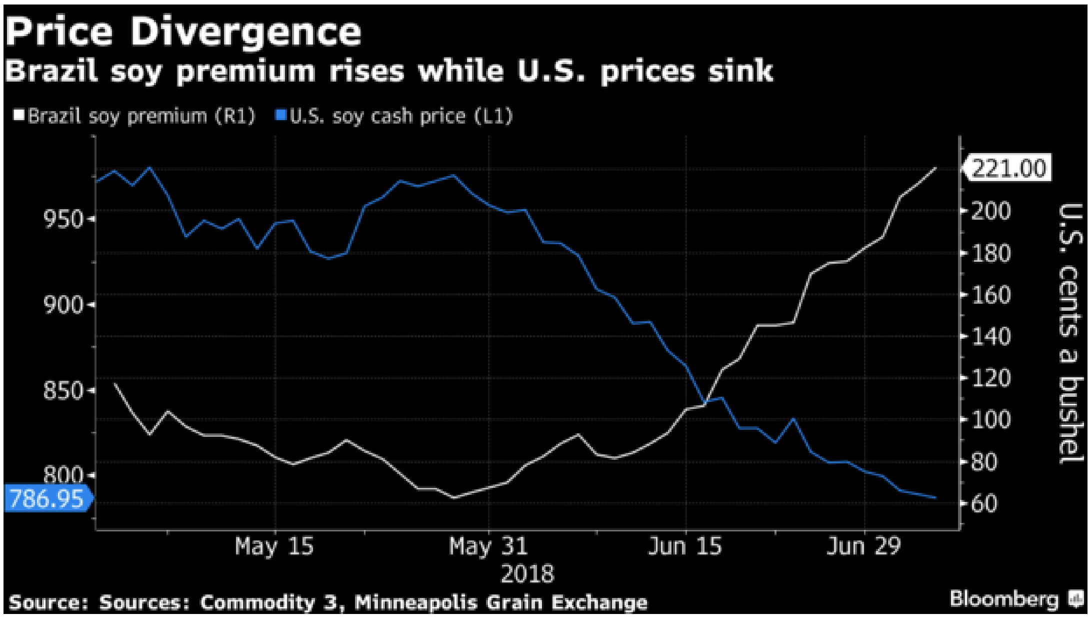
Farming industry	Number of exposed jobs
Fruit and Nut Tree Farming	193,000
Animal (except Poultry) Slaughtering	135,000
Hog and Pig Farming	33,000
Corn Farming	18,000
Cotton Farming	14,000
Wheat Farming	6,000
Soybean Farming	5,000
All Other Graming Farming	4,000
Tobaco Farming	3,000
Source: Muro, Whiten, Maxim; 2018	

In a section highly germane to this hearing, the Brookings authors characterize the geographical distribution—places with jobs exposed to China's tariffs—as follows (their bold):

"Immediately the classic heartland manufacturing base jumps out, anchored by auto, SUV, and RV assembly plants in the **Midwest** and **upper South** along Interstate 65. Likewise, the familiar **Midwestern** agricultural complex is visible, with counties dedicated to corn and soybeans, and led by the highly visible rural counties in the Midwest and South that are dominated by slaughter houses…Similarly, rural fruit- and nut-growing counties of the Northwest stand out as exposed as does **Snohomish County**, **Wash.**, with its 38,000 aircraft manufacturing jobs mostly at Boeing."

In fact, in a finding that I thought might catch your attention, Chair Reichert, the Brookings data find that Washington is the state with the largest share of exposed workers: 154,000 almost 5 percent of the total.

Sticking with China trade, the U.S. exports nearly $20 billion of agriculture goods to China, and more than half of those exports are soybeans. In retaliation for Trump's enacted and threatened tariffs on China's exports to the U.S., the Chinese have placed a 25 percent tax on U.S. soybean exports (along with over 100 other products). This has reduced demand for American soybeans, while boosting that for our main competitor in this space, Brazil (together, the U.S. and Brazil supply 80 percent of soybean exports). The figure below, from July 6th, shows U.S. soybean prices falling sharply with those of Brazil rising just as quickly. It presents a clear and unsettling picture of the comparative disadvantage invoked by the trade war.



Source: https://www.bloomberg.com/news/articles/2018-07-05/u-s-soy-prices-are-crumbling-as-trade-war-sparks-brazil-rally

Summarizing, the magnitudes of the economic impacts of the trade war thus far are small relative to the macroeconomy, but that finding provides little solace in subindustries, products (like soybeans and washing machines) and geographical areas where they are concentrated. Moreover, the war is escalating, and the magnitude of its ultimate impact is unknowable. What is knowable is that from the perspective of exporters facing retaliatory tariffs and importers facing higher prices for imported inputs, the results thus far and in the medium-term future are damaging to commerce, employment, prices, and real incomes.

Congressional Inaction

It is thus essential that the Congressional majority stands up to President Trump's destructive actions.

The very existence of this sub-committee relates to the intention of the framers of the Constitution that the Congress determine tariffs and regulate trade. This, in turn, relates to Congress's "power-of-the-purse" role, as tariffs played a key role in financing our young nation. Of course, over the years, Congress has ceded much of that power back to the president, through measures like Section 232 that allow the president to raise tariffs without Congressional approval by invoking risks to national security.

One has to look no further than Canada—it is implausible that Canada poses a security risk to the U.S.—to recognize that President Trump is abusing that privilege and, in so doing, is in clear violation of the spirit of the law and the intentions of the framers. In this regard, it has been notable to see members of the Congressional majority reassert Congressional prerogatives and demand a role in counteracting President Trump's unilateral actions.

However, excepting a nonbinding resolution passed overwhelmingly in the Senate, one the President can ignore and is actively doing so, none of these measures appear to have legislative traction. A key reason for this appears to be the Republican leadership's view that Trump would veto any such bill. This is certainly true, but the Constitution also foresaw that possibility as well, of course, and provided the opportunity for Congress to override vetoes in cases such as this with a two-thirds majority in both chambers.

Legislation to push back on the abuse of presidential trade authority could be tailored to ensure that the administration still had the authority to impose, without Congressional approval, countervailing duties and anti-dumping cases at the request of industries and with the approval of the International Trade Commission. Instead, Congress could reclaim its authority regarding sweeping tariffs, particularly regarding the potential for unjustified use of section 232. As noted, legislation to achieve these types of goals has been introduced in this Congress in both chambers, but Republican leadership has consistently failed to take action on it.

A recent article in the National Review, a conservative publication, was entitled: *Will Congress Reassert Its Constitutional Authority to Impose Tariffs?* The article's subhead read: "It should, but lawmakers are more likely to wring their hands…" and complain without taking decisive action. I challenge the members of the trade subcommittee to prove that article to be wrong.

Conclusion

One reason Donald Trump is president today is because he correctly identified something many political and policy elites had long denied: by significantly increasing global competition and allowing U.S. firms largely unfettered access to cheap labor through outsourced production, the increase in trade has hurt certain workers and their communities in the U.S. The result has been the loss of high value-added jobs for many Americans, with little by way of policy to ameliorate their economic losses or prepare them for new opportunities.

But Trump's identification of this significant problem was purely political. Neither he nor his team have suggested a policy agenda that would help those hurt by trade. To the contrary, the large, regressive, unpaid-for tax cut they passed leads to budget deficits that they and members of the Congressional majority now point to as a rationale for cutting programs that could help economically vulnerable Americans.

The administration's escalating trade war is likely to hurt many producers and exporters now facing retaliatory tariffs. To be clear, there is a role for tariffs when trading partners engage in unfair practices, such as China's dumping of steel in world markets. But even here, this administration's haphazard application of those tariffs to allies such as Canada, combined with the lack of any strategy regarding next steps, casts serious doubt on their provision of effective relief.

At least for now, the macroeconomic damage from the trade war is likely to be small, especially given the U.S. economy's strong trajectory. But these actions push in the wrong direction, and even while their impact may be small in a macro context, various groups, including famers and those in rural areas, will be—already are being—disproportionately hit by these new taxes on their exports (from retaliatory tariffs) and their production inputs.

I therefore urge the Congressional majority to take substantive, as opposed to unenforceable, steps to reclaim their Constitutional role of setting tariffs and regulating trade. Not only would such actions help those being hurt by the trade war, but they would show the American people that this body can work together to promote what's best for our country and our economy, and in so doing, is willing to stand up to a reckless President who is clearly not concerned about abusing his power.

*Chairman Reichert. Thank you for your testimony. I appreciate the statistics around Washington State. I mean it does not surprise me, since we are the most trade-dependent state in the country, so -- but thank you for those.

We are going to go to questions now, so you will have opportunities to respond to those and have more time to explain the impacts of tariffs on your businesses. But Mr. -- I want to go to Mr. Gebbers first.

Can you elaborate just a little bit on the importance of exports to your overall farming operation, and your ability to continue investing in your business?

*Mr. Gebbers. Absolutely. I will just use China for an example. Our company exports -- we grow about 4.5 million boxes of cherries. We export about 1.5 million of those to China. The state exported 3 million, so we are about 50 percent of all the exports of Washington in U.S. cherries leaving for China.

This year, with the impact of these tariffs, we think that number is going to be cut by close to a million boxes, maybe a little less than a million. So we are planning on maybe 5, 600,000 boxes, instead of a 1.5 million. Those boats have been re-routed to Vietnam or Taiwan, or they have been stuffed back into the U.S. market, which is -- you know, is creating extra supply, and forcing down prices. All of this at the expense of our growers.

And so, personally, we have canceled some capital expenditure projects. We would have updated equipment, we were, you know -- have new blocks of orchard planned, you know, new irrigation systems. And we are going to have to put those on the back burner or cancel them. And maybe having 12 guys in a van, maybe we have to cut that down to 9 guys, because we are going to have to lay some families off or get rid of some guys. We have to figure out how to make it work in these tight margins.

*Chairman Reichert. Yes.

*Mr. Gebbers. We can't just pass these prices on. I will give you an example.

Cherries were about $8 a pound in China. You guys all pay about 2.99 to 1.99 here at Whole Foods or Safeway. We tried to raise those cherries to $10 a pound or $11 a pound. Demand went to zero. We just -- they said, "Cancel the orders. We are not going to want that fruit at this price."

Our apples in India went to 75 percent tariff. The orders are zero. They have dried up.

Mexico is down 40 percent with a 20 percent tariff. So they are having an effect on how we, as a company -- we had to re-shift or re-jigger our export program, based on what we are feeling.

*Chairman Reichert. And as a follow-up question to that, so once you lose those markets, how tough is it to get those back?

*Mr. Gebbers. We have worked decades, guys, to build these markets. I mean my forefathers and the forefathers of our growers, the apple commission in Washington is 80 years old. It took forever to develop these markets, and I will give you a quick example.

When the ports were shut down in the Northwest -- and you can remember that the shipping deal was kind of a disaster -- we lost those markets. And European fruit, Polish fruit, all kinds of fruit filled in on the back wave of what we left behind. And we have had a hard time getting any of those back.

So what happens is, if we lose some cherry business, no problem. Spain, Turkey, the EU guys will fill in in the back space behind us, and take those markets. And it is very difficult. Those relationships are long, but they are pretty short-lived when you don't fill your commitment and make a promise and do what you say you are going to do.

*Chairman Reichert. So when you look at long term, the long-term impacts, really, are you lose market share, you lose workers, you lose revenue. You may lose your farm.

*Mr. Gebbers. Exactly.

*Chairman Reichert. Is that --

*Mr. Gebbers. One of the guys touched on lenders. This is our collateral for our lending institutions. They are our partners. I am on the ag advisory board for the U.S. We know what it is like to work with farmers day in and day out, and the finances behind that, and margins are razor thin to negative, currently.

So where do we absorb these extra costs? It is really tough to swallow right now.

*Chairman Reichert. Let me go to another topic, real quick.

As I mentioned in my opening statement, I have been calling on the President, at the very least, to restore the steel and aluminum exemptions for Canada and Mexico, because they are important national -- to national security and our trading partners and allies. Such exemptions make sense, and would also limit the negative effects of steel and aluminum tariffs on two-way trade, both on our imports and counter-retaliation on our exports.

Can you give me a little insight into the difference it might make for you, such as your export markets, your production costs, profitability, investment decisions if we exempted Canada and Mexico?

*Mr. Gebbers. Yes, Mexico is our number-one customer for apples. Canada is close. Canada is so close to us that we actually treat them as a domestic market. I mean if I sell to Wal-Mart in Canada, the check comes from Bentonville. It doesn't get any closer than that. It feels domestic.

But if we get in a trade tit-for-tat, that is going to make trade, you know, difficult to collect on accounts, to sell accounts. And, you know, those are our most important markets that we are not counting on having to go fight for. We have done that fight now for 75 and 80 years, building that.

*Chairman Reichert. Thank you for your answers and your testimony. And I know that others will get to respond to questions here, even some to the questions I just asked. So we are going to move to Mr. Pascrell.

We just heard a bell for votes here, so we may be -- we will be interrupted. We will recess and come back, unfortunately. We will be gone for a little bit. Mr. Pascrell is recognized for five minutes.

*Mr. Pascrell. Thank you, Mr. Chairman. Mr. Chairman, I support everything you said.

I read through testimony beforehand, checked into it. I don't care what your politics are, because what we are learning from you is what affects you in your states and on your particular farms and your particular ventures affects the people in my city, in Patterson, New Jersey. They are consumers that go to the shop -- right, you mentioned -- and buy the product.

By the way, best cherries in five years right now. The best. And I am glad you didn't raise it to $10 a pound, but I understand your point.

The question is we support what you are saying, and I would ask the chairman, rhetorically, if this issue had been brought to these folks sitting up here on the dais, we wouldn't be here, would it? Would we? You would be home with your families.

The very essence of what Mr. Bernstein said is that we forgot Article 1, Section 8. It doesn't exist in the Constitution. It is the phantom section of the Constitution, which provides very specifically that there is a checks and balance on trade, although there isn't right now.

So, Mr. Bernstein, under trade practices -- you mentioned these trade practices by China -- they are not the only culprit behind job displacement and lower wages. Just this week a report came out that wages have lagged as corporate profits soar, aided and abetted by we know what. The report was very clear. I am not here to make a political point, I am trying to get to the question.

The fight for higher wages has been hampered by many times undermining the power of labor. Trump is rolling back regulations -- President Trump -- that protect worker safety, benefits, fair wages, overtime pay. His tax bill will encourage more, not less, outsourcing. I can name five ways which it encourages outsourcing.

So addressing those workers hurt by trade will not be enough to correct this imbalance. We don't have to have losers in the process of trade, or all-out assault on workers by years of policies that have hung them out to dry.

What do you suggest, Mr. Bernstein, might help workers hurt by trade?

*Mr. Bernstein. Well, first of all, while that is not the topic of this hearing, it is an extremely important topic that comes right out of this hearing, and I would strongly urge this subcommittee to have a hearing on that question. What should we be doing to help those hurt by -- we are having a great discussion of what we shouldn't be doing. Let's talk about what we should be doing.

Now, my ideas would be to start with the trade deals themselves, and to have trade deals that have much higher standards of workers, not just here, but on both sides of the border: environmental standards, labor standards, consumer standards.

I would also ensure that we push back on the kinds of currency interventions that I mentioned in my testimony that make life more difficult for exporters like those on the panel today.

And I would directly help workers who have been displaced by trade by creating jobs for them in their communities. Even at low unemployment, we know there are communities of this country that have still been left behind. Workers who are trying to transition to better jobs need training.

We also need to invest in our infrastructure. And there is a very useful program within the Commerce Department called the Manufacturing Extension Partnership that helps small manufacturers and small farmers, small exporters in general, to find supply chains and link up with global trade. The Trump budget zeroes out the MEP. I would go exactly in the opposite direction.

So those are just a small set of ideas that I think would help push us in a much better direction, in terms of helping those hurt by trade.

*Mr. Pascrell. Thank you very much, and I appreciate it, and I will yield back the 25 seconds.

*Chairman Reichert. Thank you, Mr. Pascrell. Mr. Nunes is recognized.

*Mr. Nunes. Thank you, Mr. Chairman. I will try to be quick.

But Ms. Jones, I just want to ask you. If you were looking at -- knowing that we are in this difficult position with China, I think, that -- ultimately, the NAFTA situation will work itself out. Do you have any recommendations for this committee or for USTR of other countries that we could do -- that we could make bilateral agreements with, knowing that this administration would like to do additional bilateral agreements, which is what I have tried to push them for?

If you could, just give us a few ideas, concepts of countries that you would be interested in.

*Ms. Erickson-Jones. Certainly. Thank you for the question. The U.S. wheat industry has long sought out a bilateral agreement with Japan. They are our most valuable customer for our wheat exports. They are also a valuable customer for other agricultural industries, such as beef.

We would also, you know, seek out, really, any bilateral that the administration is willing to pursue.

In light of pulling out of TPP, which is a very important agreement to the wheat industry, any of those countries would be excellent partners to have a bilateral with, whether it be Japan -- Vietnam is also another one that has a large and growing middle class that we consider to be a market opportunity for the wheat industry.

And certainly improving our trade relations with China, if you actually ended up with a formal bilateral agreement with China, they are rising middle class, they are a substantial consumer of wheat, and they are also a market opportunity for us that, despite some of our issues and our current WTO cases with them, we are eager to pursue, as an industry.

*Mr. Nunes. Well, I agree, I would like to see us look at a lot of the Asian countries. Japan, Vietnam, Philippines would all be good. Also, potentially, the UK, depending on what happens with their withdrawal from the European Union. Thank you for that.

I am going to ask -- there is -- Mr. Boening, you are a dairy -- in the dairy industry, correct? So you are well aware of the situation with Canada. Canada has been getting a free ride on dairy for a very, very long time, and I do -- have been a very large contingent of dairy farmers in my district. I would like to see Canada finally, once and for all, fix this trade imbalance that they have with us, with these unfair trade practices that -- I am sure you are aware of these trade practices.

*Mr. Boening. Yes, sir, yes.

*Mr. Nunes. What do you think the best remedy for the Canadian-U.S. split would be, directly related to the dairy industry?

*Mr. Boening. Best solution, sir?

*Mr. Nunes. Yes.

*Mr. Boening. Well, we haven't made much progress there, as you well know.

*Mr. Nunes. Haven't made much progress in a long time.

*Mr. Boening. And, you know, we have had the talks, and we have actually talked to -- sometimes with some Canadian folks, and they are very protective of their dairy industry, very protective. And I -- you know, really, to have a definite answer, I think we need to work on it. It definitely needs to be -- get fixed. And I understand why, you know, why we are working on it.

But to have a definite solution, sir, I don't know that I have one right now.

*Mr. Nunes. It has been very frustrating for many in the dairy industry, dealing with Canada after all these years. I think the trade balance on the dairy industry with Mexico has been very good.

*Mr. Boening. Yes, sir.

*Mr. Nunes. But with Canada it has continued to be a problem.

But thank you all for your testimony here today on this very important topic.

And thank you, Mr. Chairman. I yield back.

*Chairman Reichert. Thank you, Mr. Nunes.

So we all have to run across the street and vote. Sadly, I am going to let you know that it could be close to an hour until we are back. So we will stand adjourned until we come back and visit with you for another hour or two. Thank you.

[Recess.]

*Chairman Reichert. The subcommittee will come to order. Thank you for your patience. It doesn't even seem like we were gone, does it? We are going to continue with questioning. And the next person in line is Mr. Levin.

You are recognized.

*Mr. Levin. Thank you, Mr. Chairman. Again, thank you for your patience.

We have listened to your testimony eagerly. And I think, across the board, there is a lot of sympathy for it. Sympathy is maybe the wrong word. Empathy, even.

But here is the problem. We on the Democratic side have been urging action on China for years against their manipulation of their currency, against their practices, in terms of state-owned enterprises on steel and other products. But we never had any help on the now-majority side. When it came to currency, there was virtually no support for an effort to take action on China's manipulation of its currency.

The same was -- in terms of using Section 301 that is now being used, we urged it be used, but it wasn't. And we had no help from the majority side, virtually.

Steel, 10 years ago, China and the U.S. made the same amount of steel. Now China makes 10 times the amount.

So, when the President was a candidate he saw a vacuum, and he acted on it. And the problem is that we now have an administration which responded to a gap, but is now essentially saying to sweep the decks, whether it is China, whether it was TPP, which we opposed and he now says he eliminated it. NAFTA, which many of us opposed 25 years ago, and he has now been holding back and forth as to where he is going.

And what makes this problem further is that the majority hesitates to take on the President. So we have a hearing where you come and present some strong testimony, but in terms of taking on the President directly, that isn't -- doesn't happen. And so there is a very mixed picture.

So, Mr. VanderWal, for example, you say, "I am hearing more from farmers as time goes along that they trust -- still trust the President knows what he is doing, and everything will be fine in the end." I mean -- so we are having more or less silence, in general, as to what the President is doing, which touched some important problems, but now has this helter skelter, unpredictable, changing policy. In the Republican -- they don't stand up to it in general is a -- you know, a -- they don't really speak strongly, and you kind of give a mixed message.

And so I just want to urge people to stand up and be clear, because on the Democratic side we have been clear for years and years that China presents with its state-owned enterprises -- and it is hurting our exports, and we have made clear use 301. And yet nothing happened.

And when one of you say let's negotiate, let's talk and not use tariffs, but problem is that we talked and talked and talked, and now tariffs are being used, I am afraid, beyond a wake-up call.

So I just want to make it clear where we are coming from. I think Democrats will find your testimony pretty important, and we have some understanding of it. What you really need to do is to help us shape a policy that responds to it.

And unfortunately, for example, the Farm Bureau, when we talked about China currency and we talked about their 301, you were getting the benefit at the time, and you didn't help us. So now we all have to join together to help carve out a policy that makes sense. Thank you.

*Chairman Reichert. The gentleman's time has expired. Thank you.

Mr. Kelly, you are recognized.

*Mr. Kelly. Thank you, Chairman, and thank you all for taking time out of your lives to come here with us. I am sorry we get called out to vote, and we absolutely control nothing in our lives. Once you get elected, everything is pretty much -- is scheduled for you.

When you talked about loss of market share -- I think it was you, Mr. Paap, when you talk about loss of market share, and try to get market share back, I think it is important that people that actually do what you do, as opposed to people who get elected to represent you, actually walk that walk so they can -- when they talk the talk, they actually know what the walk is like.

How do you capture market share back once you lose it? And the other thing is, with the trade imbalance, do we not have a trade imbalance right now? And it certainly didn't start with this administration, it started many, many years ago. How would you turn it around? And what would you do? What would the levers be that you would use to change it?

*Mr. Paap. Thank you, Mr. Chairman, Congressman. You know, we are fortunate. We have had six decades of trade surpluses in agriculture. We can grow more than we can use. And with those relationships of those other countries I have been fortunate to be involved -- not only through the Farm Bureau, but also through our Minnesota Governor's Office -- on different trade missions, whether it be to South Korea, China, Vietnam, as well as some other countries -- Cuba.

And trade relationships are -- or trade is all about relationships, getting to know your customer, making sure that you are a reliable customer, being there. And as we have those discussions -- in Minnesota we like to think of --

trade negotiations a little bit like a Minnesota pot luck dinner. Everybody is kind of expected to bring something to the table, you know, and you really have to have everybody that can come back with some advantages, with some wins, and things like that. And the best way to do that is through those relationships.

So I guess we would urge anybody and everybody that is listening how important it is that we maintain those relationships, because once we lose that market it is really tough to get it back. And it is -- you think about that as you do business normally. If you don't get the service, you don't get the product you want, and you go to someone else, someone else takes good care of you, you really shouldn't have a reason to go back to that original place. And that is our worry.

Sixty percent of the soybeans that I planted last May are exported. I am reliable of that export market (sic). So we are going to continue to hopefully build those relationships to be at that table.

But really, the farm bill is important to all of us in agriculture.

But our true safety net in agriculture, quite frankly, is that international trade, that 95 percent of our customers that don't live in the United States.

*Mr. Kelly. So anybody else have any opinions on how you would gain market share, or regain market share, once you lose it? I mean is there any disagreement that right now -- that there is a huge trade imbalance? Now, not in ag, because I know what we are doing in ag. But we do get hit whenever we put a tariff on things, then the response right away is to come back what we are doing well, right? So you want to hit them where it hurts, and it is usually in the wallet.

So if there is any other perspective on how you would get there -- I have got to tell you I have watched the domestic automobile market shift tremendously, where domestics no longer hold the percentage of market share that they used to have. But I got to tell you, I agree with you. Once you lose market, you don't get it back. It is good to talk about getting it back, but once that horse is out of the barn, it is pretty hard to get back in.

What could you do right now, today, if you were sitting where we are sitting, and if you were sitting and had a chance to talk to the administration, what would you tell them is the best way of regaining market share and holding people accountable that are not towing the line the right way?

And listen, I appreciate the fact you can go to the WTO and go through all these different things, and we win the battle. But we have already lost the war, because that market is gone.

So anybody else? Is -- something you would tell us, if we were able to -- if you were able to sit with us and talk, either to Mr. Ross or to Mr. Lighthizer, to the President?

*Mr. Bernstein. Very quickly, I would say get the exchange rates right. And this is something that the administration at least gives lip service to. But when other countries manage their exchange rates to get an advantage over us, it makes our manufacturers have a much harder time competing.

*Mr. Kelly. Anybody else?

Mr. Boening?

*Mr. Boening. Congressman, I would just say there is -- you know, we have talked a lot today about China, we have talked a lot today about Mexico and Canada, and we have mentioned a little bit about Japan. Let's work on some more, let's work on some new trade agreements. I mean there is opportunities out there.

Someone mentioned earlier -- mentioned Japan. Japan is a great market. We need a -- whether we go back and work ourselves back in to the TPP, or whether we have a bilateral, anything along those lines are things that can help American agriculture. That is what I would encourage.

*Mr. Kelly. I am just wondering, because when we have the biggest market in the world, and everyone in the world wants to compete, they want to come in and have a share of our market, there has to be a way that we can look at what we are doing and how we are helping the people that actually form the market, and that is you all in the ag business. But in other places around our markets now we are looking at lost market share.

So thanks for being here today. I am sorry we had to step out, but we really appreciate your time by coming here and working with us.

Thank you, and I yield back.

*Chairman Reichert. The gentleman's time has expired.

Mr. Davis, you are recognized.

*Mr. Davis. Thank you, very much, Mr. Chairman. This is indeed a very interesting discussion. And I guess there is a great deal of fear that many of the individuals that I know who are in business have that they can't figure out how to get something back, once it is lost, or if it is slipping.

Mr. Bernstein, let me ask you. Agriculture is the world's biggest industry. I don't think of anything as large. It is actually what built America and established what we call its greatness over time. If agriculture goes, so goes America. It is the heart and soul of our Nation.

We spend about 12 percent of our discretionary income on food, whereas some countries spend about 30 to 40 percent, and even some more of their income. Many of these countries' residents are not able to own their own homes, have cars for transportation, or even able to afford other things in their lives to have a decent living, because of the price of food.

Mr. Bernstein, you pointed out in your testimony that tariffs imposed by the administration is subject to have little impact and benefits to certain industry sectors. But agriculture would suffer more, where there could be a potential unnaturalization of the farming industry, in terms of job loss, export market loss, and lowering commodity prices, internationally.

If things are not corrected, and our administration's gambles is found to not be correct or accurate, or not pay off, what picture do you paint for domestic food prices to consumers, and how would this affect our Nation's economy?

*Mr. Bernstein. Well, this has been a unique hearing for me, on a positive side, because often times the other members of the panel are other economists. But here we have a bunch of people who actually do stuff.

And so, if you listen to my fellow panelists, what they are really not saying -- because it is embedded in the economics -- is that these are very highly-productive producers. And that is why those shares that you mentioned, in terms of consumer spending, are relatively low in this country, because productivity on the farm in America has grown so sharply.

And in many ways, what I think I hear my fellow panelists saying is that the system that wasn't broken before the tariffs is being damaged by them. That doesn't mean that everything was perfect. And we have heard the need for a better trade deal from both myself and my colleagues here.

But I would maintain -- and I think it has been a consistent message across the group today -- that the tariffs are doing more harm than good in the ag sector. And that is why I have urged this committee, this subcommittee, to re-assert its constitutional privilege. And if -- I might even call it an obligation to intervene and to take back the privilege and the role of regulating trade and of setting tariffs.

Now, I understand that measures 232 have security issues that are important. But Canada is not a security threat. Neither is Mexico nor the EU. I don't think that is a very courageous foreign policy statement on my point; I think it is obvious.

And so these functions are being misused, and I urge the committee to act accordingly.

*Mr. Davis. Thank you very much. And I would just say that Illinois, being the tremendous agricultural state that we are, when it comes to soybeans especially, we are kind of shaking in our boots with China. And so we certainly trust that we are going to be able to reconcile some of those difficulties.

Thank you, Mr. Chairman, and I yield back.

*Chairman Reichert. Thank you, Mr. Davis.

Mr. Rice, you are recognized.

*Mr. Rice. Well, this is certainly a topic of great concern. And you know, I have been listening carefully to your testimony.

And Mr. Gebbers, you recognize that -- or you brought out that right now there is a 50 percent tariff on fruit in China and a 10 percent VAT on top of that. And that VAT existed before all these discussions came about.

And Mr. Boening, you brought out that China has been cheating on agricultural subsidies by $100 billion for years and, obviously, that has hurt the American farmer.

Who here thinks that America has a fair trade arrangement before all the tariffs, before all this came about, with China? Who here thinks that is true?

What about the EU? What about the EU? Do you think we have got good, reciprocal tariffs, that everything is fair in agriculture? No.

And certainly Canada, with lumber and with dairy, we got problems, correct?

And also, I don't think anybody here would argue that we have had problems with steel and aluminum, although that is not your primary, right? I mean you recognize that China has been treating us unfairly and dumping on us.

Now, let me ask you this. We all recognize there is a problem. So here is the second issue. Who here thinks that these countries, if they got the better end of the deal, that they are willingly just going to give up that advantage and just say, "You know what? You are right. I will just sign that off"?

Mr. Bernstein, you think they are going to do that?

*Mr. Bernstein. No, I do not.

*Mr. Rice. Does anybody here think that?

And so, what is it going to require to get them to give up this advantage? Well, obviously, some kind of pressure is going to have to be brought to bear.

Now, we can disagree about the type of pressure. I mean the pressure that has been brought here is tariffs. But to say we are not talking when, obviously, we were -- we are, you know. We have got the Secretary of Commerce, Mr. Ross, and we have got Mr. Mnuchin, and we have got Ambassador Lighthizer, who are certainly very experienced financial folks and very experienced in trade, who are trying to get the best deal we can.

Mr. Bernstein, you say we need to grab back our constitutional authority, and I don't think we have given it up. We have delegated it to the administration. But who here thinks that 435 people, or 535, if you include the Senate -- who thinks 535 people can sit in a room and effectively negotiate a contract?

That is right. Nobody. We have to have a --

*Mr. Bernstein. I don't agree with that.

*Mr. Rice. Oh, you think 535 people who can't even agree the sky is blue can come up with a complex contract? No, absolutely --

*Mr. Bernstein. It doesn't have to be 535, it has to be a majority. And I believe there is a majority who would push back on these tariffs.

*Mr. Rice. Well, we have to have a point person. And that is just common sense. And I think we have got a really, really good point person.

Now, these steel tariffs came about this year. And then there has been follow-up and follow-up, because -- and there has been talks and rounds of talks, and people have come to the table and walked away from the table. But they all came about this year. So here we sit, seven months a year.

Who here thought that all this would get resolved in seven months?

So, look, I am really -- there is --

*Mr. Pascrell. Would the gentleman yield --

*Mr. Rice. No, sir. If I had more than a minute I would.

*Mr. Pascrell. Okay.

*Mr. Rice. But here is the thing. I mean you guys are in the crosshairs, and nobody wants you in the crosshairs. And you are under pressure, and nobody wants you under pressure. I want to do anything we can to ameliorate the pressure that you are under.

But we all have to understand the big picture. And with these existing tariffs that existed before, before all this went into place -- you know, if China has a 25 percent tariff on ag, and we are exporting 25 percent of our ag products today -- as you pointed out, Mr. Boening -- what do you think would happen if they dropped their tariff, or if they lowered it to 10 percent? Then, obviously, our exports would go up.

So, no, the end result here is to try to get a better playing field for you guys. And I feel your pain, and I want to do anything I can to make it speedy and ameliorate it. But we all have to understand that, in order for any of this to happen, the administration is doing what I think they have to do in bringing pressure to bear to bring these type of people to the table.

I yield back.

*Chairman Reichert. Thank you.

Mr. Higgins, you are recognized.

*Mr. Higgins. Thank you, Mr. Chair. Before I go, can I just yield 15 seconds to the ranking member, Mr. Pascrell?

*Mr. Pascrell. Mr. Chairman, this has to be said, because if we follow the logic that we just heard from the gentleman, we would have no checks and balances, and we might as well just hand over the whole process to the executive branch of government.

What we should be doing is trying to get back what we deserve from the Constitution of Article 1, Section 8.

And I yield back my time.

*Mr. Higgins. Yes, thank you.

*Mr. Pascrell. Thank you.

*Mr. Higgins. All of you here either own an agricultural business or you represent people who do. So no one here seems to support these tariffs. Congressional leaders know that the President is wrong on this issue. And as has been stated previously, the United States Constitution Article 1, Section 8 is very clear: Congress, and not the President, is vested with the power to levy tariffs.

You can't tariff your way to economic strength and growth. The imposition of tariffs are a race to the bottom. You impose tariffs, another country responds by imposing their own tariffs. And, in the end, consumers get hurt because it hurts demand, it hurts profits. And you know this better than anybody else.

If Congress wants to stop tariffs, it has one option. Pass a law with a veto-proof majority that ends the tariffs or strips the President of his authority to impose tariffs.

So while it is somewhat helpful that you are here, appealing to your elected representatives to provide you with some relief just so that you can do what it is you do every day to help contribute to the growth and the strength of the

American economy, we are not exercising our constitutional authority to help you. You should be indignant about that.

From what I heard from your introductions, you have traveled quite a distance here to appeal to Congress about something that is hurting your business directly or the constituencies that you represent. And what Congress is telling you is, despite the fact that it has the constitutional authority to help you, they are not going to help you. They are not going to help you.

So, you know -- and then, you know, it was a law, it was the Trade Expansion Act of 1962 -- 1962 -- Section 232 that allows a president to bypass Congress and impose tariffs under circumstances that threatens the national security. So the President invokes that Trade Expansion Act of 1962 to justify tariffs imposed on Canada. On Canada. Canada has been with us in every single war. Canada is a great trading partner.

If we were smart about trade, what we would be doing with Canada is partnering with them to give us greater leverage in negotiating a more favorable North American Free Trade Agreement.

You know, everybody here whines about China. Everybody. They cheat on their currency. They treat their environment poorly, they treat their workers poorly. You know what we ought to do with China? Stand up and compete with them, because they are bypassing -- because they are doing what we used to do to strengthen the American economy.

You know, you look at your smartphone, the Internet, global positioning satellite, touch screen technology. Guess where all that came from? The American taxpayers that financed research to make those products possible. Guess where all the smartphones are made? They are made in China.

You know, so we just need to be smarter about trade policy and economic policy. You can't tariff your way to economic strength and growth. What you can do, and what we ought to be doing, particularly this body and this subcommittee, is promoting investment in the growth of the American economy.

I apologize to you for coming here and appealing to Congress that is constitutionally authorized to help you and is failing to help you. In a Senate bill -- it is insulting that the Senate passes overwhelmingly by 88 votes a bill which is a non-binding recommendation on this stuff.

*Chairman Reichert. The gentleman's time has expired.

*Mr. Higgins. When, in fact, it has the constitutional authority --

*Chairman Reichert. Mr. --

*Mr. Higgins. I yield back.

*Chairman Reichert. Mr. Paulsen is recognized.

*Mr. Paulsen. Thank you, Mr. Chairman. And thank you all for being here and sharing your personal stories.

Mr. Paap, I will just start with you. You know, being from Minnesota, you are third-largest -- Minnesota being the third-largest producer of soybeans in the country, it is our farmers who have been planting soybeans well before the current trade disputes have been in place, and well before China announced a 25 percent tariff on U.S. soybeans.

So prices for soybeans, I know, are down, what, $1.50 or more, actually, per bushel. They are continuing to drop. You got farmers facing uncertainty, knowing they got to harvest those crops in the fall, but they are not going to have access to the foreign markets that they have come to rely on. You have each shared your perspective on that.

I think that uncertainty that are farmers are facing from these tariffs, it just isn't hindering their ability to provide for their family, but it is hurting the broader community. Projects are being put on hold, and it is hurting our economy on a broader perspective.

Mr. Paap, let me just ask you. As a fourth-generation farmer, do you think that these tariffs will hinder future generations of farmers, from a long-term perspective, and make it more difficult for the family farm to be handed down, putting us in a tougher situation for long-term impact on the farming community?

*Mr. Paap. Mr. Chairman, Congressman Paulsen, I think that is a great question.

You know, the driveway that Julie and I drove down yesterday on the way to the airport was the same driveway our family used 119 years ago. You know, personally, except for college, in my lifetime I have only ever lived in three houses, on two farmyards a half-a-mile from each other. We have got our fifth generation, our son Andy, who is farming a half-mile down the road, living in a house that his great-grandfather built, sleeping in the same bedroom his grandfather was born in, as that fifth generation in agriculture, and, quite frankly, we hope they are working on that sixth generation at some time, as well.

And what we need, what that safety net is, is trade to continue. You know, as we have young farmers and ranchers wanting to get in, it is hard to get started in agriculture, even as an existing family. And farmers and ranchers are all about sustainability. But the most important sustainability in agriculture with farm families is that generational sustainability, that ability to continue on the next 119 years.

And I really worry that we don't have that ability, as we are not taking advantages of markets that we have got. You know, we had some great opportunities in TPP. We have chosen not to do that, but that doesn't mean the other 11 countries aren't going on ahead without us. So we are really concerned about that.

And one way to do that is livestock. You know, that is caring for animals. That is the best way for that next generation to get in. We have looked at that. I brought with me today a proposal, you know, that my son gave to build a hog barn. Okay? But where the prices are today, that is not going to cash flow, that is not going to work. And you would be surprised how much steel and aluminum is in animal housing, as we talk about the cost going up and up. So we really look as trade -- as that ability to not only survive this next year, but for the next generations to survive, as well.

What other industry would give up on 95 percent of their market share, would say I don't care about that 95 percent? We really need to work together to see what we can do to keep that next generation involved in the farm, if they wish to.

*Mr. Paulsen. Maybe just to follow up on that, because you said the safety net for a lot of farmers has been trade. Some have said the United States doesn't need to worry about retaliation against agriculture. You talked about it being the tip of the spear.

But some have said, look, countries aren't going to want to increase their prices, they are not going to care about decreasing supply through retaliation. Would you agree with that argument?

*Mr. Paap. We have got -- you know, we are blessed. We have got the ability to produce more than we need. We need those other countries. We hope we will have those relationships, where we will continue to be able to trade with them.

And again, everybody has to have something in that trade agreement. But we would still urge anybody that will listen that we need to be at the table. We need to have those negotiations. Because, quite frankly, that not only is our future the next few months, but it is that next generation's future in agriculture, as well.

*Mr. Paulsen. Mr. Boening, you want to add anything in the last 20 seconds, just to sum up?

*Mr. Boening. Just that -- I mean I can second everything Kevin said. I mean we are kind of in the same boat. We are multi-generational, as well, farming land that my grandfather started farming in 1930. I have one son there with us. And -- but long-term, this is how we have progressed. This is how we have gone forward, is because we have been blessed. Kevin pointed it out so well.

But we have to have those trade agreements. And whether it is China or whether it is Japan, or whatever it is, we need them.

*Mr. Paulsen. Thank you, Mr. Chairman.

*Chairman Reichert. Mrs. Noem, you are recognized.

*Mrs. Noem. Thank you, Mr. Chairman. And I guess my question would be for Mr. VanderWal. And I am going to call you Scott, because it seems weird to call you Mr. VanderWal when I know you so well.

But here is what is frustrating for me, is because I look at the reason that this is a crisis right now is because we have gone through four or five years of really low commodity prices. And if we had perfect trade agreements and our ag products were able to get into every market across the globe and we were treated fairly, we probably wouldn't have had as low of -- markets the last four or five years. Is that correct?

I mean President Trump correctly identified that we needed to fight for better trade agreements. Would you agree with that?

*Mr. VanderWal. Mr. Chairman, Mrs. Noem, yes. I would agree with that.

I think we have kind of been beat out, historically, on some of these trade agreements. And admittedly, there are higher tariffs on our products going the other way than there are coming this way.

*Mrs. Noem. Exactly. I agree wholeheartedly, and that is why this coming at this time creates such a crisis, is because we have been living with unfair trade agreements, we have been paying the price, and our farmers and ranchers have been dealing with that. When previous administrations did not fight for the American farmer, this President is fighting for them. And China knew directly where we were the most vulnerable. They came after our farmers and ranchers.

So it gets me upset when I talk about people indicating that it is the President not defending our farmers and ranchers, because he was out there fighting for better trade agreements, and China came after us. Now our job is to tell the story about why we need a safety net. If we are going to win for better trade agreements, then we need the help of the administration, the help of USDA, the help of Congress to make sure that our farmers and ranchers in this country are able to continue to provide the food supply for this country and for the world, and do what they do best.

And that is the message that I have a tough time delivering up here sometimes. I have spent my whole life in agriculture. But it is very difficult for anybody who hasn't, that -- they don't understand how highly leveraged the industry is. So when you get in a state like South Dakota, and you are borrowing money to buy land, then you are borrowing money to buy machinery, and then you go back to the bank and you borrow money to operate, to put seed, fertilizer, chemical in the ground, and hope there is something to harvest that fall, that is a highly-leveraged industry.

And the impact that this situation could have, not just on those operations that have been in families for generations, but the impact it has on those communities and those counties and those states, that is something that I think is very difficult for people on Capitol Hill to really grasp, how important it is that we do something and we do it quickly.

*Mr. Pascrell. Will the gentlelady --

*Mrs. Noem. Is there something --

*Mr. Pascrell. -- yield?

*Mrs. Noem. No, I won't yield right now, because I want Mr. VanderWal to talk about the reality of the situation on the ground in South Dakota, and how tenuous this financial situation is.

*Mr. VanderWal. Sure. Thank you, Mr. Chairman, Mrs. Noem. That is a great question, and it really impacts our state.

You know, we have got decreasing population in our rural areas already. And if we lose any more population in the state in these rural areas, not only does it take the young farmers and ranchers that leave, or the -- like I mentioned, the retiring -- or almost retiring people, like my age and a little older, it also takes out the people that supply those farmers and ranchers: the feed store, the fertilizer dealer, all the people that supply the things that we need to raise the products that we do.

So, yes, it has a tremendously long tail. And it is not only those feed and seed suppliers, it is the hardware stores, it is the food stores that are in these small towns.

*Mrs. Noem. And everybody in this country relies on a safe and an affordable food supply. It doesn't matter if you live in New York, California. You care that when you go to the grocery store, that you can afford to buy that loaf of bread, that carton of eggs to feed your family.

And that is what is incredibly important about these rural areas continuing to grow our food. That is the message I have carried out here on Capitol Hill, is that we can't afford to let another country grow our food for us. Because if they provide our food for us, then they control us. And so it is incredibly important that not only do we fight and continue to fight for better trade agreements and more market access, but we get through this situation, too, that allows us to be victorious.

I appreciate you being here. I know you guys are away from your operations, away from your families to be here and advocate for good policy and good trade. And it means the world to us, and it means the world to our country. So thank you for what you do. God bless you.

*Mr. VanderWal. Thank you.

*Chairman Reichert. Mr. Smith?

*Mr. Smith of Missouri. Thank you, Mr. Chairman, and thank you all for taking time out of your busy schedule and being here. Being a fourth-generation owner of our family ranch, I relate to a lot of you in these issues.

But Mr. VanderWal, you spoke about several of the tariffs, like the tariffs on soybeans. Who put those tariffs on the soybeans?

*Mr. VanderWal. The --

*Mr. Smith of Missouri. Was it the Trump Administration, or was it the Chinese?

*Mr. VanderWal. Oh, the Chinese have put the trade -- the tariffs on the soybeans in retaliation for the tariffs that have been put on their products coming this way.

*Mr. Smith of Missouri. That is the excuse that they said. But I want to point out that the Trump Administration did not put the 25 percent tariff on soybeans or cotton or corn or the other ag products. It was the Chinese. And we can't lose that direction.

We have a President -- and I think it is an important distinction that needs to be made by those of us on this committee, because farmers, ranchers, and workers in southern Missouri have been on an uneven playing field for quite some time. President Trump knows this, and that is why he has asked USTR and Secretary Ross to investigate and fight back against these unfair trade practices.

We know 95 percent of the world's consumers are outside the United States, and we all believe in free trade. Free trade and fair trade. Countries shouldn't be putting tariffs on us. Our President is winning policies where there is no tariffs on either side. We can compete with the world if it is fair and if they are not leveraging tariffs on us.

The problem is for so long we have had elected officials that said they are free traders, but they are afraid to stand up to the Chinese and other countries that are putting these tariffs on our ag products. We complain about low commodity prices. It is because we don't have these free trade agreements with other countries, because they want to protect their own industry.

You know, USTR and Secretary Ross, they found several things after the President asked for it. In fact, the American dairy farmers face astronomical tariffs levied by Canada. India is heavily subsidizing their rice industry. Turkey is dumping cotton. And many other countries, through tariffs or non-trade barriers or straight-up blockades are harming our farmers and ranchers. That cannot be unnoticed.

The 301 investigations into China found numerous trade violations and theft of intellectual property from Americans. They say in China there is two types of businesses. There is two types of business in China: government-owned businesses and government-subsidized businesses. That is tough to compete, as a farmer in southeast Missouri whenever the Chinese two businesses are government-owned and government-subsidized.

The entire world knows China is taking advantage of them, but it seems that President Trump is the only one who wants to do something about it. He wants a better deal for Missouri farmers, ranchers, manufacturers, and families. So that is how our trade actions came about, lengthy investigations and specific responses to unfair trade practices.

Does anyone know how the European Union decided to levy our tariffs on us?

Mr. Gebbers, do you know how the European Union decided to levy the tariffs on our ag products?

*Mr. Gebbers. I don't know the exact process, but I do know that they used several methods to both phytosanitary and monetarily --

*Mr. Smith of Missouri. Let me read to you what the European Union said in a statement. Here is the European Union's trade chief. He just recently, quote, said, "It is well known that the agriculture constituency is one of the few groups with political clout to bring about change in Washington, and it is no coincidence that all the U.S. main trading partners have selected agriculture products for their re-balancing list." That is the trade chief of the EU openly saying they are targeting American farmers and rural communities for pure political reasons.

Does that sound like our friends and allies? Targeting you all for political reasons. We need to have friends and neighbors that do want free trade. And I am very supportive of President Donald Trump trying to make sure that my farmers in southeast Missouri has the highest commodity prices possible. And it is going to be a roller coaster, and it has been a roller coaster.

And as a rancher myself, who just sold 31 steers today, I understand how the market changes very quickly. And I am telling you I am very glad that I have someone in the White House that I trust that is willing to stand up for our farmers. And we are going to get to a good agreement.

Thank you, Mr. Chairman.

*Chairman Reichert. The gentleman's time has expired.

Mrs. Walorski?

*Mrs. Walorski. Thank you, Mr. Chairman. And thank you to the panel for coming. I want to just echo that everything that you have said rings true in my district in Indiana, and I just wanted to give a shout out to Mr. Bernstein for mentioning the RV industry. We have the majority of the industry in our district. So when we talk about 232 and some of those issues, it is ringing even more clear.

But the folks in my district in northern Indiana, the farmers, I have a guy, a friend of mine named Harold Parker. He summed it up with one word. When asked about what is happening right now with these tariffs in northern Indiana, and he said the results are terrible. His gross income per acre dropped $100. He grows corn, soybean, seed corn, and tomatoes as a way to diversify and provide a buffer if one of those is having a bad year. The problem is that, right now, everything is down.

Another family farm in my district grows 3,200 acres of corn and 3,000 acres of soybeans, estimates they have lost several hundred thousand dollars in gross income since June 1st because of the price drops in both.

One thing I have heard Secretary -- Commerce Secretary Wilbur Ross repeatedly say is essentially this: "Well, if China is buying more Brazilian soybeans, the U.S. can just sell to wherever Brazil isn't selling any more." Basically, he is saying that U.S. agriculture can fill the void wherever Brazil and others are abandoning in order to sell to China or the EU. Is it really that simple? Is it really just the brush -- one brush stroke away?

And if not -- I don't care who weighs in on it, but can I just ask you to talk about it? Why is it not that simple?

*Ms. Erickson-Jones. Thank you for the question.

*Mrs. Walorski. Sure.

*Ms. Erickson-Jones. It is not that simple. There will be a certain amount of re-balancing the world supply, but there are two things that you don't want to happen.

We do not want to give up and be a residual supplier to China. They are the biggest consumer of protein in the world. And they are also a huge opportunity for the wheat market, and that is not something that we want to give up and be a residual supplier.

The other thing that makes that a little bit more difficult is that there are sanitary, phytosanitary regulations that mean -- it may not be necessarily possible to take U.S. soybeans, U.S. wheat, whatever it is, and then automatically send it to Brazil, Argentina, whatever the void in the market is. It is not necessarily a straightforward, we just ship it all to Argentina and then really, it could go to China. Those type of regulations could impede how that is -- how that plays out in the world market.

*Mrs. Walorski. Anybody else want to comment?

*Mr. Gebbers. As simplistic as it seems, these markets are not fungible, by any means. And we would never want to forego the opportunity to sell to, say, the Chinese customer. They are very discerning. I mean don't get me wrong, they understand the products that they buy from us, and they are willing to pay for those products.

I have been an athlete my whole life, and there is no handicaps in athletics. You have to have fundamentals and confidence to execute on a level playing field. That is why there is rules. That is why there is boundaries and lines on a football field or on a basketball court. Nobody handicapped Larry Bird. He earned that right to be an all star. And that is all we are asking, is let's level this playing field.

And I get where we are headed. I am patriotic, and I get there is going to be some pain shared. Make sure the pain is shared amongst all industries, the trillion dollars of high-tech money sitting overseas, make sure they are sharing in the pain of this IP protection. Because agriculture is high profile.

To answer Mr. Smith's question, we are high profile, we are easy. There is an apple growing in darn near every state, so it is easy to get under the skin of your ag producers and make a difference. That is why we are here.

But these markets are not fungible, so we can't just pick up and send an apple is an apple is an apple. There is no way it works that way.

*Mrs. Walorski. I appreciate it. And I just wanted to pass along to you all what I tell my farmers every day. Indiana is the fifth-largest exporter in the country, and this matters so much to the majority of the farms in Indiana that are family farms. And, you know, a lot of them a couple of weeks ago said, "Hey, you know what? We will do the short-term pain for the long-term gain," but just last week, when I had a little summit with a lot of my farmers, they are nervous. They are nervous that the long-term gain here may be much longer than what they thought, and they can't ride this through.

But I just want to thank you for what you do. You know, there is very few professions I think that I can honestly say, having been raised and currently living in a rural area, that I really honor, to really say that you take so much risk. And for the generations that are sitting here, you have taken so much risk through the generations, and to basically engage and be responsible for our global food supply. And for that I thank you.

We want to do everything that we can to have your back and to make sure that our ag economy continues to roll forward with a lot of strength. So thank you for being here today and thank you for what you do.

I yield back, Mr. Chairman.

*Chairman Reichert. Thank you.

Mr. Kind?

*Mr. Kind. Well, thank you, Mr. Chairman. I want to thank the panelists for your testimony coming here and giving us some insight on what the tariffs are doing to your businesses, production. Agriculture, I know, has been the focus.

And Mr. chairman, thanks for holding this hearing. Obviously, there is a complex issue at play right now with our relationship with the rest of the world when it comes to trade policy, and we are inevitably going to have to tee up more hearings to get more feedback as far as working with all of you to find a safe landing zone for all this, so that we don't mess up the economic recovery that is occurring in our country right now.

But with all due respect, we haven't heard anything new today than what each of us are hearing in our districts each and every day. I come from one of the largest agriculture-producing districts in the Nation throughout western Wisconsin, one of the biggest dairy producing Nations, and I hear from farmers every day and manufacturers, and the concern that consumers are raising right now, too. And so this isn't much new news that we are getting here with your testimony. It is consistent, if that brings you any comfort. But I think the President is under-appreciating what the impact has been.

Just the PR war he is losing terribly back home in my state, in Wisconsin -- let me just read the -- a few of the media headlines of late.

Trump's tariffs, Wisconsin manufacturers hit by trade policies, discuss plight with Senator Ron Johnson. Trump's global trade war expected to inflict economic casualties in Wisconsin across the Nation. Wisconsin construction seeing cost increases following steel and lumber tariffs. Wisconsin cheese makers facing double whammy. Tariffs, other costs raise homebuilding prices. Harley Davidson, stung by tariffs, shifting some production overseas. And then an article about how Trump responded to our iconic company in Wisconsin, and on and on and on.

And so, you are wondering where do we go from here. And one thing that is lacking from this panel today is no official from the Trump Administration to give us clear guidance of where the landing zone is, what the objectives are. What are we asking of China at the end of the day? What are we demanding of the EU at the end of the day? Because we have very little to go on right now, and that must frustrate all of you right now, that we don't know where this could possibly end in a good way.

Unfortunately, from my perspective, I don't see it ending very well soon or very safely, because we are in a tit-for-tat situation now, where each side is escalating the retaliation, and the Trump Administration apparently is throwing out the global rules-based trading system that we helped create since the end of the second World War. And they have become addicted to tariffs, they are addicted to protectionism, and they don't believe in trying to go out and negotiate trade agreements that could solve a lot of these problems.

Mr. Boening, I was struck, you know, by your testimony about the -- hopefully, there is a end game in this, and the fact that China has been cheating. There is unanimous agreement, bipartisan, that China hasn't been playing by the rules when it comes to IP theft, when it comes to subsidizing their own agriculture production, when it comes to forced technology transfers or the requirement of joint ventures. We all know that.

But the proper course of action is to bring that to the WTO, not to unilaterally hit China, which makes it easy for them to retaliate against us, which they are doing. And you all know -- and Mr. VanderWal, you especially were eloquent in saying -- they know how to do it, and they know how to hurt us. And usually it is in production agriculture.

In the previous administration, President Obama filed more WTO complaints than any other previous administration. He had a 100 percent win record with the WTO. The current administration has filed just a few, and a majority of them were previous Obama Administration complaints. That would have been, I submit, the proper venue in order to take on China, which we have done consistently with WTO, and won, rather than taking this unilateral tariff action against them today.

And yet this administration is doing everything they can to undermine the effectiveness of WTO dispute resolution. They refuse to appoint judges to the appellate panel. And within a few short months that whole organization will be shut down. They won't be able to do any business. And then it is a dog-eat-dog world out there. And that is what we have to look forward to, unless we figure out a way -- path forward.

Congress needs to re-assert our authority. I have just introduced bipartisan legislation with Mike Gallagher that calls for the Corker Bill here, on the House side. And we hope that we can get some support from the outside community about Congress needing to have a greater voice in what is being done.

I also introduced legislation earlier this year that calls for a Congressional Review Act, so that Congress has a chance to disapprove of what the administration is doing, whether it is 232 or 301, or just the unilateral tariffs that he is applying to the rest of the world. So there are some steps forward, but it is going to require a Congress willing to assert ourselves in a more meaningful fashion and developing trade policy, rather than just punting to this guy who is addicted to tariffs. I am afraid that is just going to end badly for all of us.

And again, I thank you all for testifying and your involvement in this issue, but we have got a lot of work to do right here, in the U.S. Congress.

Thank you, Mr. Chairman.

*Chairman Reichert. Thank you, Mr. Kind.

Mr. Smith, you are recognized.

*Mr. Smith of Nebraska. Thank you, Mr. Chairman, for allowing me to be here today, and certainly thank you to our witnesses for sharing your insight and expertise. I am glad that it was pointed out that you are practitioners in agriculture, not just economists saying how things ought to be or could be, but how things really are. And I think it is important.

I think that this entire debate on trade has generated more discussion across our country, and I think we can be better off for it. It makes a lot of us nervous, certainly, as you reflect on that.

And you know, meeting with some folks back home, the Kelley Bean Company, for example, they are buyers and -- in the dry bean market, and have a great insight to -- they are concerned about their situation, reflecting certainly the concerns of the producers that they work with.

And so, Mr. VanderWal, I appreciate your testimony. You pointed out how certainly you appreciate President Trump's efforts. And a part of the concern here is this is all in the context that agriculture has not enjoyed, as you said, the economic uptrend that perhaps other parts of our economy have.

And so, in that entire context, I think it is very important that we address these issues in a timely fashion, hopefully, because we have a lot of things to work on. And certainly just in the trade arena, I think there is a greater understanding of trade, a greater appreciation for trade. I think there is a greater appreciation for fair trade. The President has certainly pointed to that.

And so, again, Mr. VanderWal, you -- it looks like, from your bio and certainly your background, that you are familiar with Brazil, a pretty staunch trading competitor that we have, certainly in soybeans. I was wondering if you could perhaps elaborate as much as you can on what, you know, these trade issues mean to market share and perhaps what other countries might do, particularly Brazil, in this context.

*Mr. VanderWal. Thank you, Congressman. I wonder if I could respectfully yield my time to Mr. Boening, because he has to leave. If he would be able to answer your question, and then I could come back and address it.

*Mr. Smith of Nebraska. Sure, sure.

*Mr. Boening. Thank you, Scott. The -- related to Brazil and the -- as a competitor, I mean, there is no doubt that they are a very, very staunch competitor. I mean there is no doubt about that.

And what was your question again, Congressman? Exactly what was the question?

*Mr. Smith of Nebraska. Well, just reflecting on market share, as was highlighted briefly earlier, what that means perhaps to the typical producer.

*Mr. Boening. Well, we are going to -- if we lose those markets, a competitor like Brazil will be in there right away. I mean they are a very staunch competitor. And they will pick up our market share readily. And if they become the supplier that is most reliable, it will be hard to get that market back. I mean I think Mr. Paap pointed that out earlier. To get those markets back will be severely difficult. There is no doubt about that.

*Mr. Smith of Nebraska. I appreciate that. Anyone else wishing to reflect on that?

*Mr. Boening. Mr. Chairman, I do need to leave. I appreciate the opportunity to be here today, but I am headed back to the farm tonight yet. So thank you, sir. Thank you.

*Mr. Smith of Nebraska. Mr. VanderWal?

*Mr. VanderWal. Yes, Congressman. Thank you for the question. And I would just elaborate a little bit more on that. And thank you for the latitude to let Mr. Boening speak.

Like you noticed in my biography, I have been in Brazil three times. It is very interesting, the way they look at the United States. And this goes back to 2001, originally, when we still had set-aside programs and all that. And the statement was made by those people that we watch the United States very carefully, and every time you set aside some acres or take acres out of production, we just expand that much.

And so they look at these kinds of things, too. If we lose our markets with China or whoever else it is, they will go after those markets, just like Mr. Boening said. So they are hungry for our markets, and they are not afraid to compete. And that is why we need to have this level playing field, to be able to compete with them.

*Mr. Smith of Nebraska. Sure. And I do want to say that, you know, tariffs and their negative impact -- ultimately on consumers -- has me greatly concerned, and certainly the impact on producers, as well.

But also non-tariff trade barriers. We should not lose sight of the fact that we need to address non-tariff trade barriers that trade agreements, be they bilateral or multi-lateral, those are important to address bad trade policies that can be on the books. Let's update NAFTA, let's get this moving just as quickly as we can. Let's bring as many of these trade concerns to an end, get this resolved, so that we can move forward and hopefully see more prosperity for American agriculture. Thank you very much.

*Chairman Reichert. Thank you.

Mr. Curbelo?

*Mr. Curbelo. Mr. Chairman, thank you for allowing my participation today, and thank you to all the witnesses for being with us.

I am very sympathetic to many of the concerns you all have regarding the negative effects of the retaliatory tariffs. But I want to share similar concerns small business owners in South Florida have with these U.S. tariffs and the response from the Chinese.

The Florida Keys represent the largest commercial seaport in the State of Florida, and represent enormous economic value to Florida and Monroe County. Next to tourism, commercial fishing is the second-largest economic engine in the Keys, valued with turnover at $900 million; 300 million of that amount is directly attributable to the harvest of spiny lobster.

That was part of a letter sent to me yesterday by Captain Bill Kelly, executive director for the Florida Keys Commercial Fishermen's Association. One of the Florida Keys' economic engines is at risk of being stalled, as China begins to impose retaliatory tariffs on all seafood products imported from the United States.

Mr. Chairman, I would like to submit into the record the referenced Florida Keys Fishermen's Association letter sent yesterday regarding U.S. tariffs and Chinese retaliatory actions.

I would also like to submit into the record the letter I sent to the President yesterday regarding the same issue.

*Chairman Reichert. Without objection.

Florida Keys Commercial Fishermen's Association

P.O. Box 501404, Marathon, FL 33050

Phone & Fax: 305-743-0294 Cell: 305-619-0039
E-mail: FKCFA1@hotmail.com Website: FKCFA.Org

June 17, 2018

Rep. Carlos Curbelo
HOB 1404
Washington, DC 20515

Re: U.S. Tariffs & Chinese Retaliatory Actions

Rep. Curbelo,

As a highly competitive industry in the world market, we fully understand President Trump's recent actions to impose significant tariffs on Chinese products entering our country. Unfortunately, retaliatory action by the Chinese Government has resulted in a 25% tariff on all frozen, fresh and live seafood products produced in the United States and shipped to their country. The 25% tariff increase is on top of a current 17% tariff on a variety of seafood products including live, spiny lobster shipped to China.

Collectively, the Florida Keys represent the largest commercial seaport in the State of Florida and represent enormous economic value to Florida and Monroe County. Next to tourism our industry is the second largest economic engine in the Keys valued with turnover at $900M. $300M of that amount is directly attributable to the harvest of spiny lobster. Approximately 75% of the 7.2 MP of lobster we harvest annually satisfies demand in the Chinese market. If that collapses, it will take a substantial period of time to ramp up domestic markets and prices most assuredly will be reduced. The negative economic impact will affect 4,500 jobs in a county with a population of only 79,500 persons.

As you know, we are currently engaged in a lengthy recovery effort due to the devastating impacts of Hurricane Irma in September of 2017. Fishermen are still struggling with loss of income, repairs and recovery of personal property, replacing lost lobster traps at considerable expense and rebuilding infrastructure. Rep. Curbelo, we respectfully request your intercedence with the President on our behalf to engage in meaningful negotiations with the Chinese Government to arrive at an amicable solution as rapidly as possible.

Sincerely,

s/Bill Kelly

Capt. Bill Kelly
Executive Director

Office Physical Address: 6363 Overseas Highway, Suite #4, Marathon, FL

CARLOS CURBELO
26TH DISTRICT, FLORIDA

WAYS AND MEANS
COMMITTEE

WEB PAGE:
www.curbelo.house.gov

Congress of the United States
House of Representatives
Washington, DC 20515–0926

1404 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225–2778

12851 SW 42ND STREET
SUITE 131
MIAMI, FL 33175
(305) 222–0160

1100 SIMONTON STREET
SUITE 1–213
KEY WEST, FL 33040
(305) 292–4485

July, 17, 2018

The Honorable Donald J. Trump
President of the United States
1600 Pennsylvania Ave NW
Washington, D.C. 20500

Dear Mr. President,

The South Florida community was devastated by Hurricane Irma last year. Commercial fishermen in my district lost most of their essential traps and fishing supplies, and farmers across the state saw their valuable crops destroyed by the devastating storm. For many spiny lobster fishermen, it took several months before they could resume their fishing operations. Your administration has been so helpful in providing much needed disaster relief to communities in my district and across the country that were burdened by the difficult hurricane season—they are just now recovering economically and seeing the positive effects of the aid provided by the federal, state, and local governments. Unfortunately, even with all the progress being made, I fear that we will lose these gains as China begins to impose-retaliatory tariffs on all seafood products imported from the United States.

As you are aware, the Administration on July 6, 2018 decided to move forward with plans to impose a 25 percent tariff on $34 billion worth of imports from China under section 301. Immediately after the Administration's tariffs went into effect, China retaliated with a 25 percent tariff on its own list of imports for American items including Florida spiny lobsters, soybeans, beef, pork, nuts and dairy. While I agree that China should be held accountable for damaging U.S. businesses with unfair trade practices, this retaliation is also a source of great harm to U.S. industries.

Spiny lobster fishermen in my district rely on the Chinese market for a significant portion of their livelihood. Some fishermen export up to 75 percent of their Florida spiny lobsters to China. According to the Department of Commerce, just 32,000 pounds of Florida lobster were shipped to China in 2010. By 2013, that number rose to nearly 4 million pounds. More recently, Florida spiny lobster exports have fluctuated from $50 million to $75 million per year. The tariffs on imported spiny lobster from the U.S. will allow countries, such as Australia, to increase their market share while leaving our spiny lobster fishermen at a competitive disadvantage. As a result of China's retaliatory measures, spiny lobster fishermen in the Florida Keys expect the U.S. price of lobster to decrease to unsustainable levels because supply will greatly exceed demand.

I urge you to return to the negotiating table with China to find an approach that will both address China's unfair trade practices and help restrain retaliation, providing our fishermen with a level of certainty they have not enjoyed since Hurricane Irma and helping them and their communities to return to economic prosperity.

Sincerely,

Carlos Curbelo

*Mr. Curbelo. Last year's hurricane season was difficult for many communities in South Florida, especially for Florida Keys fishermen. Fishermen are still struggling with loss of income, repairs, and recovery of property, replacing expensive lobster traps. I fear the small gains made since the end of the hurricane season are in peril, as China retaliates on our fishermen's exports.

Shortly after the administration's tariffs under Section 301 went into effect, China retaliated with a 25 percent tariff on its own list of imports for American items, including Florida spiny lobsters and many of the agricultural items mentioned in the hearing.

Florida Keys fishermen are worried these retaliatory tariffs will have a negative economic effect on their livelihoods, and that they will never again be able to regain their market share in China, even after a hypothetical successful negotiation to decrease tariffs.

It is worth noting some of the fishermen in my district export up to 75 percent of their spiny lobsters to China. While I agree with the administration that China should be held accountable for damaging U.S. businesses with unfair trade practices, this retaliation is also a source of great harm to many of our fishermen and farmers. Instead, we should be working with our allies -- Canada, the EU, and Mexico -- to implement a more targeted approach that will both address China's unfair trade practices and help restrain retaliation, providing our fishermen, farmers, and workers with a level of certainty and helping our communities and your communities return to economic prosperity.

So, Mr. Chairman, I am grateful for all of the testimony we have heard here today, and I think when people think of American farmers they think of more traditional farming like the ones that have been highlighted today, but there are a lot of other people throughout the country, fishermen and others, who are already facing the consequences of this growing trade dispute.

And I just wanted to come here to add my voice to all of the voices we have heard today, and really encourage the administration to try to bring this plane in for a landing, because there are many Americans and American families -- not just consumers, but people like these fishermen in the Florida Keys, who are already being aggrieved, and especially at a time when my district is still trying to recover after the powerful storm, Hurricane Irma, that hit us last year. We can't take more pain at this time.

So we really hope that, working together, Republicans and Democrats, with the administration, with so many stakeholders from throughout the country, we can all figure this out as soon as possible.

Thank you, Mr. Chairman, and I yield back.

*Chairman Reichert. I thank the gentleman. And thank you all for your testimony and for your patience in waiting for us to come back from our responsibilities in voting. I think you have heard from -- obviously, from both sides today. There is a little frustration expressed, and all of us, I think, wanting more communication with the administration.

That is not unique to this administration; it occurred during the Obama Administration, also, as we were discussing trade issues. And I was proud to be a part of the President's Export Council, and had the opportunity to participate in those discussions.

But there -- you know, it doesn't matter how many times we have Mr. Lighthizer here, or Mr. Ross, or Mr. Navarro, or have opportunities to meet with the President and the Vice President, et cetera. We are going to always want more. And that is just what our responsibility is, to increase that conversation between the administration and the members that represent our constituency.

So the other thing I was -- I sort of caught was Mr. Bernstein's comment about his -- the honor of testifying with people that do stuff. And so part of our responsibility is not just trying to communicate with the White House and with the people that work there, and making sure that this does have a smooth landing, as Mr. Curbelo pointed out, but the other part of our job -- even though Mr. Kind recognized immediately that we are hearing these things from our district.

As Mr. Gebbers knows, coming from Washington State, those of us who represent districts in Washington State are hearing those stories. But what is important is you are sharing those stories today in Washington, D.C. in an open hearing, where people around the country and around the world can hear your stories and hear your testimony and hear our concerns and our questions.

And then, most importantly, it is another way of communicating with the administration, because they also watch these hearings, and they listen, and they learn from what you said and what we have said and what our questions are. And that also, then, gives us the opportunity to continue that dialogue and say, hey, by the way, did you catch the hearing from the Trade Subcommittee today?

And we will continue to fight. Both parties will continue to fight, because we want to see you succeed. We want to help the people that do stuff. And that is our job. The first job is to listen to you, and then to find a solution to help you keep doing stuff and to help your family keep doing stuff.

So thank you again for taking the time to be here today. Thank you so much for the work that you do, as Mrs. Noem said. Thank you so much for what you do for this country.

It is indeed a calling. I have relatives who -- in Montana and Minnesota -- I was born in Detroit Lakes, Minnesota, by the way -- who farmed our whole lives. And I still have some relatives in Montana doing that same thing.

So I know that some of you are in harvest season -- Mr. Boening had to go back to his farm -- or you are preparing for harvest season. So thank you for taking the time, again, to be here.

Please be advised that members will have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be made a part of the formal hearing record. Our record will remain open until August 1st, and I urge interested parties to submit statements to inform the committee's consideration of the issues discussed today.

With that, the subcommittee stands adjourned.

[Whereupon, at 5:25 p.m., the Subcommittee was adjourned.]

PUBLIC SUBMISSIONS FOR THE RECORD

American Forest & Paper Association
Statement Submitted for the Record

Committee on Ways and Means
Trade Subcommittee

Hearing on "The Effects of Tariffs on U.S. Agriculture and Rural Communities"

AF&PA serves to advance a sustainable U.S. pulp, paper, packaging, tissue, and wood products manufacturing industry through fact-based public policy and marketplace advocacy. AF&PA member companies make products essential for everyday life from renewable and recyclable resources and are committed to continuous improvement through the industry's sustainability initiative - *Better Practices, Better Planet 2020*. The forest products industry accounts for approximately four percent of the total U.S. manufacturing GDP, manufactures over $200 billion in products annually, and employs approximately 900,000 men and women. The industry meets a payroll of approximately $50 billion annually and is among the top 10 manufacturing sector employers in 45 states. More than 75 percent of U.S. pulp and paper mills are located in counties designated by the Census Bureau as more than 80 percent rural.

Pulp, paper and wood products exports account for about 15 percent of the industry's annual total sales. In 2017, the industry's global exports totaled almost $31 billion, of which pulp, paper and packaging products were $21.4 billion. The industry's exports support an estimated 135,000 jobs at pulp, paper and wood products mills and related logging operations in the U.S., with many more jobs in the rural communities where these facilities are located.

The Trump Administration is appropriately paying significant attention to unfair trade practices that hurt American business and workers. While tariffs on average have come down around the world, U.S. exporters continue to face relatively high tariffs in a number of countries as well as non-tariff barriers such as regulatory standards that are applied more stringently against imports than against domestically produced goods, domestic and export subsidies, managed exchange rates, and lengthy or corrupt customs procedures. These unfair practices undermine the competitiveness of U.S. manufacturers and agriculture exporters.

AF&PA disagrees with the administration's recent unilateral actions invoking "national security" to impose tariffs on U.S. steel and aluminum imports under Section 232 of the Trade Expansion Act of 1962 and tariffs against imports from China under Section 301 of the Trade Act of 1974 due to unfair Chinese practices including forced technology transfers and industrial policy. While we agree that unfair trade practices by China must be addressed, we are very concerned that the cycle of U.S. tariffs and foreign retaliatory tariffs will have significant negative ramifications for a broad array of U.S. industries, including pulp, paper and wood products industry, and American consumers and undermine the significant economic benefits of the Administration's successful tax and regulatory policies.

Section 232 Action
The Administration's global Section 232 tariffs on steel and aluminum – imposed on all but a few countries that agreed to curb their exports to the U.S. – will hurt U.S. industries and agriculture who will see the tariffs translated into higher costs for machinery, construction material and other intermediate products that are produced in the U.S. using steel and aluminum. There is general agreement that overcapacity is a major concern in the global steel and aluminum industries and that China is the main culprit. These global tariffs do not in any way address this issue since steel and aluminum imports from China are rather small due to existing U.S. antidumping and countervailing duties on imports from China.

As expected, countries targeted with steel and aluminum tariffs have responded with tariffs against U.S. exports, some covering paper and wood products.

- Canada: On July 1, Canada imposed a 10 percent tariff on about $800 million in U.S. exports of paper and paperboard, $52 million in printed postcards, and $120 million in plywood.

- Turkey: On June 21, Turkey imposed tariffs on $178 million in U.S. exports of paper and paperboard.

In the event the administration imposes a 25 percent tariff on all imported automobiles and auto parts as it has threatened to do, targeted countries would be expected to take immediate countermeasures in the form of additional tariffs on a commensurate amount of U.S. exports of manufacturing and agricultural products, including pulp, paper and wood products, inflicting enormous harm on the U.S. economy. In addition to direct exports, our sector would be negatively affected by retaliatory tariffs on exports of U.S. agricultural, food and manufacturing companies that use paper and paperboard packaging materials in shipping their products abroad.

Due to the significant harm that tariffs imposed under the guise of national security and counter-tariffs can cause the U.S. economy, AF&PA supports legislation that would require congressional approval for the President's invocation of Section 232 trade measures. AF&PA signed onto the June 26, 2018, letter from the U.S. Chamber of Commerce on behalf of more than 200 industry trade associations, local chambers of commerce and other business organizations, to the U.S. Senate, asking them to support a bi-partisan bill sponsored by Sen. Bob Corker (R-TN) and others that would require the President to submit to Congress any proposal to raise tariffs under the guise of national security under Section 232 of the Trade Expansion Act of 1962. We ask that the House of Representatives consider similar legislation.

Section 301 Action
The Administration should be commended for trying to address China's unfair trade practices. However, we do not believe China will cooperate with the U.S. to remove harmful practices identified in the administration's Section 301 investigation under the threat of tariffs which so far has only resulted in retaliatory tariffs against U.S. exports of agricultural and manufacturing goods.

So far, the Administration's 25 percent tariff on imports on $34 billion worth of Chinese goods with the intent to impose the tariff on another $16 billion has not directly affected U.S. exports of pulp, paper and wood products. However, the industry is affected indirectly as a result of the tariffs placed on imports from China of pulp, paper and wood products manufacturing and converting machinery and parts, as well as on other capital equipment, as well as tariffs on capital intensive supporting equipment. Tariffs on machinery, forklifts, chemicals and other essential materials amount to a tax on all American manufacturers. The day-to-day operations and costs of doing business and on consumers will rise by tens of millions of dollars. In addition, China's response with proposed tariffs on certain U.S. agricultural products and other goods will adversely affect our companies' sales of paper, paperboard and wood packaging materials to domestic customers of these products who would be exporting to China but for the new Chinese tariffs.

Raising the scope of targeted Chinese imports under Section 301 to an additional $200 billion worth of products as the administration is considering would engulf all U.S. exports to China if it chooses to retaliate against a similar amount of U.S. exports. For our industry, it means that $2.4 billion in U.S. pulp and paper exports and $3.2 billion in wood products would be under threat. Since the U.S. is not the world's only producer of these products, it means that additional tariffs on U.S. exports would only result in the loss markets to the benefit of other global suppliers.

Instead of tariffs, which so far have only resulted in counter tariffs against U.S. exports, we advocate for a multilateral approach to address China's damaging behavior regarding intellectual property and technology transfers. At the same time, our trade representatives should widen their dialogue with China and consider a bilateral agreement that would address many of these issues and provide a clear dispute settlement mechanism that improve the broad trade and economic relations between the world's two largest economies.

We would be pleased to discuss these issues with the subcommittee and answer any questions you may have about our industry's trade interests.

AHRI
AIR-CONDITIONING, HEATING, & REFRIGERATION INSTITUTE
we make life better™

2111 Wilson Boulevard Suite 500 Arlington VA 22201-3001 USA
Phone 703 524 8800 | Fax 703 562 1942
www.ahrinet.org

July 18, 2018

The Honorable Kevin Brady
Chairman
Ways and Means Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
Ways and Means Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman and Ranking Member:

On behalf of the Air-Conditioning, Heating, and Refrigeration Institute (AHRI), I am writing in reference to the committee hearing on Wednesday, July 18, 2018 regarding effects on American agriculture and rural communities of both U.S. tariffs imposed under Sections 232 and 301 as well as retaliation imposed by other countries against U.S. exports. AHRI is the trade association representing over 315 manufacturers of residential, commercial, and industrial air conditioning, space heating, water heating, and commercial refrigeration equipment and components for sale in North America and around the world. The heating, ventilation, air-conditioning, refrigeration (HVACR), and water heating industry employs 1.3 million people and generates $257 billion in economic activity annually.

The HVACR and water heating industry opposes tariffs and barriers to free, harmonized trade. Recent further imposition of steel and aluminum tariffs, as well as Section 30 tariffs, and various retaliatory tariffs imposed by global trading partners, have only further exacerbated the issue. These tariffs will disrupt existing trade partnerships and increase prices by 10 to 25 percent, thus negatively impacting the consumer, and most especially rural and low-income communities. AHRI has submitted the following comments previously:

- July 17, 2017: AHRI sends a letter to Ambassador Lighthizer and Secretary Ross opposing the Section 232 investigation.
- February 22, 2018: AHRI sends a letter to Congress urging it to oppose the Section 232 tariffs.
- February 27, 2018: AHRI sends a letter to the President opposing the Section 232 investigation report recommendations.
- March 8, 2018: AHRI releases a statement expressing its opposition to the Section 232 tariffs.
- March 21, 2018: AHRI submits a letter for the House Ways and Means Committee U.S> Trade Policy hearing with United States Trade Representative Robert Lighthizer, opposing barriers to trade.
- March 22, 2018: AHRI submits a letter for the House Ways and Means Committee Section 232 investigation hearing with Secretary Ross, opposing the Section 232 investigation.

- May 11, 2018: AHRI submits comments to the USTR expressing its opposition to the first round of Section 301 tariffs.
- May 18, 2018: AHRI submits comments to the Department of Commerce expressing its opposition to the Section 232 tariffs.
- June 18, 2018: AHRI joins an industry letter to the Senate Finance Committee and the House Ways and Means Committee advocating for greater balance in the tariff policy process between the President and Congress.
- July 11, 2018: AHRI joins industry letters to Secretary Ross, Minister Freeland, Ambassador Craft, and Ambassador MacNaughton expressing the HVACR, water heating, and plumbing industry's concern with the steel and aluminum tariff dispute between Canada and the United States.

In addition, please find attached AHRI's recent coalition comments to the Department of Commerce regarding the Section 232 tariffs implemented against our trading partner, Canada, and their retaliatory tariff actions.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Joe Trauger

Joe Trauger
AHRI Senior Vice President
Policy and Government Relations

July 11, 2018

The Honorable Wilbur Ross
Secretary of Commerce
1401 Constitution Ave NW
Washington, DC 20230
United States
sent by email: arankin@doc.gov

Dear Mr. Secretary,

RE: Response to Tariffs on U.S. and Canadian Steel and Aluminum Products

We write to express the collective concern of the heating, ventilation, air-conditioning, and refrigeration (HVAC-R), water heating, and plumbing industries in regard to the ongoing steel and aluminum tariff dispute between Canada and the United States. The new tariffs, implemented on June 1, 2018 by the United States and matched on July 1, 2018 by Canada, stand to negatively impact both Canadian and U.S. businesses, employees, and customers. The undersigned industry associations are united in our opposition to tariffs and encourage free, harmonized trade between Canada and the United States.

For decades, our associations and members have worked to ensure our countries work collaboratively to achieve the best possible outcomes for businesses and consumers, and free trade is a vital part of that relationship. Immense progress has been made over the past 30 years and our economies are demonstrably more stable when working together. This progress is evidenced by thousands of workers in the multi-billion-dollar HVACR, water heating, and plumbing supply chain meeting the needs of Canadian and U.S. citizens. We urge both sides of this dispute to act judiciously and consider the ramifications these tariffs will have on both nations.

Our members often require materials that can only be sourced from trading partners in Canada or the United States. This trading relationship has, understandably, developed out of our existing rules-based trade agreement and provides the best products and services to consumers in the most efficient manner possible. These new tariffs will disrupt existing trade partnerships and increase prices by 10 to 25 percent. Price increases will impact thousands of suppliers and countless families in Canada and the United States.

To illustrate this point, tariff item 8419.19.00 "*Instantaneous or storage water heaters, non-electric: Other,*" which was included in Canada's finalized tariff list on July 1, 2018 will add a 10% additional cost on non-electric options, create an artificial incentive for fuel switching, pose problems for regulated utilities and restrict consumer choice.

Raw steel and aluminum products play an important role in the manufacture, installation and service of many of the products in the HVAC-R, water heating, and plumbing sectors. These products allow our industry to improve energy efficiency in new construction and retrofits of existing buildings. Additionally, many HVAC-R, water heating, and plumbing products have an impact on other industries including mining and natural resources, advanced manufacturing, information technology, and the service sector. Consumers will ultimately shoulder the burden when tariffs artificially inflate the cost of products and operations. We are concerned that the steps being taken by both countries will have a detrimental effect on both economies and will reduce North American competitiveness globally.

We strongly encourage a speedy resolution in order to remove these recently imposed tariffs. Our industry, and many others, will benefit if Canada and the United States work together towards free trade.

Sincerely,

Steve Yurek
Chief Executive Officer
AHRI

Kerry Stackpole
CEO/Executive Director
PMI

Alex Ayers
Director, Government Affairs
HARDI

Ralph Suppa
President and General Manager
CIPH

Sandy McLeod
President and CEO
HRAI

Founded in Montreal in 1933, the CIPH is a not-for-profit trade association that is committed to providing members with the tools for success in today's competitive environment. More than 290 companies are members of this influential Canadian industry association. They are the manufacturers, wholesaler distributors, master distributors, manufacturers' agents, and allied companies who manufacture and distribute plumbing, heating, hydronic, industrial PVF, and waterworks, and other mechanical products. CIPH wholesalers operate more than 700 warehouses and showrooms across Canada. Total industry sales exceed $6.5 billion annually and CIPH members have more than 20,000 employees from coast to coast.
295 The West Mall, Suite 504, Toronto, ON M9C 4Z4

Plumbing Manufacturers International is the voluntary, not-for-profit international industry association of manufacturers of plumbing products, serving as the Voice of the Plumbing Industry. Member companies produce 90 percent of the nation's plumbing products and represent more than 150 brands. As part of its mission, PMI advocates for plumbing product performance and innovation contributing to water savings, sustainability, public health and safety, and consumer satisfaction.
1750 Tysons Blvd., Suite 1500, McLean, VA 22102

Founded in 1968, the Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI) is a non-profit national trade association of manufacturers, wholesalers and contractors in the Canadian heating, ventilation, air conditioning and refrigeration (HVACR) industries.
HRAI advocates a safe, responsible and fair industry where indoor environment systems and refrigeration processes are designed, installed and serviced by qualified professionals in order to ensure efficient and energy-conscious operation.
2350 Matheson Blvd. East, Suite 101, Mississauga, ON L4W 5G9

The Air-Conditioning, Heating, and Refrigeration Institute (AHRI) is the trade association representing manufacturers of HVACR and water heating equipment within the global industry. AHRI's 315 member companies manufacture quality, efficient, and innovative residential and commercial air conditioning, space heating, water heating, and commercial refrigeration equipment and components for sale in North America and around the world, and account for more than 90 percent of HVACR and water heating residential and commercial equipment manufactured and sold in North America.
2111 Wilson Blvd., Suite 500, Arlington, VA 22201

HARDI (Heating, Air-conditioning & Refrigeration Distributors International) is the single voice of wholesale distribution within the HVACR industry. HARDI members market, distribute, and support heating, air- conditioning, and refrigeration equipment, parts and supplies. HARDI Distributor members serve installation and service/replacement contractors in residential and commercial markets, as well as commercial/industrial and institutional maintenance staffs. HARDI proudly

represents more than 480 distributor members representing more than 5,000 branch locations, and close to 500 manufacturers, manufacturer representatives and service vendors.
445 Hutchinson Ave., Suite 550 - Columbus, OH 43235

Almond Alliance
OF CALIFORNIA

July 18, 2018

Chairman David G. Reichert
Chairman, Trade Subcommittee
House Committee on Ways and Means

Dear Mr. Chairman,

I am writing this letter on behalf of the California almond industry. All the almonds produced in the United States are grown in California. The Almond Alliance of California is a trade association representing the almond industry and advocates for them on industry issues. Please include this letter in the Hearing Record.

This letter submitted to the US Congressional House Committee on Ways and Means, Trade Subcommittee is in response to the request to provide suggestions and feedback for the damage the almond industry is sustaining because of retaliatory tariffs against almonds resulting from U.S. imposed tariffs on imported steel and aluminum.

Almonds are one of California's top three valued commodities and the leading agriculture export. The industry is composed of approximately 6,800 almond growers, all located in the Central Valley of California. According to the latest Ag Census, 91% of almond farms are family owned and 74% are less than 100 acres. Most of these are family farmers who have farmed almonds for several generations.

The California almond industry generates about 104,000 jobs statewide, over 97,000 in the Central Valley, especially in areas that suffer from chronic unemployment. The industry also generates more than $21 billion in economic revenue and directly creates more than $11 billion to the size of the state's total economy.

California produces approximately 80% of the world's supply of almonds. Approximately 70% are exported to over 100 countries worldwide. In 2017, total exports to China, India and Turkey combined exceeded $1 billion dollars. As a percent of production exported, almonds rank third among all agricultural crops. This is why the retaliatory tariffs have such a damaging impact on almond farmers.
Currently, the almond industry is facing increased tariffs in China, India and Turkey. These three countries are markets for over a third of U.S. almond exports.

Below is a summary of the international markets where retaliatory tariffs are being imposed on California almonds.

China: China is the 3rd largest export destination for California almonds, with an approximate 2017 value of shipments to the region of more than $500

1211 L Street, Modesto, CA 95354 | p: 209.300.7140 | f: 209.300.7375 | almondalliance.org

million. Exports to China must be considered with exports to Hong Kong and Viet Nam. The tariff rate in China was 10% prior to the 15% retaliatory tariff announced by China on April 2nd, in response to the US tariffs on steel and aluminum. Their June 15th announcement, in response to the US section 301 investigation, is for an additional 25% tariff effective July 6. California almonds are now 50% more expensive if all retaliatory tariffs remain in place. Australia, through an FTA with China, will enjoy 0% tariffs in 2019. Exports to China, prior to the additional tariff, were anticipated to continue growing at about 6% per year. Year-to-date, our shipments to the region are up about 20% compared to last year.

India: India is the 2nd largest export destination for California almonds, with a 2017 value of $658 million. California almonds are also the United States number one agricultural export to this market, with shipments up more than 20% over last year. The majority of exports to India are inshell almonds, which effective August 4 were subject to a specific duty of 42 rupees per kilogram, while the duty for almond kernels will increase to 120 rupees per kilogram. Australia, the other major supplier to India, will retain a specific duty of 35 and 100 rupees, respectively. For centuries, almonds have been part of India's cultural tradition and the new additional tariffs could effectively put them out of reach for many consumers in the market.

Turkey: Turkey has very recently increased its retaliatory tariff on nuts, including almonds, from the notified 5% to 10%. Thus, the effective rate is now 25% (the original 15% applied duty in addition to a 10% retaliatory tariff). In this market, the value of inshell and shelled almonds in 2017 was approximately $147 million.

Other countries are considering retaliation against U.S. products, which may result in additional damage to the almond industry. It is understood that suggested mitigation for our almond farmers should result in direct benefit to the farmers. With this request to our industry, we have put together suggested mitigation recommendation that will accomplish this result.

The preliminary mitigation suggestions are as follows:

First, for the annual assessment, based on rate per pound of almonds, that $90 million be paid to the Almond Board of California Marketing Order by the administration for the 2018/2019 crop year and almond farmers be exempt from the payment.

Second, provide expedited Market Access Program (MAP) funding in the amount of an additional $200 million dollars to assist trade associations, cooperatives, state regional trade groups and small businesses share the costs of overseas marketing and promotional activities that help build commercial export markets for U.S. agricultural

Almond Alliance
OF CALIFORNIA

products and commodities. These would benefit targeted commodities impacted by both 232 and 301 retaliatory tariffs.

Third, is for the Administration to waive 100% of almond growers 2018 crop insurance premiums which are scheduled for billing on August 15, 2018.

Fourth, the almond industry requests federal support to provide for the interim storage of almonds. This unanticipated storage need results from the expected back-up in the supply chain due to impaired market access in key export markets and the related eventual diversion of supply to alternative markets resulting from retaliatory tariffs. We anticipate delayed export shipments and supply chain disruptions to China, India and Turkey which would all need storage.

We hope the Administration and Congress will look favorably on these recommendations, which will directly benefit almond growers damaged by retaliatory tariffs. Specifically, we urge the first recommendation be accepted and approved on a fast-track basis and the that the negatively impacted growers will receive the benefit directly.

I would like to strongly state that the California almond industry is focused on trade and market growth. None of the listed mitigation recommendations will begin to offset the financial impacts, the disruptions to our relationships with commercial partners, or the longer-term effect this could have on the considerable market development investments the almond industry has made over the past decades.

The Almond Alliance appreciates the opportunity to submit our concerns for the Record and hope they will be met with the same urgency in which we write this letter. Thank you for holding this important hearing and including this letter in the record of this hearing.

Sincerely,

Elaine Trevino

Elaine Trevino
President/CEO

Cc: Chairman Devin Nunes

1211 L Street, Modesto, CA 95354 | p: 209.300.7140 | f: 209.300.7375 | almondalliance.org

CENTRAL CALIFORNIA ALMOND GROWERS ASSOCIATION
Post Office Box 338 ♦ Kerman, California 93630-0338 (559) 846-5377

July 19, 2018

The Honorable Dave Reichert
Chairman, Trade Subcommittee
House Ways and Means Committee
1100 Longworth House Office Building
Washington, DC 20515

Submitted via email to waysandmeans.submissions@mail.house.gov

Re: ***Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities***

Dear Chairman Reichert,

As the President and CEO of Central California Almond Growers Association, (CCAGA), I wish to impress upon you the impact that the proposed tariffs are having on our business model. CCAGA is the largest Almond Huller and Sheller in the world. We are located at two sites in the central San Joaquin Valley of California. Our organization is composed of almond growers who each year bring their production to our two locations for the hulling or shelling of their almond production. We employ up to145 employees during our hulling and shelling season that extends from the first part of August through mid-December. Last year we hulled or shelled 120,484,511 pounds of almond kernals.

CCAGA operates as an Agricultural Service Cooperative. Our 412 grower/members retain the ownership of the almond kernals, which they sell to various handlers/packers throughout California. Our Association collectively becomes the owner of the by-products of hulls and shells, which we sell to local dairies in our area. These products are mixed in with the dairy ration. It is interesting to note that 90% of our revenue is derived from the dairy industry. Therefore, our success is totally reliant on the profitability of California dairies.

The dairy industry in California is undergoing significant economic pressure due to the cost of labor, extensive over regulation and a milk price that is below the cost of production. Therefore, the dairies have less money to spend on our almond hulls and shells. In fact, since the tariff issue began the dairies have seen a significant drop in milk pricing as much of our California dairy production is exported in the form of powdered milk, or cheese. Similarly, we have seen an evaporation of open interest by the dairies in contracting of our almond hulls and shells and a reduction in almond pricing. Almond prices for new crop have fallen from $115 per ton over the last month to $98 to $105 per ton today.

The uncertainty caused by the tariff discussion alone is wholly detrimental to all of us in agriculture at many levels. Thank you for your time and consideration of our comments on this very important issue. We ask that the committee remain engaged in helping to bring these crippling tariff issues to a close.

Sincerely,

Michael E. Kelley
President & CEO

Company Name: Chippewa Valley Bean Co.

Location: Menomonie, WI

Number of Employees: 35

Tariff Impact (232 and/or 301): 232 – 25% retaliatory tariff on kidney beans to the EU

Chippewa Valley Bean Co. grows, processes and markets kidney beans from farmers in WI and throughout the Midwest. Winners of the Governor's Export Award, in 1991 and again in 2015, we export 65-70% of our total tonnage. The European Union is our largest international market accounting for 60% of export sales with an annual value of $25,000,000.

The 25% retaliatory tariffs are extremely detrimental to our family business. Canning companies throughout the world have very small profit margins and are unable to absorb over $6,000,000 in unexpected new taxes. They will buy kidney beans grown in China, Canada or Argentina. US farmers produce more kidney beans than are consumed domestically. When farmers lose the opportunity to sell globally, they have fewer choices of what to grow. Growing more soybeans and corn, at prices which currently don't cover the cost of production, puts farmers out of business.

CVB has cancelled over $3.5 million in capital purchases for 2018 since the retaliatory tariff was applied, as well as scrapping over $15 million in expansion plans for 2019. When steel tariffs were announced in late winter, we were negotiating the construction of a storage and drying system. The price of the project increased in anticipation of the tariff; all it took was the discussion of a 25% tariff for bin manufacturers to raise their price.

Kidney bean suppliers in Canada, China & Argentina will raise their prices, too, slightly below the US base price plus the tariff. The end result is that our competitors will increase their profit margins while US farmers can't sell their beans.

CVB contracts with bean growers prior to planting, guaranteeing a base price on 50% of the farmer's production. In turn, we sold those beans to EU buyers. When the EU refuses to take the beans, CVB is still obligated to pay the farmers for the beans that were contracted. We then have two options, agree to pay the 25% tariff and take an immediate loss or hold the beans hoping to sell them if the tariff is ever lifted. Either way, experiencing a 25% price reduction or having zero cash flow doesn't keep the doors open.

Our sons and I operate a conventional corn/soybean/cattle farm in southern Wisconsin. The imposition of tariffs on our trading partners has had a very detrimental effect on our farm and agriculture in general. We are already feeling the economic pressure of low prices, high input costs, and high real estate prices. The loss of income (over $2/bushel on soybeans alone-around $100/acre loss) will be disastrous to the mid-west if allowed to continue. Farmer welfare ($12 billion reasons why tariffs don't work) is not the answer. Please restore free trade.

David and Maria Drews
Muscoda, Wisconsin.

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

TRADE SUBCOMMITTEE

HEARING ON THE EFFECTS OF TARIFFS ON U.S. AGRICULTURAL AND RURAL COMMUNITIES

JULY 18, 2018

STATEMENT OF THE DISTILLED SPIRITS COUNCIL OF THE UNITED STATES, INC.

Christine LoCascio
Senior Vice President
International Issues and Trade
Distilled Spirits Council of the United States, Inc.
1250 Eye Street, NW, Suite 400
Washington, D.C. 20005
clocascio@distilledspirits.org

U.S. HOUSE OF REPRESENTATIVES
TRADE SUBCOMMITTEE OF THE COMMITTEE ON WAYS AND MEANS

"The Effects of Tariffs on U.S. Agriculture and Rural Communities"

July 18, 2018

The following statement is submitted on behalf of the Distilled Spirits Council of the United States, Inc. ("Distilled Spirits Council") for inclusion in the printed record of the House Ways and Means Trade Subcommittee's hearing on the effects of tariffs on U.S. agriculture and rural communities. The Distilled Spirits Council is the national trade association representing the leading producers and marketers of distilled spirits in the United States. In 2017, U.S. distilled spirits were exported from small, medium, and large distillers located in 42 states.[1] The distilled spirits sector directly and indirectly employs approximately 1.5 million people.

I. Introduction

The Distilled Spirits Council and its members have strongly supported efforts to liberalize trade through a variety of fora and mechanisms. International trade has become increasingly important to the U.S. distilled spirits sector and is instrumental to its long-term viability. Global exports of U.S. spirits, including Bourbon, Tennessee Whiskey, American Rye Whiskey, rum, gin, vodka, brandy and liqueurs have benefitted significantly from the United States' efforts to secure market opening trade agreements. Exports of all U.S. spirits have nearly tripled in the past twenty years, reaching $1.64 billion in 2017.[2] In particular, American Whiskey exports increased nearly four-fold during that period rising to $1.13 billion in 2017. This export success story has enabled distilleries across the country to grow, including expanding and hiring more employees. This growth has also benefitted the hospitality sector, U.S. farmers which supply the grains used in the production of these products, as well as other input providers such as glass and other packaging suppliers. In 2017, the U.S. distilled spirits sector used 165 billion pounds of grain produced by U.S. farmers, up from 158 billion pounds in 2016.

II. Retaliatory Tariffs on U.S. Distilled Spirits Exports

Exports to the European Union (EU), Canada, Mexico, Turkey, and China worth an estimated $759 million a year are currently the target of retaliatory tariffs, ranging from 10 to 70 percent *ad valorem*. **In fact, <u>46 percent of global U.S. spirits exports and 65 percent of global U.S. whiskey exports</u> are facing retaliatory tariffs.** Such tariffs will seriously impede the export progress that has benefitted the U.S. spirits sector over the past twenty years.

The specific tariffs that are being applied are detailed below.

The **EU** implemented a retaliatory tariff of 25 percent on all U.S. whiskey imports on June 22, 2018 in response to the Section 232 tariffs. By way of background, the U.S. and the EU mutually agreed to eliminate tariffs on practically all distilled spirits from all other World Trade Organization (WTO) members as part of the so called "zero-for-zero" agreement resulting from the WTO's Uruguay Round of agreements. This duty-free access has significantly benefitted U.S. spirits exports to the EU, which went from $216 million in 1997 to $789 million in 2017, an increase of 265

[1] *See* annex I for maps indicating which states exported spirits and American Whiskey in 2017
[2] National export data is compiled from the U.S. International Trade Commission DataWeb.

percent. American whiskey exports to the EU increased 350 percent in that time, from $148 million in 1997 to $667 million in 2017. The following 23 states exported whiskey to the EU in 2017 (in descending order of the value of exports): Tennessee; Kentucky; Texas; Florida; Illinois; California; New Jersey; South Carolina; Virginia; Massachusetts; Ohio; Arkansas; West Virginia; Washington; Michigan; Pennsylvania; North Carolina; Alaska; Minnesota; Georgia; Missouri; Vermont; and Oregon.[3]

Canada implemented a retaliatory tariff of 10 percent on all U.S. whiskey imports on July 1, 2018 in response to the Section 232 tariffs. Since implementation of the North American Free Trade Agreement (NAFTA), U.S. spirits exports to Canada grew nearly 615 percent, from roughly $28 million in 1995 to $200 million 2017, ranking Canada as the top export market for U.S. distilled spirits. American whiskey exports to Canada during that period increased from $4.8 million to $49 million. In 2017, the following 25 states exported whiskey to Canada (in descending order of the value of exports): Kentucky; Tennessee; Illinois; Indiana; New Jersey; California; Minnesota; Florida; Maryland; Oregon; Arkansas; Wisconsin; New York; Missouri; Colorado; South Carolina; Wyoming; Nebraska; North Carolina; Iowa; Washington; Utah; Connecticut; Texas; and Arizona.

Mexico imposed a retaliatory tariff of 25 percent on all U.S. whiskey imports on June 5, 2018 in response to the section 232 tariffs. Since implementation of NAFTA, U.S. distilled spirits exports to Mexico grew nearly 585 percent, from $6.5 million in 1995 to $44.4 million in 2017, ranking it as the 9th largest market for U.S. distilled spirits exports. American Whiskey exports to Mexico during that period increased from $1 million to $13.4 million. In 2017, the following 13 states exported whiskey to Mexico (in descending order of the value of exports): Texas; Kentucky; Florida; Arizona; Illinois; California; New York; Nevada; Virginia; Minnesota; Kansas; Louisiana; and Maryland.

China implemented a retaliatory tariff of 25 percent on U.S. whiskeys on July 6, 2018 in response to the Section 301 actions. American spirits exports to China have grown by almost 1,200 percent, from $959,000 in 2001 when China joined the WTO to $12.8 million in 2017; of this $8.9 million was whiskey. In 2017, the following 8 states exported whiskey to China (in descending order of the value of exports): Tennessee; Kentucky; California; Missouri; Illinois; Wisconsin; Oregon; and New York.

Turkey implemented a 70 percent tariff on all U.S. distilled spirits on June 21, 2018 in response to the section 232 tariffs. In 2017, Turkey imported $21 million in spirits from the United States; of this $20.2 million was whiskey. In 2017, the following three states exported spirits to Turkey (in descending order of the value of exports): Tennessee; Kentucky; and Arkansas.

III. Impact of Retaliatory Tariffs on U.S. Distilled Spirits Producers

Below is an illustrative list of small and medium distilleries from across the U.S. describing how their individual companies have been negatively affected by the retaliatory tariffs:

- **Catoctin Creek Distillery (Purcellville, VA)**: Catoctin Creek Distillery was founded by husband and wife Scott and Becky Harris in 2009 and employs 20 people. The company recently invested $100,000 in the European market and exports its American Rye Whiskey to Germany and Italy and had been planning to expand sales to Holland and the U.K. Prior to

[3] State export data is compiled from the U.S. Census Bureau, Economic Indicators Division

the EU’s implementation of its retaliatory tariffs, Catoctin Creek projected that the European market would account for approximately 25 percent of its overall sales.

Scott Harris said "this year we launched into these countries with redistribution, and we’re really ready to just go, go, go, and then—almost right away—these tariffs come on. If the tariffs hold up for a longer time, we’re going to have to refocus our growth objectives, sell more in the U.S. and basically wait on anything going into Europe—which is really a shame." As a result of the EU’s retaliatory tariffs, Scott Harris said, “the option we’re really left with is to tread water and see how long this will check out." “If Europe dried up, then we're sitting on inventory we didn't need.”

- **Cleveland Whiskey (Cleveland, OH)**: Founder and CEO Tom Lix said the threat of retaliatory tariffs from the EU "sent a chill through our EU distributors" which subsequently canceled orders. Lix said they “were about to launch a new product in Europe this year which has now been put on hold. I have part of a warehouse filled with 700 milliliter bottles, which is how I have to sell them in Europe, so I can’t use those bottles in the US. I also have product I could be shipping. This is happening around the world. Nobody wants to order something, and it turns out the purchase price you thought you had when it left the docks in Cleveland is going to be something else when they get it in Hong Kong, Germany or Britain.” Cleveland Whiskey employs approximately 15 people.

- **Dry Fly Distilling (Spokane, WA)**: Established in 2007, the company employs approximately 10 people. Don Poffenroth, Owner, said the 10 percent tariff in Canada “makes me uncompetitive in the market” and recently had a sale of approximately 2,000 cases of whiskey to Ontario, Canada cancelled.

- **FEW Spirits (Evanston, IL)**: Established in 2011, the company has approximately 15 employees. Exports make up about 15 percent of its total revenue and its top export markets are the U.K., France, Finland and China. Founder and CEO Paul Hletko said the company has lost sales “in the six figures” from distributors in Europe and China.

- **James E Pepper Distillery (Lexington, KY)**: The company was established in 2010 and recently invested several million dollars to renovate an old distillery which is now producing American Whiskey. Amir Peay, Owner and CEO, said the EU’s 25 percent retaliatory tariff on American Whiskey “will absolutely hurt us." "We’ve been exporting to Europe for four years; it's about 10 percent of our business. We had been planning for some time to make a major expansion into the European Union, which is the best market for growth for American whiskey. ... We brought on a new 700ml bottle, rearranged new distribution network and brought on a distribution network in Amsterdam. Wham, it's a new reality for Europe," he said. "We’d either need to eat it and have our margins affected or pass it along to importers and distributors, who pass it along to bars, who pass to customers. So it ends up being exponential."

- **King County Distillery (Brooklyn, NY)**: Established in 2010, the company has approximately 40 employees and has been exporting to the United Kingdom and Canada for the past five years. Colin Spoelman, Co-founder and Head Distiller, said some Canadian distributors will stop carrying his product due to the decreased competitiveness of his products compared to others not subject to the retaliatory tariffs.

- **KOVAL Distillery, (Chicago, IL)**: Established in 2008 by husband and wife Robert and Sonat Birnecker, the company employs approximately 20 people. In recent years the company has grown its business in Asia and Europe and exports account for approximately 20 percent of its annual revenue. Its largest markets are Austria, Germany and Italy. President Sonat Birnecker said "we don't know the extent of the damage this is going to cause, but it's definitely going to be painful."

- **Mountain Laurel Spirits (Bristol, PA)**: Established in 2011, the company increased its production nearly 250 percent in 2016 and now exports to approximately 20 countries, including France, Germany, and the United Kingdom. Co-founder Herman Mihalich says consumers in foreign markets have found American whiskeys to be "tasty and price competitive" to Scotch, but the "tariffs could erode the competitive pricing element in those markets."

IV. Conclusion

In summary, the U.S. distilled spirits industry has benefitted significantly from the comprehensive multilateral, regional and bilateral trade agreements the United States has concluded. However, the imposition of these tariffs threatens to seriously impede the export progress that has benefited our sector and created jobs across the country throughout the entire supply chain, from farmers to suppliers. Depending on how long these are in place, the impact will be felt across the United States. U.S. distilled spirits are exported from small, medium and large distillers located across 42 states; American Whiskey is exported from U.S. distillers located in 37 states.

As noted above, retaliatory tariffs have already had a significant negative impact on small and medium distillers, many of which are family owned and operated. These companies have invested significant time and resources to build these markets for American distilled spirits exports. These markets may be lost as foreign adult consumers shift to distilled spirits produced domestically or by our global competitors.

We welcomed the recent commitment announced by the U.S. and the EU to de-escalate this trade dispute and address tariff issues. We hope that Congress, the Administration and our trading partners will build upon this spirit of collaboration through timely dialogue that leads to the prompt removal of retaliatory tariffs on our exports. Thank you again for the opportunity to provide the U.S. spirits sector's views. Please do not hesitate to contact us if we can provide any additional information.

Thank you very much for your consideration.

Written Statement of:

Christine LoCascio
Senior Vice President
International Issues and Trade
Distilled Spirits Council of the United States, Inc.
1250 Eye Street, NW, Suite 400
Washington, D.C. 20005
clocascio@distilledspirits.org

Annex I:


42 States Export U.S. Spirits
Source: 2017 U.S. Census & ITC Data


37 States Export U.S. Whiskey
Source: 2017 U.S. Census & ITC Data

August 1, 2018

Chairman David Reichert
House Ways and Means Trade Subcommittee
1102 Longworth HOB
Washington D.C. 20515

Re: The Effects of Tariffs on U.S. Agriculture and Rural Communities

Dear Chairman Reichert and Trade Subcommittee Members:

Edge Dairy Farmer Cooperative would like to emphasize the importance of trade to the dairy community and the negative impact tariffs are having on agriculture and our rural communities. Since its inception in 2010, Edge has grown to be one of the top co-ops in the country in terms of the amount of milk produced by members throughout the Midwest (more than 10 billion pounds in 2017).

U.S. dairy exports have come to represent a substantial portion of total U.S. milk production, 14.7 percent to be exact. That works out to one day's worth of total milk production every week. In 2017, the U.S. exported $5.5 billion worth of dairy products to customers outside of our country. Our exports support thousands of dairy farms and tens of thousands of jobs. Surely, without our ability to export we would not have the strong dairy community that is a cornerstone of many of our rural communities.

As the global demand for dairy products and other animal protein grows, dairy is positioned to play an even larger role in the international marketplace. The population is expected to grow to nine billion by 2050. Many of the countries with burgeoning populations will not have the capacity to meet the demand for safe and nutritious dairy foods. The ability of our farmers to produce milk is second to none; they can do it more effectively and efficiently than anywhere else in the world. This, combined with the fact that innovation and new technologies are allowing for easier transport of dairy products, puts our dairy community in a prime position to export. Our farmers are up to the task and are confident in their ability to meet global demands.

To simplify and stress our position, Edge has articulated a straightforward trade objective: Expand access to global markets with no net loss to existing ones by nurturing more trade opportunities and not disrupting favorable ones we have worked so hard to develop.

To meet this objective, Edge has been heavily engaged in promoting freer and fairer dairy trade policy. Edge leadership and staff frequently make the rounds on Capitol Hill and with key USTR and USDA officials to ensure the vital role that trade plays for agriculture and our rural communities is understood. We also recognize the importance of adding our voice to strengthen broader coalition efforts aimed at shaping strategic and beneficial partnerships across diverse economic sectors to advance favorable trade policy for all. It would be hard to find an opportunity to talk about trade that Edge would not engage in.

2763 Manitowoc Rd Ste B | Green Bay, WI 54311 | 920.883.0020 | voiceofmilk.com

Edge has previously submitted comments urging caution regarding possible retaliatory measures our trading partners could impose because of implementing tariffs. We understand President Trump's desire to reject unfair trading practices. Our dairy farmers do not want to be at a disadvantage due to unfair practices. However, Edge is very concerned about the direction this tariff situation is heading.

The dairy community has been in a prolonged period of low milk and commodity prices leading up to the current tariff state of play. Now, because of trade uncertainty, milk prices remain low and are down significantly from where they were projected to be. Dairy farmers are struggling.

As low prices and uncertainty continue, our farmers' ability to reinvest in their farms shrinks. Farmers must cut costs and, therefore, spend less for the products and services they rely on. They lose the leniency to upgrade an aging machine or to simply make a repair that would save them time and money down the road. Most of those dollars represent funds that would be spent locally, supporting jobs and businesses within their communities.

To add to the uncertainty, we are increasingly concerned about how this situation is damaging the trading relationships our dairy community has built over decades. Our positive relationships are becoming strained and it is less likely that we will be trusted in the long run as reliable business partners.

While we stand idly by on existing trading relationships, the rest of world is pushing forward with new free trade agreements. Our farmers and processors are losing out on vital opportunities. The longer we continue to sit on the sidelines, the more our farmers and processors are disadvantaged.

Edge appreciates the Committee's understanding and attention to our trade concerns. Edge will continue to advocate for a swift and favorable resolution to this tariff situation. We hope the Committee will remain engaged to safeguard our exports and protect our farmers and rural communities.

Sincerely,

Aaron Stauffacher,
associate director of government affairs

2763 Manitowoc Rd Ste B | Green Bay, WI 54311 | 920.883.0020 | voiceofmilk.com

The Honorable Dave Reichert
Chairman, Trade Subcommittee
House Ways and Means Committee
1100 Longworth House Office Building
Washington, DC 20515

Submitted via email to waysandmeans.submissions@mail.house.gov

Re: ***Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities***

Dear Chairman Reichert,

My family owns and operates a farming business growing, processing, and marketing walnuts which are shipped to our customers around the world. We employ approximately 60 employees year-round, but that number increases to about double that number during our peak harvest season. The recently enacted tariffs are having a chilling effect on our ability to export our products overseas, particularly to China, India, and Turkey.

Last year, for example, we shipped roughly $15 million worth of product to those markets. So far this year, we have booked only about $1 million to those markets.

Thank you for your time and consideration of our comments on this very important issue. We urge the committee to engage on this issue and help bring these crippling tariff issues to a close.

Sincerely,

Don Barton
President
GoldRiver Orchards, Inc.

Testimony of Larry George, President of George Packing Company, and Shaun George, President of Northwest Hazelnut Company

Submission for the Record
House Ways and Means Subcommittee on Trade
Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities
July 18, 2018

Combined, George Packing Company and Northwest Hazelnut Company process and market approximately 50% of the commercial U.S. hazelnut crop. An estimated 99% of all commercially grown hazelnuts in North America are grown in the state of Oregon. Due to rapid planting by Oregon farmers, we expect the industry to triple within the next decade to become an approximately $500 million domestic industry, providing another example of the strength in U.S. agriculture.

The recent trade dispute with China has given our industry a unique opportunity to have the prohibitively high Chinese tariffs on U.S. hazelnuts reviewed. As the Administration moves forward with its trade discussions with China, our industry is requesting that the United States seeks elimination or significant reduction of China's burdensome tariffs on Oregon inshell and shelled hazelnuts.

Prior to the April 2nd retaliatory tariffs from China of an additional 15%, Oregon hazelnuts already faced a 25% and 10% tariff on inshell and kernels (shelled), respectively. These pre-existing tariffs are in addition to the Chinese 10% VAT tax upon arrival – making direct shipments of U.S. hazelnuts to China implausible. In addition, Oregon inshell hazelnuts face competition in the Chinese market from Chilean hazelnuts with zero tariff (0%) and other nuts such as pistachios with a 5% tariff.

We are aware that the Chinese consumer strongly desires the unique flavor and larger sized U.S. inshell hazelnut (19.5mm+), as we see large volumes of our product in the Chinese marketplace. This product is sold to different destinations in the world, and then likely transshipped to China for consumption.

A Win/Win for Everyone

In the trade dispute with China, we find no product more likely to produce a win/win for both the United States and China than the Oregon hazelnut. We know that Chinese consumers prize Oregon's unique hazelnut. And, we know that Chinese consumers readily consume our product. However, the transshipped channels do not help to offset any current U.S. trade deficit.

Conversely, Oregon hazelnuts are produced on small farms (average is below 35 acres per grower) and grown and processed in a very sustainable manner. A positive resolution that eliminates or lowers these tariffs to 5% or below would demonstrate how raising important trade issues with long-time partners can have a powerful impact on U.S. small farmers and related businesses, as well as our nation's trade deficit.

In looking back at prior trade discussions, we believe that Oregon hazelnuts have simply been overlooked, as the industry was not aware of advocacy opportunities. With our industry growing so rapidly, we now understand how important it is to seek support of the U.S. Congress and Administration to help reduce barriers that will allow us to be much more globally competitive.

Recently, we have urged U.S. and Chinese trade negotiating teams to prioritize the historically burdensome Chinese tariffs on Oregon inshell and shelled hazelnuts, making it a win/win resolution for Oregon family farmers and Chinese consumers. An achievement of eliminating China's burdensome tariffs on U.S. hazelnuts, a product very much in demand in China, would be positive for Oregon family farmers and processors, U.S. agriculture, the U.S. economy, Chinese manufacturers/distributors, and Chinese consumers.

Thank you for your consideration of our testimony for the record. Our Oregon-based industry is very grateful for the Subcommittee's attention to this important issue and look forward to a positive resolution of the U.S.-China trade negotiations in the near term.

The Honorable Dave Reichert
Chairman, Trade Subcommittee
House Ways and Means Committee
1100 Longworth House Office Building
Washington, DC 20515

Submitted via email to waysandmeans.submissions@mail.house.gov

Re: ***Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities***

Dear Chairman Reichert,

Hughson Nut, Inc began processing almonds in the Central Valley of California in 1985. We are owned by a group of families all of which own and operate their own family almond orchards. In addition to processing the owner's tonnage we also source almonds from other growers nearby. Through the years we have grown to now handling over 70 million pounds of almonds annually and employ 330 people. Over 38 million pounds of almonds have been exported by our company in the past year to everything from Argentina to Vietnam. But most significantly 1,200,000 pounds have shipped to China and 7,155,000 have shipped to India. Two regions that have specifically been targeted for increase on tariffs. Our humble shipments reflect a small drop compared to our state's industry where 165+ MM have shipped to China and 190+ MM have shipped to India respectively.

There is no denying the financial impact that additional tariff's will have on our industry, our company, our employee's, our community, the companies we buy supplies from as well as our customers abroad. We implore you to support getting the proposed tariff issue resolved prior to our crops harvest which will begin here in about 30 days.

Thank you for your time and consideration of our comments on this very important issue. We urge the committee to engage on this issue and help bring these crippling tariff issues to a close.

Sincerely,

Lori Coburn
Director Industrial Sales
PO Box 1150 / 1825 Verduga Road
Hughson, CA 95326
PH: 209-883-0403 ext 204
www.hughsonnut. com

ILLINOIS FARM BUREAU

"Improve the economic well-being of agriculture and enrich the quality of farm family life."

August 1, 2018

The Honorable Dave Reichert, Chairman
The Honorable Bill Pascrell, Ranking Member
U.S. House Ways and Means Committee
Subcommittee on Trade
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Reichert and Ranking Member Pascrell,

Illinois Farm Bureau (IFB), a general agricultural association with more than 77,000 farmer members, applauds the chairman and ranking member for holding the July 18 subcommittee hearing on the "Effects of Tariffs on U.S. Agriculture and Rural Communities." In short, there's absolutely no question that the administration's actions taken under Section 232 and tariffs threatened under Section 301 have created market volatility and additional downward movement in both grain and hog futures prices.

Attached is a graph dated July 31 that shows the steep drop in both corn and soybean futures prices after the U.S. implemented tariffs on imported steel and aluminum. Illinois is the nation's leading producer of soybeans and second leading producer of corn. Our state's number two export by dollar value is soybeans, shipped by barge to the Gulf of Mexico and loaded on ships to China. That market and the economic well-being of Illinois agriculture and related agribusiness hangs in the balance.

Announcements of retaliatory tariffs have accelerated the downward price trend in grain markets. Meanwhile, Illinois hog producers report that the difference now between profit and loss is the hog's trade value which is being whittled away. Our members are deeply concerned that the remaining independent pork producers may not survive a prolonged trade conflict. All pig farmers – integrated and non-integrated – desperately need a quick agreement on a modernized NAFTA with Mexico.

Our association's policy has long supported increased exports to efficiently utilize the productive resources of American agriculture to enhance farm income and improve the farm economy. IFB also supports improved market access and reduced trade barriers through bilateral, regional, and multi-lateral trade agreements. IFB opposes any U.S. policies that restrict agricultural exports.

Heading into our fifth year of depressed commodity prices and diminished net farm income, Illinois farmers – whose individual trade stories are included in the third attachment -- can't afford for the U.S. to wage a prolonged trade war. Even with the recently announced and greatly appreciated USDA assistance package, IFB members urge the administration to work expeditiously to hammer out trade agreements that benefit farmers and the rural economy.

Sincerely,

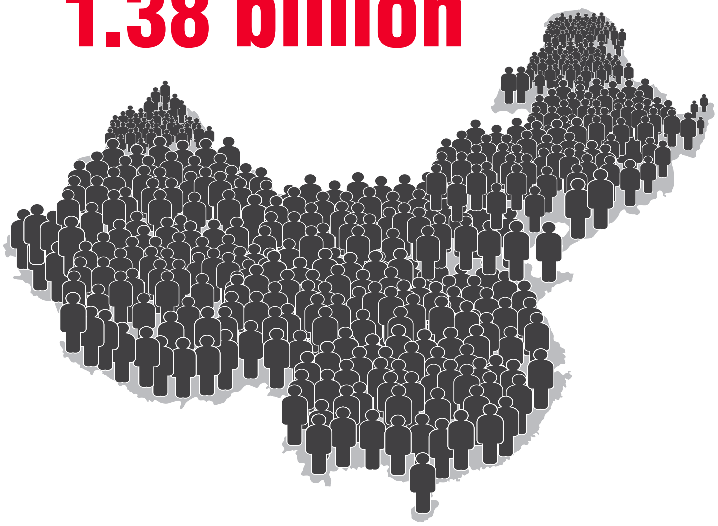
Adam Nielsen
Director of National Legislation & Policy Development
Illinois Farm Bureau

China & Illinois Agriculture

China is a
top 3 export market for
U.S. and Illinois agriculture

China has nearly **1.4 billion consumers**
while the U.S. has only **325 million consumers**

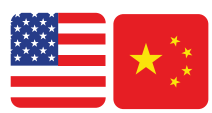
1.38 billion



China is Illinois' largest export partner
accounting for **25%**
of all Illinois agriculture exports

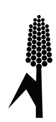
325 million

In 2017, U.S. farmers exported
$22.5 billion
in ag products to China



The U.S-China trade relationship supports **2.6 million jobs** in the United States

Illinois farmers export to China:

 **$1.75 billion** soybeans	 more than **$500 million** corn*	 **$100 million** sorghum	 **$50 million** pork	 **$300,000** beef

*incudes corn, ethanol, and DDGS

ilfb.org/trade We support #trade #tradenottariffs

My Farm's Trade Story

(7-17-18)

Joni Bucher, McDonough County
Trade is vital to my family and my farm. International trade adds around $300 per head in value and, as a beef producer, I can't afford to lose that premium. It's unnerving for farmers. We operate under constant unknowns and adding another layer of uncertainty with the state of current and future trade agreements makes business planning difficult. I want to pass my family farm's legacy on to my sons and generations to come in my family. Without trade, I wonder if that will be possible.

Jack McCormick, Randolph County
Trade is critical to me and to my farm. I am blessed to live a few miles away from an export terminal; providing me better marketing options than if my corn is only used domestically. Nearly all of my corn and beans are exported, most likely to Japan and Asia. Without trade and export markets, I wouldn't be able to make the necessary investments to survive. Regarding the current trade war, I am deeply concerned about losing markets and how my farm will be forced to change my business model to adapt.

Eric Rund, Champaign County
Without trade, I would not be able to purchase things my farm needs and contribute to the local economy. My corn is largely exported to Canada and Mexico, NAFTA is essential to my farm. We cut off exports to Russia a long time ago and the relationship still has not been repaired. The damage that is happening right now is going to hurt us for a long time. If these markets find new trading partners, they are not coming back. Trade is a two-way street.

Mark VonHolten, Whiteside County
I'm all for advancing the country's interests and we recognize what the Administration is trying to accomplish but my concern with the trade war lingering on, is my ability to survive the market volatility and uncertainty. Hog futures trading in December at $50 per hundredweight is a $30/head loss on my farm, which may force me out of production. Losses pile up very fast and the government programs may not be able to offset the collapse of the market.

Jeff Heinsohn, DeKalb County
We need stability in the market. We need trade. Most of my soybeans go to Asia, so trade is essential for my farm and my family. It's basic economics, the more we receive for a product like soybeans the more we can spend in our local communities. We're third generation farmers and it's our hope that our children will chose to farm, but with the uncertainty with trade their future is also uncertain.

Keith Mussman, Kankakee County
Farmers know that without trade we would have a humungous surplus in grains. Trade is essential to my farm, trade for me is "just a matter of paying our bills". As far as trade agreements, agriculture had a fair deal before but now it feels like we are operating at a loss. I am near retirement age and I am very concerned about my farm for future generations.

John Kiefner, Will County

You never want to lose a customer because once you lose them, they do not come back. The same goes for countries that buy U.S. ag products. I am very concerned that if we burn bridges with our soybean customers, we will not get them back. The China situation is very personal for me right now because all my corn and soybeans go to Asia. Cutting ties with China, Canada, and Mexico would be a big mistake.

Chris Hausman, Champaign County
Midwest agriculture depends on open and free trade. Farm income is in jeopardy without trade. Farming is a long-term profession and trade makes our livelihood more viable for the future. I am especially concerned about the trade conflict with China and our soybean market. We should be doing everything we can to maintain market share in China; we cannot afford to lose that soybean market. At the end of the day, farmers already struggle to make ends meet, and putting barriers on free trade makes it nearly impossible for us to do so.

Kirk Leifer, Randolph County
NAFTA and China trade are essential to me because a quarter of my corn is exported to Mexico and two-thirds of my soybeans go to China. Living near the Mississippi River, my farm depends on foreign exports; it would be very difficult to adapt if the U.S. turns its back on trade. Trade conflicts can cause long-term damage; hence Midwest farmers are justifiably fearful. There is no way for farmers to prepare for a complete loss of major markets in one season.

Krista Swanson, Knox County
Most of the soybeans grown on our farm are exported, with China being our single largest customer. Tariff exchanges and trade uncertainty have pushed soybean prices down more than $2 per bushel since May. Like many farm families, my husband and I hope our children will continue our family's long farming history. Unfortunately, financial pressure resulting from a prolonged period of prices this low paired with current expenses could make transition to the next generation a challenge.

Megan Dwyer, Henry County
Trade means prosperity. Our farm is within 50 miles of 6 river terminals that allow for competitive marketing, but those markets are dependent on export demand. Not only does our bottom line depend on grain prices, we also sell equipment to supplement farm income. A rise in steel prices with a reduced demand is a combination we can't afford. Being able to farm and sell equipment to other farmers is what allows us to give our 3 kids the best life possible, being 5th generation farmers. Drawn out trade negotiations affect not only our cash crops but also our supplementary income stream, something we can't afford.

Gary Asay, Henry County
While the trade policy environment continues to remain challenging, it is impossible to overstate the importance of exports to the U.S. pork industry. Having exported nearly 27 percent of our production last year, it is even more critical that we in the U.S. pork industry focus on other emerging market opportunities. Industry leaders recently returned from a trip to the Dominican Republic focused on strengthening ties to Latin America and the Caribbean region that hold great promise for exports in the coming years. We are also hopeful that we can continue to partner with our customers in Mexico and China which were our largest export markets by volume last year.

JSS ALMONDS
5600 Norris Road, Bakersfield, CA 93308

July 9, 2018

TO:
The Honorable Dave Reichert
Chairman, Trade Subcommittee
House Ways and Means Committee
1100 Longworth House Office Building
Washington, DC 20515

Submitted via email to waysandmeans.submissions@mail.house.gov

Re: Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities

Dear Chairman Reichert,

JSS Almonds is a 12-year-old American Farmer Owned Almond Processing & Marketing facility located in the heart of the San Joaquin Valley in Bakersfield California. We process approximately 30mm lbs. of natural Almonds from the orchard for our farmers'. We are a service provider to the farmer in the value chain of Almonds. Without them, we would not exist and vice versa. We are joined.

We are a 60-person, year-round Processing & Marketing operation. In addition to our business, we support the 2 local Schools (Stern and Sierra Vista Elementary) The local PAL (Police Activities League), the Bakersfield homeless shelter and the local chapter of Teen Challenge.

The current tariff situation, if it remains in place, will be detrimental to our operation by as much as 25% reduction in income and distribution. We rely heavily on exports to China, India and Turkey. They are the worlds largest consumer of ALMONDS. Without their participation, we have no home for 350mm lbs. or approx. 15% of the total ALMOND Crop.

We are open to comment and to talk to you personally about the specific economic impact. But to summarize, with these tariffs in place, we will have to reduce staff and the commodity price of almonds is already retracting 20%. Less sales = equals less jobs and less taxes, etc. I'm certain we do not have to school you on the economics of a reduction in demand. This affects all the ancillary businesses tied to our $6 billion-dollar crop. Farm services, hauling, packaging suppliers, etc.

Thank you for your time and consideration of our comments on this very important issue. We urge the committee to engage on this issue and help bring these crippling tariff issues to a close.

Sincerely,

Jeremy Basich,
VP of Operations JSS Almond Division
c. 623.451.9058 o. 661.328.5755

The Honorable Dave Reichert
Chairman, Trade Subcommittee
House Ways and Means Committee
1100 Longworth House Office Building
Washington, DC 20515

Submitted via email to waysandmeans.submissions@mail.house.gov

Re: ***Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities***

Dear Chairman Reichert,

I write to you as a representative of our family farming operation and to express our concern regarding the proposed tariffs effecting our walnut and almond commodity sales. My husband and I represent the third generation to work on our family's farm, Keyawa Orchards, Inc.- established by my grandparents in 1956, and currently owned by my father and uncle. Over the years my dad and uncle worked tirelessly to grow our operation- to the point that we now employ over 30 employees during our harvest season and continue to employ 20 full-time. The day we were able to offer full health care to our employees was something that we never thought would come to fruition, and something we were very proud to do. However, persistent government regulations (e.g. new ag over-time laws compounding with rising minimum wage, to name a few) compiled with an aging work force and lack of farm labor, has made us think twice about continuing to expand our operation, as we're not sure what fiscal impact these regulations will have on our operation moving forward and our ability to find, maintain, and take care of full-time farm workers.

Regulations, by themselves, create quite the challenge to do business in California. The proposed tariffs, particularly with China, could make farm operations flat-out go out of business. As farmers, we are essentially "price takers." We work all year to grow our product, but once they leave our facility, the market is out of our hands. China is one of the largest exports in our industry; effecting our relationship and trade deals with them will most definitely reduce returns to growers moving forward. Returns we now rely on to care for our employees. Returns we rely on to grow our business so we can continue to employ more workers in our area. Returns we rely on to keep our family's business afloat for the 4th generation. Please consider us and the ripple-down effect these tariffs will have on our farmers.

Thank you for your time and consideration of our comments on this very important issue. We urge the committee to engage on this subject and help bring these crippling tariff issues to a close.

Sincerely,

Kim Keyawa-Musselman
Keyawa Orchards, Inc.
530.826.3333

KANSAS FARM BUREAU
The Voice of Agriculture

2627 KFB Plaza, Manhattan, Kansas 66503-8154 • 785-587-6000 • Fax 785-587-6914 • www.kfb.org

WRITTEN COMMENTS OF AGRICULTURAL ADVISORY CHAIRS

STACY McCLINTOCK, FRED MENG, STEPHANIE SYMNS, GREG MOWDY, SCOTT PFORTMILLER AND BRAD BRYANT

ON BEHALF OF

KANSAS FARM BUREAU

REGARDING

HEARING ON THE EFFECTS OF TARIFFS ON U.S. AGRICULTURE AND RURAL COMMUNITIES

FOR THE

HOUSE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

July 27, 2018

Thank you for this opportunity to comment. We are Kansas farmers and ranchers, and committee chairs for Kansas Farm Bureau (KFB) Beef, Dairy, Feedgrains, Oilseeds, Swine and Wheat Advisory Committees, respectively. Kansas Farm Bureau is the largest farm organization in Kansas, representing 30,000 farmer and rancher members, and we, like all of them, are impacted daily by trade and our ability to export agricultural commodities.

Trade is vital to agriculture. Today, 95 percent of the world's consumers live outside the United States and nearly 25 percent of U.S. farm income is based on exports. Tariffs are essentially taxes on trade, increasing the costs of buying from a given country, and either decreasing demand, or more often simply decreasing the price received, for exported goods.

Import tariffs implemented by the U.S. not only hurt our trading partners but are beginning to impact Kansas farmers and ranchers. Various steels used in the manufacture of ag implements are now subject to a 25 percent import tariff and costing Kansas-based farm equipment manufacturers thousands of dollars. For example, ShieldAg of South Hutchinson estimates its input costs will increase more than $85,000 per year due to the steel and aluminum tariffs. Across the industry, a large portion of this cost is passed on to producers in the form of higher prices for equipment, steel buildings and other input supplies.

Retaliatory tariffs from multiple countries are already negatively impacting many parts of U.S. agriculture. In Kansas, our comparative advantage is in agriculture production, and, as an industry, agriculture represents the single largest economic driver to the state. In fact, our productive capacity far exceeds what 2.9 million Kansans can consume, so our farmers and ranchers rely on selling excess ag production on the domestic market as well as exporting abroad.

In 2016 alone, Kansas exported nearly $3.4 billion in agricultural products with the top five exports including wheat, beef, soybeans, feeds and forage, and corn. By focusing our resources where we have a comparative advantage, and maximizing our production, efficiency, and innovation, we're able to help drive economic growth on our farms and in our communities; as well as for the state, and also the nation.

Farmers in Kansas, like producers across the country, are suffering through the fourth straight year of depressed income and narrowing margins. With farm prices already low, we need to maintain and expand market opportunities, but the back and forth of tariffs and retaliatory tariffs are driving the prices we receive lower. If we have to accept these lower prices it will undoubtably be reflected on our balance sheets and place additional uncertainty and strain on the relationships with our lenders.

Stacy McClintock, KFB Beef Advisory Chair: While trade in general has historically been less of a factor impacting beef prices, today and in the future, our ability to export beef will be vital to industry growth. Under NAFTA, beef trade has mutually benefitted all three countries by removing barriers and allowing competitive advantage and global economics to direct trade flows. Though beef exports to China have been minimal, over the last several months, interest in U.S. beef had steadily gained momentum. The tariff war has put this potential growing market at risk and the uncertainty has weakened CME Group Live Cattle Futures by 16 percent.

Fred Meng, KFB Dairy Advisory Chair: Clearly, as a dairy producer and supporter of free and open trade, I very much favor U.S. efforts to open the closed Canadian dairy industry and hold them accountable for dumping skim milk powder on the world market. But these efforts should be pursued by way of negotiation and not through trade and price distorting tariffs that introduce uncertainty into markets. Over the last eight weeks, August CME Group Class III Milk Futures have declined by $2.00/cwt. I can't store milk and cutting production means culling herd genetics I've spent years developing.

Stephanie Symns, KFB Feedgrains Advisory Chair: 65 percent of U.S. sorghum production is exported, and 75 percent goes to China, the world's biggest importer. Kansas is the largest sorghum producer in the U.S. with 2.85 million acres planted this year, according to USDA-NASS; and over the last three years, we've exported nearly $416 million worth to China. On our Doniphan County farm, along with many of our neighbors, we're suffering from D2 drought conditions, and are hoping to have a crop of grain to harvest just to pay bills. To make matters worse, December CME Group Corn Futures are down more than 50 cents per bushel since the escalation of this trade situation. With less grain to sell and grain prices so low, I'm concerned there will be a lot of farmers in the red at the end of the year.

Greg Mowdy, KFB Oilseeds Advisory Chair: The U.S. exports 50 percent of the soybeans grown, with 62 percent of them going to China. In 2016, the U.S. exported nearly $23 billion worth of soybeans, making it the largest U.S. agricultural export; $925 million from Kansas, making it the largest state agricultural export. In 2018, USDA-NASS estimates Kansas farmers planted 4.85 million acres of soybeans, and on my farm, we've planted 1,750 acres. Over the last few months, November CME Group Soybean Futures have fallen more than $2.00 per bushel, and with an estimated yield of 50 bushels per acre, that comes to $175,000. Our crops are in the ground and we can't readily adjust to this escalating trade situation. All we can do in Cherokee County is ride it out during the growing season, and hope we still have enough equity to plant again next spring.

Scott Pfortmiller, Pork Producer and former KFB Swine Advisory Chair: In 2017 the U.S. exported over 801,000 MT of pork and pork products to Mexico valued at $1.5 billion making them the largest volume export market for the U.S. Additionally, the U.S. dominated the Chinese export market, with 77 percent market share, shipping 495,637 metric tons of pork and pork variety meat to China/Hong Kong, valued at $1.08 billion. China is the largest destination for pork variety meat exports in both volume (321,116 mt) and value ($741.8 million), accounting for 63 percent of U.S. export value. Pork variety meats include pork livers, hearts, kidneys and stomachs, as well as bones, ears and tongues. Variety meat exports make a critical contribution to industry profitability, and last year these exports to China/Hong Kong alone equated to more than $6.00 per U.S. hog slaughtered, according to the U.S. Meat Export Federation. For Kansas specifically, in 2016, pork exports were $147 million. Since this past spring, October CME Group Lean Hog Futures have crashed by $15 per cwt., or more than $30 per head. The U.S. should be focused on lowering tariffs and trade barriers, not increasing them.

Brad Bryant, KFB Wheat Advisory Chair: The Kansas wheat industry has been plagued by quality problems the last two years, coupled with weak basis levels. Finally, this year, while yields were spotty, quality has rebounded but now we're being hit by a trade war. Since harvest, September CME Group Hard Red Winter Wheat Futures are down 60 cents per bushel. The timing of these tariffs could not have come at a worse time. Agriculture is suffering from low income and low prices, working capital in the U.S. (current assets minus current liabilities), just as in Kansas, is down 36 percent from its peak in 2012, declining $10.4 billion since just last year. I also work for a south-central Kansas bank, and our clients are under severe financial stress.

In summary, using tariffs as a trade weapon is exacerbating the slump in U.S. farm income that we've been experiencing over the last four years and damaging our rural communities. Over time, we not only erode our reputation as a reliable supplier; but as other countries independently forge new trade agreements without us, the U.S. is losing its ability to influence global trade rules, such as biotechnology approval procedures, geographical indicators, sanitary and phyto-sanitary rules, dispute settlement, and domestic legal rules and conformity assessment procedures, to name a few.

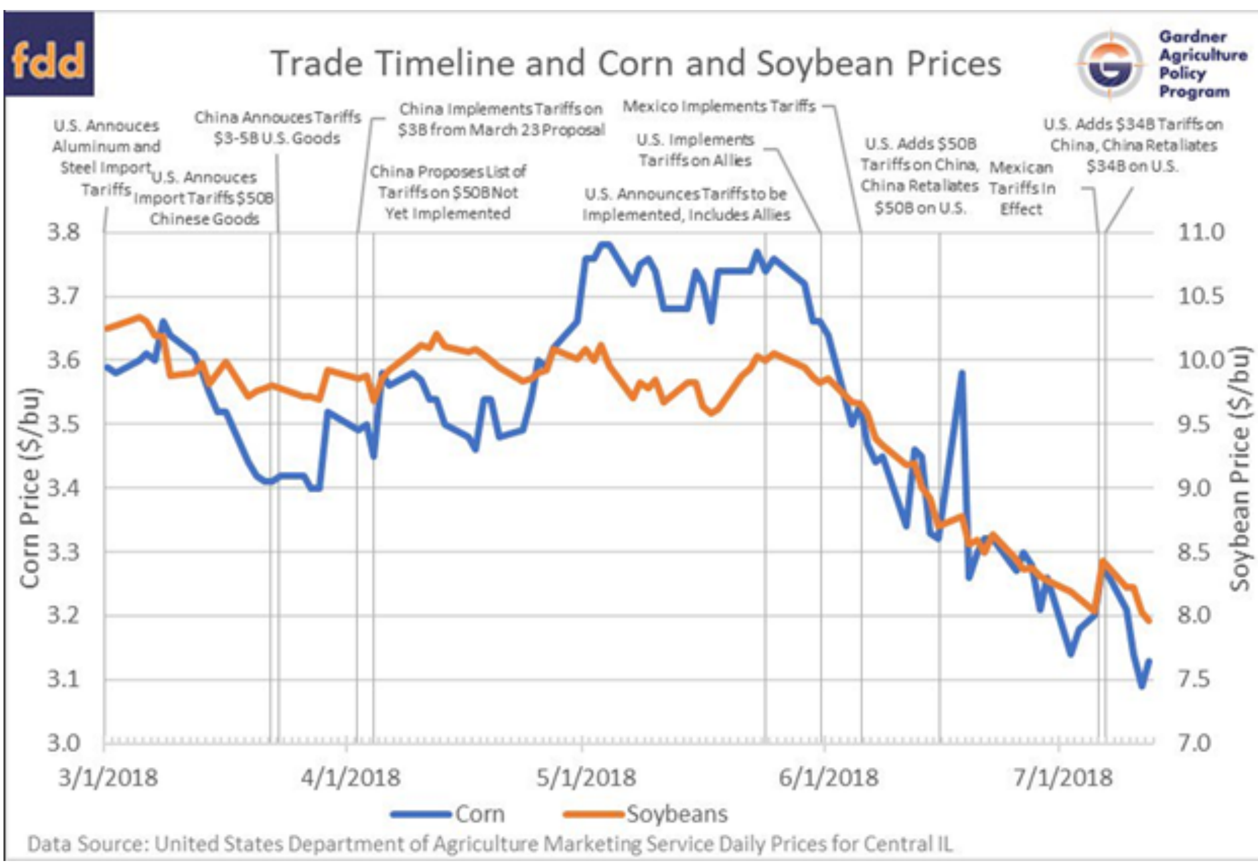
The recent announcement from the administration regarding a potential $12 billion in aid to farmers is a nice gesture, however, like our Kansas Farm Bureau president, "we fundamentally support free and fair trade and are dedicated to working with our Kansas delegation and the administration on ending the trade war and the tariffs impacting Kansas farmers and ranchers."

The strength of U.S. agriculture depends on free and open markets and a growing international economy that provides opportunities for farmers and ranchers to sell their products. We thank you for this opportunity to share our input regarding the impacts of tariffs on U.S. agriculture and rural communities.

Sincerely,

For Kansas Farm Bureau: Stacy McClintock, Fred Meng, Stephanie Symns, Greg Mowdy, Scott Pfortmiller and Brad Bryant

Attachment, "Trade Timeline and Corn and Soybean Prices," from *Chinese Tariffs Take Toll on Soybean Markets,* from Farm Policy News, University of Illinois, and the Gardner Agriculture Policy Program.



MARK MCKEAN FARMS
P.O. BOX 445
RIVERDALE, CA 93656
TELEPHONE – (559) 866-8600
FAX – (559) 866-8602

July 20, 2018

Dear Sir,

I am Mark McKean, a third generation farmer from Riverdale, California. My comments today are related to the recent action by the United States Government that has resulted in a trade war. I grow almonds, wine grapes, cotton and tomatoes among other crops. Every crop I grow is dependent on an export market. In most of these commodities growers pay to support long term marketing plans. When governments change rules those efforts and dollars become wasted efforts.

I support a level playing field for international markets and the efforts to ensure that result. However, the approach taken to accomplish the end goal needs to take into account the short term and long term effects.

Once we lose market share that has been taken by another country, returning that market share takes yet another investment in time and money. Please consider these points as negotiations of trade continue.

Sincerely,

Mark C. McKean

Statement for the Record

National Association of Home Builders

United States House of Representatives
Committee on Ways and Means
Trade Subcommittee

Hearing on
The Effects of Tariffs on U.S. Agriculture and Rural Communities

July 18, 2018

The National Association of Home Builders (NAHB) represents approximately 140,000 members involved in the home building, remodeling, multifamily construction, property management, subcontracting and light commercial construction industries. NAHB is also affiliated with more than 700 state and local home builder associations throughout the United States. Since its inception in 1942, NAHB's primary goal has been to ensure that housing is a national priority and that all people in the U.S. have access to safe, decent and affordable housing, whether they choose to buy or rent a home.

NAHB appreciates the Ways and Means Trade Subcommittee's attention to the important issue of the effects of barriers to trade on U.S. businesses and consumers. Chairman Reichart noted, appropriately, in announcing this hearing, "[w]hen the United States uses trade enforcement tools such as tariffs, it should do so in a way that does not harm American farmers, consumers, workers, and manufacturers…" Unfortunately, this laudable goal has gone unrealized as tariffs imposed on key building materials including (but not limited to) lumber, steel, and aluminum have driven up the cost of building homes and are pricing American families out of the dream of homeownership.

The price of lumber alone has soared to historic heights as the housing recovery has gained momentum. For example, softwood lumber prices are up over 56.2%[1] since January of 2017 and reached an all-time high of $582 per thousand board feet the first week of June. This has added nearly $8,000 to the price of an average single-family home. The rise in prices has been exacerbated by the ongoing trade dispute over, and related tariffs on, imports of Canadian softwood lumber.

In another move that will have far ranging consequences in the housing sector, particularly for multifamily building, the administration recently announced tariffs on steel and aluminum imports. These materials are used extensively in building for everything from roofing and flooring to structural framing. The artificially higher prices paid for these materials will necessarily drive up the cost of construction further.

The rising cost of these critical inputs drives up the cost of construction, which in turn, drives up the price of a new home. The impact is of particular concern in the affordable housing sector and in rural communities where relatively small price increases can have an immediate impact on low- to moderate-income home buyers who are more susceptible to being priced out of the

[1] Random Lengths, NAHB calculations

market. Even a small change in home prices or interest rates can determine whether they can buy a home.

A 2016 analysis by NAHB illustrates the number of households priced out of the market for a median priced new home due to a $1,000 price increase. Nationally, a $1,000 increase in the median new home price will leave 152,903 households priced out of the market.[2]

Resolving the long-running dispute with Canada over the trade in softwood lumber and addressing the steel and aluminum tariffs must be a top priority of Congress and the Administration.

Making homes more affordable is not a purely charitable endeavor. Reducing the cost of lumber and, by extension, the price of the average single-family home adds fuel to the economy.

In 2017, reducing the price of the average new single-family home by $1,000 would have generated $719.9 million in additional single-family construction, $363.4 million in wages and salaries, 6,313 full-time-equivalent (FTE) jobs,[3] and an additional $243.9 million in taxes and fees for federal, state and local government. If the $1,000 reduction (indexed to inflation) remained in place for five years, the effect would have been even more pronounced: $4.457 billion in single-family construction, $2.250 billion in wages and salaries, 39,082 FTE jobs, and $1.510 billion in taxes and fees for various levels of government.[4]

Conclusion

Building safe, decent and affordable housing depends in large part upon a stable and affordable supply of quality softwood lumber, steel, and aluminum. Unfortunately, even modest price increases in the cost of these materials can deny many American families an opportunity to achieve homeownership. The effect is even more pronounced in lower cost, often rural, parts of the country.

There is mounting evidence that we are entering a housing affordability crisis in this country. Protectionist trade policies that artificially increase the cost of key building materials

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[2] Natalia Siniavskaia, Metro Area Median New Home Prices and Households Priced out of the Market (NAHB Housing Economics 2016) (available at www.nahb.org).
[3] Full-time equivalents represent enough work to keep one worker employed for a full year based on average hours worked per week in the relevant industry
[4] Measured in 2017 dollars

exacerbate the problem while doing little to expand economic opportunity. Congress must work to ensure our trade policy agenda is both fair to domestic industry and considers the potential impacts on American consumers.

Thank you for allowing the National Association of Home Builders this opportunity to share our views on the effects of tariffs on American consumers. We look forward to working with the committee to ensure U.S. trade policies are beneficial to consumers and businesses alike.

NICKEL FAMILY LLC

July 23, 2018

The Honorable Dave Reichert
Chairman, Trade Subcommittee
House Ways and Means Committee
1100 Longworth House Office Building
Washington, DC 20515

Submitted via email to waysandmeans.submissions@mail.house.gov

Re: ***Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities***

Dear Chairman Reichert,

We are a family farming operation that has been farming here in the San Joaquin Valley for over 150 years. Even though we have long established water rights, because of the cost of inputs, we have had to convert some of our farming to permanent crops, which consists mainly of almonds. Almonds give us to ability to generate sufficient returns to absorb the increased cost of inputs together with the ever-increasing cost of regulations.

The tariffs recently imposed by the administration have adversely affected the price of almonds. For those of us who have recently planted almonds, the reduced revenues will make it difficult to obtain a sufficient return to amortize the cost of establishing an almond orchard. Given the current prices, we have held up planting any additional almond orchards.

Thank you for your time and consideration of our comments on this very important issue. We urge the committee to engage on this issue and help bring these crippling tariff issues to a close.

Sincerely,

James L. Nickel, President
Nickel Family LLC

15701 Highway 178 • P.O. Box 60679 • Bakersfield, CA 93386-0679
Phone: 661-872-5050 • Fax: 661-872-7141

Written Statement for the Record
House Committee on Ways and Means Subcommittee on Trade
July 18 Hearing: The Effects of Tariffs on U.S. Agriculture and Rural Communities

Submitted by the National Milk Producers Federation and the U.S. Dairy Export Council
August 1, 2018

On behalf of the U.S. Dairy Export Council and the National Milk Producers Federation, we appreciate this opportunity to submit comments regarding the House Committee on Ways and Means Subcommittee on Trade's July 18 Hearing: *The Effects of Tariffs on U.S. Agriculture and Rural Communities.*

After suffering three consecutive years of tight margins and a rural economy that never rebounded following the recession, U.S. dairy producers were hopeful that 2018 would bring a dose of much-needed recovery in milk prices and U.S. dairy exporters were looking forward to growth in global sales with the initial months of this year off to a promising start.

Our industry had made significant investments in recent years to facilitate sales in large foreign markets, and overseas customers were poised to increase purchases as the global economic outlook improved and demand strengthened for high-quality, high-protein U.S. products.

Trade has been increasingly viewed as an indispensable element and overall a bright spot in an otherwise tumultuous time for the dairy industry: U.S. dairy exports grew to $5.5 billion by the end of 2017 and represent nearly 15 percent of domestic production. Since 2003 dairy exports have added more than $36 billion to the bottom line of producers and dairy exports support nearly 100,000 jobs and generates another $15 billion in economic input. Exports to Mexico and China, our two most important export markets, fueled much of the overseas success and were up 8 percent and 49 percent respectively since 2016.

Our industry was cautiously optimistic at the beginning of the year and market analysts were predicting a price uptick in 2018. Unfortunately, we've instead seen a reversal in the nascent milk price recovery that was forming earlier this year and mounting barriers to our exports develop.

Prices have continued their downward trajectory, forcing even more farms out of business and applying economic pressure to dairy businesses of all sizes. The ripple effect of this is being felt from coast to coast since dairies operate in all 50 states, provide jobs for nearly 3 million Americans throughout the dairy value chain, and pump $628 billion into the U.S. economy every year[1].

Retaliation by Mexico and China against U.S. imposed Section 232 and Section 301 tariffs respectively is a driving factor in the sustained economic pain. Since Mexico's initial retaliatory tariff announcement on May 31, dairy futures prices sharply declined.

[1] https://medium.com/dairy-exports-mean-jobs/how-to-share-dairys-economic-impact-story-7dd8144db6d4

In examining the steep drop in dairy futures prices between that date and the imposition of retaliatory tariffs by China on July 6, NMPF estimated that, unless tariffs are lifted, the U.S. all-milk price would drop another $1.65/cwt over the second half of 2018; a decline that would cost U.S. dairy farmers an additional $1.8 billion this year alone.

It is important to note that dairy farmers are particularly vulnerable to such downward price swings because, unlike crop farmers who harvest once a season and can store and market product over time, dairy producers harvest and market their product daily. The price drop resulting from today's tariffs is hurting dairy today – it is not a projection of what may happen this fall after crops are harvested.

Adding to the angst in the countryside are bleak projections for the future. The U.S. Department of Agriculture recently noted in its July dairy outlook:

> *Due to downward price movements in recent weeks, high stock levels, relatively weak growth in domestic use, and expected impacts of new tariffs imposed by China, dairy product prices for the remainder of 2018 are expected to be lower than forecast last month. For 2019, all price forecasts have been lowered except for butter.*

The U.S government took an important step in providing assistance on July 24 when it announced a $12 billion tariff-relief package for America's farmers and ranchers. The details of this package are still being finalized, including how much each sector impacted by retaliatory tariffs will receive to help mitigate the impact of those levies. That same day, NMPF issued a release[2] of support for the announcement of this package and noted that it will be important that the dairy industry receive an appropriate share of this aid; that includes sufficient direct payments to farmers, investments in export assistance, and effective participation in government purchasing programs.

NMPF has been in contact with USDA officials to pledge help and expertise in designing and administering a system that is reasonable and equitable to dairy farmers. In addition, we have also expressed our appreciation for the Agency's hard work and our belief that this announcement should be viewed as short-term help instead of a long-term solution.

No amount of assistance can replace the hard-fought markets that are being lost every day that retaliatory tariffs remain in place. Moreover, the longer tariffs persist the more difficult it will be to retain markets as our competitors work to seize the opportunity to expand their market share. A fair global market, where consumers and producers alike benefit from free-flowing trade is the ultimate objective, and a swift resolution to current trade disputes is essential to meeting that goal.

[2] http://www.nmpf.org/latest-news/press-releases/jul-2018/july-24-nmpf-welcomes-assistance-dairy-farmers-suffering

The current situation unfolding in the Mexican dairy market is a prime example of the lasting damage that trade disputes can do left unchecked. Since ratification of the North American Free Trade Agreement (NAFTA), no country has been as welcoming to U.S. dairy products as Mexico. It is not a coincidence that total U.S. dairy exports have grown more than five-fold since NAFTA's passage.

In Mexico, we have worked collaboratively with our industry colleagues to grow dairy demand, build relationships between buyers and suppliers, and improve the infrastructure needed to efficiently move product to market. As a result, U.S. dairy sales there have grown from just $200 million in 2002 to more than $1.3 billion last year. As of last year, U.S. dairy sales accounted for more than three-quarters of Mexican imports.

We are deeply concerned, however about the impact that Mexico's 20 to 25 percent retaliatory tariffs on U.S. cheeses is having, however. America, which sold more than $400 million worth of cheese to Mexico, now risks losing sales to it biggest competitors in Europe. Mexico finalized a trade agreement with the European Union in late April that will increase Europe's market access to Mexico and impose new restrictions on certain common-name cheese products from the United States.

Europe seeks to grab more and more of the Mexican market every day, which is why more than 60 dairy businesses sent the White House a letter[3] on June 26 requesting that the President, "suspend Section 232 steel and aluminum tariffs on Mexican products until the NAFTA renegotiation is completed, particularly in light of Mexico's willingness to constructively engage with U.S. negotiators."

We ask for this Subcommittee's support in accomplishing this important initiative. We similarly ask for assistance in China, where 25 percent tariffs took effect on July 6 against U.S. cheese, milk powder, whey and other common dairy products. Such tariffs put us at a steep disadvantage to competitors like the EU, Australia and New Zealand that are able to ship products at either the existing Most Favored Nation rate or in the case of the latter two countries under the terms of the FTAs each has with China.

The Chinese dairy market is America's biggest export destination outside of North America, totaling nearly $600 million in 2017 and showing explosive growth potential. Like Mexico, we've invested significantly in China to help facilitate trade. This includes a recent partnership with China's Jiangnan University to enhance research and education and work with government officials to streamline registration approvals.

U.S. dairy producers and businesses have worked hard to make advancements in China; we believe increased sales throughout Asia are key to our future success, and we are deeply worried that the current trade situation threatens to upend the positive momentum not just this year but also in the years to come.

[3] http://www.nmpf.org/files/files/Cheese%20Companies%20Urge%20President%20Trump%20to%20Work%20Collaboratively%20with%20Mexico%2006.26.18b.pdf

The National Milk Producers Federation and U.S. Dairy Export Council appreciate the opportunity to present our views on this vital topic. Please feel free to contact our offices if further information is needed to further the Subcommittee's important work.

Contact Point for Questions:

Shawna Morris; Vice President of Trade Policy; smorris@nmpf.org; 703-243-6111

NATIONAL SORGHUM PRODUCERS
STATEMENT ON THE EFFECTS OF TARIFFS ON U.S. AGRICULTURE AND RURAL COMMUNITIES

Presented to:

U.S. House of Representatives Committee on Ways and Means

July 16, 2018

1100 Longworth House Office Building
Washington, D.C. 20515

Introduction

Thank you for the opportunity to weigh in on the effects of tariffs on U.S. sorghum farmers. National Sorghum Producers is a national trade association representing the interests of more than 50,000 U.S. farmers on federal policy issues. We also speak for the sorghum industry as a whole and count among our members traders and other supply chain participants significantly affected by trade. Today, I write to you primarily to convey the gravity of the current situation for our family farmers.

Importance of Trade to Sorghum Farmers

It is important to remember the average sorghum farmer raises crops on less than 1,300 acres, of which approximately 600 are planted to sorghum each year. Although some of these farmers are also employed off the farm, some have cattle or other value-added enterprises and some have spouses that work off the farm, this acreage is the primary source of income for thousands of families across the Sorghum Belt. With prices already in freefall—declining from a high of $6.33 per bushel in the 2012/13 marketing year to a low of $2.79 per bushel in the 2016/17 marketing year—sorghum farmers cannot withstand another blow.

Trade is an issue of extraordinary importance to sorghum farmers. NSP was a founding member of the U.S. Grains Council, and sorghum farmers long relied on Mexico as their largest trading partner. In April 2013, trade grew even more important with the entrance of China into the market for U.S. sorghum. Chinese poultry, swine and dairy producers quickly became our largest end-users, purchasing 75 percent of our crop in the 2015/16 marketing year. Mexico and others joined China to important over 90 percent of that year's crop—a new record in both share of production and total volume exported. Figures 1 and 2 illustrate the importance of trade to U.S. sorghum demand and highlight sorghum farmers' trading partners in the 2016/17 marketing year.

Sorghum Farmers' Leadership in the Ongoing Trade Discussions

As Secretary of Agriculture Sonny Perdue noted early in 2018, farmers are always the tip of the spear in trade discussions such as these. This statement could not have been truer, particularly for the U.S. sorghum industry. In February, the Chinese Ministry of Foreign Commerce self-initiated two investigations into imports of U.S. sorghum alleging sorghum farmers had been selling below their cost of production and were unfairly subsidized. The investigation called for a swift legal defense, and U.S. sorghum farmers answered the call, submitting over 2,000 pages of documentation demonstrating neither charge was true. In a process that often takes 18 months, NSP's farmer leaders led a coalition comprised of the U.S. Grains Council, members of the grain trade and a number of other stakeholders to mount a defense of the industry in just 60 days.

Five years—to the day—after the U.S. Department of Agriculture reported the first purchases of U.S. sorghum by China, the country levied 178.6 percent tariffs based on findings that U.S. farmers had sold sorghum below their cost of production. This halted trade immediately, and the more than 60 million bushels of sorghum already en route to China had to be redirected. Had redirection not occurred, total tariffs would have approached $500 million or about twice as much as sorghum farmers have made from the Chinese market since 2013. Once again, NSP farmer leaders exhibited unwavering leadership and worked with stakeholders around the world to ensure no traders were forced to pay tariffs.

Value of Losses Due to Ongoing Trade Discussions

Although the initial investigations and the 178.6 percent tariffs were terminated in May, U.S. sorghum farmers have continued to experience severe economic pain. Since the investigation was initiated, prices paid to sorghum farmers have fallen precipitously. Figure 3 highlights the price decline in three key sorghum-growing regions since the 2017/18 marketing year began. This decline has lowered the average price paid to sorghum farmers across the U.S. by up to $0.74 per bushel. For the average sorghum farmer, this adds up to $30,000.

Prices have not risen since the investigation was terminated due to the 25 percent tariff China levied on sorghum and a number of other agricultural goods in response to the Section 301 investigation initiated by the Office of the U.S. Trade Representative in April. Sorghum farmers will pay for most if not all of the tariff directly via a lower price received, and this translates to $50 per acre or $30,000 for the average sorghum farmer. This tariff along with the price decline that has already occurred means prices paid to sorghum farmers are unlikely to recover at least until the current discussions end.

NSP and its more than 50,000 farmer and other stakeholders are keenly aware of the inequities currently working against U.S. industries engaging in international competition. Trade is exceedingly important to sorghum farmers. Our industry is vibrant today in large part because of the opportunities provided by exports over the last six decades, and we believe other industries should have the same opportunities. However, U.S. agriculture is comprised of family farmers who cannot stand to lose $30,000 on a single crop. NSP will continue to advocate vocally for fair trade practices but also for the family farmers who must be held harmless in the ongoing discussions.

Figures

Figure 1. U.S. sorghum demand in the 2016/2017 marketing year.

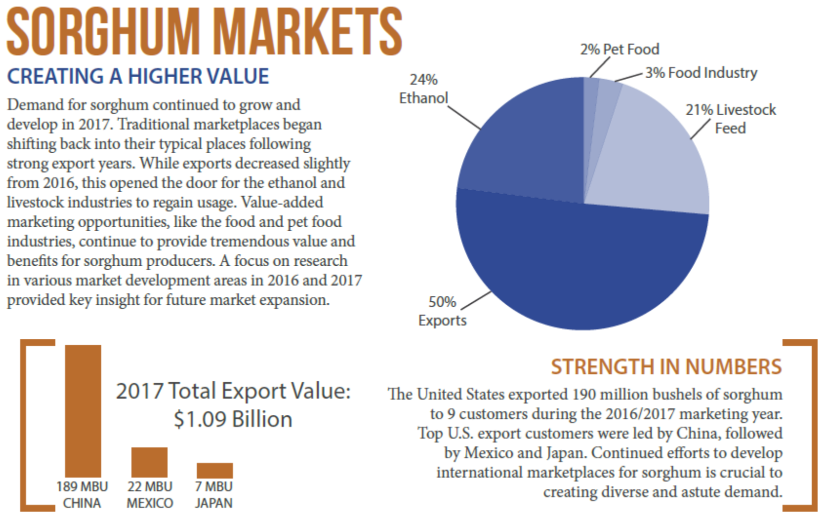


Figure 2. U.S. sorghum farmers' trading partners in the 2016/17 marketing year.

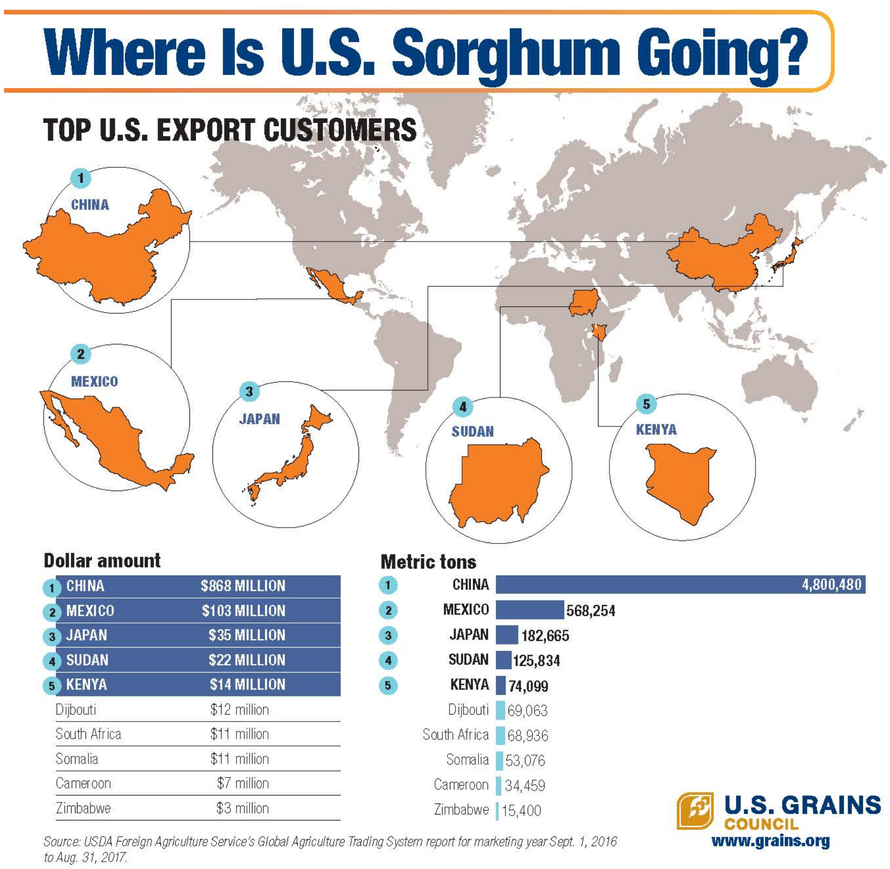
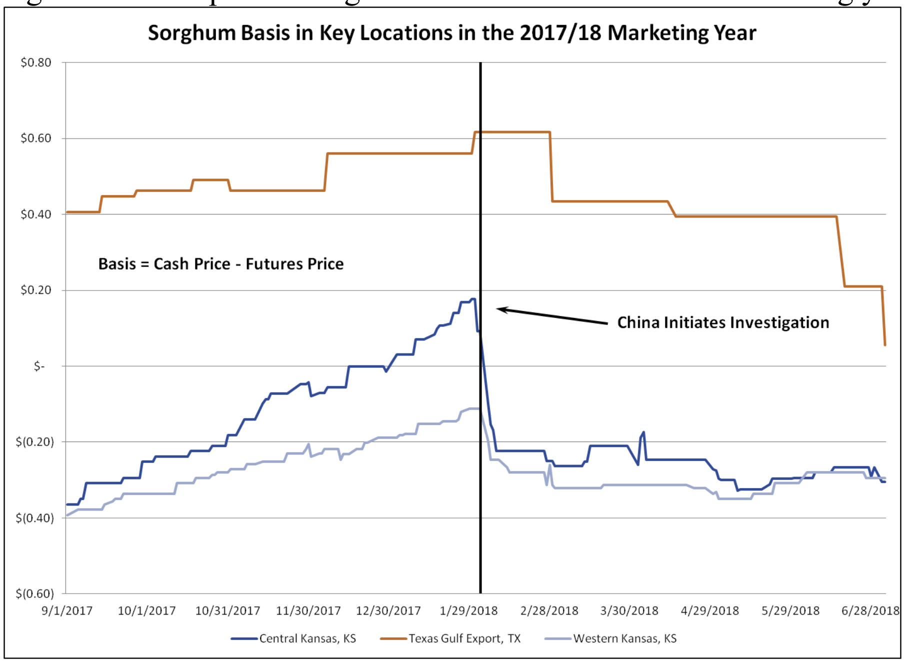


Figure 3. Prices paid to sorghum farmers in the 2017/18 marketing year.



August 6, 2018

The Honorable Dave Reichert
Chairman, Trade Subcommittee
House Ways and Means Committee
1100 Longworth House Office Building
Washington, DC 20515

Submitted via email to waysandmeans.submissions@mail.house.gov

Re: ***Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities***

Dear Chairman Reichert,

Dating back to 1914, my family has diligently worked the land in the heart of the San Joaquin Valley with a goal of bringing premium, fresh, California-grown products to its loyal customers. Today, following in the footsteps of my patriarchs, my son, Vincent Ricchiuti, and I, representing the third-and-fourth generation of the Ricchiuti family, aim to carry on the family legacy of being a diversified California agricultural business.

Our family has long been known worldwide for our almonds and more recently, for our organic almonds under the P-R Farms, Inc. label. More specifically, P-R Farms, Inc. is a highly-diversified, fully integrated farming operation which has the unique advantage of overseeing quality control from beginning to end. From bloom to harvest, packing to shipping, all products that carry the P-R Farms, Inc. label are grown by the Ricchiuti family. Additionally, as a global exporter, P-R Farms, Inc. has broad range of experience in all trade regulations earning them an excellent international reputation.

In regards to the current trade actions by the Trump administration, the unpredictability nature is both complicated and frustrating. The California almond industry as a whole will be one of the hardest hit by the recent retaliatory tariffs. The loss of markets like China and India will leave California businesses scrambling to find new market entries which leads to a highly competitive almond market. The end result could find California almond growers and processors having to cut back on costs, especially labor. Although the United States Department of Agriculture announced a tariff-relief assistance program, this will only offer a short-term solution and will not resolve the trade disputes.

More specifically, my family's almond operation will be tremendously affected. China is one of our largest buyers. We are already feeling the impact on normal business transactions. In previous years, usually by this date we would have pre-sold almonds to China. This forces us to seek out other markets which will most likely become saturated by other California almond growers who too have lost access to significant buyers.

In advance, thank you for your time and consideration on this very important issue. I urge the committee to engage on this issue and help bring these crippling tariff issues to a close.

Sincerely,

Pat V. Ricchiuti, President

2917 East Shepherd • Clovis, California 93619-9152 • Phone 559.299.0201 • Fax 559.299.7292 • www.prfarms.com

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(661) 323-1142
Fax: (661) 323-4829

The Honorable Dave Reichert
Chairman, Trade Subcommittee
House Ways and Means Committee
1100 Longworth House Office Building
Washington, DC 20515

Submitted via email to waysandmeans.submissions@mail.house.gov

Re: ***Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities***

Dear Chairman Reichert,

I am writing you this letter on behalf of Sill Properties, an almond farming operation in Bakersfield, California with an interest in an almond processing plant also located in Bakersfield, California. I want to convey the concerns of our industry regarding trade negotiations with our major export countries: China, India and Turkey. There are approximately 6,800 almond growers and 100 almond handlers in the State of California, all located within the Central Valley. As you are aware, almonds are California's top agricultural export, with approximately 70% of the crop exported to 100 countries.

The purpose of this letter is to express the California almond industry's deep concern of the damage that is occurring from the proposed tariffs by our trading partners and those tariffs that have been adopted. We ask you and your congressional colleagues to work together and with the Administration to develop and execute a strategic policy to effectively address the long standing trade problems in China and other countries, but not at the expense of hard working US families and businesses.

These tariffs will have a huge impact on our piece of the almond market and the almond industry as a whole. We employee 17 men and women full time and use dozens of labor contractors during the season. Almost 99% of all the almonds we grow go overseas, over 3 million pounds. If these tariffs continue we will not be able to sell as many almonds to China and India like we do now. This negative impact will have a trickledown effect. If we can't sell the almonds then we can't employee our current employees, we can't buy the fertilizer, we can't purchase equipment, we can't hire the aero flyer to spray. The list goes on and on, but the more people we can't employee or buy their products the more our local state and federal economy will suffer. Almonds are a huge part of Kern County agriculture. The value almonds bring to our state should be taken seriously and a solution to these tariffs needs to happen soon.

Thank you for your time and consideration of our comments on this very important issue. We urge the committee to engage on this issue and help bring these crippling tariff issues to a close.

Sincerely,

Nika Sill Morse

THE FERTILIZER INSTITUTE

425 Third Street, S.W., Suite 950
Washington, D.C. 20024
tfi.org

July 18, 2018

The Honorable Dave Reichert	The Honorable Bill Pascrell
Chairman	Ranking Member
House Committee on Ways & Means, Subcommittee on Trade	House Committee on Ways & Means, Subcommittee on Trade
1102 Longworth HOB	1102 Longworth HOB
Washington D.C. 20515	Washington D.C. 20515

Dear Chairman Reichert and Ranking Member Pascrell:

Thank you for holding the hearing entitled, "the Effects of Tariffs on U.S. Agriculture and Rural Communities" to address the effects on American agriculture and rural communities of U.S. tariffs imposed under both Sections 232 and 301 as well as retaliation by other countries against U.S. exports. On behalf of the members of The Fertilizer Institute (TFI), I am pleased to provide you with our perspective on this important issue.

TFI represents fertilizer manufacturers, transporters, wholesalers, brokers and retailers, all of whom are impacted by federal trade policy. Our members provide nutrients that are responsible for nearly half of a crop's yield, helping to ensure a stable and reliable food supply. The fertilizer industry supports nearly 500,000 American jobs and has an economic impact of over $150 billion annually.

Fertilizer is a globally trade commodity, and our industry relies heavily on free and open markets to stay competitive. The Trump administration's decision to impose tariffs on certain imports has caused considerable uncertainty for our industry. Moreover, other countries' retaliatory actions against the U.S. tariffs have been aimed squarely at U.S. agricultural exports, causing ripple effects throughout the agricultural supply chain. When our farmer customers are concerned about losing market access, we get concerned as well.

TFI stands with our farmer customers in urging the administration to withhold the imposition of any additional tariffs and instead engage in negotiations over national trade imbalances and other enforcement issues. We believe that diplomatic solutions are possible and should be fully explored.

Thank you for the opportunity to address our concerns with the impacts of tariffs on U.S. agriculture. I would be happy to address any questions you may have regarding the perspectives of TFI on this matter. I can be reached at (202) 962-0490 or cjahn@tfi.org.

Sincerely,

Chris Jahn
President

Wisconsin Corn Growers Association
W226N5956 Lynwood Drive
Lisbon, WI 53089
262-372-3289

July 31, 2018

Chairman Reichert, Ranking Member Pascrell and Members of the Ways and Means Trade Subcommittee,

Thank you for accepting my testimony on behalf of the Wisconsin Corn Growers Association (WCGA). As WCGA's President, I can assure you that this trade war is of great concern and detriment to our members.

The Wisconsin Corn Growers Association is a grassroots organization committed to increasing the profitability of corn production through sound policies, continued market development and strong involvement in the political process. Our state has over 15,000 corn growers who, in 2017, harvested 510 million bushels of corn – valued at $1.89 billion.

Last week, President Trump spoke to the Veterans of Foreign Wars of the United States National Convention in Kansas City, Mo. When speaking of the trade war he stated: "And the farmers will be the biggest beneficiary. Watch. We're opening up markets. You watch what's going to happen. Just be a little patient."

We cannot afford to wait.

On our farm alone, a $0.25 change in the market rate for corn results in a loss of $104,500. For a number of producers – of any commodity – that type of loss can mean the difference between holding on or being forced to sell.

While the farm aid support recently announced by the USDA is appreciated, the department cannot fully compensate producers for their losses. What producers really need are prices that reflect a fair market value – especially in a time where tariffs and trade uncertainty are so prevalent.

Wisconsin's corn growers have spent their lives – if not generations – perfecting their craft. They work every single day to grow more with less – to create a greater level of production to benefit the world, while simultaneously using less inputs and growing their crops on less land.

The proposed aid is a temporary fix but what we need is a long-term solution. While aid helps producers in the short-term, once we lose export markets it is very difficult, if not impossible, to get them back.

The Wisconsin Corn Growers Association joins the National Corn Growers Association (NCGA) in advocating for Administrative actions including: rescinding the section 232 and 301 tariffs, securing NAFTA's future, entering new trade agreements, allowing for year-round sales of higher ethanol blends such as E15, and implementing the Renewable Fuel Standard as intended.

Thank you for your time,

Doug Rebout
WCGA President

July 31, 2018

U.S. House of Representatives Committee on Ways and Means
1102 Longworth HOB
Washington D.C. 20515

Chairman Brady and Committee Members:

For more than 126 years, the Wisconsin Cheese Makers Association has advocated for cheese, butter and whey processors. WCMA now represents 101 dairy manufacturing, processing, marketing companies, and cooperatives doing business in 260 dairy plants in 22 states. An additional 493 member companies supply goods and services to those dairy manufacturers.

On behalf of WCMA's membership, I write with concern related to ongoing trade tensions triggered by the United States of America imposing new steel and aluminum tariffs in April. Thank you for providing our organization with the opportunity to submit a statement for the record related to the July 18, 2018 Trade Subcommittee Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities.

As you know, Mexico, Canada, and China have now added U.S. dairy products to their retaliatory duties lists, creating unwelcome uncertainty for our industry.

Exports have been a source of great comfort and hope for the U.S. dairy industry in recent, challenging years. The cheese industry has faced market losses due to international restriction of common cheese names. For three years, low milk prices related to declining domestic fluid milk consumption and growing milk production have strained dairy farm profitability. And as income has declined, dairy farms and processors have faced rising costs related to a significant labor shortage. The bright spot in a three-year decline in dairy profitability has been exports: since 1995, the sale of U.S. dairy products overseas increased a whopping 604 percent and earned more than $15.1 billion in the last three years alone.

Processors have adjusted their business models accordingly, with many adding capacity to meet the demand of new international customers. In 2017, nearly 15 percent of all milk produced in the United States was marketed as dairy products for international customers.

Mexico, Canada, and China are our top markets for cheese exports and, combined, accounted for 47 percent of all American dairy exports last year. Mexico is, by far, our best customer, purchasing dairy products worth $1.3 billion last year.

Unfortunately, export success with these nations now means that the U.S. dairy industry has much to lose.

(more)

Dairy futures have deteriorated in the wake of tariff announcements. Since early June, we've seen sizable drops in the price of butter, barrel and block cheese, and nonfat dry milk traded on the Chicago Mercantile Exchange. The price of Class III milk is down by a dollar per hundredweight, when experts had forecasted a much-needed increase in the third quarter earlier in the year.

In the short term, these hits pose the greatest threats to those with the most significant export sales, and the workers and farmers they support. While it may be too soon to gauge the impact of tariffs, as both processors and producers attempt to stay the course in the hope of quick resolution, a few vanguards are already sounding the alarm.

Errico Auricchio, President of BelGioioso Cheese, Inc., based in Green Bay, Wisconsin has called the tariffs "a nightmare," noting that his company was charging some overseas customers less in order to keep their foothold in those markets. Jeff Schwager, President of Sartori Company in Plymouth, Wisconsin deemed the impact of new tariffs "devastating" and has estimated that his business will lose approximately $4 million in annual cheese sales in this fiscal year.

It's critical to note that dairy processing business losses create instability for the family-supporting jobs these companies and cooperatives provide in rural communities, and for the thousands of dairy farm patrons supported through sales.

Both dairy processors and dairy farmers need free-flowing trade and export growth, not collapse, more than ever. We urge you, the members of the House Ways and Means Committee, as well as your Congressional colleagues and those working in the Executive Branch, to support the renegotiation of NAFTA and the elimination of retaliatory tariffs that hold the promise of grave consequences for the U.S. dairy industry.

Best Regards,

John T. Umhoefer
Executive Director
WISCONSIN CHEESE MAKERS ASSOCIATION

Statement of Mr. Andrew W. LaVigne
President & CEO
American Seed Trade Association
Prepared for the U.S. House of Representatives Committee on Ways and Means
"Hearing on the Effects of Tariffs on U.S. Agriculture and Rural Communities"
August 27, 2018

The American Seed Trade Association (ASTA) thanks Chairman Brady, Ranking Member Neal, and members of the Committee for the opportunity to provide comments from the seed industry on the effect of tariffs on U.S. agriculture. Founded in 1883, ASTA is one of the oldest trade organizations in the United States. Its membership consists of over 700 companies involved in seed production and distribution, plant breeding, and related industries in North America. ASTA member companies research, develop, produce and distribute all varieties of seeds – including grasses, forages, flowers, vegetables, row crops, and cereals. ASTA members' seed-products support agricultural producers of food products and farm commodities in the U.S. and around the world. Intellectual property rights protection is critical for the U.S. industry to operate.

On July 10, the Office of the U.S. Trade Representative released a second list of products proposed to be subject to a ten percent tariff under Section 301 of the Trade Act of 1974. This proposal encompassed approximately $200 billion worth of imports from China, including over 20 HTS codes related to seeds for sowing. Given the global implications of these proposed tariffs on the U.S. domestic seed industry, ASTA has submitted comments to USTR, requesting the exemption of all HTS codes pertaining to seeds used for sowing from the proposed tariff list. Many American seed companies will send varieties overseas to China to be multiplied for commercial use. This seed is then sent back to the U.S., where the ultimate end-user – the American farmer or gardener – purchases and plants the seed. Ultimately, the majority of these proposed tariffs will be levied on seeds owned by small and medium U.S.-based companies, not Chinese-owned corporations.

The United States is the largest market for seed in the world, and is also the largest global seed exporter. China is the second largest market for planting seeds after the U.S. According to USDA-FAS, the Chinese seed market was at $17.2 billion on 2016. ASTA has worked with the Chinese Ministry of Agriculture (MOA) and the China National Seed Association (CNSA) for over a decade, and signed a Memorandum of Understanding with the end goal of stronger intellectual property protection for plant breeders with CNSA. Strong IP protection is critical for U.S. companies to sell seeds into any market, and ASTA is thankful for the U.S. government's complimentary efforts. It has taken more than ten years to build a working relationship with the Chinese government. The time invested by USDA and the U.S. seed industry has laid the groundwork to encourage China to modernize their seed and intellectual property protection laws. If planting seeds are included in the final tariff list under Section 301, this will undo a decade's worth of relationship building, and will make China much less motivated to work with U.S. seed companies to open additional markets.

Furthermore, the imposition of tariffs under Section 301 on seed imported from China would cause a massive disruption in the global movement of seed. Seed varieties can cross six international borders before they are commercialized. This movement is necessary in order to bring the highest quality seed to producers. Seed movement throughout the Asia-Pacific market is critical for the commercialization of new varieties and future seed export growth.

There are two overarching reasons U.S. companies produce seed in China:

1. **Scale of Production:** U.S. seed companies' contract with Chinese growers to produce seed on a scale that is not desirable to U.S. growers. The production is almost exclusively done by farmers that are farming only a few square feet of production land. While it would be the preference of U.S. seed companies to do this work domestically, it is next to impossible to interest growers when the production volume is so small.

   Additionally, the scale is small enough that mechanical harvesting is not an option. The seeds produced at this scale are varieties that will be brought back to the U.S. to be mixed and sold as packet seed mixes. If these products were subject to a 10- 25 percent tariff, that cost would certainly be passed on to the American farmers, gardeners, retailers and landscapers.

   An example would be flower seeds. The U.S. imports five million dollars' worth of flower seed (HTS 1209.30.00) from China. Flower seed companies multiply flower seed in China because each flower seed variety that is grown needs only a few thousand square feet. Small scale farmers at this level do not exist in the United States; therefore, an overseas option is required. These imports are sold as packet seeds in box stores, hardware stores, grocery stores, and garden centers throughout the United States. This 10% increase will directly impact American consumers across the country. The size of this HTS code will result in a nominal impact on China while the widespread distribution of the flower seeds domestically will have a major impact on Americans.

2. **Labor Intensity:** Most of the seed produced in China is hand planted, hand hoed, and hand harvested. Imposing tariffs on seed imported from China will not incentivize companies to source the labor domestically. Given the challenges of harvesting and cultivating seed by hand, U.S. seed companies will continue to do this work in other countries with lower field and labor costs than can be found in the U.S.

   U.S. vegetable seed companies produce many hybrid varieties such as peppers (HTS 1209.91.60) and tomatoes in China. The companies producing these seeds are small to mid-sized companies who contract labor in China, as these varieties require hand pollination. The seeds are then brought back to the U.S., where American workers condition and package the seeds to prepare them for their final destination. Imposing tariffs on the seeds imported back to the U.S. from China could force vegetable seed companies to move their current U.S.-based manufacturing and global distribution of their Chinese sourced production into alternative countries. This would result in a loss of domestic businesses and jobs in the U.S.

There is strong concern within the seed industry that if these tariffs are levied on seed imports from China, the Chinese government will retaliate and levy its own tariffs on American seeds being exported to China. The United States is the largest seed supplier to China, which imported 55,148 tons of planting seeds valued at $297 million in MY 2015/2016. The majority of these seed imports are grass and forage seed. The United States is the largest grass seed exporter to China, accounting for about 77 percent of China's total grass seed imports in MY2016/17. If retaliatory tariffs are levied against U.S. goods, the U.S. grass seed industry would suffer a massive market loss, particularly in Oregon, California, and Texas.

In conclusion, ASTA is grateful for the work done by the Office of the U.S. Trade Representative at addressing intellectual property protections in China. However, we strongly believe that the imposition of tariffs will not further the goal of stronger intellectual property protections in China. The U.S. government should continue to engage in meaningful dialogue with our Chinese counterparts. The inclusion of seeds for planting under Section 301 will adversely affect small and medium U.S. seed companies who multiply their seed in China. The 10-25 percent tariff on these seed imports will ultimately be passed on to the final user – American farmers and consumers.

1701 Duke Street • Suite 275 • Alexandria, VA 22314 • Phone: (703) 837-8140 • Fax: (703) 837-9365