

Farmers nearing crisis push back on Trump trade policies

Low prices, trade wars and higher interest rates are depressing farm incomes.

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A farmer drives a tractor down a rural road on Jan. 17, 2019 near Ottawa, Ill. The next few weeks could be critical in shaping how 2019 will turn out for U.S. agriculture. | Scott Olson/Getty Images

President Donald Trump's trade war is magnifying some of the toughest farm conditions since the crisis that bankrupted thousands of farmers in the 1980s — and threatening a constituency crucial to his reelection hopes.

The president's trade policies have sent U.S. agricultural exports plunging, exacerbating already difficult economic conditions facing farmers. Average farm income has fallen to near 15-year lows under Trump, and in some areas of the country, farm bankruptcies are soaring.

The fate of the farm economy and rural America is fused to Trump's political future. Farmers and ranchers make up the heart of his base, and their support in battleground Midwestern states like Iowa and Wisconsin could help determine the 2020 presidential election. Although Trump's standing with those groups generally remains strong, cracks are starting to show.

Hundreds of farmers and business representatives are in Washington this week to pressure lawmakers and the Trump administration to end the trade war by describing the hardships they are facing.

“A lot of farmers are going to give the president the benefit of the doubt, and have to date. But the longer the trade war goes on, the more that dynamic changes,” said Brian Kuehl, executive director of Farmers for Free Trade, one of the groups organizing the fly-in.

There are signs that agriculture’s compounding challenges are already pushing some producers over the edge — at least in certain regions and sectors.

The Federal Reserve Bank of Minneapolis [warned](#) in November of rising Chapter 12 bankruptcies, used by family farmers to restructure debt. The Fed said that the strain of low commodity prices “is starting to show up not just in bottom-line profitability, but in simple viability.” The increase was driven by woes in Wisconsin’s dairy sector, which shrunk by about 1,200 operations, or 13 percent, from 2016 to October 2018.

“The farm economy’s in pretty tough shape,” said John Newton, chief economist at the American Farm Bureau Federation. “When you look out on the horizon of things to come, you start to see some cracks.”

To be sure, most experts don’t think the conditions will get back to the devastation of the 1980s when interest rates soared and farmland values plummeted. That drove thousands of farms into foreclosure, shuttered dozens of agricultural banks and transformed some rural communities into ghost towns.

But as the 2019 planting season nears, the continuing trade war, higher interest rates and glut of various commodities could require farmers to lean on the government for relief.

Right now, the Agriculture Department isn’t planning any more trade aid programs like the payments that helped farmers like Billy Rochelle get close to breaking even for 2018.

“We’ve seen better years,” said Rochelle, who raises corn, soybeans, wheat and beef cattle near Centerville, Tenn. “We’re adjusting accordingly, trying to survive just like everybody else.”

At the annual American Farm Bureau convention last month in New Orleans, Trump delivered a speech to the largely supportive audience in which he boasted about “setting records together for farmers and for agriculture.” But outside the auditorium, farmers and ranchers described numerous concerns — especially the uncertainty around Trump’s trade agenda.

“I don’t see it getting any better until we get something resolved with China,” Rochelle said.

The administration wrapped up another round of negotiations with China last week, but a deal has yet to emerge. Trump’s three-way agreement with Canada and Mexico also faces a difficult road ahead in Congress.

In the meantime, retaliatory tariffs from those countries continue to weigh on crop prices — one of the biggest factors dragging down farm profitability.

“You’ve had farms that have gone out of business, that have gone bankrupt because of this trade war,” said Kuehl of Farmers for Free Trade. “There’s a lot of farmers going through tough conversations right now with their lenders.”

House Agriculture Chairman Collin Peterson (D-Minn.) has raised the possibility of Congress providing [additional aid](#) for farmers in the next year or two. He told POLITICO recently that he was “worried” about agriculture in 2019. Even with a new farm bill signed into law, H.R. 2 , the farm safety net “is not good enough.”

“With the low-price situation already and the trade stuff, I think we’re going to have people not get financed this winter, and next winter is going to be worse if this doesn’t change,” Peterson said.

Farm Credit System bankers said last month they expect producers to weather another difficult year. But so far, they haven’t yet seen a dire number of loan delinquencies or farmers leaving the business, other than the struggling dairy sector. That means it’s not too late for the government to intervene — either on trade policies or farm subsidies — to help farmers.

It’s “clear that we are at a tipping point for a growing number of producers,” said Marc Knisely, CEO of Fargo-based AgCountry Farm Credit Services.

“You can only lose money for so long,” Knisely added. “We’re at a vulnerable stage.”

Some of the same pieces from the 1980s are now falling into place. Headwinds like Trump’s trade feuds, rising operating costs and higher interest rates are converging. And if a recession in the broader economy strikes, which some economists expect in the near term, it could dump agriculture into a full-blown disaster.

The recent five-week shutdown froze government programs to assist producers with financing, planting decisions and much more. If another shutdown comes after Feb. 15, it will seriously interfere with the spring planting season, further complicating the picture for farmers.

“I think there will be a lot of financial stress this year,” said Brent Gloy, an agricultural economist and founder of Purdue University’s Center for Commercial Agriculture.

“However, I don’t think it will resemble the problems of the 1980s unless another big external shock comes,” like further deterioration in trade relations or a faster rise in interest rates.

Interest rates in the 1980s hit all-time highs as the Federal Reserve moved to tamp down inflation. That made business more expensive for farmers and ranchers reliant on certain types of loans to finance their operations. Farm income had dropped to a meager \$8.2 billion by 1983 — compared with \$92.1 billion a decade earlier, according to a Federal Deposit Insurance Corporation [report](#).

“In the ’80s, the interest rates got out of control — 13 percent, 14 percent operating loans. Right now we’re at 5, 6 percent,” said Illinois Farm Bureau board member Randy Poskin, a corn and soybean grower who started farming in the early 1980s.

But there are other parallels. Farm debt is nearing the record levels set in the ‘80s, accounting for inflation, according to USDA [statistics](#), and farm expenses are rising. Fertilizer and equipment have become costlier, due partly to Trump’s tariffs on steel, aluminum and certain chemicals made in China.

“It’s similar in that input costs have really gotten a big percentage of our profits,” Poskin said at the farmers’ conference. “Prices are not enough to cover sometimes if you have poor yields.”

The next few weeks could be critical in shaping how 2019 will turn out for U.S. agriculture: U.S. and Chinese officials have until March 1 to reach a trade deal before Trump ratchets up tariffs and Beijing retaliates.

The outcome of the trade talks could help ease the economic pressure on farmers and ranchers — or push the industry closer to a full-blown farm crisis. Either result is likely to have consequences for the 2020 election.

“If the farm economy continues to get worse in the run-up to 2020, my sense is that this will be devastating to Trump,” said Gregory Wawro, political science professor at Columbia University. “Although it is difficult to defeat a sitting president, it is hard to see how Trump wins a second term if things play out that way.”

Catherine Boudreau and Helena Bottemiller Evich contributed to this report.

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