

In South Dakota, patience wears thin as tariffs hit home

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South Dakota farmers and ranchers this week weathered the first round of tariffs and talk of an imminent trade war.

It's a hit they'd hoped to avoid for months and one they've been paying for for weeks as uncertainty loomed large over the market, dragging down the price of key crops.

The tariff talks have already cost South Dakota farmers and ranchers hundreds of millions of dollars, experts said, as the value of their crops has dipped amid international concern about new tariffs.

It's a loss that many can't sustain and one that elected officials and others worried could tank the state's economy.

Rock Nelson, South Dakota international development director, said he knows of a South Dakota products and ham and pork products company dealing with reduced export orders as buyers go elsewhere for better-priced goods.

Fewer orders could amplify other heightened costs and lead to job cuts, quickly spreading the tariffs costs across the South Dakota economy.

"I think there's more potential impact than meets the eye, in regards to the agricultural sector, which our largest industry in the state," he said. "There's going to be a trickle-down effect, I think."

Despite that, many in the farming community held out hope that President Donald Trump could strike a deal before harvest season.

"The best scenario is there would be some kind of negotiated settlement and we get back to free trading, not impacted by tariffs," said Matthew Elliot, South Dakota State University assistant professor and Extension agribusiness specialist. "In the meantime, this is going to be pretty volatile and certainly the targets are on the back of soybeans producers and other producers impacted by this."

Tariffs and talk of a trade war

Last Friday marked the day farmers and pork producers had hoped to avoid.

On July 6, the Trump administration imposed 25-percent tariffs assessed on \$34 billion of Chinese goods in what it says is an effort to level the playing field for American farmers, workers and companies.

When those set in, China lashed back with tariffs against the United States in the same amount.

While prices for corn, soybean and pork had softened since the tariffs were first announced, commodity markets initially seemed to shrug off trade war concerns. By the end of this week, they were taking the tariffs seriously, with pork, corn and especially soybean futures taking hits.

"This is unprecedented for at least as long as I've watched the markets," Elliot said. "I think initially a lot of people shrugged (the tariffs) off. Now the market has been trying to react to it and trying to price that in, but for anyone to think they have a grasp on how to reprice demand and how that plays out, I don't think anybody has that put together."

The tariffs and the resulting uncertainty created market volatility that growers find hard to watch as their crop values drop.

"It's not cheap," Doug Sombke, president of the South Dakota Farmers Union and Conde farmer, said of the financial hit he took in the last several weeks.

He said the uncertainty surrounding the tariff talks had already dropped prices on his soybean crop, costing him about \$120,000 this year.

"This is the kind of thing we can't afford to have," he said. "Not in a state like South Dakota."

But that's a message that isn't apparently resonating in the White House. On Tuesday, Trump threatened \$200 billion in additional tariffs on Chinese imports.

No more 'wait and see'

Faced with higher stakes, elected officials who'd already warned about the potential damage the tariffs could inflict came out with a sterner message for the president.

"Our producers can no longer continue to 'wait and see' what happens with U.S. trade in the global arena," Sens. John Thune and Mike Rounds and Rep. Kristi Noem wrote to Trump. "Trade uncertainty over just the past few months has cost South Dakota farmers and ranchers hundreds of millions of dollars they could not afford to lose."

The U.S. Chamber of Commerce estimated that the proposed tariffs against China, Canada, Mexico and the European Union would threaten \$129 million in South Dakota exports. But agriculture economists said it will likely cost the state more since those exports are a mainstay of the state's largest economic sector. And farmers and ranchers said they've already felt the economic hit.

"The retaliatory tariffs are just beginning and it's going to have a trickle-down effect," said Nelson. "The farmers are getting hit right off the bat."

In this tariff battle, South Dakota's agricultural sector won't be the only part of the South Dakota economy to take a hit. But its pain is the first sign of real danger for the state's economy, with grave implications for the state budget, as well.

"There is no question that lower commodity prices adversely affect farm incomes, state revenues, and the state economy," Tony Venhuizen, Gov. Dennis Daugaard's chief of staff said Friday. "The governor is very concerned that trade negotiations will be conducted on the backs of South Dakota's farmers and ranchers."

The state didn't have projections bearing out what the tariffs would mean for the state's economy.

Trump's support remains but patience wears thin

As farm bureau presidents from around the country met this week in Washington, D.C., their support for the president remained steady.

Scott VanderWal, president of the South Dakota Farm Bureau, said he and his peers held out hope that Trump could negotiate a good deal for the United States. But apprehensions about a trade war were mounting.

While many agreed that trade partners have been taking advantage of the United States, they worried that Trump's approach was too broad, VanderWal said. And until a deal can be struck, farmers and ranchers were left to bear the brunt of the retaliatory tariffs.

"Our message is that farmers and ranchers are supportive, but patience is wearing thin," VanderWal said. "Farmers and ranchers are the most patriotic people in the country, but if it comes to going broke, there's a line."

The breaking point could come in the fall, VanderWal said, when farmers go to harvest.

"That's when these lower grain prices are really going to hit us," he said.

In the meantime, VanderWal said he encouraged South Dakota farmers and ranchers to reach out to their congressional delegates. Criticizing the president's tactics wouldn't yield a positive outcome, he said.

"It doesn't do any good to take shots at the president; he doesn't respond favorably to that," VanderWal said.

While manufacturers have felt the impact of higher prices on imported parts and on exports, South Dakota Chamber of Commerce and Industry President David Owen said he remained cautiously optimistic.

"I'm nervous about the immediate impact," Owen said, "but my father taught me the wisest words in the English language are 'this too shall pass.'"

Could Congress drop the tariffs?

Others urged lawmakers to do more than write about the hits farmers were taking.

In a news conference Thursday, U.S. House candidate Tim Bjorkman called on the state's congressional delegates to support legislation giving Congress authority over tariffs.

"We can't afford to merely talk and not act," Bjorkman, a Democrat, said at a news conference in Sioux Falls. "We need to re-establish Congress' role as a check and balance on executive power."

Mark Rogen, a Garretson dairy farmer, and former state lawmaker, agreed. He said tariff talks had tanked the price of milk, costing his large-scale operation \$15,000 a day compared to what they'd made prior.

"Writing a letter is not what they need, they need to act," he said.

Americans for Prosperity South Dakota, a conservative advocacy group, also urged the state's delegation to back the legislation.

Meanwhile, Dusty Johnson, a Republican running against Bjorkman in the U.S. House race, said it's important for Congress to have oversight over the executive branch's actions, but felt the president should maintain the authority over trade negotiations.

"Injecting more Congressional involvement, at least at this time, is going to inject more politics into it," Johnson said.

Spokespeople for Thune and Rounds said they would consider the proposal.



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