

Trump wants \$12 billion in aid to U.S. farmers suffering from trade war

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WASHINGTON/KANSAS CITY, Mo. (Reuters) - The Trump administration on Tuesday said it will use a Great Depression-era program to pay up to \$12 billion to help U.S. farmers weather a growing trade war with China, the European Union and others that the president began.

It is a clear signal the U.S. President Donald Trump is determined to stick with tariffs as his weapon of choice in the conflict.

The move meant to cushion the blow for a politically important constituency was met with broad criticism by many farmers and farm-belt lawmakers, including Republicans. Rural and agricultural states supported Trump by wide margins in the 2016 election.

Trump's trade policies have become central in several rural-state U.S. Senate races ahead of congressional elections in November.

The president, speaking at an event in Kansas City on Tuesday, reaffirmed his support for tariffs and pledged that "farmers will be the biggest beneficiary."

"Just be a little patient," Trump said.

The relief package is intended as a temporary boost to farmers as the United States and China negotiate over trade issues, officials said.

"This obviously is a short-term solution that will give President Trump time to work on a long-term trade policy," said Sonny Perdue, the secretary of the U.S. Department of Agriculture.

The aid will be financed through the USDA's Commodity Credit Corporation and will not require congressional approval, Perdue said.

The administration's action appeared to divide Republicans, with some praising the move and others troubled by what they view as the kind of widespread government-assistance program their party has traditionally opposed.

"This trade war is cutting the legs out from under farmers and the White House's 'plan' is to spend \$12 billion on gold crutches," said Senator Ben Sasse, of Nebraska who frequently criticizes the president, a fellow Republican.

SHORT-TERM BOOST?

Farmers have been a particular target in the current clash over trade policy as other countries seek to retaliate for Trump's duties on Chinese goods as well as on steel and aluminum imports from the European Union, Canada and Mexico. Those affected economies have in turn targeted U.S. agricultural products, including soybeans, dairy, meat, produce and liquor.

The United States exported \$138 billion in agriculture products in 2017, including \$21.5 billion of soybeans, the most valuable export. China alone imported \$12.3 billion of U.S. soybeans last year, according to the USDA.

The size of the direct payments to farmers as a result of trade shortfalls would be unprecedented, said Scott Irwin, an agricultural economist at the University of Illinois.

"We have never compensated farmers directly on such a large scale for retaliatory tariffs," Irwin said.

The news lifted shares of farm equipment companies on the prospect that farmers will have more money to spend on tractors and other farm gear. Deere & Co jumped 3.1 percent, while Caterpillar Inc gained more than 1 percent and AGCO Corp rose 0.6 percent.

Stock options trading in Deere and Caterpillar also saw a burst of activity in the 30 minutes before the news broke, according to a Reuters analysis of Trade Alert data. Some of those contracts more than doubled in price after word of the pending plan broke in a Politico report.

Options activity has been known to spike before the public announcement of market-moving news and the U.S. Securities and Exchange Commission has pursued enforcement actions when the activity has been determined to be insider trading involving options. There was no immediate indication that Tuesday's volume increases were anything other than coincidental.

Soybean futures <0#S:>, driven to a 10-year low in part by China's retaliatory tariffs, rose 1.2 percent and hit their highest in two weeks as traders bet farm aid would improve demand, reducing a current surplus supply.

Still, Blake Hurst, a corn and soybean farmer and president of the Missouri Farm Bureau, said that unless the White House's policies change, the U.S. agriculture industry will continue to suffer.

"The payments will be helpful to farmers facing overdue loans and angry bankers, but are completely insufficient if they mean that tariffs and the trade war will last for the foreseeable future," Hurst said. "They are a very temporary bandage to a self-inflicted wound."

Some members of Trump's own party agreed.

FILE PHOTO: U.S. President Donald Trump walks up the driveway prior to delivering remarks at a showcase of American-made products at the White House in Washington, U.S., July 23, 2018. REUTERS/Carlos Barria

"Tariffs are taxes that punish American consumers and producers," Kentucky Republican Senator Rand Paul wrote on Twitter [here](#). "If tariffs punish farmers, the answer is not welfare for farmers — the answer is remove the tariffs."

Kevin Cramer, a U.S. representative trying to unseat Democrat Senator Heidi Heitkamp in North Dakota, praised the move.

"Great to see @POTUS (Trump) providing aid to farmers impacted by retaliatory #tariffs," Cramer wrote on Twitter [here](#).

Later this week, Trump will visit Iowa and Illinois, two other farm-belt states, as he seeks to shore up support for Republican candidates in the U.S. Midwest.

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