TAMMY BALDWIN
WISCONSIN

COMMITTEES:
APPROPRIATIONS
COMMERCE
HEALTH, EDUCATION, LABOR, AND PENSIONS

United States Senate

WASHINGTON, DC 20510

July 24, 2018

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, D.C. 20250

The Honorable Wilbur Ross
Secretary
U.S. Department of Commerce
1401 Constitution Ave, NW
Washington, D.C. 20230

The Honorable Robert E. Lighthizer
United States Trade Representative
Executive Office of the President
600 17th Street, NW
Washington, D.C. 20508

Dear Secretary Perdue, Secretary Ross and Ambassador Lighthizer:

I write to convey the serious and growing impacts that retaliatory tariffs have had on Wisconsin agriculture, and to urge you to develop a plan to help farmers unfairly caught in the middle of the Trump Administration's trade war.

Our trading partners made no secret of their intent to target U.S. agricultural exports in response to the Trump Administration's tariffs. Multiple countries have now targeted Wisconsin agriculture exports with retaliatory tariffs. These have led to price declines, canceled orders, and significant anxiety about the future. Despite the obvious threats to the agricultural community, the Administration did not produce a strategy to address retaliation before the trade war began. Moreover, in response to threat of retaliatory tariffs, I sounded the alarm and urged Secretary of Agriculture Sonny Perdue to take steps to support farmers targeted with retaliation.[1] Despite these clear warnings, the Trump Administration still has not developed a plan to mitigate the impacts of its trade war on the agriculture community. I am calling on the Trump Administration to develop a plan that would provide immediate support to farmers unfairly hurt by retaliatory tariffs and include a strategy to maintain the strength of agriculture exports.

In Wisconsin, retaliatory tariffs have impacted a variety of crops and products, from dairy products, including specialty cheeses, to kidney beans, soybeans, corn, cranberries, beef, pork, ginseng and others. The impacts are not only depressing commodity prices, they are also crushing the spending power of farmers to buy equipment and pay their bills. It is causing processors to face a range of extremely difficult choices as they face warehouses of unshipped product, uncertainty in how to manage production in the near future, and upended plans to invest in new infrastructure and expand their businesses for the long term. Though these related impacts may be less visible, they are having a real and costly impact on the rural economy and the ability of rural businesses to keep their doors open. The retaliatory tariffs are also taking effect at a time when the agriculture economy is already facing severe challenges with low prices and oversupplies. In the past year, Wisconsin has lost more than 500 dairy farms. Without prompt action, we could lose farmers and the rural businesses they support and depend on at an even more rapid rate.

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[1] https://www.baldwin.senate.gov/press-releases/protect-wisconsin-farmers-from-chinese-tariff-retaliation

As you consider elements of a response plan, allow me to offer a few suggestions for you to consider. I would encourage you to utilize the authorities Congress provided to you in the FY 2018 omnibus funding bill (P.L. 115-141) enacted in March and target assistance directly to impacted farmers. I supported this important legislation and I would urge the Trump Administration to use these new tools to support farmers impacted by tariffs. Farmers would prefer to have functioning trade markets, but in the meantime, they are bearing the brunt of this trade war and should not suffer as a result of actions out of their control. A strong and functioning farm economy is critical to our food supply and national security, and direct assistance in response to the tariff impacts could help to stabilize the farm economy.

In addition, I urge you to consider commodity purchases of agriculture products, including for donation to food banks or other sources of need. Purchases made with Section 32 funds use tariff receipts, rather than taxpayer dollars, and can help to move product to consumers in need. Purchases made under the Commodity Credit Corporation authorities can assist in this way as well. In addition to retaliatory tariffs, the dairy industry is facing multiple challenges including an unfair Canadian pricing scheme that has negatively impacted regional and national dairy markets for many months, and is continuing to hurt Wisconsin dairy farmers. I would strongly urge you to make dairy purchases a priority. A purchase in the near future is especially important because the dairy industry faces particular challenges from sudden changes in trade, given the perishability of dairy products, the sudden reduction in export shipments, daily rather than seasonal marketing of milk, and the reality that changes in dairy supply lag behind market signals because of cow lactation cycles. I also encourage you to prioritize a purchase of cranberry products, as the cranberry industry is facing an oversupply coupled with anticipated export shipments that are now sitting in storage, waiting for a buyer.

Finally, I would urge you to consider new actions that expand markets, both domestically and abroad. Regarding exports, I would encourage the Trump Administration to address China's unfair currency manipulation policy. The Communist Party maintains complete control over the Chinese economy and works to keep its currency undervalued in order to make its exports cheaper and American exports more expensive. China's currency policy—in clear violation of WTO rules—harms U.S. agriculture. In fact, recent estimates show that if the U.S. dollar were priced competitively (i.e. not overvalued relative to the Chinese Renminbi) corn prices would rise $1 and soybean prices by $3 per bushel.[2]

Like many, I believe that many of our trade problems have their root in China's unfair trade practices, which have led to Wisconsin job losses for decades. We need to get tough on China, but Wisconsin farmers and workers need fairness, not just fights. It is my hope that the Trump Administration takes action to support farmers and agriculture businesses targeted by retaliatory tariffs in short order.

Sincerely,

Tammy Baldwin
United States Senator

[2] http://www.prosperousamerica.org/how_the_dollar_exchange_rate_can_help_us_agriculture