Beat: News

2020 looks like a dark year for US farmers

Hard times for US farmers

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USPA NEWS - Labour shortages and high debt levels, extreme weather and declining competitiveness “” US agriculture struggles under weight of its many obstacles.

Reminiscent of Sisyphus and his stone, the year is shaping up to be a gruelling one for farmers in the United States, beset by acute and chronic afflictions at every turn. Rest assured, things can always get worse.

Further body blows lie in waiting. Not least of which, in the form of potential Department of Commerce (DOC) and International Trade Commission (ITC) rulings in favour of tariffs against Russian and Moroccan fertiliser companies. The decision could all but guarantee a shrink in market competition in the US, opening the door to rising fertiliser prices and supply fragility.

Declining competitiveness, indebtedness, and soaring mental health woes

While US President Donald Trump was making flirtatious efforts with farmers at the national farm convention and trade show in Austin, Texas, this month, the policies of his government have been anything but a positive force in their lives.

Despite the president´s conventional optimism on the subject, American agriculture is well and truly in crisis. Rife with financial difficulties and upticks in mental health issues, any efforts to paint a cheery picture of the industry can, at best, be viewed as tone deaf.

An American Farm Bureau Federation report shows a total of 627 bankruptcy filings during the 12-month period ending March 2020. A year-to-year increase of 23 percent across the country, completing five consecutive years of bankruptcy increases.

The despairing atmosphere led authorities in Minnesota to start running a mental health hotline for overwhelmed farmers. Earlier this year, the University of Minnesota also launched a rural stress task force to help farmers cope.

Most worryingly of all, prior even to the tumultuous past two years, more than 450 farmers have killed themselves across nine Midwestern states, between 2014 and 2018.

Contradicting the positive notes coming from the master-in-chief, his secretary for agriculture, Sonny Perdue, caused a stir at the World Dairy Expo in Madison, Wisconsin, by expressing little sympathy for struggling small holding farmers.

“In America the big get bigger and the small go out. I don´t think in America we, for any small business, we have a guaranteed income or guaranteed profitability,“ he said fatalistically in response to a question about the future of the US dairy industry.

The secretary´s Darwinist apathy towards their plight highlighted to many modest farmers across the country that the imbalances between large and small farms are not likely to alter in their favour: one more thing to worry about in an industry flagging financially and hurting from a rapid decline in competitiveness.

In contrast, Wisconsin Republican Senator Ron Johnson told reporters that small dairy farms are a tradition “we want to do everything we can to preserve.“ He suggested that larger dairy farms could potentially provide resources that would help smaller operators survive.

Trump´s adversaries, presidential hopeful Joe Biden and his team, are targeting this discontentment within the agricultural sector.

“While Trump is pursuing a damaging and erratic trade war without any real strategy, President Biden will stand up to China by working with our allies to negotiate from the strongest possible position. And, he´ll make sure our trade policy works for American

farmers,“ the Biden campaign states on its webpage.

Cyclical problems

While the agricultural industry drudges on under the weight of an accumulation of adversity and year-on-year low prices, it continues at the same time to be buffeted by cruel, cyclical winds: not least of which, mercilessly bad weather.

2019 alone saw record levels of flooding which severely disrupted planting schedules, ultimately leaving crops vulnerable to frost as a result of the delay. On top of this, climate change is going to only exacerbate these kinds of issues.

“Average yields of many commodity crops [...] decline beyond certain maximum temperature thresholds (in conjunction with rising atmospheric carbon dioxide [CO2] levels), and thus long-term temperature increases may reduce future yields,“ according to an assessment by U.S. Global Change Research Program.

Added to this, the trade war did nothing for the sector. The administration´s immigration policy made things worse by preventing access to affordable farm labourers.

If Trump´s first term is anything to go by, as these kinds of issues pass, they are likely to be replaced by ever newer threats. Trade wars aren´t hard to find if you go looking for them and the Covid-19 pandemic is not likely to be a short affair. Furthermore, its consequences on US agriculture are hard to even quantify.

Black clouds on the horizon

The disregard for the opinion of the World Trade Organisation and the efforts made to undermine its referral process make clear that the US aggressive, combative stance on trade and on tariffs, is a strategic posture that will leave a lasting legacy. The competitive footing it has generated between the US and China is widely regarded as a course to which the country is now committed, regardless of who takes office next year.

For farmers, this is enough to tell them that the epoch of trade warring and tariffs, not unlike that of pandemics and extreme weather, has a high probability of reruns in the next few years.

The situation playing out between The Mosaic Company and the wider fertiliser industry is another clear point of concern. Mosaic recently filed a petition with the DOC and the ITC for the imposition of high countervailing duties (CVD) on phosphate fertilisers from Morocco and Russia.

However, there are a number of theories about Mosaic´s motivation for doing this. Certainly, a patchy financial performance over the past year might have something to do with it. Unfortunately, given the current trends in US trade petition filings in favour of plaintiffs, things aren´t looking good.

The introduction of CVDs may well create a prohibitively expensive US market for companies from Morocco and Russia. This would inevitably result in a reduction in the number of suppliers in the US and consolidate a near-monopoly over the market.

Consequently, the chances that farmers feel the bite of this drop in competition financially look to be high. Not only could prices rise significantly, but product variety could decline as well.

A significant reduction in phosphate players could also result in a more fragile supply chain, so this policy has the potential for ramifications on US food security as well.

The future will notably depend on the fallout from the pandemic, on the capacity of farmers to make their needs and points of view heard by politicians, and of course, by the outcome of the impending presidential election.

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