



# New Round of Farm Trade Aid Proposed by Administration for 2019

May 31, 2019

On May 23, 2019, the U.S. Department of Agriculture (USDA) announced that it will take several actions in 2019 to assist farmers in response to continued economic damage from trade retaliation and trade disruption in international agricultural markets. These actions are to include a new trade aid package for the U.S. farm sector valued at up to \$16 billion.

## Building on the 2018 Trade Aid Package

USDA implemented [a similar trade aid package in 2018](#), also in response to trade retaliation against U.S. agricultural products. Secretary of Agriculture Sonny Perdue used authority under the [Commodity Credit Corporation \(CCC\) Charter Act](#) (15 U.S.C. §714c) to authorize up to \$12 billion in financial assistance for certain agricultural commodities. In September 2018 [Secretary Perdue stated](#) that 2018 trade aid was a one-time program and that nothing similar would be implemented in 2019 unless Congress took the initiative to authorize such a package. Instead of future trade aid, the Administration stated that it would negotiate a trade agreement with China with expanded access to China's market for U.S. agricultural products. However, the Administration and China have been unable to resolve [differences in their ongoing trade dispute](#), leading to the announcement of a second U.S. farm trade aid package for 2019.

## 2018 Trade Disputes Spill into 2019

The [ongoing trade dispute originated in early 2018](#) with U.S. tariffs imposed on steel and aluminum imports from certain countries and a reaction from those countries. By May 2018, the largest dispute focused on a disagreement between the United States and China following the imposition of U.S. tariffs on \$50 billion of Chinese goods imported by the United States. [China retaliated with higher tariffs on several U.S. agricultural products](#), and the dispute has since escalated.

Trade retaliation—in this case, in the form of higher tariffs—can raise costs along the producer-to-consumer supply chain and disrupt normal marketing patterns by forcing commodities to find new markets. This trade retaliation has impacted several U.S. commodities.

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## USDA Announces 2019 Trade Aid, Yet Many Details to Be Determined

According to a [May 23 USDA press release](#), the 2019 trade aid package appears to be similar to the 2018 package but with different funding levels and, in the case of the Market Facilitation Program, a different payment rate determination. USDA again plans to use CCC Charter Act authority to fund and implement three separate components. (Amounts cited below are in addition to the \$12 billion announced in 2018.)

- The **Market Facilitation Program (MFP)** for 2019, administered by the Farm Service Agency, is intended to provide \$14.5 billion in direct payments to producers of several commodities (listed below).
- A **Food Purchase and Distribution Program**, valued at \$1.4 billion and administered through the Agricultural Marketing Service, is expected to be used to purchase surplus commodities affected by trade retaliation such as fruits, vegetables, some processed foods, beef, pork, lamb, poultry, and milk. These are for distribution by USDA's Food and Nutrition Service to food banks, schools, and other outlets serving low-income individuals.
- The **Agricultural Trade Promotion Program**, valued at \$100 million, is to be administered by the Foreign Agriculture Service to assist in developing new export markets for U.S. producers.

USDA has released preliminary information about the 2019 MFP. Not public are what the payment rates will be and how they will be determined. However, unlike the 2018 MFP, which limited payments to producers of seven commodities, the 2019 MFP proposes to make payments to producers of an expanded list of field crops (alfalfa hay, barley, canola, corn, crambe, dry peas, extra-long-staple cotton, flaxseed, lentils, long- and medium-grain rice, mustard seed, dried beans, oats, peanuts, rapeseed, safflower, sesame seed, small and large chickpeas, sorghum, soybeans, sunflower seed, temperate japonica rice, upland cotton, and wheat), as well as milk, hogs, and certain specialty crops (tree nuts, fresh sweet cherries, cranberries, and fresh grapes).

For field crop producers, a single county payment rate per acre is to be calculated on a county-by-county basis using an as-yet-unannounced formula that is to consider historical production activity. Payments are to be based on each farm's 2019 planted acres. In contrast, 2018 MFP payments were based on harvested production. As a result, any acres prevented from being planted this year may not be eligible for MFP payments. However, they may qualify for pending disaster aid (H.R. 2157) and for prevented planting benefits under crop insurance. A farm's total acres eligible for MFP in 2019 cannot exceed its 2018 plantings.

Hog producer payments are to be based on hog inventories, while dairy producer payments are to be per-hundred pounds of historical milk production. The reference periods for these have yet to be determined.

MFP payments may be made in tranches. The first of these is to begin in late July or early August. The second and third tranches are to be evaluated relative to market conditions and trade opportunities—for example, a successful conclusion to the U.S.-China trade negotiations could temper the need for further MFP payments. Otherwise, if conditions warrant, the second and third tranches may be made in November 2019 and early January 2020. The share of payments to be issued in each tranche has not been announced.

USDA has not indicated whether payment caps for individual producers will be imposed on MFP payments and whether an adjusted gross income (AGI) threshold may be enforced. USDA did apply payment limits and an AGI threshold to 2018 MFP payments. Another uncertainty is how USDA will notify MFP outlays at the World Trade Organization, where the United States has

committed to limit outlays on programs that alter production incentives to less than \$19.1 billion annually.

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