



**STATEMENT OF
KEVIN PAAP
PRESIDENT**

**ON BEHALF OF
MINNESOTA FARM BUREAU**

**REGARDING
HEARING ON THE EFFECTS OF TARIFFS ON U.S. AGRICULTURE AND RURAL
COMMUNITIES**

**BEFORE THE
HOUSE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE**

JULY 18, 2018

**1102 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC**

Mr. Chairman and Members of the Committee:

My name is Kevin Paap. I, along with my wife Julie who is here today, grow corn and soybeans in Blue Earth County, Minnesota, and I serve as President of the Minnesota Farm Bureau Federation. Minnesota Farm Bureau is the state's largest general farm organization, representing more than 30,000 members of all farm sizes, types, commodities, and production methods, in every county.

Minnesota Farm Bureau strongly believes that with the current financial stress farmers and ranchers are facing, we need to maintain and expand market opportunities. The current tariffs, continuing back-and-forth retaliatory actions and trade uncertainties are hitting American agriculture from all sides and are causing us to lose our markets. Once you lose a market, it is really tough to get it back.

Current Financial Stress

Agriculture is facing the perfect storm - trade uncertainties, decade lows in farm income, agricultural labor shortages and the uncompleted 2018 Farm Bill. It is quickly becoming more than we can handle.

In trade wars, agriculture has been and continues to be the tip of the spear. All commodities are being impacted, but in Minnesota we are hearing the most from our members that are growing soybeans and raising pigs. On the next page are two commodity futures charts that clearly show what uncertainty in trade has done to our prices and the serious negative impacts it has had on our farm income.

November 2018 Soybeans Futures October 2017-July 2018

ZSX18 - Soybeans - Daily OHLC Chart



December 2018 Hogs October 2017-July 2018

HEZ18 - Lean Hogs - Daily OHLC Chart



Many decisions in farming are not made week by week. We have to make decisions a long time before our crops are planted, much less harvested. The soybean chart below shows when I bought my seed and when it was planted. As we were doing Spring planting, we understood there were things outside of our control, like the weather. What we didn't know was the level of trade tensions we would be experiencing and the serious price impact they would have on our crops as we move closer to harvest. Unlike other industries, it is nearly impossible to quickly adjust to factors outside of our control. We can manage some of our risks through crop insurance and other risk management tools. The impact tariffs are having on prices and on our farms is what is keeping farmers up at night. Clearly there are serious economic challenges not only in agriculture but also in rural communities.



Protecting and Expanding Markets

Agricultural exports are important economic drivers. Once you lose a market, it is really tough to get it back. In 2017, we exported \$140 billion in farm products, which is \$21 billion more farm products than we imported. We cannot afford to lose our place as a leader in the agricultural global marketplace.

Tariffs are severely impacting our three largest markets, which are Canada, Mexico and China. In 2016, agricultural and food exports accounted for nearly one-third of Minnesota's total merchandise exports. Specifically, more than 24 percent of all Minnesota agricultural exports go to Canada and nearly 24 percent of all Minnesota agricultural exports go to Mexico.

President Trump often talks about our need to export more things that we make, but from a rural America perspective, we also need to export more of the things we grow. U.S. agriculture carried a favorable trade balance, a surplus of \$17 billion in 2017. Minnesota farmers recognize that more than 95 percent of the world's population lives outside of the United States and that we have the ability to reach customers outside of our borders through protecting, modifying and modernizing our current trade agreements and expanding market opportunities through new free trade agreements.

Bottom Line

Minnesota Farm Bureau strongly believes that we need to resolve trade concerns before resorting to tariffs. It is critical that we limit trade disruptions and resolve trade disputes through negotiations, not tariffs or withdrawals from other trade agreement discussions. Once you lose a market, it is really hard to get it back. I appreciate the opportunity to appear before the subcommittee and I look forward to answering your questions.