Tampa Bay Times

OPINION

Steven Grey

From farm to failure with Trump's tariffs | Column

What the humble soybean can teach us about how bad trade policy wastes tax dollars and hurts farmers.

Justin Roth holds a handful of soybeans at the Brooklyn Elevator in Brooklyn, Iowa. [CHARLIE NEIBERGALL | AP]

Published Nov. 3, 2020

When you threaten someone's food supply, they find another supplier.

It's a reaction so profoundly predictable that the Trump administration had to have anticipated it when they began a trade war that resulted in tariffs on soybean exports to China. Instead, the trade policy bankrupted farmers and left American taxpayers with a bill more than six times the price of the Detroit automakers bailout.

Soybeans, a key source of protein for humans as well as for livestock and aquaculture, are a particularly critical import for those countries — such as China and Japan — that simply can't grow enough to feed themselves. Which is why, once we made clear that we weren't a reliable source, it was inevitable that the Chinese would seek to import more of their soybeans from elsewhere. The logical source was Brazil, already the world's biggest producer of soybeans.

Steven Grey [Provided]

The shift was substantial. China's imports of soybeans from Brazil in September was half again higher than a year ago.

Sending the Chinese into the arms of Brazilian farmers was the definition of a self-inflicted economic wound. It was also painfully predictable — not least because the Japanese had an almost identical reaction to U.S. export restrictions in the early '70s.

During the late 1960s, the U.S. government worried about a glut of soybeans and took action to cut the inventory. But just as the supply was bottoming, exports surged and prices spiked. Looking to bring down prices, in June 1973 the Nixon administration imposed an embargo on the export of U.S. soybeans.

At the time, the United States dominated global soybean production, harvesting five times more than No. 2 China. Brazil wasn't even ranked in the top 10, and Japan relied on the United States for more than 88 percent of its supplies.

As fears for its own food security heightened, Japan began investing heavily in Brazil's soybean industry, helping accelerate growth in the key Cerrado agricultural region. With Japan's assistance, Brazil overtook the United States as the world's top exporter in the 2012-13 season.

Blown out of a key market by their own government, American farmers are drowning in debt. The Trump administration doled out $28 billion to them in 2018 and 2019. The U.S. Department of

Agriculture projects it will pay another $37.2 billion to farmers and ranchers this year, and in mid-September the administration pledged an additional $14 billion in aid. All in, that's about $79 billion.

To put that sum in perspective, the farm rescue has already been many times more expensive than the 2009 bailout of Detroit's automakers, which cost taxpayers $12 billion (the government loaned $60 billion to GM and Chrysler but received $48 billion in repayments). That check was signed only after memorably fierce debate in Congress. Conversely, the USDA decided that an existing law authorizing a program called the Commodity Credit Corp. already empowered it to give farmers billions — no congressional oversight required.

To be clear, there's no question farmers need the money. Record numbers are declaring bankruptcy. That they are doing so *despite* titanic aid speaks volumes to the damage this misguided trade war has and will continue to inflict upon them.

It's stating the obvious to say that much of the soybean business that has migrated to Brazil is unlikely to return to the United States. American agricultural trade policy has left our farmers more in debt, more dependent upon government aid and more likely to plunge into bankruptcy — all at gigantic cost to the American taxpayer.

President Donald Trump never hesitates to laud the resilience of the American farmer — and they certainly deserve our admiration. But coming from Trump, it's tantamount to cold-cocking someone and then congratulating them on their ability to take a punch.

The Chinese must be shaking their heads all the way to Rio.

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