

**House Committee on Agriculture
Subcommittee on Livestock and Foreign Agriculture**

U.S. Agricultural Trade: Stakeholder Perspectives

Tuesday, March 10, 2020

Testimony of Matthew Huie

Chairman Costa, Ranking Member Rouzer, Members of the Subcommittee, thank you for the opportunity to testify today on the important issue of trade.

My name is Matt Huie and I am a farmer and rancher from near Beeville, Texas.

For those unfamiliar with Beeville, we are located in the northern half of Chairman Vela's congressional district, between Corpus Christi and San Antonio.

For 20 years, my wife, Shambryn, and I have farmed and ranched in the Coastal Bend where we raise cotton, sorghum, corn, cattle, and wheat, along with one daughter and two boys.

While I was not raised on the farm, I did get an early start in farming by working with my grandad who taught me the ropes and brought me into the family operation.

Today, I am active in the Southwest Council of Agribusiness, the South Texas Cotton and Grain Association, the National Cotton Council, the Texas and Southwestern Cattle Raisers Association, Texas Sorghum Producers, and Texas Corn Producers.

Mr. Chairman, this hearing on trade is well-timed.

U.S. agriculture is in the seventh straight year of recession while also facing a string of natural disasters as well as significant trade disruption since 2017.

And farmers growing cotton and sorghum, in particular, always seem to be at the eye of each storm.

With respect to trade, the majority of the cotton and sorghum we produce in the United States has been sold to China and so we have been hit especially hard by the two-year trade dispute with that country.

Cotton prices are down by almost one-third since the beginning of the dispute. China's application of a 25 percent tariff on U.S. cotton has significantly impacted our prices over the last year.

Prior to the dispute, growers had the opportunity to price cotton off of a futures market trading in the range of 85-95 cents. Currently, the same growers are facing futures prices in the low 60 cent range.

The price we receive for our crops at the farm gate is so below our cost of production that the Market Facilitation Program payments we received have only allowed us to break even, at best.

For instance, the average 2019 MFP payments on cotton are expected to offset only about 39 percent of lost cotton market value.

While all farmers and ranchers strongly prefer trade over aid so we can make our living by selling what we produce, the extraordinarily difficult conditions in farm and ranch country today would be far and away worse without the MFP payments.

And I respectfully submit to this Subcommittee that absent a very significant turnaround soon in conditions in agriculture, an MFP-III will be absolutely essential if farmers and ranchers are to hang on.

I do recognize that the MFP program was designed to be temporary. But I also greatly appreciate the acknowledgement by the President and Members of Congress that the program is vital because American farmers and ranchers were deliberately targeted by foreign countries to gain leverage in a trade war. The President's direct pledge to producers to continue to provide aid until such time that trade deals work as promised is viewed as a life line to thousands of farm and ranch families and we are hoping and trusting he will come through.

In the case of cotton, the U.S. market share of China's imports is down by more than half. Due to the 25 percent tariff, U.S. cotton is not priced competitively compared to Australian, Brazilian, or Indian cotton. So, for example, the U.S. share of the China market has fallen from about 46 percent down to 16 percent while the Brazilian share has risen from 4 percent to 36 percent.

Before the dispute, our industry's yarn manufacturers shipped 150,000 bales of cotton yarn but there is essentially no such sales today.

The industry has and continues to suffer under the effects of the trade dispute and we worry a great deal about the long-term market share impacts.

Estimates of global cotton demand are off by a total of 15 million bales for the 2018 and 2019 marketing years and although USDA's export sales report showed 73 thousand bales of new sales to China, the report also showed 33 thousand bales of cancelations. What is happening here is China knows how to buy things cheaply and so they are placing new orders for lower priced cotton and canceling previous orders at higher prices.

Hence, the reality for my farm and farms and ranches across the country is the MFP has been about the only light at the end of the tunnel that's not another train.

I remember the 1980s farm financial crisis as a young man and I knew farmers and ranchers that went under at that time because Washington did not act.

I also remember how bad things got in the late 1990s and early 2000s but recall that the situation was made bearable by Washington staying on top of the situation.

In this historical context, I would say the MFP has thus far made the current conditions in rural America more akin to the late 1990s than the 1980s — though we are certainly not out of the woods yet.

The problem is, right now, I do not see a clear and certain turn around in the farm economy.

The economic conditions over the last seven years have essentially told farmers and ranchers to quit.

But that is not an acceptable outcome for those who depend on us for food, clothing, and fuel. It is also a nonstarter to the thousands of farm and ranch families who have made the kind of financial and emotional investments in multigenerational farms and ranches as we all have.

This is also not the outcome that this Subcommittee or the full Committee on Agriculture is looking for. In fact, you have worked overtime to enact policies to prevent this from happening by enacting the Farm Bill, Crop Insurance, disaster legislation, and many other federal policies. We all know that too much food is a far better problem for the world to have than not enough food.

On the issue of disaster assistance, I would be remiss not to thank the Committee for all of the work in passing disaster relief last June and making critical improvements to the program last December. Because of the work you did, a great many farm and ranch families will continue on the family operation. Thank you very much.

Chairman Vela's district is not just on the front lines of the current problems facing agriculture because of the crops we grow.

We are also on the front lines logistically.

Our proximity to the port has historically allowed us to move our crops economically and quickly to export markets.

But that has not been the case in the last couple of years.

Many of our elevators were still storing the 2018 sorghum crop when harvest of the 2019 crop started, forcing us to sell crop at fire sale prices to Mexico and otherwise improvise with very limited storage.

We have had a similar experience with our cotton crop. We had to move a lot of our crop out of the area, with all of the associated costs ultimately borne by farmers who were already struggling to make ends meet.

So, as you can imagine, we are grateful that the U.S.-Canada-Mexico agreement has been passed by Congress and, more particularly in the case of cotton and sorghum, that Phase I of an

agreement with China has been reached.

Now, we are just hopeful that these agreements will begin to bear fruit.

Over the course of the last 30 years, we in agriculture have been calling for a level playing field to compete on because we are confident we would do well in that kind of trade environment. We are good at what we do.

We've argued that it should not just be the United States that lives up to all of its trade commitments but every country should have to live up to its end of the bargain — and be called to account when they fail to do so.

After all, that is what trade agreements are supposed to be all about: an enforceable, rules-based system that every country honors.

But, that is not what we have experienced, at least in my life time of farming.

While the United States has amongst the lowest tariffs in the world, we have a transparent and science based sanitary and phytosanitary system in place, and we also have among the lowest supports for agriculture of any country, many of our trading partners have retained high and rising subsidies, tariffs, and other non-tariff trade barriers that are little more than thinly veiled protectionism by another name.

Notwithstanding this situation, enforcement has often been lax and usually a one-way street, with the U.S. always expected to live up to not just the letter of the law but the spirit as well while other nations get a pass.

The bottom line is that while the last several years of trade disputes have shaken an already depressed agriculture economy, in my view it will have been worthwhile if we can live through it all to see the new USMCA, Phase I and other agreements finally deliver on their promises and be effectively enforced.

Despite the coronavirus, which is taking its toll on Phase I, the markets, and nearly everything else in the world, I continue to hold out hope that this, too, shall pass and Phase I and USMCA will finally take full effect and help lift us out of our current economic malaise.

Time will tell.

If we are to measure the success of the Phase I agreement in the context of cotton, the agreement ought to yield at least 6.5 million bales of U.S. cotton exports to China for 2020/2021 and 2021/2022 based on China's purchase commitments under Phase I.

On sorghum, we just sold six boats to China in the last week of February — that is about half a million metric tons. This is a good start but we have a long, long ways to go to get back to even a normal level of trade with China — closer to 5 million metric tons or \$1 billion in value per year. Increased ethanol and meat exports to China on top of grain exports would certainly help.

With respect to the other agreements, on USMCA, I am grateful the agreement preserves the duty-free access to these markets and I am expecting a smooth transition from NAFTA to the new agreement. This is true from both a sorghum and cotton perspective.

From a cotton perspective, we do not see any issues or impacts one way or another with respect to Korea, Japan, the U.K., or the E.U. However, the Korean, Japan, and E.U. agreements could offer great market access opportunities for sorghum. Japan has lowered its tariff on U.S. sorghum imports and Spain is a regular buyer of our sorghum.

I know the Administration is currently testing the waters on a U.S.-India bilateral trade agreement. India is typically a top 10 export market for U.S. cotton so there may be new export opportunities there. India's minimum support price system for cotton and nontransparent notifications to the WTO are two issues of special concern to us. India would make an excellent export market for sorghum as well but we have none currently due to multiple phytosanitary barriers to entry as well as prohibitively high tariffs. Opening this market to U.S. sorghum would be very helpful to our growers.

Finally, with respect to sorghum, I would just note that we are still waiting on phytosanitary approval from Vietnam which we need to complete as soon as possible in order to open up that market. And, Australia maintains these kinds of unwarranted restrictions on our exports as well and, in fact, that country singles out sorghum grown or shipped through Texas. So, addressing these non-tariff trade barriers would be extremely helpful as we look to get agriculture in the U.S. back on its economic feet.

On a closing thought, I just want to add that I know that every walk of life has its stresses, its challenges, its difficulties that really make you wonder if you will get through to the next year or even the next day. But, I would like to emphasize that as farmers and ranchers enter into the seventh straight year of recession, with escalating input costs, mounting debt, and returns from the market that are well below our costs, you cannot imagine the level of stress right now in farm and ranch country and rural America. Even as the national economy is doing relatively well, there are very serious stress fractures in the countryside. When the farm and rural economy struggles, all of Main Street U.S.A. suffers, too. This Committee has always stood by farmers and ranchers and rural America through these periods of time and we hope and trust you will continue to be with us as we weather the current storm.

Once again, I would like to thank Chairman Costa, Ranking Member Rouzer, and the Members of this Subcommittee for inviting me to testify on this important topic.

I look forward to answering any questions that you may have.