

Will the US Farming Crisis Determine the Next President?

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The American farm sector is undergoing its worst crisis since the 1980's. Extreme snow and then unusually heavy rainfall across the Midwest farm belt this spring and summer have severely delayed or reduced crop plantings. That comes after several years of falling farm income. A US EPA series of waivers to the oil industry then sharply cut the market for corn ethanol. To make matters worse, in retaliation for Trump Administration tariffs on China goods, China has halted all import of US farm products. All this comes as US farmers struggle with record high debt with bankruptcies spreading. Some compare the situation to the crises of the Great Depression in agriculture. Farm production has long been a major pillar of the US economy and exports. Could this little-noted farm crisis become a factor that could determine if Donald Trump wins or loses re-election in 2020?

The Ethanol Fiasco

At a time when farm income has fallen dramatically over the past several years, the Trump Environmental Protection Administration just dealt a further severe blow to the market for corn used to produce ethanol for E10 fuels. On August 9, the EPA announced that it had approved 31 of its 38 pending small refinery exemptions, allowing the oil refiners to avoid mandatory blending of gasoline with corn ethanol. The approvals were retroactive to 2018, in violation of the Biofuels law, and allowed oil refiners to evade mandatory blending of more than 1 billion gallons of corn-based ethanol, a huge blow to US corn growers.

To make matters worse, the pro-oil Trump EPA, first under Scott Pruitt, a strong backer of the oil industry, and now his successor, Andrew Wheeler, a former lobbyist for the coal industry, have granted a record number of oil refiner exemptions including to companies like Chevron and ExxonMobil, in direct violation of a law intended to help only small distressed refiners. The exemptions are to date some four times what was exempted under the Obama administration resulting in a major loss of corn ethanol consumption.

Acting retroactively, the EPA granted the equivalent of over 4 billion gallons of ethanol exemptions for the period 2016 through 2018, equivalent to losing a 1.4 billion bushel corn crop, the entire annual harvest of Minnesota, a major corn state. The US ethanol lobby organizations are demanding the Trump Administration restore that lost ethanol volume as required by law. Emily Skor, CEO of Growth Energy, an ethanol association, stated, "More biofuel plants are closing their doors with each passing week, and farm families have run out of options. The EPA must take immediate action to restore lost demand under the 2020 biofuel targets and repair the damage from abusive refinery exemptions granted to oil giants like [Exxon and Chevron](#)."

The growing of corn to produce ethanol for blending with gasoline for fuel additive has

become a major prop of US agriculture since the Bush Administration proposed the Energy Policy Act of 2005 which amended the Clean Air Act, requiring the EPA to mandate annual volumes of biofuel, mostly corn ethanol, to be blended with gasoline fuel, heating oil or jet fuel. The growth of the US ethanol production has been such that today almost 40% of all US corn grown is for ethanol. Most USA gasoline today is E10 with 10% ethanol. Today the USA is the world's largest corn producer by far, almost double number two, China.

The EPA waivers to the oil industry have dealt a big blow to US corn farmers across the Midwest states, especially Iowa, Minnesota, Illinois, Nebraska and Indiana. To date the Trump Administration has made several gestures to address the loss of ethanol markets for corn farmers. But the farmers and ethanol associations claim it is far too little. Notably, in Iowa during the 2016 campaign, Trump pledged to protect the Renewable Fuel Standard of 2005, which mandates a certain amount of biofuel added to the fuel supply each year. Many farmers feel betrayed by the EPA.

The White House is now caught between its heavy support to the oil industry, a major campaign donor source, and to the farm belt, the heart of the Trump "Make America Great Again" popular support in 2016 and critical to a re-election in 2020.

The ethanol EPA rulings are by no means the only actions farmers see as a negative coming from the White House. The China trade war has also dealt a huge blow to US farm exports.

China trade

Before the Trump China trade disputes, US ethanol producers were optimistic that the China market could be a major growth area as China increased efforts to deal with air pollution. China ethanol imports from the US were rising steadily until early 2018, when the Trump administration escalated its tariff wars and China reacted by targeting the US farm sector, raising ethanol import tariffs by July 2018 to 70%. That essentially killed the China ethanol market for [US corn farmers and ethanol producers](#). The US exports are being replaced by those from Brazil, a major producer of ethanol from sugar cane.

But loss of China ethanol exports has been a relatively minor part of the China damage to US agriculture. With pinpoint precision, Beijing has targeted their counter-measures to the Trump trade actions in the politically important US farm sector. Notable is that Xi Jinping spent some months in Iowa in his younger years in an exchange program, and knows the US farm region better than many foreign heads of state.

In early August China's government reportedly ordered its state purchasing companies to stop imports of all US agriculture products after US President Trump announced he would order added 10% tariffs on another \$300 billion in China imports as of September 1. Before that China had already cut imports of US soybeans to ten year lows.

In 2017 before the trade war began in earnest, China imported 19 million tons of US soybeans worth some \$12 billion, some 60% of US total soybean production. China was the largest export market for US soybean farmers, a major sector of US farming. Soybean exports to China were the main export for Iowa agriculture. All told US agriculture exports to China before the trade war were estimated at nearly \$20 billion. Since 2012 China had been the largest market for US agriculture exports. Now that is all but gone, a staggering blow to US farmers at a time [they can ill afford it](#).

Compounding Problems

The loss of the ethanol market for corn due to the Trump EPA combined with the latest loss of the China agriculture export market would be grave but manageable except for the fact they hit at a time when American farmers are in precarious conditions. Record rainfall across the farm belt in the US Midwest earlier this season has meant a heavy reduction in both acres planted and yields for especially corn and soybeans. The government's USDA estimate of the current US corn crop in "good-to-excellent" condition, as well as for soybeans, is the lowest [since 2013](#).

For various reasons farm net income has dropped dramatically. US wheat prices since 2012 have dropped by some 50%. Corn prices are down by more than 50% since 2013. Net farm income is down in 2019 so far by 35% from its 2013 peak. This is before the impact of the current grain shortfall from flooding and the China and ethanol effects are weighed.

High Debt

Unfortunately, all this hits the American farm family at a time of near record debt. While net farm income has moved lower over much of the past decade, farm debt has risen significantly. The average farm debt as of beginning 2018 had risen to \$1.3 million per farm, most long term. The current conjuncture of farm crises is leading to rising bankruptcies. With the Federal Reserve raising interest rates the past two years it is increasingly difficult for farmers to refinance the debt in hopes of better times. The result is rising bankruptcies. Already in 2018 net farm income fell to 12 year lows. [This year 2019 is set to be far worse](#).

It is not surprising that some farmers are beginning to rethink their earlier backing for the Trump presidency. Roger Johnson, president of the National Farmers Union noted in a radio interview end of August that it will take "decades" to reverse damage caused by Trump farm and trade policies. China, he added, is now a "lost market" for American farmers because of Trump's trade war. Johnson added, "Farmers are in a lot of financial stress right now; net farm income is half of what it was six years ago. This is really tough. We're in a really, [really difficult spot right now](#)."

Ethanol producer Nick Bowdish, CEO of Elite Octane in Atlantic, Iowa, backed Trump in 2016 in part because he supported taking on China. Recently he said, "Since he got himself involved in agricultural policy issues, it has been a complete disappointment to any of us out here in the heartland." He added in a Newsweek interview, "Where the president went wrong and made a serious misstep was when he made the decision to start destroying the market for agricultural products at home with these refinery waivers." That he noted hit farmers just when they were being hard hit by the trade war with China, "[...and that's not acceptable](#)."

It's still some four months until the first Presidential primary and the outcome at this point is far from clear. Indications are that most farmers still back Trump, though that is weakening after the latest setbacks from China trade and ethanol. Now there are hints that China is willing to make a deal on soybeans in return for trade concessions from Trump. That might be a needed boost for the Trump farm support if it happens. The first 2020 Presidential primary is in February. It's in Iowa...

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Seeds of Destruction: Hidden Agenda of Genetic Manipulation

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This skilfully researched book focuses on how a small socio-political American elite seeks to establish control over the very basis of human survival: the provision of our daily bread. “Control the food and you control the people.”

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