National Association of Wheat Growers
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Written Testimony of Ben Scholz
President, National Association of Wheat Growers
Before The House Agriculture General Farm Commodities and Risk Management Subcommittee
Reviewing the State of the Farm Economy
May, 9th 2019

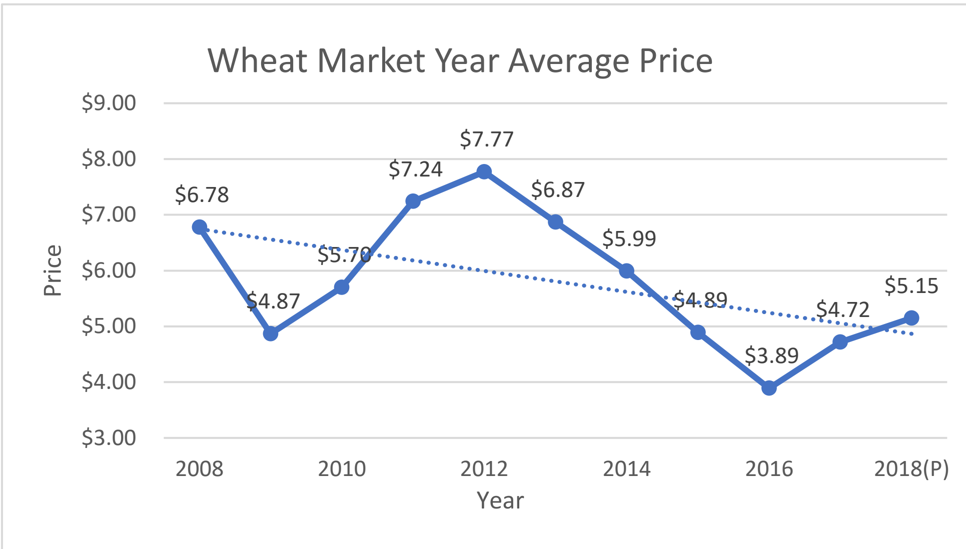
Chairman Vela, Ranking Member Thompson and Committee members, I am Ben Scholz, a wheat farmer from Lavon, Texas and President of the National Association of Wheat Growers (NAWG). NAWG represents wheat growers across the nation and works with a team of 21 state wheat grower organizations to advocate for the wheat industry. Thank you for the opportunity to submit testimony regarding the current state of the farm economy.

Wheat growers across the country have experienced a multitude of challenges the past couple of years. U.S. wheat export markets are in turmoil due to uncertainty and unfair trading practices. Countries like China have support systems for their farmers that distort trade, and uncertainty in current and new trade agreements with top destinations for U.S. wheat like Mexico and Japan have caused strain on an already low-price wheat environment. The continued years of low prices have placed significant stress on wheat farmers. Programs authorized in the 2018 Farm Bill have and will continue to play a critical role in helping farmers make it through the low-price environments.

U.S. farmers aren't competing on a level playing field, with major wheat producing countries like China violating WTO trade commitments in how they support their farmers and not fulfilling their tariff-rate quota (TRQ) commitments. We recently secured two big victories at the WTO on these issues, and continued engagement will be necessary as China may appeal those decisions. In addition, since last March there have been almost zero purchases of U.S. wheat to China due to the retaliatory 25% tariffs on wheat and wheat products.

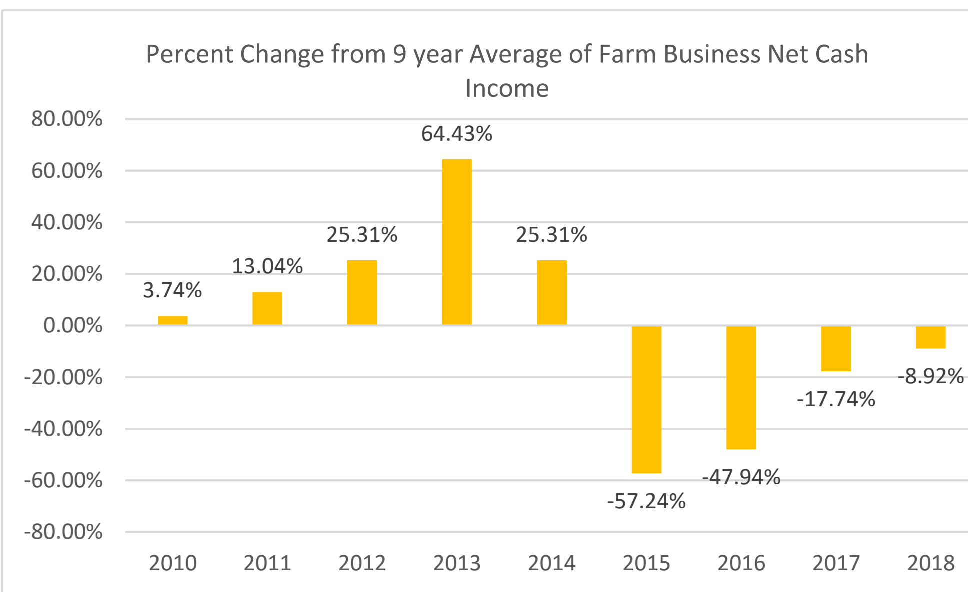
More so, two top markets for U.S. wheat have instability in as trade agreements linger. The United States-Mexico-Canada Agreement (USMCA) would enhance our already strong trading relationship with Mexico and Canada while also maintaining duty-free access for U.S. wheat that began with NAFTA. The United States also faces uncertainty with Japan, another top market for U.S wheat. With the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) moving forward, top competitors like Australia and Canada have a growing price advantage in the Japanese market, while the U.S. just beings bilateral negotiations with Japan. A stable and predictable international marketplace is critical to helping grow demand for U.S. wheat, especially given that 50% of what is grown is exported.

Wheat farmers have seen several years of continuous low commodity prices. The drop in commodity prices have been much faster than the change in cost of production. The expectation of continued low prices has contributed to some of the lowest wheat acreage in U.S. history, with only 39.61 million acres of harvested wheat expected in the 2018/2019 marketing year, a drop from 47.32 million acres just four years prior during the 2015/2016 marketing year[1]. Additionally, with a wet fall last year impacting winter wheat seedings and difficult weather conditions impacting spring wheat seedings this year, we anticipate there could be further reductions in production. The market year average price for wheat continues to trend downward, having fallen to a low price of just $3.89 per bushel in 2016. While the price has come up to $5.15 per bushel in the 2018 marketing year, the average price over a ten-year period is still trending down significantly.



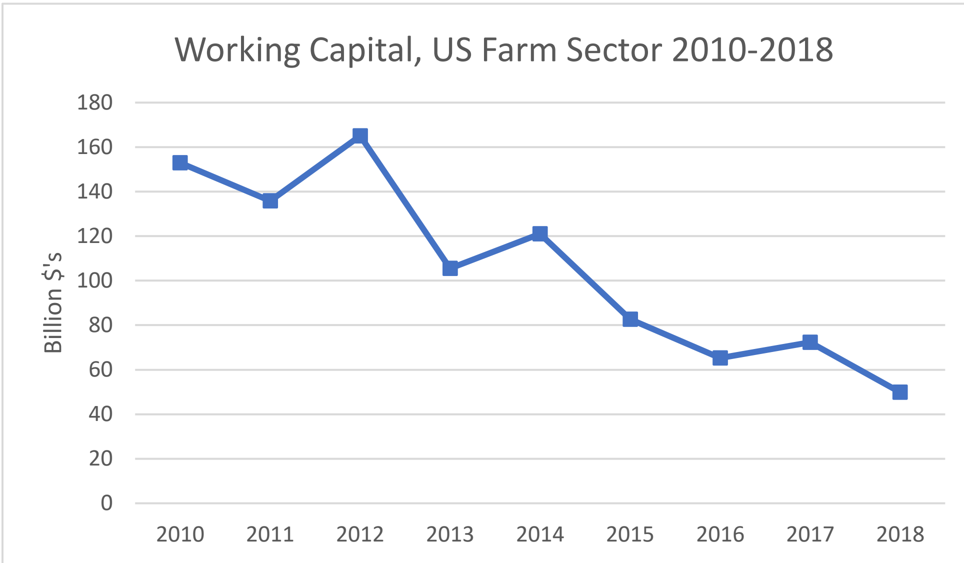
https://quickstats.nass.usda.gov/, *(P)= projected value by USDA

Another indicator showing the tough economic conditions faced by wheat farmers across the nation is a decline in net farm cash income. Net farm cash income is the cash available to farmers to draw down debt, pay taxes, cover family living expenses, and to invest. According to USDA Economic Research Service (ERS) data, net farm cash income has been down nearly 70% since 2013 for wheat farmers. Working capital in the U.S. Farm Sector



[1] Source: USDA, National Agricultural Statistics Service, Crop Production, Agricultural Prices, and unpublished data; and USDA, World Agricultural Outlook Board, World Agricultural Supply and Demand Estimates.

has also been on the decline, falling more than $100 billion dollars in just 5 years. As farmers income has dropped, liquid cash capital reserves have been depleted. Loss of capital reserve leads to question as to how to keep the current generation of younger or beginning farmers for the future?



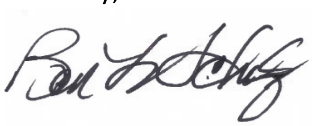
Source: https://data.ers.usda.gov/reports.aspx?ID=17840

As the tough economic conditions continue to face farmers, we are glad to have a farm safety net in place that was reauthorized by the 2018 Farm Bill. The Federal Crop Insurance Program has served as a critical part in the farm safety net, helping farmers to make it to the next year of farming. NAWG will continue to work closely with the USDA to fully implement the 2018 Farm Bill and ensure its programs are able to deliver the farm safety net effectively.

Wheat farmers across the nation are experiencing some of the toughest economic conditions they have faced in decades and many future projections don't show a quick upturn in the farm economy. Experience of the 1980s was a good lesson of a long period of low prices due an oversupply of commodities caused by embargo. Ensuring fair trade with other countries along with maintaining and expanding our current international markets will help our U.S. farmers. Additionally, ensuring the quick and efficient implementation of programs authorized in the 2018 Farm Bill will equip farmers with a strong safety net and risk management system.

We look forward to continuing to work with you to ensure a strong U.S. farm economy.

Sincerely,



Ben Scholz
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