



National Association of Wheat Growers

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July 21, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC, 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC, 20515

The Honorable Chuck Schumer
Democratic Leader
United States Senate
Washington, DC, 20510

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, DC, 20515

Dear Leader McConnell, Speaker Pelosi, Leader Schumer, and Leader McCarthy:

On behalf of the wheat growing members of the National Association of Wheat Growers' 20 state associations, we appreciate the significant assistance that has been made available through the CARES Act and other aid legislation to farmers across the country who have been impacted by COVID-19. Assistance that has been made available through the Paycheck Protection Program, the Economic Injury Disaster Loan program, and the Coronavirus Food Assistance Program (CFAP), have provided needed help to many of our farmers. The assistance provided through CFAP, which was created by the U.S. Department of Agriculture (USDA) in implementing the CARES Act, currently includes only two of the six classes of wheat grown across the country (or approximately 30% of the 2019 U.S. wheat production), and it does not yet cover 2020 crop losses. Additional resources will be necessary to continue to address the economic impacts farmers have been experiencing, especially with the 2020 wheat crop already being harvested. We also urge you to include provisions that will enable all wheat producers to be eligible for any agriculture relief program.

We recently joined several national agriculture organizations in asking Congress to provide additional funding to USDA for the purpose of providing COVID-19 relief, policies and funding to provide assistance to agricultural producers, and much-needed support for critical nutrition programs. As a representative of the wheat industry we urge you to also consider specific options to assist wheat growers, including adding provisions to ensure that any aid program factor in actual price conditions being experienced at the local level, that all wheat farmers be included in the program, and that 2020 crop losses begin to be covered as soon as possible. We also urge you to provide additional and significant funding for procurement of U.S. commodities through our international food aid programs, as well as to consider some other potential options.

Below we describe the production, economic, and trade conditions in wheat country, discuss how current aid programs have worked, and provide some suggestions for how additional funds could be used to help wheat farmers affected by COVID-19.

Production and economic conditions in wheat country

Wheat farmers have been facing unique circumstances with wheat harvest that began in May. Winter wheat harvest is complete in Texas, Oklahoma, and Kansas, is over halfway finished in Colorado and

Nebraska, has started in South Dakota, and is progressing from the southeast states up into Ohio and Michigan. Harvest is starting in the Pacific Northwest as well. Farmers are harvesting and marketing their 2020 crop right now and are being affected by lower prices. From a sampling of cash prices from most wheat growing regions, the average price dropped from approximately \$5.30 per bushel in January to approximately \$4.68 per bushel in mid-June, a drop of nearly 12%. Marketing wheat prior to harvest has been tough in the COVID-19 environment given the uncertainty of markets. Taking cash prices at harvest means a loss on each bushel, and storing wheat compounds the cash flow issues that have plagued farmers for several years.

The challenges and uncertainty caused by COVID-19 have compounded an extended economic downturn in farm country caused by global economic and trade conditions as well as adverse weather conditions in the form of severe drought and flooding. We have seen some positive signs from China in terms of commodity purchases that have been made recently. However, estimates as to the pace of all agricultural purchases necessary to meet its Phase 1 purchase requirements for 2020 show China has a long way to go. Furthermore, the U.S. won two trade cases last year against China's WTO commitments related to Tariff Rate Quota (TRQ) implementation and its domestic support programs. On July 16, 2020, the United States sent a notice to the WTO Dispute Settlement Body asserting that China has not brought its domestic support measures into compliance. We also continue to monitor China's progress on implementing changes for fulfilling its TRQ commitments. An additional challenge confronting wheat farmers is record world ending stocks this past marketing year which is projected in the most recent WASDE report to be outdone this marketing year with even larger ending stocks of 315 million metric tons (over 11.5 billion bushels). China's domestic support policies, which has entailed significant stockpiling of grain, has contributed to this. The past few decades have shown a negative correlation between ending stocks and prices, indicating the likelihood that prices will remain low.

COVID-relief options

The CARES Act provided critical resources for USDA to provide assistance to farmers impacted by COVID-19, including through the Coronavirus Food Assistance Program (CFAP). We are pleased that assistance was provided for farmers of two classes of wheat – hard red spring wheat and durum, classes accounting for approximately 30% of the 2019 U.S. wheat production. The program did not include assistance for farmers of the other four classes of wheat and a majority of U.S. wheat production – hard red winter, soft red winter, soft white, or hard white wheat. Additionally, support has not been made available yet for 2020 crop losses, though harvest and marketing of new crop is well underway.

CFAP was structured in such a way to provide assistance for estimated losses experienced by farmers marketing their crops between mid-January and mid-April. Unfortunately, by using two snapshots in time (January 13-17 and April 6-9) as the comparison to define the level of price loss, the program does not fully reflect the actual conditions that wheat farmers have been experiencing. Part of the reason for this was, (1), the specific snapshots in time used, as well as (2), the use of futures prices instead of local cash prices.

- By using the specific April timeframe in the calculation, overshadowed is the significant price decline experienced for all wheat farmers in late March as well as the decline that followed. The April 6-9 timeframe represented a brief and partial recovery in futures prices that coincided with a temporary spike in demand for flour and other wheat-based products for at-home use. Shortly after that timeframe, prices again fell and have steadily fallen since then.

- Futures prices do not reflect the local cash prices that were actually being received by farmers during the timeframe used in CFAP. Farmers that would have been marketing their 2019 crop during this spring were likely selling their grain to a local elevator based on the cash price offers. Prices at a local elevator are different than the futures price, as transportation and other costs get passed along to the farmer in the form of lower cash prices.

We have communicated this to USDA and have asked that all classes of wheat be made eligible for CFAP. In any additional resources provided by Congress to address agriculture losses resulting from COVID-19, we urge you to include provisions that would require USDA to factor in the actual economic conditions being experienced by growers at a local level. Additionally, all wheat farmers should be included in any relief programs and assistance should be made available for the 2020 crop.

As COVID-19 is affecting countries all over the world, the global hunger crisis has become even more severe. The executive director of the World Food Programme, David Beasley, said in April that 135 million people faced crisis levels of hunger or worse, and that due to COVID-19, another 130 million people could be pushed to the brink of starvation by the end of this year. Critical food assistance programs like Food for Peace and Food for Progress provide needed assistance to address the hunger crisis. We urge you to include additional and significant funding for procurement of U.S. commodities through our international food aid programs as well as additional funding for transportation of commodities through Food for Progress.

The Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) program also provided necessary and effective assistance for many of our growers. As a possible option to provide additional cash-flow assistance to growers, we urge you to consider making the EIDL program forgivable, similar to PPP if certain conditions are met.

Thank you for your consideration of our requests and suggestions. We would welcome the opportunity to discuss these or other provisions you may be considering that provide relief to farmers.

Sincerely,



David Milligan, President
National Association of Wheat Growers

CC: Members of the Senate and House Agriculture Committees and Agriculture Appropriations Subcommittees