

NATIONAL FOUNDATION FOR AMERICAN POLICY
NFAP POLICY BRIEF » JANUARY 2020

**THE COST OF TRADE-RELATED AID
TO AMERICAN FARMERS**

EXECUTIVE SUMMARY

The Trump administration provided more taxpayer dollars to farmers financially damaged by the administration's trade policies than the federal government spends each year building ships for the Navy or maintaining America's nuclear arsenal. A National Foundation for American Policy analysis found the spending on farmers was also higher than the budgets of several government agencies. The amount of money raises questions about the strategy of imposing tariffs and permitting the use of taxpayer money to shield policymakers from the consequences of their actions.

In 2018, the Trump administration initiated a series of tariff increases against imports from China. The government of China responded with its own tariff increases, which caused U.S. exports to China, most notably agricultural products, to drop significantly. The U.S. International Trade Commission reported that soybean exports from U.S. farmers to China declined by 75% in 2018.

Table 1
Taxpayer Cost of Trade-Related Aid to Farmers and Other Federal Programs

PROGRAM	TAXPAYER COST
Trump Aid to Farmers	\$28.0 Billion
Department of State	\$26.3 Billion
Navy Ship Building (annual avg.)	\$22.0 Billion
Nuclear Forces	\$21.8 Billion
NASA	\$19.8 Billion
Children's Health Insurance	\$17.3 Billion
TANF	\$16.7 Billion
Department of Commerce	\$ 8.6 Billion
EPA	\$ 8.1 Billion
Judicial Branch	\$ 7.8 Billion
National Science Foundation	\$ 7.2 Billion
Legislative Branch	\$ 4.7 Billion
Food Safety and Inspection Service	\$ 1.3 Billion
Agricultural Research Service	\$ 1.1 Billion
Forest Service	\$ 0.4 Billion

Source: Office of Management and Budget, Congressional Budget Office, National Foundation for American Policy. FY 2018 actual outlays. Nuclear Forces and Navy Ship Building are estimated costs for FY 2019. TANF is Temporary Assistance for Needy Families.

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The Trump administration responded not by changing its trade policies but by shoring up the president's political support from farmers. To accomplish this, Donald Trump approved large amounts of government aid to farmers through the Commodity Credit Corporation and the U.S. Department of Agriculture. Statements by Trump have made it clear the purpose of the payments was political, saying, "Well, they can't be too upset, because I gave them \$12 billion and I gave them \$16 billion this year. . . . I hope you like me even better than you did in '16."

The administration listed the large amount of taxpayer money provided to farmers in a December 31, 2019, [White House fact sheet](#) on the president's accomplishments during first three years in office: "The Trump administration has authorized a total of \$28 billion in aid for farmers who have been subjected to unfair trade practices."

The Commodity Credit Corporation (CCC) turned out to be an ideal vehicle for providing money to politically important constituents, since the legal justifications for the Department of Agriculture to spend funds authorized for the Commodity Credit Corporation are not stringent. However, questions about the legality of the payments were raised within the administration.

The \$28 billion in expended funds caused the CCC to come "close to its borrowing authority limit of \$30 billion," according to the Congressional Research Service.

The \$28 billion authorized by the Trump administration to pay farmers after other countries retaliated against administration-imposed tariffs represented a large amount of taxpayer money even by federal government standards.

- In FY 2019, the Department of Defense spent an estimated \$21.8 billion for "nuclear delivery systems and weapons," including ballistic missile submarines, intercontinental ballistic missiles and bombers, as well as for command, control, communications and early-warning systems, according to the [Congressional Budget Office](#).
- Over the next 30 years, new "new-ship construction," including 247 combat ships and 57 support ships, would cost an average of \$22 billion per year, according to Navy [estimates](#).
- Temporary Assistance for Needy Families (TANF) Block Grant, an anti-poverty program, [cost](#) \$16.7 billion in FY 2018.

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- Within the Department of Agriculture, the annual budgets for the Food Safety and Inspection Service (\$1.3 billion), the Agricultural Research Service (\$1.1 billion) and the Forest Service (0.4 billion) in FY 2018 are much less than the \$28 billion paid to farmers.
- Many government departments and agencies cost less to operate than the \$28 billion authorized for farmers: The Department of State budget in FY 2018 was \$26.8 billion, while NASA's budget was \$19.8 billion. The Department of Commerce (\$8.6 billion), the Environmental Protection Agency (\$8.1 billion) and National Science Foundation (\$7.2 billion).

On January 15, 2020, the Trump administration reached an agreement with China that, among other provisions, connects Chinese purchases of U.S. goods to the United States not imposing additional tariffs that were planned to go into effect. Analysts have questioned whether China can or will buy the \$36.5 billion worth of U.S. agricultural products in 2020 called for in the agreement. It is reasonable to ask whether the \$28 billion in federal spending through the Community Credit Corporation and the harm farmers, other U.S. exporters and American consumers have suffered (and will likely continue to endure) from the administration's trade policies have been worth it.

The \$28 billion spent on farmers is additional government (and deficit) spending. "Since the two trade aid packages were undertaken using CCC's [Commodity Credit Corporation's] discretionary authority, no congressional budget offset was required, and administrative PAYGO [the pay as you go budget rule] was not raised," writes the Congressional Research Service. "The corporation's permanent, indefinite funding authority means that trade aid expenditures are reimbursed annually as a net realized loss, thus increasing total federal spending."

The \$28 billion in aid to farmers raises serious questions. Should Congress delegate up to \$30 billion a year for executive branch officials to use for political purposes, including to limit the political fallout from raising tariffs and not anticipating the likely response from other nations? The aid to farmers warrants Congressional oversight and an appreciation that policies that promote free trade are less likely to require large amounts of government spending to shield U.S. exporters from trade retaliation.

U.S. TARIFF INCREASES AND RETALIATION AGAINST AMERICAN FARMERS

In January 2018, the Trump administration initiated a round of tariffs by imposing duties of between 20% and 50% on \$10 billion worth of solar panel and washer machine imports.¹ In March 2018, tariffs were imposed on aluminum and steel imports, which raised duties of 10% and 25%, respectively. A third round of tariffs in June 2018 levied tariffs on all imported steel and aluminum products, though a later agreement exempted imports from Canada and Mexico.

A fourth round of tariffs in July 2018 focused on China and levied 25% duties on \$34 billion of imports from China. In August 2018, a fifth round imposed 25% tariffs on another \$16 billion in goods from China, and on September 18, 2018, the administration subjected \$200 billion worth of products from China to a 10% tariff.² The Trump administration then increased the tariff on \$200 billion of imports from China (up to 25%) and, on September 1, 2019, imposed additional tariffs on Chinese imports. Some threatened tariffs did not go into effect. However, other tariffs have remained in place even after the recent deal with China. “So far, the U.S. has slapped tariffs on \$550 billion worth of Chinese products. China, in turn, has set tariffs on \$185 billion worth of U.S. goods,” according to *China Briefing*.³

China responded to U.S.-imposed tariffs with its own tariffs. As a result, U.S. exports to China, most notably agricultural goods, declined significantly. “Losing the world’s most populous country as an export market has been a major blow to the [U.S.] agriculture industry,” reported the *New York Times* in August 2019. “Total American agricultural exports to China were \$24 billion in 2014 and fell to \$9.1 billion last year, [according to the American Farm Bureau](#).”⁴ In 2018, soybean exports from U.S. farmers to China fell by 75%, according to the U.S. International Trade Commission.⁵

The Trump administration responded not by withdrawing its tariff increases but by seeking to bolster the president’s political support among farmers. To accomplish this, Donald Trump approved large amounts of government aid through the Commodity Credit Corporation and the U.S. Department of Agriculture to farmers harmed by the

¹ This review of recent trade policy is adapted from David G. Tuerck and William Burke, *An Analysis of Tariff Costs and Regulatory Savings Under Trump Administration Policies*, NFAP Policy Brief, National Foundation for American Policy, September 2019.

² Ibid.

³ Dorcas Wong and Alexander Chipman Koty, “The U.S.-China Trade War: A Timeline,” *China Briefing*, January 16, 2020.

⁴ Alan Rappeport, “Farmers’ Frustrations With Trump Grows as U.S. Escalates China Fight,” *New York Times*, August 27, 2019.

⁵ Justin Choe, Alexander Hammer and Christopher Montgomery, “U.S. Soybean Exports to China Crushed Amid Rising Trade Tensions,” *USITC Executive Briefings on Trade*, August 2019.

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administration's trade policies. Trump made the purpose of the payments clear. "I sometimes see where these horrible dishonest reporters will say that 'oh jeez, the farmers are upset,'" he [told attendees](#) of an Illinois farmer show in August 2019. "Well, they can't be too upset, because I gave them \$12 billion and I gave them \$16 billion this year. . . . I hope you like me even better than you did in '16."⁶

AID TO FARMERS TO MITIGATE POLITICAL DAMAGE

The Commodity Credit Corporation (CCC) turned out to be an ideal vehicle to funnel money to politically important constituents. The legal justifications required by the Department of Agriculture to spend funds authorized for the Commodity Credit Corporation are not stringent. "The Charter Act . . . grants the Secretary of Agriculture broad powers and discretion in the use of the CCC," according to the [Congressional Research Service](#). "These broad authorities that Congress has granted to CCC allow it to carry out almost any operation that is consistent with the objective of supporting U.S. agriculture. . . . Recent congressional action restoring CCC's authority have allowed for the Trump Administration's use of CCC to mitigate commodity price declines from retaliatory tariffs on a variety of U.S. agricultural products."⁷

Still, some individuals within the Trump administration discussed the legality of the almost \$30 billion expenditure. "Senior government officials, including some in the White House, privately expressed concern that the Trump administration's nearly \$30 billion bailout for farmers needed stronger legal backing," reported the [Washington Post](#). Two Agriculture Department officials told the newspaper they were concerned the bailouts went beyond the "original intent of the New Deal-era" Commodity Credit Corporation. Office of Management and Budget (OMB) officials "also raised questions about the scope of \$16 billion in a second round of bailout funds [and] pushed the Agriculture Department to provide more legal reasoning for the effort."⁸

The \$28 billion in expended funds caused the Commodity Credit Corporation to come "close to its borrowing authority limit of \$30 billion," according to the Congressional Research Service.⁹ "Asked to identify a precedent for the bailout program, the USDA pointed to a 2016 program created under President Barack Obama that helped compensate cotton producers to offset their cotton ginning costs," reported the *Washington Post*. "That program cost \$216 million in 2018, according to the Congressional Budget Office, a fraction of the Trump administration's bailout expected to cost nearly to \$30 billion."¹⁰

⁶ Mario Parker and Mike Dorning, "Trump's \$28 Billion Bet That Rural America Will Stick With Him," *Bloomberg Businessweek*, September 19, 2019.

⁷ *The Commodity Credit Corporation: In Brief*, Congressional Research Service, updated September 4, 2019.

⁸ Jeff Stein, "As Billions Flow to Farmers, Trump Administration Faces Internal Concerns Over Unprecedented Bailout," *Washington Post*, September 9, 2019.

⁹ Congressional Research Service.

¹⁰ *Ibid.*

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The administration has publicized the large amount of taxpayer money provided to farmers in press releases from the White House and the U.S. Department of Agriculture. “The Trump administration has authorized a total of \$28 billion in aid for farmers who have been subjected to unfair trade practices,” stated a December 31, 2019, [White House fact sheet](#) that focused on the president’s accomplishments during first three years in office.¹¹

COMPARING TRADE-RELATED PAYMENTS TO FARMERS TO OTHER FEDERAL GOVERNMENT SPENDING

The \$28 billion authorized by the Trump administration to pay farmers harmed by its trade policies represented a large amount of taxpayer money even by federal government standards.

Table 1 illustrates how large the \$28 billion in authorized payments to farmers are when compared to other federal spending.

In FY 2019, the Department of Defense spent an estimated \$21.8 billion for “nuclear delivery systems and weapons,” including ballistic missile submarines, intercontinental ballistic missiles and bombers, as well as for command, control, communications and early-warning systems, according to the [Congressional Budget Office](#).¹²

Over the next 30 years, new “new-ship construction,” including 247 combat ships and 57 support ships, would cost an average of \$22 billion per year, according to Navy [estimates](#).¹³

The federal government spent \$17.3 billion in FY 2018 on children’s health insurance, a federal program, according to [OMB](#).¹⁴

Temporary Assistance for Needy Families (TANF) Block Grant, an anti-poverty program, [cost](#) \$16.7 billion in FY 2018.¹⁵

¹¹ “President Donald J. Trump Has Delivered Record Breaking Results For The American People In His First Three Years In Office,” Fact Sheet, The White House, December 31, 2019.

¹² *Projected Costs of U.S. Nuclear Forces, 2019 to 2028*, Congressional Budget Office, January 2019.

¹³ <https://www.cbo.gov/system/files/2019-10/55685-CBO-Navys-FY20-shipbuilding-plan.pdf>.

¹⁴ <https://www.whitehouse.gov/wp-content/uploads/2019/03/hist08z5-fy2020.xlsx>.

¹⁵ <https://www.whitehouse.gov/wp-content/uploads/2019/03/hhs-fy2020.pdf>.

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Within the Department of Agriculture, the annual budgets for the Food Safety and Inspection Service (\$1.3 billion), the Agricultural Research Service (\$1.1 billion) and the Forest Service (0.4 billion) in FY 2018 are much less than the \$28 billion paid to farmers.¹⁶

[Federal spending](#) for the legislative branch and the judicial branch in FY 2018 was \$4.7 billion and \$7.8 billion, respectively.¹⁷

Many government departments and agencies cost less to operate than the \$28 billion authorized for farmers. The Department of State budget in FY 2018 was \$26.8 billion, while NASA's budget was \$19.8 billion. The Department of Commerce (\$8.6 billion), the Environmental Protection Agency (\$8.1 billion) and the National Science Foundation (\$7.2 billion) cost much less when comparing their 2018 [budgets](#) to the administration's payments to farmers.¹⁸

ANALYSIS OF U.S.-CHINA TRADE DEAL

On January 15, 2020, the Trump administration reached [an agreement](#) with China that, among other things, ties Chinese purchases of U.S. goods to the United States not imposing additional tariffs that were planned to go into effect. Did the deal justify the \$28 billion in federal spending through the Community Credit Corporation and the harm farmers, other U.S. exporters and American consumers have suffered (and will likely continue to endure) from the administration's trade policy? "Farmers would have been better off if the trade war had never started, to say nothing of the American businesses and consumers who continue to pay exorbitant tariffs, even after the 'Phase 1' U.S.-China trade deal," said Bryan Riley, director of the National Taxpayers Union's Free Trade Initiative, in an interview. "All the warnings issued by economists about the trade war, including higher costs for U.S. consumers, trade retaliation, and heightened global tensions, have come true."¹⁹

"If the commitments actually happen, they'd signify a strange turn of events," writes *Washington Post* columnist [Catherine Rampell](#). "For years, a core U.S. objective was to get the Chinese economy to become more market-oriented and less centrally planned. Now, Trump has demanded that China commit to huge new centrally planned purchases of soybeans, pork and other American goods, regardless of what market demand requires."²⁰

¹⁶ <https://www.whitehouse.gov/wp-content/uploads/2019/03/agr-fy2020.pdf>.

¹⁷ <https://www.whitehouse.gov/wp-content/uploads/2019/03/hist04z1-fy2020.xlsx>.

¹⁸ Ibid.

¹⁹ Interview with Bryan Riley.

²⁰ Catherine Rampell, "Trade was Supposed to be Trump's Signature Issue. His Efforts Have Fallen Flat," *Washington Post*, January 16, 2020.

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Todd Hultman, lead analyst at [DTN](#), which tracks agriculture, has asked questions about the numbers behind the U.S.-China deal. The new deal appears to commit China to buy \$36.5 billion worth of U.S. agricultural products in 2020. (The \$36.5 billion is the \$12.5 billion in additional agricultural purchases above the 2017 baseline of \$24 billion.) He notes that before the administration imposed tariffs on China, in 2017, soybeans made up 51% of China's purchases of U.S. agricultural products. "In the past 52 weeks, FOB [freight on board] soybean prices at the Gulf have averaged roughly \$9.50 a bushel but are now trading near \$10.00," writes Hultman. "Generously assuming we give FOB soybean prices room to trade at \$11.00, how many bushels would 51% of \$36.5 billion buy in 2020? As you may have guessed, the number is outrageous. . . . It's going to take a lot more than bigger tractors to actually see China make \$36.5 billion of U.S. ag purchases in 2020."²¹

As Hultman and Rampell explain, the U.S.-China agreement includes wording that indicates China can purchase agricultural goods from other countries "at market prices based on commercial considerations." How is this likely to play out? "On one hand, we have a trade agreement that appears to be so bullish it could severely distort the markets," notes Hultman. "On the other hand, China may have agreed to nothing more than a decision to act in their own self-interest."²²

CONCLUSION

Despite the U.S.-China deal, a high level of tariffs will remain in place and will continue to harm financially both U.S. businesses and consumers. A September 2019 National Foundation for American Policy [analysis](#) found the tariffs were on pace to eliminate potentially all of the economic benefits Trump administration has claimed from its deregulation efforts.²³ Companies in [manufacturing](#) and retail did not receive financial assistance from the federal government.

The \$28 billion spent on farmers is not free money but additional government (and deficit) spending. "Since the two trade aid packages were undertaken using CCC's [Commodity Credit Corporation's] discretionary authority, no congressional budget offset was required, and administrative PAYGO [the pay as you go budget rule] was not raised," writes the Congressional Research Service. "The corporation's permanent, indefinite funding authority means that trade aid expenditures are reimbursed annually as a net realized loss, thus increasing total federal spending."

²¹ <https://www.dtnpf.com/agriculture/web/ag/news/article/2020/01/16/pesky-math-item-five-phase-one>.

²² Ibid.

²³ David Tuerck and William Burke.

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The structure of the Commodity Credit Corporation makes it ideal as a tool to compensate an important political constituency harmed by poor trade policies. “A board of directors appointed by the president, consisting of the secretary and seven other USDA officials, is responsible for the management of CCC,” according to the Congressional Research Service. “The CCC has no personnel of its own. Rather, USDA employees and facilities carry out all of its activities.”²⁴

The \$28 billion in aid to farmers to cover losses that resulted from the Trump administration’s trade policy mistakes raises serious questions for Congress. Is it legitimate (or legal) to delegate up to \$30 billion a year for executive branch officials to use for political purposes, including to limit the fallout from raising tariffs and not anticipating the likely response from other nations? The aid to farmers warrants Congressional oversight and an appreciation that policies that promote free trade among nations are less likely to require large amounts of government spending to shield U.S. exporters from trade retaliation.

²⁴ Congressional Research Service.

ABOUT THE NATIONAL FOUNDATION FOR AMERICAN POLICY

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