Center for Strategic and International Studies

The Trade Guys Podcast

"Hearing from the Heartland"

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SCOTT MILLER: I'm Scott.

WILLIAM ALAN REINSCH: I'm Bill.

MR. MILLER and MR. REINSCH: (Together.) And we're The Trade Guys.

H. ANDREW SCHWARTZ: You're listening to The Trade Guys, a podcast produced by CSIS where we talk about trade in terms that everyone can understand.

I'm H. Andrew Schwartz, and I'm here with Scott Miller and Bill Reinsch, the CSIS Trade Guys. In this episode, The Trade Guys welcome a very special guest. Blake Hurst is the president of the Missouri Farm Bureau and he's a third-generation farmer. He farms soybeans and corn. We'll get his take on how trade is affecting farmers in Missouri and in the heartland.

Plus, the trade war rages on.

REPORTER: (From video.) On Tuesday U.S. officials issued a list of thousands of Chinese goods to be hit with new tariffs, including furniture and network routers.

MR. SCHWARTZ: The Trump administration threatened 10 percent tariffs on $200 billion worth of Chinese goods this week. China says it will retaliate. Members of Congress are starting to get anxious. So where do we go from here? Will American companies and consumers take more hits? What's the endgame? We put it to The Trade Guys.

Mr. Blake Hurst, president of the Missouri Farm Bureau, the first question I need to ask you is, some people say Missour-i, some people say Missour-ah. I kind of think if you're not from Missour-i or Missour-ah, you're not allowed to say Missour-ah. Is that right?

BLAKE HURST: No, no, no. You know, I say Missour-i, I think.

MR. SCHWARTZ: OK.

MR. HURST: But you don't really hear it when you're from Missour-ah. So I can't tell you – now I just said Missour-ah, didn't I? (Laughter.) So I can't – if I meet somebody, I'm not really sure how they said it.

MR. SCHWARTZ: All right. So we won't get in trouble here. We'll just – we'll try to – we'll try to –

MR. HURST: All right. Either way.

MR. REINSCH (?): Either way we're OK.

MR. HURST: Yeah, we're good.

MR. SCHWARTZ: Hopefully we'll be OK.

It's really great to have you, Blake. You're our first guest on The Trade Guys, and we want you to feel at home here. So the first thing I wanted to ask you is, tell us a little bit about yourself and about your own farming. What kind of things do you grow and what's your business like?

MR. HURST: We farm in northwest Missouri, and it's an extended – I like say it's a large family farm in that it's a large family. I farm with my farmer, who's 83 and still fully involved, and in charge if you ask him.

MR. SCHWARTZ: I bet, yeah.

MR. HURST: And, yeah, two brothers, one two years younger and one 10; three nephews; and two son-in-laws. And then we have a greenhouse business that my daughter operates and is manager, and my wife and I are involved in that as well. So a lot of family.

MR. SCHWARTZ: And what do you grow?

MR. HURST: Corn and soybeans in the fields. And then in the greenhouse business it's bedding plants, so the kind of thing you would see at your big-box retailer or your garden center.

MR. SCHWARTZ: And can you tell us a little bit more about Missouri farming in general? What are the main crops, products, main markets? You know, how much is domestic? How much is exported?

MR. HURST: Missouri's pretty diversified. We kind of – I live in northwest Missouri. That would be traditional Corn Belt – corn and soybeans, typically a 50/50 rotation. In the center part of the state – the ground is rougher and less productive – it's mostly cattle. So Missouri is, I think, second or third – goes back and forth, second or third largest cow herd in the country compared to other states. And then southeast Missouri is the delta, so it's cotton, rice, soybeans, a different agriculture and a different culture as well.

MR. SCHWARTZ: Scott and Bill, jump in here at any time, but I think one of the things we want to know is: What's the mood right now among farmers in Missouri about the economy generally and about trade?

MR. HURST: Trade is the mood. And that – I mean, we've seen five years of decline in farm incomes, and that is less frightening than it sounds because it's from a very high level. Five years ago were boom times for agriculture. But we have seen five years above-trend yields, which has never happened before. That's led to a large supply sort of overhang in the market, leading to lower corn, bean, soybean, wheat, cotton prices. So we have income difficulties.

And then we've seen in just the last few months, but particularly the last six weeks the market has all at once woken up to the fact that we have a trade issue. So we've seen 15 to 20 percent declines in prices on top of a five-year trend of downward prices. So people are very concerned. They're looking at losses this year unless they have their market – unless they had some of their crops forward-contracted, which most of us don't because you're nervous about selling it before it's produced.

So trade is the issue. Now –

MR. REINSCH: So are those declines – excuse me – are those declines across the board, everything?

MR. SCHWARTZ: This is Trade Guy Bill you're hearing.

MR. REINSCH: Are they declines, everything across the board, or are there some winners in this whole thing?

MR. HURST: Yeah. Yeah, well, we've seen – well, there's been no increases, that's for certain. The biggest decline is in soybeans because that's the – that's the product with the most overseas exposure. We export half of our soybean crop, perhaps 20 percent of our corn crop. And you've seen that very much reflected in the market. It's a bigger hit to soybeans.

MR. MILLER: Now, a lot of people in Washington watch the charts and we watch futures prices.

MR. SCHWARTZ: This is Trade Guy Scott.

MR. MILLER: Pretty obviously, soybean futures are down 20 percent, corn futures are down, live hog futures are down. What does that mean at a practical level to you as a farmer? Because you're growing beans.

MR. HURST: At the start of the year soybeans were trading at $10 a bushel; right now, less than 8 (dollars). That's pretty easy math – that's a 20 percent drop in income – in revenues; clearly wipes out any profits we might have expected. So we're –

MR. MILLER: Because your costs are basically fixed at the short term.

MR. HURST: Yeah, yeah, yeah. Yeah, we bought the – we've bought the seed, we've paid for the fertilizer, we've done the work. We still have to combine it, but basically 90 percent of our costs are fixed. We have no way to cut costs to reflect a drop in price.

MR. SCHWARTZ: So, to put this in a little bit if perspective by the numbers – this is according to the Congressional Research Service – U.S. agriculture exports have mostly been on the rise and a major contributor to farm income, particularly since 2005. Farmers, ranchers, and agrobusiness are expected to send nearly $143 billion worth of products overseas this year, resulting in a trade surplus of about 21 billion (dollars). Agriculture trade has more than tripled over the past 30 years, with economic and population growth globally. What's going to happen now there's a bit of uncertainty with what's going on with trade policy?

MR. HURST: Yeah, we're – uncertainty I don't think captures it. Fear would be a better description of where we are.

Yeah, we've seen a good increase. We're seeing an increase because incomes are going up across the world. We've seen, you know, statistics on the decline in property – in poverty, extreme poverty; the increase in the size of the middle class. And when people have better incomes, they want to eat more meat.

MR. MILLER: They improve their diet, yeah.

MR. HURST: Yeah, they improve their diets. And –

MR. MILLER: And that happened mostly in East Asia and China in particular in the last 20 years. American farmers have certainly benefitted from that. They've been a good customer for American farmers. Now we're having a little dispute, so to speak.

MR. HURST: Yeah, tremendous customer. Chinese buy about half the soybeans that are exported. About 34 percent of soybean production in the U.S. is exports to China.

MR. SCHWARTZ: What do they use soybeans for?

MR. HURST: Feeding pigs, chickens.

MR. SCHWARTZ: China does?

MR. HURST: Yeah, mmm hmm. Protein source for livestock. For them it's pigs and chickens.

MR. SCHWARTZ: So where are they going to get it if they don't get it from us?

MR. HURST: Brazil and the U.S. account for about 80 percent of soybeans that are traded internationally, so they're going to buy it from Brazil. They're going to buy Argentina, the rest of their crop. And then they're going to be forced to buy some of our soybeans simply – or shrink the size of their – of their livestock herd simply because there just isn't any alternative. Right now Brazilian farmers are getting $2.10 a bushel more than I am, almost exactly the 25 percent tariff.

MR. MILLER: Oh, OK, the tariff is the – the tariff is the difference, yeah.

MR. HURST: It's a wedge.

MR. MILLER: Because it's a – it's a global price, right, in general?

MR. HURST: Sure. Oh, yeah. Yeah, yeah, yeah.

MR. MILLER: Yeah.

MR. HURST: Mmm hmm. It's a wedge.

MR. SCHWARTZ: You mentioned fear. Why is there fear?

MR. HURST: Typically, what happens in farming is kind of a lifecycle. When you're a young person beginning farming, you borrow money to put in your crop. You renew that note each year. This year, when you go in and you do your cashflow and have your conversation with your banker, you're going to show a loss, and he may or may not stick with you for another year. So it will affect farmers unequally because we have different capital structures on our farms, but for young farmers who are leveraged they are really facing some question about whether they're going to be in business next year.

MR. REINSCH: Do interest rates make much of a difference, or are they so low that it doesn't really matter?

MR. HURST: Yeah, I mean, it's a – it's a profit question, you know, it's not so much an interest rate. Obviously, as interest rates go up, they would affect the price of land because, you know, longer-term loans for buying land, typically 20 to 30 years. But on a year-to-year operating –

MR. REINSCH: On a yearly – yeah.

MR. HURST: It's not a huge – it's not a huge concern.

MR. REINSCH: OK.

MR. SCHWARTZ: So, Trade Guys, you're hearing from the heartland. You're hearing fear and concern. What does this tell you?

MR. MILLER: Look, this is – this is something that has been reported anecdotally. It's not surprising to hear Blake talk about this. It's what we've been reading about. And certainly this is the – agriculture is almost – and agricultural exporters in the United States are almost always sort of the thin edge of the wedge when trade disputes begin. It's the first thing that our trading partners retaliate against when they want to get – when we're trying to get their attention or they're trying to get ours.

MR. SCHWARTZ: Why do they do that?

MR. MILLER: Well, because it's – there's a lot of sensitivity and it's fairly easy, as we've seen, to tank future prices – futures prices. In this case, I also think that –

MR. SCHWARTZ: Well, and we love our farmers in America.

MR. MILLER: We love our farmers, but farm country is –

MR. SCHWARTZ: Our country was built on farming.

MR. MILLER: Farmers – a lot of Trump voters who are farmers, and I think our trading partners who follow U.S. politics are aware of this.

MR. REINSCH: It's also less complicated. You know, one of the things we've talked about before is if you have a complicated supply chain – if you're making phones, for example, or cars – you've got parts coming from all over the place. And if you put tariffs on the end product, there's going to be a lot of collateral damage that's hard to predict because you don't know in every case where the parts are coming from and how they're going to be affected by tariffs.

Soybeans are simple, you know, it's – compared to that. It's not – there's not a long, complicated supply chain. They're coming from here, and you can put a tariff on them, and you can know exactly what the economic impact is going to be.

MR. SCHWARTZ: Well, I can tell you right now, I'm going to be upset if I have to pay more for a car and I'm going to be upset if I have to pay more for an iPhone. But I'm really going to be

upset if our farmers are hurt, and guys like Blake and the people he represents are having a rough time, and I think a lot of Americans are going to feel that way.

MR. REINSCH: Now, we're in a little cycle here because early in the Trump administration the president was ready to do a lot of things on trade, and frankly it was farm-state senators who dissuaded him and kind of – and somewhat postponed the action.

MR. SCHWARTZ: Senator Pat Roberts, chairman of the Ag Committee, said –

MR. REINSCH: Yes. And there are a – a number of those senators are very important to the president for his whole agenda and are quite – were quite vocal.

MR. MILLER: Yeah. Well, wait a minute, let's not let Andrew off the hook quite so easily on this.

MR. SCHWARTZ: Please do.

MR. MILLER: Because – so prices are low and going down. Counter-argument: Isn't that good for American consumers? Their chickens are cheaper. Their pork is cheaper. Their – (inaudible) – are cheaper.

MR. HURST: Yeah, sure, your grocery bill is going to go down. I would point out, to your point, I mean, I think they pick on agricultural products because farmers are well-organized, because there's lots of farmers doing exactly what I'm doing right now, and that's making it known that we're being hurt by this. The good news, though, is – and I think it's not incidental to the fact that Senator McConnell is the majority leader – they have put high tariffs on bourbon, so it will be cheaper.

MR. SCHWARTZ: Well, that may be a problem for some. (Laughter.) That may be a problem.

MR. REINSCH: But, I mean, thinking about it from the standpoint of the American urban consumer, people who live in D.C. for example, I mean, in the abstract they care about farmers, as Scott said, but when they go to the grocery store every week –

MR. MILLER: Yeah, prices will go down.

MR. REINSCH: – they're going to get lower prices.

MR. MILLER: In the meat case it looks pretty good to them.

MR. REINSCH: So how excited are they really going to be, do you think?

MR. SCHWARTZ: I don't know. That's a good point. I mean, that's a really good point. I mean, look, my father in law is a gentleman farmer and has a tractor outside of Cleveland, Ohio, and I've always been somebody who's romanticized the American farm and heartland, and when I drive through it it's really compelling to me. I think a lot of people are going to just be happy their grocery bill's lower.

MR. HURST: And that's a short-term benefit because, clearly, at some point even farmers will quit producing if the cost is below the cost of production. So you're going to see at some point food prices will return to some equilibrium above where they are now simply because we can't continue at the levels they are. So, in the long run, what you do is shrink the agriculture industry. You may not change grocery prices at all, but you make a smaller farm sector.

MR. REINSCH: Which means later on prices are going to go up because supply will be down.

MR. HURST: Sure. Sure.

MR. MILLER: Now, in the meantime this five-act play that you described, Bill, is still rolling out, and we have new tariffs on things that consumers will definitely see. Twenty-five percent of the new tariff lines are electronics. I also noted that toys have been a target for higher tariffs, and almost 80 percent of toys in the United States come from China. So it could be a less merry Christmas if this continues.

MR. SCHWARTZ: Well, speaking of the Congress, Senate Agriculture Committee Chairman Pat Roberts said yesterday on Capitol Hill – he said this – quote, "This is getting out of hand." He said, quote, "We're now seeing a lot of companies and industries that people might not think would be affected, and once you start a trade war it's like shattered glass; you don't know where it's going to end up."

MR. REINSCH: Well, let's – yeah, let's pursue that for just a minute, Blake. Maybe you can help us understand a little bit about how it works. One of the things that has intrigued me is I think some people tend to think that you can sort of turn exports on and off with, you know, just a switch. So the tariffs go up, the exports go down, the president takes the tariffs off next week, and then everything is back to where it was before. Does it really work that way? Is it that simple?

MR. HURST: I think it's more complicated because a lot of foreign trade, and particularly I think it's safe to say with Asian countries, is because of business relationships, personal relationships. Farm groups spend quite a bit of money traveling to China, visiting with people, talking about the quality of our products, trying to establish those relationships. That's one thing.

The second thins is China has spent the last few years making huge investments overseas in sub-Saharan Africa, in South America in agriculture because they know they can't feed their own people. They are trying to, I guess, get a guaranteed supply –

MR. SCHWARTZ: You mean they're creating farms in Africa?

MR. HURST: Yeah, absolutely. Yeah. And even sending laborers from China to work on those farms. And that will tend to – they're going to have no incentive but to speed that process up because now we no longer will be seen as a reliable supplier. Same thing happened back in the Nixon administration. There was an export embargo on soybeans because of high prices. Japan started making huge investments in Brazil. That industry would have grown in Brazil without the embargo, I am sure – that's very productive farm ground – but it certainly speeded up the process. So we are going to force development of competitors around the world for the things we produce.

MR. REINSCH: That actually brings up something we have not talked about before. But the Chinese are – I wouldn't say unique, but they're unusual in the way they pursue some of these things.

A lot of people that have to import because they don't have domestic supply focus on the best quality, the cheapest price, and they buy the item. They buy the – they buy the pork. They buy the chickens. They buy the soybeans. The Chinese have tended to focus more on buying the source of supply rather than just the supply. So you'll find them buying mines. You'll find them buying oil wells or buying production capability in energy. And you'll find them either creating or buying farms because they are worried about secure sources of supply.

MR. SCHWARTZ: And they're playing the long game.

MR. REINSCH: Yes.

MR. SCHWARTZ: And they're saying to us, essentially, we don't need your stinking soybeans; we've got our own farms in Africa.

MR. MILLER: Well, eventually they might say that, but Bill's right that the – in a previous life we were in the coffee business. I worked in the coffee business. A lot of coffee was bought on the water.

MR. SCHWARTZ: You were a coffee barista at Starbucks?

MR. MILLER: Well, we – I worked for the largest importer of green coffee in the United States –

MR. SCHWARTZ: No kidding?

MR. MILLER: – the Folger Coffee Company, owned at that time by Procter & Gamble.

MR. SCHWARTZ: Wow.

MR. MILLER: But we bought a lot of coffee on the water. The coffee had already left port, and the trading was still going on as it was going basically across the Caribbean to New Orleans. So a lot of – lot of commodities do get traded –

MR. SCHWARTZ: The best coffee comes from New Orleans.

MR. MILLER: – at the very last minute. That's where we process ours. So, in any case –

MR. SCHWARTZ: One of my Tulane interns is sitting in the studio so I had to throw a little Tulane and New Orleans – you know, everybody knows I went to Tulane, but my intern Ellie's (sp) here and she went to Tulane. She goes to Tulane.

MR. MILLER: It's a great place to be in the coffee business, so.

MR. REINSCH: Tulane?

MR. MILLER: No, New Orleans.

MR. REINSCH: New Orleans. (Laughs.)

MR. MILLER: New Orleans.

MR. REINSCH: Yes.

MR. SCHWARTZ: There are great coffeeshops on Tulane's campus now. It's fantastic.

MR. REINSCH: Does anybody study there, Andrew, or?

MR. SCHWARTZ: Yes they do. They absolutely do. And –

MR. MILLER: It's a degree-granting institution, last I heard. Actually – (laughter) –

MR. SCHWARTZ: No, no, well, listen, my son is a rising senior right now, and he may be going to play football and study at Tulane. So we'll see.

MR. REINSCH: So they're not incompatible.

MR. MILLER: In defense, we had a group of Tulane University students here –

MR. SCHWARTZ: That's right.

MR. MILLER: – at a journalism practicum who were outstanding. They were so well-prepared, so thoughtful and mature I was stunned. They were really great students.

MR. SCHWARTZ: Thank you for saying that.

MR. REINSCH: I read one of their reports and it was very good.

MR. MILLER: Yeah.

MR. REINSCH: But I want to get back to something that you said, Blake, about the relationships, which is very much an Asian thing, developing relationships and then doing business based on relationships. So what happens in this current kind of situation, where the relationships I guess are still there – I mean, you still – you know these people – but all of a sudden they're not going to – in a position to buy anymore because of the – the cost is going up, and probably they're getting signals from their government that it's time to shift to Brazil? So what happens with the relationship? And can you just restart at some future point, or do you have to start all over again?

MR. HURST: Well, I think – yeah, I think you start all over again because I think you've lost that – lost that feeling that they had – they have now that we're a dependable supplier and send a pretty good – pretty good quality products. So I think you do. You start again. I mean, I don't think this – we can't turn this on, as you said, like a switch. I don't think it works again.

MR. REINSCH: Have you been over there yourself from time to time?

MR. HURST: No, I have not. I've actually had all my family members who have been there, but I've never been there.

MR. REINSCH: Really?

MR. HURST: Yeah.

MR. REINSCH: Well, I recommend it.

MR. MILLER: Just to experience the place, because it is – it's totally different. Bill's been there much more than I have. My first trip to China we were able to land in a city that was every bit as developed as Chicago and then drive to the Bronze Age. So it was quite a remarkable cultural experience. And just what you can take in in a week is – it changes your views. But I do understand the importance of cultivating customers and the risks that we're taking by disappointing them because of government policy.

MR. REINSCH: Now, do you have other market – other export opportunities? Say write off China for the moment. Are there other places that you can ship, or?

MR. HURST: There's no – for soybeans, there's no other market that can compare to China or at least not in the short term. Most of the corn or much of the corn from our farm would actually go to Mexico because of where we – we're on the –

MR. REINSCH: Funny you should mention that, that – good.

MR. SCHWARTZ: It's a little thing called NAFTA.

MR. REINSCH: NAFTA, yes.

MR. HURST: Yeah, yeah, yeah. Kansas City Southern is called the "NAFTA railroad" and headquartered in Kansas City a hundred miles from our farm. And they actually have some of the elevators, which is the grain purchasing place where we take our grain, right on that line. And much of that corn goes directly to Mexico, again, mostly for livestock feed.

MR. REINSCH: Now, has anything changed there because of the NAFTA negotiations?

MR. HURST: Not yet, although we're reading stories of Mexico sourcing grain from Central America. It becomes much more expensive for them. I mean, we – it's just cheaper to put it on a railroad. You know, when we can – the elevators have 110-car trains that they load directly from the elevator and go directly to the – to the final market. So that's a very efficient way to move grain, and not possible if they're getting it from Brazil or Argentina. So there's reasons for them to stick with us, but there have been news stories about them sourcing grain elsewhere.

MR. SCHWARTZ: Well, so back to Bill's point, though. You know, the South Dakota farmers are really concerned and they're voicing their concern. And their congressional delegation sent a letter to President Trump yesterday – that would be Wednesday of this week – saying that export markets can take years, even decades to recapture. And there's a lot – and you've expressed that there's fear out there. Meanwhile, these are the people who elected President Trump.

And also, in an op-ed today by President Trump's former communications director, Anthony Scaramucci, he said voters – the voters – the very voters who elected him, President Trump, may be getting punished now. So there's a bit of a paradox here. The people who elected President Trump are now feeling some pain over his policies. How do you reconcile that?

MR. HURST: Well, I mean, there's no – it's impossible to reconcile. It's the truth. It's what's happening. I mean, in my county, I think he got nearly 80 percent of the vote, and the support there is still strong. There is a feeling that China is a bad actor, that they treat us unfairly, and that we have to do something about it.

It's important to understand that rural areas are made up of all kinds of people, not all of them farmers. So the reaction of a commercial farmer with a – with a large inventory of grain, either growing in the field or in his – in his storage facilities, may be different than his neighbor down the street that works at the aluminum plant. We had a large aluminum plant reopen in southeast Missouri, so –

MR. REINSCH: There was just a big story about that. Did you see that?

MR. HURST: Yeah, so it's – yeah, so it's sort of interesting because it's surrounded by soybean fields. So half the neighbors just got their job back at a salary that's pretty good for southeast Missouri and the other half are worrying about losing their farm. So it's not all –

MR. REINSCH: And it's a fascinating story because what happened was, when the plant closed, a lot of those people went back to farming. They got farm jobs because that was what – all that was available.

MR. MILLER: Was available.

MR. REINSCH: And some of them came from farming families anyway. And then – and the plant was closed for – I think it closed in 1969, it was closed for a long time.

MR. HURST: Oh, yeah. Yeah, it's very big.

MR. MILLER: Wow, that's a generation. My goodness.

MR. REINSCH: Yes. And people were not expecting it to reopen. So the tariffs have allowed it to be reopened, I think, is the – certainly, the buyer seems to think that that was a factor. They have now – they're now actually operating. They've had their first production run last month and they started hiring. And so you're exactly right. People that had been in farming, now they're going back to the mill at a – and it's an interesting demographic. There was a fascinating chart about this. The employment in the – in that county is – far more are in farming than –

MR. SCHWARTZ: Our listeners cannot see a chart.

MR. REINSCH: Well, I can't either. I'm moving my fingers as if there was one.

MR. SCHWARTZ: I see that. That's why I brought that up.

MR. REINSCH: All right. What the chart shows is that there continues to be a significant majority of employment is in the farming sector. But at the same time, the wages at the aluminum plant are much higher.

MR. MILLER: Yes, that makes sense.

MR. REINSCH: So you make more money if you go back into aluminum. And so, but you've got divided public opinion.

MR. MILLER: Well, this is the split effect. We talked about it last week with the Ohio steelworker versus the Ohio business processing steel into a finished product, that they see this very differently.

MR. SCHWARTZ: Back to President Trump, though. And you said the voters are still supporting him, even though they might be – they might be hurt. They do believe, I think, that he's fighting for them. And he said yesterday in a tweet that he's fighting for a level playing field for our farmers and will win. And I'm assuming that they – even though it might be painful now, they agree with that.

MR. HURST: You know, and as I visit with legislators or people in the administration, I think that patience has a limit. And I think that –

MR. SCHWARTZ: Patience has a limit.

MR. HURST: Yeah, yeah. I mean, I think that if I was – if I was in the administration, I would be very concerned about how much time they have without showing some kind of progress. I mean, because what we see is no at least public negotiations going on, no endgame in sight, no – and what we hear from the administration is pretty much that this is going to last a while. And I –

MR. MILLER: So we've got the tariffs, now where's the deal?

MR. HURST: Yeah, right. Yeah.

MR. MILLER: Where's the deal?

MR. HURST: What's the endgame? What is success? Because I don't know what it is.

MR. REINSCH: And it may come down to patience. There's a new poll out today, state-by-state approval for the president. And in a year – it looked at, you know, June '17, June '18 – in Missouri, his approval rating has gone down from 56 percent to 50 percent. So not insignificant, but – you know, but not a huge drop in a year. But maybe this will continue, you know, or not?

MR. HURST: Yeah. And we have a very important Senate race, as you all know, in Missouri.

MR. MILLER: Senator McCaskill.

MR. HURST: And it will – it will play in the Senate race and it will – it will be an issue.

MR. REINSCH: Well, now, that's very interesting. I'm not a big expert on Missouri politics, but how will it play in Missouri? Are the candidates on opposite sides on trade? Or what –

MR. HURST: Senator McCaskill has been very critical of Trump's position on trade. Now, that is a bit of a change in her career sort of position on trade, but very critical. And the presumptive Republican nominee has been very supportive of the president. He was quoted in the paper two or

three days ago as saying there's not a single thing the president has done that I disagree with. And I think, you know, my conversations with him, he understands how important trade is.

MR. SCHWARTZ: Is he a state official or –

MR. HURST: He's attorney general. He understands how important trade is. I think he'll be a supporter of ag trade. But so far he's not put much space between his campaign and President Trump. And I – you know, not that he would be interested in my advice, my advice was – would be to perhaps be a little less close to President Trump on trade.

MR. MILLER: Give yourself some room.

MR. HURST: Yeah, yeah, give yourself some room to be critical if it's necessary between now and November. And it may well be.

MR. REINSCH: It'll be an interesting test. I mean, we've talked about this before, that if you do polling people have opinions about trade, and there are still majorities in both – well, not in both parties. There are still majorities in the Democratic Party that are pro-trade and pro-trade agreement. But then when you ask the other question, which is what are the three biggest problems the country has today, trade is number nine. And so this –

MR. SCHWARTZ: Behind jobs, economy, healthcare, taxes, all those things.

MR. REINSCH: All those other things. So one interesting question will be in a state like Missouri, we'll see – are people – will people – will people cast their vote on trade, or are they really going to be looking at these other things?

MR. SCHWARTZ: Is their voting preference really tribal or not? You know, is – are they just – right. I mean, are they just going to toe the party line?

MR. HURST: The economy is going to be terribly affected by trade in our rural areas. I visited just last week with a person whose family has a very large implement dealership – tractors, combines, planters. They said they haven't had anybody there in the last month. He said that 30 days ago their business –

MR. SCHWARTZ: They've had nobody visit their business?

MR. HURST: Yeah, except for parts. But I mean, as far as people shopping.

MR. REINSCH: For a new combine, yeah.

MR. HURST: Yeah, for – I mean, a combine's 4(00,000 dollars) or $500,000. A tractor's $200,000. They're huge investments, even for large farms, and people have just shut off the switch. So you can't separate trade from the rural economy. You can't do it.

MR. SCHWARTZ: I bet not. And I mean, and you know, there's talk now of making anywhere between 15 billion (dollars) and 30 billion (dollars) available in aid to farmers who are hurt by these tariffs. I would imagine the dealership that you just mentioned doesn't get any of that aid.

MR. HURST: No, I would – well, who knows, because any sort of ad hoc aid like this would be – would be kind of – I mean, we've had programs in the past – actually, it's been a while – that were emergency programs when there's a drought or something that affects farmers. This would be a new thing. I mean, to be – trade adjustment for farmers would be absolutely something that's never happened before. It would be very difficult because some parts of farming – as I'm sure your listeners know, some parts of farming are subsidized. They have programs in place to make trade adjustment. Payments would be pretty easy for those products. But I have a friend that grows almonds in California. It's totally a free market, and also totally an export – I mean, everything he raises goes to – goes to Asia. So how do you compensate him and how do you even begin to figure out how much he's been earning and try to compensate him? It's very difficult, very – it's a daunting challenge.

MR. SCHWARTZ: Well, what do you think about that, Trade Guys?

MR. MILLER: Certainly, it's a least-worst solution, put it that way. The only thing worse than not doing some aid package is doing nothing. But I think Blake is exactly right on the complexity. And these kinds of programs, even with the best intentions, tend to be late and poorly administered, and they often just have little to no effect on solving the problem. I think what we really need, frankly, is for the president who's the dealmaker to start making deals. I mean, I don't know where Trade Representative Lighthizer is today, but if he's not in China or working on China I'd wonder about his priorities.

MR. REINSCH: Actually, he's going on vacation. (Laughter.)

MR. MILLER: That's troubling.

MR. REINSCH: As it happens, but a short vacation.

MR. MILLER: OK. He's allowed. It's a tough job. It's a tough job.

MR. SCHWARTZ: Well, everybody deserves a vacation, but this is a pressing problem.

MR. REINSCH: I think – yes. And you know, one of the other things that has come up – and Senator Roberts has made this point publicly – that a lot of farmers will tell you that they're not really – they're not looking for aid; what they're looking for is higher prices and export markets.

MR. SCHWARTZ: They want to sell their stuff. They don't want aid. Nobody wants a handout.

MR. REINSCH: They want to sell their stuff. They want to have a marketplace.

MR. MILLER: Right.

MR. REINSCH: My father in law, who is a real farmer as opposed to a gentleman father, Andrew –

MR. SCHWARTZ: Wow.

MR. REINSCH: Cattle, Pennsylvania. They don't call them ranchers in Pennsylvania. They're farms in Pennsylvania. But you know, he was – I think his attitude about the federal government was let me do my thing. You know, let me raise my cattle, sell them, and it'll be fine.

MR. SCHWARTZ: Well, most people don't want to be subsidized.

MR. REINSCH: And, you know, prices will go up and down, and you're – Blake is right, there will be some bad years and there will be some good years. But it seems to me it's particularly troubling what he said today, is that we've got a – you know, a significant downward dip on top of a five-year negative trend. And the trend, I guess, is survivable because farmers sort of, you know, plan for those things, I hope, and know about those things. But when you add another 20 percent on top of that, or you, you know, deepen the trough would be a better way to put it, that's difficult.

MR. SCHWARTZ: So, Blake, you come back and forth to Washington in your position as president of the Missouri Farm Bureau. These discussions you're having with the administration and Congress are going to be ongoing, I'm sure. What are you trying to accomplish in these discussions, just to communicate what you're feeling, what your constituents are feeling?

MR. HURST: Yeah, to communicate the fact that either psychologically or financially we cannot survive the present situation for years. I mean, the message we get, at least – well, pretty straightforwardly from the administration is it's going to take a while. And we need – we need to see progress as an industry. We need to see progress. OK, China has made no sign toward concessions, they may not want to give up the way they treat intellectual property, it may take a while, but fix the problem with Mexico, right? I mean – I mean, it's not even clear to me what – you know, we have a dairy problem with Canada, the way they protect their dairy industry, very, very highly. We'd like to see a little bit of change in that. But it's not even clear. I mean, but these issues have been going on – they're ongoing issue that have been going on for a very long time. Fix NAFTA. I mean, you know, let's go. I mean, I think they made progress on a certain number of issues, but right now this tripping point on NAFTA seems to be this idea that we have to renegotiate it every five years or have the ability to exit every five years. And that's never been done in any other trade deal ever, and I'm not even sure why we're asking for it, and yet it seems to be – it seems to be, you know, we can't have a deal unless they agree to it.

MR. MILLER: We're letting the silly be the enemy of the good, yeah.

MR. HURST: Yeah, I think so. So we need to see progress. We need to see some endgame in sight, some strategy that will – you know, we can understand what's going on.

(Music plays.)

MR. SCHWARTZ: To our listeners, if you have a question for The Trade Guys, write us at tradeguys@csis.org. That's tradeguys@csis.org. We'll read some of your emails and have The Trade Guys react to it.

Thank you, Trade Guys.

MR. REINSCH: Thanks, Andrew.

MR. MILLER: Thank you.

MR. SCHWARTZ: You've been listening to The Trade Guys, a CSIS podcast.

(END)