Agricultural trade is a primary focus of the proposed reorganization of the USDA

The new Secretary of Agriculture, Sonny Perdue, released a Report to Congress (RTC) “On the proposed 2017 reorganization of the Department of Agriculture to establish an Under Secretary for Trade and Foreign Agricultural Affairs” (http://tinyurl.com/k3whxsr) on May 11, 2017.

The proposed reorganization of the US Department of Agriculture (USDA) was set in motion by two documents. The first was a section in the 2014 Farm Bill that required the Secretary “to propose a reorganization of international trade functions for imports and exports, including a plan for the establishment of the Under Secretary for Trade and Foreign Agricultural Affairs (U/Sec TFAA) (http://tinyurl.com/kkkye8c).”

The second document was “Executive Order 13781 entitled ‘Comprehensive Plan for Reorganizing the Executive Branch,’” issued by President Trump, which triggered a “broader on-going review of the Department” and also included other departments of the executive branch.

The report set forth actions that the USDA was taking to 1) “meet the challenge of advancing agricultural trade,” 2) improve “service delivery to agricultural producers,” and 3) address “the needs of Rural America.”

The action driving the design was the decision to move the Foreign Agricultural Service (FAS) out from under the Under Secretary for Farm and Foreign Agricultural Services and place it under the newly created U/Sec TFAA. The FAS would be the only agency to report to the new under secretary.

In addition, the U/Sec TFAA would serve as the “USDA’s multiagency coordinator for agricultural trade policy, including SPS [Sanitary and PhytoSanitary] issues, nontariff trade barriers, and other trade policy matters.” The goal is to have one office coordinate the various activities of the USDA that have an impact on international trade.

In the RTC, the USDA makes the argument that “agricultural trade is critical for the vitality of the U.S. farm sector and economy as a whole…. However, the rise of new barriers to trade and preferential trade agreements that exclude the United States could jeopardize growth and negatively affect the U.S. farm economy.

“Therefore, the USDA must be positioned to effectively address trade barriers that impede or disadvantage US agricultural exports and actively open new markets for US farm products. The proposed reorganization of USDA’s trade functions will substantially enhance the Department’s ability to quickly respond to sanitary and phytosanitary (SPS) and other nontariff trade barriers when they arise and to actively open new markets to create a level playing field for US farmers and ranchers.”

The RTC also says that “the change from the status quo would lead to many other possible factors that would be expected to increase exports. For example, the more focused trade mission area could support more trade missions, provide greater support for the Office of the US Trade Representative.”

Whether or not the reorganization makes sense from an administrative perspective, we would caution farmers to adopt a wait and see attitude when it comes their expectations of the impact of the new structure. Over the last 35 years, we have seen numerous changes that were designed to make US agricultural products more competitive in the international marketplace.

When it comes to low-value high-bulk agricultural products like grains and oilseeds, the high level of exports that was set in the 1979 and 1981 crop marketing years has been surpassed only occasionally, despite the lowering of the loan rate and the implementation of a program that used Loan Deficiency Payments and emergency payments to allow US commodities to be sold on the international market at prices that were below the cost of production.

As we look at high-value low-bulk processed agricultural products we need to remember that opening international markets to accept exports from the US also opens the US market to imports of processed agricultural products. As the strongest market in the world, the US may offer more opportunities to others than it gains in return.

None of what we have just written is to say exports are not important to the US agricultural sector. They are. We just want to caution farmers and ranchers to temper their expectations of this change in administrative structure in the USDA.

Of greater importance at this time would be any suggestion of the way in which Perdue plans to provide a timely response to the current low price situation that is facing farmers and ranchers across the US.

In coming column(s) we will examine other aspects of the proposed reorganization of the USDA.

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