

Podcast: How the latest agricultural tariffs may impact Illinois farmers (with Jonathan Coppess)

Speakers: Kristen Chandler, Jonathan Coppess

Kristen Chandler

Hello everyone, and welcome to the IGPA podcast, where we inform the policy conversation in Illinois and beyond. Today, we're joined by Jonathan Coppess, a leading expert in agricultural policy. Jonathan is an associate professor in the College of Agricultural consumer and environmental sciences at Illinois. He also serves as the Director of the Gardner Agricultural Policy Program. Jonathan has extensive experience in federal policy making, including a role as a former administrator of the Farm Service Agency. His research focuses on risk management, Natural Resource Conservation and the evolving landscape of federal farm policy. The Department of Agriculture expects us farmers to export 170 billion for the federal fiscal year. That makes farmers a prime target for retaliation as countries try to impose pain to dissuade the Trump administration from its current trade strategy. In this episode, we'll break down the recently proposed agricultural tariffs and what that could mean for Illinois farmers. We're excited to have Jonathan here. Let's get started. Alright, according to NPR, Illinois is the nation's third largest agricultural exporter in 2023 the sales of corn, soy and pork to Mexico, China and Canada registered \$13.7 billion in agricultural trade. How could Trump's recent tariffs affect Illinois farmers, particularly those reliant on exports like soybeans, pork and dairy?

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It is a great question, and probably a \$13.7 billion question, which we don't have a lot of clarity or great answers to. So, part of the challenge is we're kind of in this weird state where tariffs have been announced. Some of them pulled back new tariffs, so we don't have like this good, clear, kind of, you know, chartered path of like, this is what's going to happen. Here's what it's going to impact. But I think the point you make is the important one, right? Illinois is the biggest soybean producing state, the second biggest corn producing state in the country. We raise a lot of pork, beef and other products. And so, any of this kind of trade disruption is going to impact Illinois farmers most directly in the prices that they're going to receive for their crops or for their livestock. Is also likely to impact, particularly with Canada and fertilizers that come down from Canadian potash production, that could also hit farmers as they try to manage through the costs. And I think it's also important to kind of keep this in context, which is, we've gone through an era or a period of inflation, and we've seen costs really skyrocket for farmers, and then we've kind of hit this down cycle. So prices have come down, prices or prices for crops have come down, but the costs have not fallen the same speed. And so it's coming at a particularly difficult time for farmers.

Kristen Chandler

Yes, absolutely. Thank you for highlighting that this is a transient topic in the federal public policy right now. So next, how do these recently proposed tariffs by the US Federal Government compared to past agricultural trade policies or historical tariff decisions?

Jonathan C

Well, again, we don't have a lot of clarity on exactly what these things are going to look like. I think the safest answer is, we've not seen anything quite like this. The closest example was the first Trump administration. So in 2018 they implemented tariffs, beginning on, I think, washing machines and solar panels and metal aluminum, steel. And we saw kind of immediate response to that. 2018 tariff, and China in particular, retaliated against soybeans. We saw the price of soybeans take this initial kind of fall off the cliff when those tariffs came into place. But we're really talking decades of trade policy that have been very focused on expanding US exports. It's been very beneficial to American farmers, to Illinois farmers, you mentioned the amount of trade that we have. So it's been decades of this, this building up of trade markets, access to markets, and developing those markets. And we spend hundreds of millions of dollars every year on market access and market development. So this is the tariff thing. Cuts against a whole lot of what we have been used to and what we've been working on for. For many, many years. I think you go back to the early 70s for kind of the last real trade disruption, and that was pretty brief and temporary. So when I say decades, we're a good 50 years into into this effort, if not longer, to promote exports and improve export markets. And I think, you know, one of the challenges that always need to be kept in mind that, I think, is, you know, to this point of the millions and millions of dollars we spend on export market development, these are not on and off switches, right? It's the kind of thing you got to invest in building that market. You know, having farmers go on trade missions, having people from the Illinois Department of Agriculture and US Department of Agriculture, all these officials making efforts to open these markets, and then you build those markets over time you develop them, and it's built on a trust factor that's probably the most important and non-monetary aspect of this whole set of questions, is the trust and confidence in America as a supplier, that we are a trustworthy producer? Yeah, we can do that. We've shown year in year out, we're one of the biggest producers of these crops. We can get them to market. We have all the transportation, the infrastructure. But then there's this element of will you be a reliable supplier? As we look to again, countries are importing these agricultural products for food. And so, no country wants to get caught in a position where they have to worry about whether we're reliable or not. And so these tariffs kind of throw that off and really do potential long term damage to reputation, to market development and so forth.

Kristen Chandler

For somebody who's not familiar with agricultural policy or what it takes to develop those types of relationships. What does it mean to get access and develop to but for countries to create trade agreements with each other for agricultural exports?

Jonathan C

Yeah, it's a, it's a, it's a delicate thing, right? Because what we're really talking about with agricultural products, more than anything else, is food. And no country, no government wants, you know, to have to deal with the unrest and the chaos that happens if their citizens are running short of food or having challenges with bread lines or or food availability. So we kind of always have to remember that what we're the space we're working in with agriculture. And this is not to diminish. Trade in automobiles. Is important. Trade in all kinds of goods, obviously a very important thing to those industries. Agriculture gets to be a little bit different because we're dealing with food products. And so one of the things we run into time and time again are a lot of these non-tariff barriers, right? Food safety questions. Are the food products coming in, safe and reliable, as I mentioned before, reliable in terms of not just that there's going to be the product, but that it's healthy, safe, that it meets all the specifications. So market

development over time really builds that up, and we constantly try to deal with both tariff and non-tariff barriers. So it's a process. It is a relationship aspect. It's a confidence, trust, building effort, and then, you know, these disruptions can have long ramifications. Because, again, if you're a country like China, and you look at the US all of a sudden, is not as reliable, which is really what we've seen since 2018 for things like soybeans, your first effort is, who's my who's going to take that spot? Right? It's not as if the Chinese government or the Chinese people are going to eat less, or, you know, not take on products. They're going to find other suppliers. And we've seen that since 2018 as Brazil has really stepped in and filled a lot of that market. So now you think about just kind of this, the way this plays out, we now have somebody like Brazil, becoming the more reliable supplier, the more trusted source, which means we not only lose the market temporarily, we likely lose it over a long period of time, and we become very challenged to be competitive, right? And all of a sudden it's one of those deals. Where are you going to trust America? Are you going to go to Brazil? And that is extremely devastating to farmers. You know, we can do things in the short term like, you know, in 2018 the administration made payments to farmers. None of that rebuilds the market over time, and the long term damage is significant, particularly when we talk about these staple commodities like corn and soybeans and wheat, because other countries produce them, other countries are happy to fill that role in all the market development work we did now goes out the window, and you you're not even starting over at square one, like you're way behind square one, because you have to rebuild a relationship and develop the trust again. And you're doing so now competing against a country that's that's not involved in this. And so the implications are significant. They're long term impacts, and they're really difficult to rebuild and re establish.

Kristen Chandler

Absolutely. Thank you for detailing that for viewers who are less familiar with agricultural trade markets. This you kind of touched on this question a little bit. But do you believe that? Trump administration's use of tariffs could lead to fair trade agreements for US farmers, or are they more likely to cause long term damage to agricultural exports?

Jonathan C

So I think they're likely to cause long term damage to agriculture. So what's really tough about the tariff instrument is it's very blunt and it's very direct, and I can certainly understand we're talking about manufacturing issues, right? What has happened to the manufacturing base in this country, to small towns is has been just tragic in many situations, right? But it's one of those things where you're using this blunt, kind of tough instrument to undo decades of what has been the damage to the manufacturing base. On the flip side for agriculture, what we've really seen is that these agreements have been extraordinarily beneficial to farmers, right? So there's a difference between the agricultural sector, I think, and the manufacturing sector and how trade is kind of impacted. It's helped farmers immensely. They've grown markets, it's improved prices and so forth. And so you are, in effect, trying to fix something with this really blunt instrument that can't be fixed with the tariffs. Right? We're not rebuilding manufacturing facilities overnight. The tariffs hit overnight, and they're broad based, and they're costly. And on the flip side of that, it's not, you know, the trading agreements have been beneficial to farmers. So we don't see that, you know, we don't see that kind of situation where, okay, we want to re establish the manufacturing base. That's an argument for it. But that's not the same situation in agriculture. We've not seen the decimation in agriculture. In fact, we've increased production, we've increased

exports, and so forth. And so it is kind of a double problem from the, I think, from the farm sector side, and as much as I would also like to see our rural communities rebuilt, and the manufacturing that that's, that's, that's been lost. You know, I don't know how realistic that is, and I certainly don't know that this is an instrument that will achieve that result. And so I'm concerned that we do a lot of damage and a lot of long term damage, and there's no upside. And you the old adage, you can't unscramble the egg. Like the problems we've seen the manufacturing base have been 2030, years in the making, and you can't undo those with tariff policies. And again, I come back to that the agricultural concern that is layered on top of that, because they have benefited immensely from trade. We've seen a lot of open markets. We've seen a lot of tearing down of non-tariff barriers and tariff barriers on and on right. And so those things, you know, layer another set of problems with with, you know, there's just a lot of moving pieces to it, that that are that are difficult, which is also what makes policy, I think, fun and interesting to get wrapped up in.

Kristen Chandler

Yeah, absolutely. We appreciate you sharing historical context of the relationship building and all of those things. All right, many agricultural trade groups are cautious in publicly opposing tariffs due to political concerns. How does this dynamic affect their ability to advocate for policy changes?

Jonathan C

Well, I don't know that I'm the I have the best answer for that kind of question. I think giving everybody the sort of benefit of the doubt in this ag sector, I think a lot of the unknowns are what is holding. If we don't yet know what the damages are, we don't even then have ideas on what the solutions or the policy responses should be, and given the long-term nature of that damage, and makes it even more difficult to understand. So I think there is a again, given the benefit of the doubt. I think, I think you want to proceed cautiously, you know, I think there is, there's a marketing, if you will, strategy to this, because you want those export markets to have confidence, and so you don't want to necessarily undermine any of that, as well as with the administration again, I think it's tough to I think you can raise concerns generally, but to have those specific concerns is really difficult. I think at this point in time, until we see more, we see what the retaliation looks like. But then, of course, the reality is it's too late. We've already gotten to that point. And you know, this is one of those situations where this isn't a surprise when, when President Trump was a candidate, he said exactly that he was going to use tariffs, there was no surprise that this is the policy that he chose. And so this is, in effect, what what was voted for back in November, and the tough realities of it we're going to have to sort out over time. But I do think it's it's not an easy position for those groups to be in, and hopefully they're working through, you know, their response, and trying to measure it and tailor it to what the issues are, and explain as much as possible what this means. To farmers on the other end of the tariff trade war, how that's going to play out, and then you get concerned about what kind of policy responses are created. You know, if we just throw payments out out at the problem, we're not solving the long term problem. So we saw that in 2018 and 2019 that remains a concern, I think, from a policy perspective, that relying on short term payments for long term problems is is also a challenge and a problem for farmers, for ag markets in general. Right now we're seeing a very, you know, blunt usage of of this instrument that is itself very blunt instrument. We're seeing across the board tariffs, the automobile tariffs, I think the reciprocal one's going to be really interesting to see play out, given its complexities and how that's going to work, which we're going to charge, you know, basically make up the difference between what an importing

country charges against us, and bring that back in a reciprocal nature, so that we would charge the same thing against them. And I, I have no idea how that's going to work. And again, that the complexity of that certainly wasn't in the campaign discussions but, but it is another example of just the uncertainties we see around this. Yeah,

Kristen Chandler

Absolutely. Speaking of retaliatory tariffs, retaliatory tariffs from key trading partners could continue to make negotiations tougher for Illinois farmers. What strategies could Illinois farmers and agricultural businesses pursue to remain competitive in global markets?

Jonathan C

So with the caveat, we don't know kind of how all this plays out. I do think there's a strong argument for American producers in general, but particularly in Illinois, for soybeans, for corn. What we have seen in the last, however, maybe 1020, years or so, as we built up some of these markets, we have seen increasing efficiency. We are a very reliable producer, right? The state of Illinois produces immense amount of corn and soybeans reliably every year. So we have that going for us. Yes, we have this trade conflict, but underlying this, we know that American farmers can produce the products. We've got a very functional transportation system to get it down the river to the ports of New Orleans and out, you know, to the rest of the world. So we always have that, like strong, kind of foundational, infrastructural advantage over many, many countries, including a country like Brazil, don't know how long we can rely on that, that those advantages and what you know how much that offset some of the trade tariff conflicts. So I think the next level of that, I think, is an interesting argument that American producers could really work on, is our ability to be more sustainable and more resilient in our production. So we invest billions of dollars in conservation practices. We have seen an expansion of conservation practices to help, you know, reduce soil erosion, reduce nutrient losses to water and those sorts of things. And so we could also look to Bre to build that market advantage. So you can go into countries and say, Look, I know we've got these tariff problems, you know, maybe we fix those in a few years, who knows? But we can also talk about the ability of American farmers to innovate on the ground, to be more sustainable. So we have a reliable supply. We have a reliable supply that we can also say is roughly a greener product on the market. Again, I don't know how much of that is going to be, you know, a winning marketing argument in the face of the tariff and in the face of the the damage to trust and reliability. But I do think, I do think we always have this sort of background understanding of just how productive and innovative American farmers are. And given a chance, you know, can they rebuild the trust and resilience or the trust and reliability side of that equation and find some advantages in there? But it's, you know, it's not easy. And again, we're talking about stable commodities. So people don't want to pay more for corn or soybeans or wheat, right? They will want to find the lowest price. And there's likely, what we've seen in many cases, you know, there's likely to be a willingness that to not worry about sustainability as much. And so it's a tougher argument. It's a tougher argument to prove out tough argument to make, but it may be the kind of thing that that farmer innovation in the US can can be kind of the selling point, but that's only once we get past we have to put this trade conflict, this tariff as a blunt instrument of policy. We'd have to put that aside. That's going to have to be resolved before I think any other argument really takes takes hold and can carry the day.

Kristen Chandler

Yeah, absolutely. Thanks for highlighting the geographical uniqueness for the US innovative abilities. One last question. You do a lot of policy analysis on current news for agriculture. Where can listeners go to read more about your analysis and your work?

Jonathan C

Ah, the shameless self promotion moment. Yeah. Well, I actually, my we have a group, a team of us that in the Department of Ag and consumer economics on farm doc and farm doc daily. And so I'm hesitant to, you know, steer anybody too much my way, but my colleagues on farm doc, do an amazing amount of economic analysis and other policy based work, and so that'd be the first place. Farm doc, daily, we put an article out every day, a new article of original material every work day. And then on the policy side, for those that are interested in, you know, getting tangled up and lost in the wonderful, weedy details of policy. We've been developing this policy design lab. We're trying to visualize how the policies work and tie it to the specific design issues within a program. So what are the calculations? How does it kick out money, or where those funds go? We've looked a lot at the conservation policies in recent years and trying to understand how you know which practices are prioritized, where the funding goes, and which farmers are receiving those those investments in their land and soil and water, and so those would be the shameless self-promotion side. But I really do want to elevate the team I work with my colleagues on farm doc, because of just the immense amount of analysis and work that goes on. And they do incredible work, and so, you know, I like to be carried along by that. I don't know that I reached that level, but it's certainly a great product for those who want to dig into things.

Kristen Chandler

Great. Thank you for sharing that You bet. Thank you for having me. All right. That was Jonathan COVID, an associate professor at the College of Agricultural, consumer and environmental sciences at Illinois. Thank you so much for being on the podcast.

Jonathan C

Well, thanks for having me. This was fun.

Kristen Chandler

All right, until next time!