

Bloomberg

U.S. Agriculture 'Vulnerable' Amid Trade Risks, Farm Lender Says

By Shruti Date Singh

U.S. agriculture is in a worse position than it was just a few years ago to withstand the effects of losing access to a big export market, according to one farm lender, who cited the risks from rising trade tensions.

"We are already in a vulnerable position," Tom Halverson, chief executive officer of Greenwood Village, Colorado-based CoBank ACB, said in an interview. "We hope, trust and believe that we will not intentionally or inadvertently step into a dispute that damages our access to those markets."

President Donald Trump has taken the U.S. out of the Trans-Pacific Partnership and talked of withdrawing from or renegotiating the North American Free Trade Agreement. His claims that Mexico is gaining an unfair advantage from Nafta has prompted the country to make overtures to Brazil and Argentina about securing farm supplies as an alternative to U.S. imports.

As well as playing a key role in the country's trade balance, exports are crucial to U.S. agriculture. Amid record production, export markets absorb excess crops and take the livestock and poultry cuts that U.S. consumers don't eat, supporting prices.

The prospect of a dispute with a major trading partner like Mexico is the last thing that many farmers, ranchers and grain handlers in the U.S. would like to see right now. They have already suffered through several years of low commodity prices and a strong dollar, which has made overseas sales tougher, Halverson said. Weak prices are affecting some agribusinesses that borrow from CoBank, and that's starting to impact credit quality. Trade problems could put further pressure on cash flow and credit quality, he said.

The stress in the industry can be seen from the farmer all the way to some of the biggest companies. U.S. farm income is expected to fall for the fourth straight year from a record in 2013. Just this week, Archer-Daniels-Midland Co. and Bunge Ltd., two of the largest traders and processors in the business, reported disappointing results, leaving investors fretting over future earnings. CoBank is a lender for farmer cooperatives as well as grain handlers.

"It's in our best interest to be able to preserve export access and expand it over time," Halverson said.

As seen on Bloomberg News, May 5, 2017.