



National Association of Wheat Growers

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June 1, 2020

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, D.C., 20250

RE: Docket ID: FSA-2020-0004; Vol. 85, No. 100, Page 31062

Dear Secretary Perdue:

Thank you for providing assistance to growers of hard red spring wheat and durum wheat as part of the recently announced Coronavirus Food Assistance Program (CFAP). This program will provide much needed assistance to those growers. However, the program leaves behind growers of other classes of wheat who are also experiencing economic harm resulting from COVID-19.

As we will demonstrate below, farmers of all wheat classes have experienced harm from COVID-19 in the form of lower prices. To provide assistance to those growers, we have listed some options below as well as a request that the Department explore options to provide assistance for 2020 crop losses.

Use Price Volatility

As outlined in our April 23, 2020, letter, all three wheat May futures contracts experienced at least a 10 percent price decline during the time period covering January to mid-April. Markets were being affected by COVID-19 and farmers selling wheat during this timeframe were negatively affected by those market impacts. Soft red winter ranged from \$5.77 per bushel down to \$4.98 per bushel (13.7 percent drop), hard red winter ranged from \$5.07 per bushel to \$4.23 per bushel (16.5 percent drop), and hard red spring ranged from \$5.70 per bushel to \$5.08 per bushel (10.9 percent drop). Additionally, soft white wheat, which does not have a futures contract, experienced a range of prices from \$6.33 per bushel to \$5.79 per bushel, a price drop of 8.5 percent throughout the January to April timeframe (using price data from USDA's Agricultural Marketing Service).

NAWG believes the snapshots used by the Department do not reflect the economic impact experienced by farmers of all classes of wheat marketing unpriced inventory. The April 6-9, 2020, timeframe used to calculate the economic loss from the coronavirus pandemic doesn't account for the significant drop in prices experienced in March, or the subsequent decline in prices following the April 6-9th timeframe. It appears that the snapshots in time that have been chosen for this program mask the economic impact felt by wheat farmers by including a temporary recovery in futures prices (and cash price in the case of soft white wheat) which was quickly erased by declining market conditions.

USDA should also keep in mind that the cash price that farmers are actually receiving is even lower than the futures prices in many areas because of widened basis during this timeframe. As such the futures price is not necessarily a direct representation of the price that farmers are receiving for their grain.

As such, we request that you incorporate price volatility experienced across the January to April timeframe when calculating price loss.

Remove 5 percent price loss threshold

NAWG recommends using price volatility, but if USDA is unwilling to incorporate that change, USDA should remove the requirement that a commodity experience a 5 percent or greater price decline. This threshold prevents farmers economically impacted by COVID-19 from receiving needed assistance.

Using the May futures price for the January and April timeframes in the current CFAP rules means that hard red winter wheat experienced a price drop of approximately \$0.21 per bushel (4.2 percent) and soft red winter wheat experienced a price drop of approximately \$0.17 per bushel (2.9 percent). There is not a futures contract for soft white or hard white wheat, but we recommend using Agricultural Marketing Service daily prices for soft white wheat to replace a futures price in the calculations. Using the January and April snapshots, the average price during January 13-17th was \$6.23 per bushel, and during April 6-9th was \$6.08 per bushel, meaning a price drop of \$0.15 per bushel (2.4 percent). Hard white wheat prices tend to track hard red winter wheat values.

2020 crop losses

In addition to extending the Coronavirus Food Assistance Program to farmers of all classes of wheat, we believe more assistance will undoubtedly be needed as the impact of the pandemic continues to unfold. We urge the Department to develop a program to aid all wheat producers marketing 2020 crops. Harvest is already underway in the Southern Plains and moving north, and farmers continue marketing their grain under depressed prices due in part to the coronavirus pandemic. Any future program should include impacts related to COVID-19, including impacts to crop insurance revenue policies, as well as ongoing trade disruption. Examples of trade disruption which should be considered include possible impacts from the U.S. China Phase One agreement including failure to meet purchase targets and non-compliance with WTO obligations in the administration of TRQ, as well as impacts from retaliatory tariffs or other trade barriers.

Thank you for your consideration of our requests, and we would appreciate the opportunity to have continued communication as you consider additional options for providing assistance to growers.

Sincerely,

A handwritten signature in cursive script that reads "David J. Milligan".

David Milligan, President
National Association of Wheat Growers