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by Steve Kopperud  
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## **Leadership Green Lights House Farm Bill Floor Action “Sometime” Next Week**

House GOP leadership gave House Agriculture Committee Chair Mike Conaway (R, TX) the green light to prepare for full floor action “sometime” next week on his committee’s approved 2018 Farm Bill. Whether 218 votes are there – and enough time to cut deals to collect more possible votes – remains a big question.

The House whipped – counted “aye” votes – among GOP caucus members late this week, and while Conaway remained publicly optimistic, the ag panel chair says leadership didn’t share the actual vote count with him. It’s apparent, however, the 218 votes to approve the bill aren’t there yet, given nearly 100% Democrat opposition to the bill and attacks from the far right side of the House GOP. Conaway does have a list of GOP members he needs to target.

Democrats oppose the bill based on how Republicans seek to reform the Supplemental Nutrition Assistance Program (SNAP) by increasing work requirements for food stamp eligibility. President Trump, after meeting with House and Senate GOP ag leaders this week to talk Farm Bill, said he’s “leaning in” to support increasing work requirements for SNAP recipients; Conaway described Trump’s support as “really strong.” White House staff scurried fast when the president later tweeted about SNAP, declaring the president had not threatened to veto the Farm Bill without stricter work requirements, as several media outlets reported. Sen. Richard Durbin (D, IL) told Agri-Pulse’s OpenMic this week “there could be (room for new work provisions), but let’s do it carefully.”

Conservatives rail against the bill’s 10-year \$865-billion price tag – 75% of the cost is the nutrition title – and some conservative groups have attacked the “tweaks” made to income support programs and protections for crop insurance as ignoring an opportunity to “reform” farm programs and insurance.

Several GOP members have said they plan to bring amendments to the floor, while Democrats continue to say at least publicly, they’ll offer no amendments. However, late this week Democrat leadership told its members to “vote their conscience” on Farm Bill amendments, leading some farm state Democrats to say they may bring “reform” amendments to the floor. As of Friday morning, only a couple of bipartisan amendments out of about 30-35 filed carry any sign of Democrat participation.

A major bipartisan “poison pill” amendment has been filed by Rep. Virginia Foxx (R, NC) to gut the federal sugar program which sugar users say keeps domestic sugar prices artificially high through production limits, strict import quotas and price supports. Rep. Ted Yoho (R, FL) worked hard against the Foxx amendment this week, defending a program important to the sugar cane growers in his state, but because it “jeopardizes the entire Farm Bill.” House Speaker Paul Ryan (R, WI), who

voted for a similar sugar program reform amendment in 2013, said he still believes the program needs to be fixed, but “I am most interested in getting the Farm Bill passed into law.” A similar amendment was offered in the Senate in 2013 and only narrowly failed.

Another bipartisan amendment would cap payouts for the ARC and PLC income support programs at no more than 10% of the Congressional Budget Office (CBO) estimated 10-year cost, while another GOP amendment would lower the target rate of return to crop insurance companies from 14.5% to 12%, a notion supported by Trump in his FY2019 budget recommendations. Dairy provisions would eliminate fees for the Margin Protection Program (MPP) at \$4.5-\$5 cwt. protection levels.

Democrat opposition remains generally firm – it’s unclear what some moderate farm state Democrats may do – but there appeared late this week to be some softening of conservative opposition. Conaway has acknowledged since his committee approved the bill on a party line vote he’s very much aware the text of the bill will change dramatically before it reaches the president’s desk, but it now appears he’s far more amenable to cutting deals and accepting changes to the committee bill before it reaches the House floor if it means securing 218 votes.

“We’re still in the process of talking to individual members who still have ideas about how they’re going to tweak the bill in a positive way – not interested in tweaking the bill in the wrong direction – but we’re always interested in tweaks that might help people strengthen their resolve to vote ‘yes’,” Conaway allowed.

Conaway’s missionary work with his own party conservatives isn’t helped by vocal opposition by various outside conservative groups. Heritage Action, the political arm of the conservative Washington, DC, think tank Heritage Foundation, was joined by 13 groups in formally opposing the House bill. “Respect for farmers doesn’t mean tolerance for wasting taxpayer money on handouts,” said the letter signed by the 14 groups, vowing to target “farm subsidy reform.” At the same time, Americans for Prosperity and Freedom Partners told Congress the bill “moves away from free market principles.”

House Agriculture Committee ranking minority member Rep. Collin Peterson (D, MN) said the increasingly vocal conservative opposition to the bill is evidence that “the clear and present danger to the Farm Bill comes from the Republicans, not the Democrats.” Conaway, given House political make up, can only afford to lose about 20 GOP votes and still get the bill approved.

House Minority Leader Nancy Pelosi (D, CA), who traveled to Iowa last weekend to speak at the Polk County Democratic dinner, and to meet with Iowa Farmers Union officers and the Practical Farmers of Iowa, said of the Farm Bill schedule, “Supposedly this is coming soon, but it was going to come up the week before last. We’ll see if they go forward with it.”

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## Trade Developments

**NAFTA 2.0 Deadline Looms for Approval this Year** - May 17 is the U.S. deadline for getting congressional approval of any final tripartite agreement to modernize NAFTA 2.0, but with a number of unresolved issues, it’s unlikely that deadline can be met. Meanwhile, ministerial level talks

continue, and Secretary of Commerce Wilbur Ross this week said “if we don’t see progress soon, we probably won’t see it for quite a while, the end of the year, if at all.”

The U.S., Canada and Mexico have all roundly dismissed reports of a possible “NAFTA lite” treaty, a partial agreement to be ratified this year, with remaining issues to be resolved over time.

The deadline issue – Congress must receive a hard copy of the approved treaty by May 17 – arises out of statutory limits on the White House authority to negotiate under the president’s trade promotion authority (TPA) which expires July 1 without congressional action. TPA allows the president to fast track negotiate a treaty, stipulates the goals of that treaty, and in exchange limits Congress to an up or down vote – no amendments – to approve the treaty.

Also putting pressure on negotiators is Mexico’s July 1 presidential election, and looming U.S. November midterm elections, as well as upcoming Canadian provincial elections.

Mexican Economy Minister Idefonso Guajardo said the high-level talks this week in Washington, DC – the “whole agenda remains on the table” – indicate, “We’re trying to make sure we can assure progress in this process. We are trying to advance.”

While a number of major issues remain unresolved, including a U.S. demand the final treaty be reviewed every five years, the main issue blocking progress in the ministerial talks is which automobiles made in whole or in part in various NAFTA countries will move duty free across the borders, and ag interests are concerned time will run out to address major ag issues.

U.S. Special Trade Representative (USTR) Robert Lighthizer told Capitol Hill in a letter he continues to hammer on getting Canada to relent on its dairy production and pricing programs which keep U.S. and Mexican dairy exports out of Canada. An April 24 letter to USTR from 68 lawmakers warned congressional approval of NAFTA 2.0 hinged, at least in part, on a successful resolution of the Canadian dairy issue. “We fully appreciate these are critical issues for the U.S. dairy industry,” Lighthizer wrote in the letter obtained by Politico. “I am personally working to address this problem in the NAFTA negotiations.”

House Speaker Paul Ryan (R, WI), referring to a “handful of unresolved issues,” including investor dispute resolution and “legitimate agriculture issues, including dairy,” said in a speech this week, “We’ll see if they can get this done by May 17, and give us the paper to Congress, which then we could have a vote in December. If they can’t, we won’t.” If Congress does not adjourn by its publicly stated December 13 date, the NAFTA deadline could slip a bit.

**China Talks Yield Some Progress** - After the initial two days of intense formal discussions between the U.S. and China over bilateral trade and how to avoid \$150-billion in reciprocal import tariffs, participants said tough talk by both sides led to progress. However, the U.S. demand that its trade deficit with China shrink by \$200 billion by 2020 cast a pall over the talks.

Both governments, however, equally ready to start a trade war, but eager to avoid such an economic conflict, said talks will continue next week in Washington, DC.

In essence, the U.S. is demanding China rewrite its domestic rules on manufacturing and technology to more closely align with western systems, particularly the U.S. where several rivalries and

partnerships exist in technology development and deployment. In a document provided to the Chinese prior to last week's meetings – a strong recommendation by U.S. industry to clarify what the White House is seeking – the U.S. wants the Chinese to stop subsidizing in its “key industrial plan,” reduce all tariffs to U.S. levels, along with an end to so-called “technology transfers,” and a commitment that no matter how the talks wind up, the Chinese will not target U.S. farm exports and agricultural products.

Secretary of Commerce Wilbur Ross told the Senate Appropriations Committee this week that protection of U.S. agriculture “figured quite prominently” in U.S. demands of the Chinese. “We’re all well aware that it’s horribly unfair for one industry to bear the brunt of retaliation in our efforts to help other parts of the economy,” Ross said. “We will do our level best to minimize the problem and maximize the support we can provide in helping.”

The Chinese government reported the two-day talks focused on expanding U.S. exports to China, trade in services, bilateral investment protection of intellectual property rights, resolution of tariffs and non-tariff measures, and creation of a “working mechanism” to continue talks. The government also reported “a consensus in some areas” has been reached, but gave no details. The U.S. delegation did not elaborate on the talks.

**Japan Remains Trade Pact Target** - Despite Japan's earlier assertion that the easiest path to more open U.S.-Japanese trade is for the U.S. to rejoin the Trans-Pacific Partnership (TPP), USDA continues to put pressure on the Japanese to “talk trade.”

Last week Japan's new ambassador to the U.S., Shinsuke Sugiyama, met with USDA Undersecretary for Foreign Agricultural Affairs Ted McKinney and USDA Trade Counselor Jason Hafemeister. Agriculture Secretary Sonny Perdue has made it widely known he wants a new U.S.-Japan treaty, either a bilateral or as part of TPP.

Japanese Prime Minister Shinzo Abe continues to dismiss U.S. bilateral overtures, and President Trump has retreated from earlier statements about the possibility of the U.S. rejoining the TPP. However, late last week, the two leaders jointly announced they intend to “intensify” trade talks with the goal of increasing mutual investment.

Again, Trump said he wants to reduce the trade deficit with Japan through bilateral talks. “On the U.S. side, they are interested in a bilateral deal. Our country's position is that the TPP is the best for both our countries,” Abe told reporters.

The remaining 11 Pacific Rim nations which have signed on to TPP – including Japan, Canada and Mexico – have renamed the deal the Comprehensive & Progressive Agreement for Trans-Pacific Partnership (CPATPP).

**India Wheat, Rice Market Price Support Targeted by U.S. WTO Action** - Agriculture Secretary Sonny Perdue and U.S. Special Trade Representative Robert Lighthizer this week announced the U.S. has filed with the World Trade Organization (WTO) Committee on Agriculture (COA) the first-ever “counter notification” over India's market price support (MSP) for wheat and rice.

The counter notification goes to the U.S. assertion that India's reporting to the WTO has been inaccurate. “Accurate reporting and improved transparency of these programs is an important step in

ensuring that our trading partners are living up to their WTO commitments,” USDA said in a statement.

The U.S. contends India fudged the numbers on the quantity of production used in market price support calculations, the exclusion of state-level bonuses from calculations, exclusion from India’s notifications of information on total value of production (VoP) for wheat and rice, and issues with currency conversion.

The U.S. says, based on its calculations, India has “substantially underreported its market price support for wheat and rice,” exceeding its allowable levels of “trade distorting domestic support.” USDA said, “The U.S. expects a robust discussion on how India implements and notifies its policies at the next COA meeting” in June.

**Russia Thinks It Can End All U.S. Ag Trade** - Still chafing from U.S. imposed sanctions on Russia, that nation’s Minister of Agriculture Alexander Tkachev this week says he supports a bill in the Russian parliament that would end about \$300 million in annual U.S.-Russian ag trade, saying since it only represents 1-2% of total Russian imports and “we will be able to replace that production on the domestic market.”

Russia’s plan is to impose new trade restrictions on U.S. meat exports in response to sanctions imposed by the U.S. in early April on Russian businesspeople and government officials due to so-called “malign activity,” according to a report in GlobalMeatnews.com. The bill in question would extend the same trade treatment to other nations which join in the U.S. sanctions.

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## **White House RFS/RIN Meeting Yields Deal – Or Does It?**

Petroleum industry champion Sen. Ted Cruz (R, TX) says this week’s White House meeting with President Trump over the future of the Renewable Fuel Standard (RFS), the Renewable Identification Number (RIN) program and the future of year-round sales of E15, yielded a “deal;” Sen. Charles Grassley (R, IA), the protector of all things biofuels, says no deal was cut. The White House for now, isn’t saying much.

The only point all three parties agreed on – at least in principle – is that E15 should be sold 12 months a year, not just during summer months. “After several meetings and input from stakeholders on both sides, President Trump is pleased to announce that a final decision has been made that allows E15 to be sold year-round, while providing relief to refiners,” the White House announced.

The elephant in the White House meeting room was a proposal to extend RINs to exported ethanol, a move the administration thinks will increase ethanol demand. President Trump effectively killed the Cruz idea of capping RIN prices to lower demand and offset what the petroleum industry contends are outrageous compliance costs associated with the RIN program due to market speculation.

RINs are effectively credits companies buy to offset actual biofuel purchases to meet their blending obligations with gasoline. Cruz says the plan is great; Grassley is not as enthusiastic. Extending RINs to ethanol exports is a “solution” oil refiners have pushed as a way to increase the number of RINs available, while driving down the market cost of the credits.

It's obvious general discussion of RIN application to exported ethanol needs some fleshing out.

While Grassley didn't reject the ethanol export/RIN option out of hand, he did say he wants EPA to "reassign" lost biofuels volumes due to hundreds of waivers granted to dozens of small refiners, including small facilities owned by large and mega-large petroleum companies.

Agriculture Secretary Sonny Perdue said "there was some conversation of attaching RINs to exports, and we're fine with that as long as the previous waivers that took us down below 14 billion gallons be reallocated in the future (RFS mandate) to back up that, to keep up to the statutory standard of 15 billion gallons."

Sen. Joni Ernst (R, IA), who also attended the meeting along with Sen. Pat Toomey (R, PA), said she was pleased with the outcome on E15, but is withholding any blessing from the RIN/ethanol export offer. She said she's "still assessing the full implications of the president's notion to attach RIN numbers to exported ethanol."

While refiners rejoiced over what they see as the White House meeting outcome, the biofuels industry is less thrilled. "The notion of allowing exported ethanol to count toward an oil company's RFS obligation is extremely problematic," said the Renewable Fuels Assn. (RFA). "In no way will that ever be acceptable or considered a win for our industry."

The National Corn Growers Assn. (NCGA) said, "Pursuing a path that includes RIN credits on export gallons would violate the letter and spirit of the RFS, serving the interests of oil refiners who have already benefited from (EPA's) unprecedented RFS volume waivers at the expense of American farmers."

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## **House GOP Members Want Immigration Action, Sign Discharge Petition on Votes**

House GOP leaders are trying to put down a min-revolt among their caucus members after 17 lawmakers this week signed a Democrat-backed discharge petition to force a series of immigration votes on a package of legislation that includes protections of Dreamers.

It takes 218 signatures to force a committee to discharge legislation to the floor. If all Democrats sign the petition, it takes only 25 Republicans to give the petition force. The petition represents bipartisan frustration over leadership's refusal to act on immigration reform legislation, and the so-called "queen of the hill" rule would allow votes on a package of competing immigration bills. The bill with the most votes would be the legislation approved by the House.

In question are four competing immigration bills, including reauthorization of the Deferred Action for Childhood Arrivals (DACA) program, which President Obama created through executive order and President Trump rescinded. Federal courts nullified Trump's action, and ordered the program to remain in place for the time being.

House leaders are trying to convince their maverick members the discharge petition route is exactly

the wrong path to take, arguing the petition – open to Democrats who support immigration reform action – gives the minority too much sway over the process.

House Speaker Paul Ryan (R, WI) has not brought up immigration bills because he committed to anti-immigration forces in his party not to bring the bills to the floor unless half of the full caucus supports the action. Leadership argues it's working on a bill that will get Trump's support.

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## **House FY2019 USDA/FDA Spending Bill Clears Subcommittee**

Seeking to get the annual appropriations process back on track, the subcommittee of the House Appropriations Committee that deals with USDA and FDA this week approved a \$23-billion agriculture/FDA discretionary spending package, about \$14 million more than last year's level.

No full committee action on the bill has been scheduled. The Senate has not acted on its FY2019 ag/FDA package.

The bill includes a whopping \$308-million increase for FDA – to \$3.1 billion in discretionary spending – aimed at food safety, public health and innovation. The bill also protects \$200 million for USDA's Market Access Program (MAP) and \$34.5 million for the department's Foreign Market Development (FMD) program. Also included is more than \$3 billion for rural development, and \$620 million to expand high-speed, broadband internet access to rural areas.

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## **Trump's "Claw Back" Plan on FY2018 Spending Targets \$1 Billion in USDA Dollars**

When signing the \$1.3-trillion FY2018 omnibus spending bill last December, President Trump made it clear he was not happy with the package's price, vowing to "never sign another one of these bills." Since then he's fashioned a \$15.4-billion "claw back package," a move to target unspent previous-year appropriated dollars, including about \$1 billion sitting at USDA.

The USDA money is just part of a pot of unspent dollars at 10 federal departments which the White House contends it has authority to cancel under an arcane federal law. The 41-page "request" sent to the Office of Management & Budget (OMB) last week was released this week and shows USDA's Forest Service, National Resources Conservation Service (NRCS), Animal & Plant Health Inspection Service (APHIS), the Rural Housing Service (RHS) and other miscellaneous programs all may take budget hits. While the move to nullify the previous-year spending allocation does not affect current programs or actual dollars appropriated for FY2018, the White House says it's going after overspending in the omnibus package next.

The president's package – budget hawks say the total figure should be much higher – is now with appropriators who have 25 days to fashion a bill that nullifies previously appropriated spending. It's also expected individual members will wade into the fray with their own legislation. The road to House passage will be tough; the legislation appears dead on arrival in the Senate.

New WOTUS Rule Expected in September, 2019; House Approps to Repeal Old WOTUS Again While the draft House FY2019 energy-water spending bill, which covers the budget for the U.S. Army Corps of Engineers, again repeals the “waters of the U.S. (WOTUS)” final rule promulgated by the Obama Administration – blocking any chance the rule could take national effect – EPA Administrator Scott Pruitt this week said it will be September, 2019, before the agency has a new rule to take its place.

A mountain of comments received by EPA significantly slowed the agency process in getting the new rule finalized. Pruitt pledged last June he'd have the new proposed WOTUS rule out by the first quarter of 2018, so repealing the rule gives EPA more time to get it right.

The agency's regulatory agenda says EPA will publish a proposed rule in August next year, and a final rule in September, 2019. The administrative rescission of the existing rule should be finalized by November, 2018, after a supplemental proposal is published this month.

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## **Trump Nominates Dr. Mindy Brashears to be Food Safety Undersecretary**

Dr. Mindy Brashears, an acclaimed food safety and public health professor at Texas Tech University, has been nominated by President Trump to be USDA's undersecretary for food safety. If confirmed, Brashears will be the first person to hold the nation's top food safety post since Dr. Elizabeth Hagen left the Obama administration in 2013.

Secretary of Agriculture Sonny Perdue praised the Brashears nomination. “Dr. Brashears has spent decades finding ways to improve food safety standards through innovation, invention and leadership on research missions across the globe,” Perdue said. Perdue wants to see her confirmed quickly – along with several other long-pending USDA nominations – but that schedule is unclear given Senate Agriculture Committee Farm Bill action.

Brashears, who is past chair of the National Alliance for Food Safety & Security, a multi-state research consortium, also serves as director of the Texas Tech International Center for Food Industry Excellence. Brashears received her undergraduate degree from Texas Tech and her masters and doctorates from Oklahoma State University.

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## **USDA Calls for Bigger Wheat Crop, Lower Corn, Soybean Production**

The 2018-19 wheat crop is projected to be 1.82 billion bushels, up 5% from the year before, USDA reported this week in its May Supply & Demand Report. Corn production is expected to “decline modestly” from 2017, based on drops in domestic use and exports. Soybean production will hit 4.3 billion bushels, down 112 million from last year, the department reported.

USDA said the increase in all wheat production is pegged to greater harvested area and a slightly higher yield, but reduced beginning stocks and imports bring total supplies down 49 million bushels

from 2017. All wheat yield is projected at 46.8 bushels per acre. Total wheat use is seen increasing 3% on higher food, feed and residual and exports. Global wheat supplies are projected to increase only fractionally, USDA said, as higher beginning stocks are partially offset by production drops after last year's record world production.

The corn crop is projected at 14 billion bushels, down from a year ago with lower acreage and expected yield. Yield projections come in at 174 bushels per acre – “assuming normal planting progress and summer growing season weather.” With beginning stocks down from a year ago, total corn supplies at 16.3 billion bushels, would be off 675 million from 2017, USDA said. Food, seed and industrial use of corn is seen rising slightly to 7.1 billion bushels, based mainly on “an unexpected increase in the amount of corn used to produce ethanol.” Corn used to produce ethanol is up 50 million bushels. Feed use is expected to drop based on lower production, higher use of ethanol byproducts and higher prices offsetting increases in livestock and poultry.

For oilseeds, USDA expects high supplies, crush, exports and lower end stocks compared to a year ago. Soybean supplies are projected to hit 4.8 million bushels, up 2% from last year. Production forecasts are also lower for peanuts, cottonseed and sunflower seed, but higher for canola.

#### **Contact Us**

**Kathy Zander**, Executive Director

**Roxanne Rice**, Finance Director

Phone: 605/224-2445

Fax: 605/224-9913

Email: [info@sdaba.org](mailto:info@sdaba.org)

Website: [www.sdaba.org](http://www.sdaba.org)