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House Ag Partisan Stalemate Continues Making Extension of 2014 Farm Bill More Likely

The political landscape leading to House enactment of a 2018 Farm Bill is reminiscent of the erratic 2012 Farm Bill process, namely internal bickering and public sniping among House Agriculture Committee members are eating into the increasingly narrow chamber schedule this summer to get a bill approved. The 2012 Farm Bill eventually emerged as the 2014 Farm Bill now in place.

Unless House Agriculture Committee Chair Mike Conaway (R, TX) can convince ranking member Rep. Collin Peterson (D, MN) and the other committee Democrats to help him find a solution to the committee's internal stalemate over a GOP move to rewrite eligibility requirements for the Supplemental Nutrition Assistance Program (SNAP), agriculture may be looking at an extension of the current law which expires September 30. Farm Bill extensions are rarely short-term so farmers can make planting decisions, so extension action would likely be for a year.

The House fracas is also likely going to affect when Senate Agriculture Committee Chair Pat Roberts (R, KS) releases his panel's Farm Bill version. Roberts has said his committee's bill will not rewrite the existing nutrition title – which puts the future of the House attempt in question – but it's likely he may delay his April release in hopes of letting the House take the lead.

Conaway says he plans to release the full draft Farm Bill after Congress returns from recess April 9, with a full committee markup soon thereafter. He had hoped by this point to have released and marked up the bill, readying the omnibus farm program legislation for floor action.

The Texas lawmaker said this week he's seriously thinking about moving ahead despite the committee Democrats' refusal to even talk about fixing the nutrition title. "There's no reason," he said not to move forward.

"We're not going to be any smarter in October or next year than we are right now, so there's no reason we should get this ready for the president to sign before September 30," he told reporters. While he's said such action might mean moving a bill through committee with just GOP support, Peterson and Sen. Charles Grassley (R, IA), Senate ag committee member, say it's highly unlikely a partisan bill would pass either chamber.

With a caveat that costs and savings will shift as the bill evolves, Democrats nevertheless find the nutrition title substantively – and politically – unacceptable. The panel's Democrat staff this week briefed reporters on what their bosses don't like about the draft Farm Bill's nutrition title, even though the draft bill has not been released.

Under the GOP draft language, SNAP benefits would drop $20 billion over the next decade. Most of that savings comes from expanding work and training program requirements to 18-64-year-old food stamp recipients who do not have children under 12 years old, saving, says the GOP, about $7.2 billion over 10 years. Money and authority would shift to the states to broaden their job training programs. Democrats contend 3-5 million current food stamp recipients would be affected. Another $6.6 billion is saved by preventing states from using other benefits, including low-income housing assistance, to calculate SNAP eligibility. Another $4.6 billion is shaved from the SNAP price tag and about 400,000 recipients are removed from the rolls by preventing states from automatically qualifying recipients under what's called "broad-based categorical eligibility," allowing those receiving other welfare benefits to qualify for food stamps even though they technically make too much money. All savings, says Conaway, would stay within the nutrition title, but there's no indication how it would be spent.

The Congressional Budget Office (CBO), reports Democrat staff, says the current 41 million enrolled in SNAP – at an annual cost of about $67 billion – would fall 32 million by 2027.

Critics of the current language contend the Farm Bill is being used to promote House Speaker Paul Ryan's (R, WI) broader welfare reform agenda, a charge Conaway denies, though he admits consulting with leadership on the SNAP language. Some on the GOP side contend the Democrats are using the SNAP controversy to stall the bill, and are doing so at the behest of House Minority Leader Nancy Pelosi (R, CA), who smells a Democrat recapture of the House majority come November's midterm elections. Peterson scoffed at that notion, saying, "She (Pelosi) doesn't even know what we're doing."

Possible China Tariffs has Ag, Ethanol, Soybean Producers Nervous; U.S. Takes Hit at WTO

China says if the U.S. goes forward with tariffs on steel, aluminum and industrial products while curbing investment in the U.S., it's ready to retaliate with tariffs of its own on U.S. imports, with a sharp focus on agriculture. This makes the U.S. soybean industry extremely nervous.

A new study out of Perdue University this week done for the U.S. Soybean Export Council says U.S. exports to China could be slashed as much as 71%, depending on how hard China decides to hit back on the contemplated U.S. tariffs.

Also this week the Chinese Ministry of Agriculture requested an informal meeting with the Export Council's Asia director, according to a Reuters report. Representing U.S. soybeans was council Asia office executive Xiaoping Zhang, along with agriculture ministry and international relations ministry representatives. Despite Asian media reports, the council said, "We are cautiously optimistic soybeans won't be targeted, but they're still on the table." In related action, some state soybean grower groups have been in China recently to talk trade, tariffs and repercussions.

And even as U.S. and Chinese officials continue formal talks in hopes of heading off a full-blown trade war, China was joined by the European Union (EU) and Japan – the latter two saying they understand U.S. frustration, but the tariff action violates world trade rules – in slamming the U.S.

during a World Trade Organization (WTO) meeting this week, with China contending U.S. tariff intentions threaten the future of the global trade body. “The WTO is under siege and all of us should lock arms to defend it,” said China. The U.S. argues its actions are because of China’s historical “theft” of U.S. intellectual property by forcing U.S. companies doing business in China to surrender technology secrets as the price of doing business in the world’s second largest economy.

China is the world’s biggest customer for soybeans, and the U.S. is its second largest supplier. U.S. soybean sales to China last year hit about $12-14 billion, or nearly 62% of all U.S. soybeans produced. A worst case scenario forecasts U.S. soybean sales to China dropping by over 70%, total exports falling 40% and U.S. soybean reduction being reduced 17%, Perdue reported.

Per WTO rules, China has two lists of about 130 U.S. products on which it plans to slap roughly $3 billion in retaliatory tariffs if the U.S. goes ahead with its trade reprisals, and agriculture tops the list of products targeted for the one-two punch the Chinese contemplate.

The soybean impact study modeled Chinese tariffs of 10-30% in calculating impact, and the price tags come in at $1.7-3.3 billion. The Chinese, it appears are willing to suffer some domestic pain, as Perdue says, “Chinese economic well-being also falls if they impose a tariff, in some cases as much or more than for the U.S. The reason for that is that soybeans are very important to their domestic economy.”

Other U.S. products on the Chinese draft list include pork of just about all cuts and product descriptions, apples, nuts, wine, ethanol and steel products.

U.S. Inks Preliminary Deal with South Korea on Revamped Trade Pact; Trump Threatens “Hold”

Calling it “free, fair and reciprocal,” the White House this week confirmed the U.S. has signed a new, albeit preliminary bilateral trade treaty with South Korea after months of negotiations over the existing pact. The U.S. Special Trade Representative’s (USTR) office said the outcome includes “substantial improvements” to the existing Korea-U.S. Free Trade Agreement (KORUS), changes which will significantly reduce the $17-billion U.S. trade deficit with Korea.

However, the President late this week said he may put the new KORUS deal on “hold,” as part of his possible effort to force North Korea to stand down from its nuclear weapons program. The President is eying a May meeting with his counterpart in North Korea.

The thrust of KORUS improvements is increasing the number of U.S. cars, trucks and parts shipped to Korea by U.S. makers as that government lifts its cap on those imports. The deal also includes an exemption from the recently announced 25% steel/10% aluminum tariffs announced by President Trump.

While no significant changes were made to in-place agreements on agricultural trade – KORUS has been a financial windfall for producers of beef, pork, dairy, corn, sorghum and wheat – the U.S. was successful in getting Korea to streamline its customs procedures.

Agriculture Secretary Sonny Perdue congratulated USTR and the White House for successfully “protecting the strong agricultural components that were built into the pact.” U.S. ag exports to Korea have increase 95% over the last 10 years, Perdue said.

USTR Hosts Ag Groups to Talk NAFTA; Lighthizer “Optimistic” U.S. will Get Agreement

Newly confirmed chief agriculture negotiator Ambassador Gregg Doud and the office of the U.S. Special Trade Representative (USTR) this week invited major agriculture and agribusiness groups to sit down and talk about “priorities and concerns” when it comes to NAFTA and the ongoing negotiations among the U.S., Mexico and Canada.

Two meetings were held – one with producer groups, including the National Cattlemen’s Beef Assn. (NCBA) and the National Pork Producers Council (NPPC), and the second with processing groups, including the Corn Refiners Assn. and the International Dairy Foods Assn. (IDFA). In addition to NAFTA priorities, it’s expected concerns over recent U.S. tariff actions against China will be discussed as well.

Under pressure from upcoming national elections in Mexico and the U.S., U.S. Special Trade Representative (USTR) Robert Lighthizer this week said he’s optimistic a NAFTA 2.0 deal is coming. He told a cable news outlet, “If there’s a real effort to try to close out and to compromise and do some of the things we all know we should do, I’m optimistic we can get something in principle in the next little bit.”

Still “unclosed” sections of the reinvented tripartite trade treaty include automobiles, though “significant” progress has been made; agriculture with Mexico continuing to cheerlead the imminent closing of that chapter; dispute resolution among the nations, and an agreement over a “periodic review” of the deal, though unlikely to be the mandatory five-year sunset provision pushed by the U.S.

“Reform” Options on RFS/RIN Ready for the White House

While options for President Trump on how to “reform” the Renewable Fuel Standard (RFS), with possible changes in the Renewable Identification Number (RIN) program, have been compiled by EPA Administrator Scott Pruitt and Agriculture Secretary Sonny Perdue and are ready to be handed to Trump, in the end, the White House will likely step away from the policy/program battle.

Trump – who has admonished both sides of the issue to find a “win-win” solution that does not hurt corn farmers – will likely remove himself from the tug-of-war over whether the RFS/RIN programs should be reworked – as several lawmakers have advised – and let Congress work out a possible solution. However, the president will reserve his ability to step in administratively should legislative actions fail.

The options the president could take include RIN obligation waivers under certain market circumstances, and capping RIN prices, which would make petroleum refiners happy as they contend the volatile RIN market is too expensive for most small and medium refiners to navigate.

Also expected to be on the list is removal of speculators, mainly banks and financial traders, from the RIN market to help stabilize prices. At the same time, any action on RFS/RIN programs would include a move to make legal year-round sales of E15 to help tamp down biofuels opposition to any action on the RFS.

With the White House bowing to Capitol Hill pressure to let lawmakers work out the RFS/RIN solution, attention is focused on Sen. John Cornyn (R, TX) and a bipartisan group of Senators who are trying to hammer out compromise legislation to modernize both the RFS and the RIN program. Cornyn is looking at waivers allowing EPA to reduce the annual blend levels for biofuels with gasoline; setting up a credit system on RINs to meet blending obligations for refiners, and a cap on RIN prices.

Enviro Groups Sue to Force EPA to Continue with Power Plant Rules

In effort to thwart President Trump's regulatory rollback of many of the Obama administration's EPA regulations, several environmental groups this week filed suit in federal court to force the agency to continue with its regulatory control of greenhouse gas (GHG) emissions from new and existing power plants.

Led by the Sierra Club, the Environmental Defense Fund (EDF) and the Natural Resources Defense Council (NRDC), the groups filed a petition for review that seeks federal court intervention in EPA's recent decision to essentially repeal and replace the power plant rule. At issue specifically is January action that relaxed compliance for several "major" GHG sources from the Obama rules.

The agency nullified a "once-in, always-in" policy in place since 1995, that held if a so-called major polluter was identified, it will remain a "major" source – including factories and utility plants – even if the facility took actions to reduce its emissions. The Trump EPA said the previous policy "disincentivizes" companies from reducing emissions.

The Environmental Integrity Project (EIP) released a report this week that contends the Trump changes would impact emissions from 12 major sources in Ohio, Illinois, Indiana, Michigan and Minnesota, quadrupling toxic emissions.

CFTC Not Happy with FY2018 Appropriation

The ink was barely dry on the omnibus FY2018 spending package approved last week by Congress and grudgingly signed by President Trump, when word went out the Commodity Futures Trading Commission (CFTC) is not happy with its slice of the pie.

The spending bill cut the CFTC's budget by $1 million, to $249 million, compared with the year before and came as a bit of a surprise to the commission.

"We are absolutely astounded by the decrease in the CFTC's budget," said commission Director of Public Affairs Erica Elliott Richardson. It was the FY2017 spending package that CFTC Chair Chris

Giancarlo thought to independently get increased through personal pleas to congressional appropriators.

“Chairman Giancarlo takes this budget decrease incredibly personally, and is currently meeting with our finance team to figure out a path forward for the agency,” Richardson said.

Democrat Commissioner Rostin Benham, who used to work for Sen. Debbie Stabenow (D, MI) said the cut was “unimaginable” and exposed futures market users to “increasingly…systemic (and other) risk.”

“Simply put, the CFTC cannot responsibly innovate and meet the needs of rapidly evolving markets and market participants absent additional funding,” Benham said.

USDA Says ‘No’ to Regulating Gene-Edited Plants

Gene-edited plant varieties are not regulated by USDA, nor does the department have plans to seek to regulate plant varieties developed using the break-through technologies where the changes could have also come through conventional breeding, Agriculture Secretary Sonny Perdue said this week.

Gene editing, which allows plant variety developers to modify at the genetic level varieties which are disease resistant, week/insect resistant or drought/saline tolerant, is one of several emerging biotechnologies increasingly used by seed companies, and which create plants indistinguishable from those conventionally developed, said USDA.

“The newest of these (new) technologies, such as genome editing, expand traditional plant-breeding tools because they can introduce new plant traits more quick and precisely, potentially savings years or even decades in bringing new varieties to farmers,” the department said. “With this approach, USDA seeks to allow innovation where there is no risk present.”

Perdue stressed USDA will continue to be a watchdog over the technology. “While these crops do not require regulatory oversight, we do not have an important role to play in protecting plant health by evaluating products developed using modern biotechnology.”

2018 Soybean, Corn Acreage Dropping Marginally: USDA

Corn growers will likely plant 88.0 million acres this season, down 2% from 2017, and the lowest planted acreage since 2015, while soybean producers will plant 89 million acres in 2018, down 1% from last year, USDA said this week in its Prospective Plantings report, the first official prediction of U.S. crop production.

Corn acres will increase the most in Indiana with 6.10 million acres, about 150,000 more than planted last year. If growers stick to their intentions, the acreage planted in Indiana, Kentucky, North Dakota, Pennsylvania and Wisconsin will be the largest on record, the department said.

Corn stocks total 8.89 billion bushels, up 3% from the same period last year, with on-farm stocks were up 2%, and off-farm stockpiles up 5%. Soybeans in storage total 2.11 billion bushels, up whopping 21% from March 1, 2017. On-farm stocks were up 28%, and off-farm stocks were up 17%.

All wheat planted in 2018 will likely hit 47.3 million acres, up 3%, the second lowest all wheat planted area on record since 1919. All wheat in storage totaled 1.49 billion bushels, down 10% from 2017. On-farm wheat storage was off 26% from a year ago, and off-farm storage dropped 6%.

Winter wheat acreage is expected to hit 32.7 million up just slightly over 2017 and the year before. Other spring wheat will be planted on about 12.6 million acres, up 15% from 2017. Durum wheat is expected to be planted on 2 million acres, down 13% from the year before.

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