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U.S., China Tariff One-Upmanship Escalates Trade Dispute

As the first \$34 billion of a planned \$50 billion in U.S. tariffs on Chinese imports kicked in late last Friday, the government of China wasted no time in making good on its pledge to retaliate and begin collecting about \$50 billion in levies on an equal amount of U.S. sales, including soybeans, wheat, corn, beef, pork, produce and other ag and industrial products. The White House promptly announced its second tranche of tariffs, amounting to \$200 billion in new duties on Chinese goods that will go into effect in September.

Today, almost 70% of U.S. ag exports are sold to destinations currently in “active negotiations” or in trade disputes with the U.S., according to the U.S. Rural Review from CoBank, and reported by *meatingplace.com*.

The Chinese government said the U.S. is being a “trade bully,” having “ignited the largest trade war in economic history.” President Trump has said he’ll increase the overall tariff burden on China to \$450 billion if the Chinese retaliate again.

While the U.S. aims primarily at Chinese industrial goods for tariff punishment, the Chinese are targeting U.S. agricultural imports primarily because they’re products of regions and states of political importance to Trump and congressional GOP leaders. Some U.S. commodities, like pork, are already burdened by Chinese import taxes and tariffs imposed earlier – amounting to a net 71% tariff on pork imports, says Rabobank – and USDA reports this week indicate China has ceased buying U.S. wheat and has cut back its soybean purchases dramatically.

The Chinese government also, as expected, began formally advising Chinese companies to begin sourcing tariff-target U.S. goods from other countries and regions – Brazil, Russia and Southeast Asia – particularly for soybeans, seafood and cars.

In this week’s *World Agriculture Supply & Demand Estimates* report, USDA called soybean exports at 2.04 billion bushels, down from 2.29 billion reported last month. At the same time, USDA predicts Brazil’s soybean exports will increase about 3%. U.S. industries which rely upon robust export sales, including barge companies and grain elevators in cities along the Mississippi River, are also reporting traffic reductions, job cuts and possible closures if the trade war goes on much longer.

Agriculture Secretary Sonny Perdue continues to crisscross the country reassuring farmers the administration has a plan and the resources to provide economic assistance to blunt lost sales impact should it become necessary. The Chinese government, taking a page from Perdue’s playbook, said this week it contemplates using tariff proceeds it collects to provide similar assistance to Chinese companies hit by U.S. tariffs.

While the U.S. says its tariff action is designed to pressure the Chinese to abandon their “forced transfer” of intellectual property and technology from U.S. companies doing business in China, the Chinese government accused the U.S. of “slander.”

The government said the U.S. is fully responsible for the tariff battles, and confirmed there are no formal talks scheduled to end the stand-off, allowing it has engaged in “four rounds of high-level economic talks with the U.S. and has announced the China-U.S. joint statement with important consensus reached on strengthening trade and economic cooperation and avoiding a trade war. But due to domestic politics, the U.S. has gone back on its words, brazenly abandoned the bilateral consensus and insisted on fighting a trade war with China.”

House Panel Sets Hearing on Trade War Impact; Senate Approves Resolution on Tariff Authority

The House Ways & Means Committee’s subcommittee on trade will hold a hearing July 16 to assess the impact on agriculture, consumers and other businesses of the administration’s escalating tariff tit-for-tat with China and several major U.S. trading partners.

“This hearing will provide an important opportunity to discuss both the direct and indirect negative effects of the U.S. Section 232 and 301 tariffs on America’s farmers, as well as the retaliation they are now experiencing,” said trade subcommittee Chair David Reichert (R, WA). “It will also be an opportunity to discuss the effects on the rural communities that depend on a vibrant agriculture sector.”

“Farmers, growers and ranchers in my home state of Washington and around the country are significantly hurt because products that they are forced to import to stay competitive – such as agricultural equipment, chemicals, steel and aluminum – are now prohibitively expensive,” Reichert said in announcing the hearing. “Adding insult to injury, these same farmers, growers and ranchers are experiencing severe retaliation through prohibitive tariffs and other measures by their major customers, including China, Canada, Mexico and the EU.”

Meanwhile, the Senate this week approved 88-11 a nonbinding resolution designed to “provide a role for Congress in making a determination” by a president contemplating imposing tariffs for “national security” reasons. It’s the first time Congress has formally pushed back on President Trump’s increasing tariff trade wars with several U.S. trading partners, including China, Mexico, Canada and the European Union (EU).

The Senate resolution language was proposed by Sen. Bob Corker (R, TN), Sen. Jeff Flake (R, AZ) and Sen. Pat Toomey (R, PA), and appears to be compromise Senate action offered by Majority Leader Mitch McConnell (R, KY). The resolution falls far short of separate Corker/Toomey legislation that would require the president to consult with and get the approval of Congress before imposing tariffs. The two lawmakers tried to tack it on to the recently approved Farm Bill, but were procedurally blocked.

When U.S. Special Trade Representative (USTR) Robert Lighthizer this week announced the latest

\$200 billion in tariffs on Chinese imports, Senate Finance Committee Chair Orrin Hatch (R, UT), who supports taking a tough stance on China's trade policies, nevertheless voiced his frustration with White House actions.

"Although I have supported the administration's targeted efforts to combat China's technology transfer regime, tonight's announcement appears reckless and is not a targeted approach," Hatch said in a prepared statement. "We cannot turn a blind eye to China's mercantilist trade practices, but this action falls short of a strategy that will give the administration negotiating leverage with China, while maintaining the long-term health and prosperity of the American economy."

Action Could Begin Next Week as Roberts Says Farm Bill Conference Next Move is Up to House

Formal conference committee action cannot begin until the House formally rejects the Senate's version of the 2018 Farm Bill and requests a conference, Senate Agriculture Committee Chair Pat Roberts (R, KS) reminded reporters this week. That action is expected to come as early as next Tuesday.

Roberts would know given he's the only living member of Congress to have chaired both House and Senate agriculture committees and who's survived more Farm Bills than just about any other lawmaker.

The goal remains reconciling the two Farm Bills and getting a final bill approved by both chambers and on President Trump's desk before October 1.

Robert's House counterpart, Agriculture Committee Chair Mike Conaway (R, TX) and his ranking member, Rep. Collin Peterson (D, MN) said they expect GOP leadership to call for a motion Tuesday to move to conference, freeing House Speaker Paul Ryan (R, WI) and Senate Majority Leader Mitch McConnell (R, KY) to formally name conferees and provide them with any formal instructions relative to the bill.

Issues approached differently by the respective Farm Bills – food stamp eligibility, conservation program consolidation, payment limitations, who qualifies to get a government income support check and federal preemption of state animal production/retail laws – are already under discussion by staff, a process by which the number of issues which must be hashed out in member-to-member meetings is minimized.

Pruitt Resigns, Wheeler Takes Charge, Stakeholders hold "Hopes" for EPA Priorities

Plagued by a seemingly ever-growing list of ethical and professional scandals, embattled EPA Administrator Scott Pruitt resigned late July 5, with President Trump moving to place agency Deputy Administrator Andrew Wheeler temporarily at the agency's helm. Even with the change in captains, the EPA ship's course is not expected to change much.

Trump, who said “within the agency, Scott has done an outstanding job,” explained to reporters on board Air Force One that the Oklahoman’s resignation was wholly a personal decision by Pruitt who did not want to be a “distraction for an administration that he has a lot of faith in.” Pruitt said in his resignation letter his decision was because of “unrelenting attacks” on him and his family.

Among the issues on Trump’s environmental agenda unfinished as Pruitt departs are climate change and the future of the Obama Clean Power Plan on greenhouse gas emissions; the ultimate repeal and replacement of the “waters of the U.S. (WOTUS)” final rule; on-going efforts to “modernize” biofuels rules and programs; ozone proposed rules; the Paris Climate Accord, and car/truck emissions standards.

Former Bush Administration EPA executive and a lobbyist for the coal industry, Wheeler will be acting administrator until Trump makes a new appointment. Wheeler told EPA employees this week he’s “got your back,” and promised greater agency transparency and a better relationship with stakeholders and the media. Wheeler’s confirmation by the Senate was contentious because of his previous job as a coal industry lobbyist.

Wheeler is considered by environmental groups a “Washington insider,” who has worked as a senior aide to Sen. Jim Inhofe (R, OK), who called him the “perfect choice” as deputy administrator. Supporters contend his Hill experience will help “smooth those waters.” Trump said Wheeler is tasked with “carrying on with our great and lasting EPA agenda.”

While relieved at Pruitt’s departure, enviro groups do not underestimate Wheeler. “Wheeler is much smarter and will try to keep his efforts under the radar in implementing Trump’s destructive agenda,” said the Environmental Defense Fund (EDF) during Wheeler’s confirmation battles in May. The Natural Resources Defense Council (NRDC) said Wheeler “is equally unqualified to serve as the nation’s chief environmental steward.”

Wheeler is a strong supporter of federal deregulation and limited agency authority, and it’s this philosophy that gives hope to the ethanol industry he will back away from Pruitt’s alleged pro-oil actions when it comes to the Renewable Fuel Standard (RFS). A major focus for industry is the run-up in hardship waivers granted by EPA to small refineries, some retroactive to 2014 and some to facilities owned by multinational petroleum companies. Also controversial is Pruitt’s refusal to reallocate those lost waiver gallons as part of the RFS. EPA reported this week it’s granted 49 RFS exemptions in 2016-2017, roughly double the average annual number granted under the Obama administration.

Sen. Charles Grassley (R, IA), who along with Sen. Joni Ernst (R, IA), has championed the ethanol industry during recent White House negotiations on possible RFS changes, and who’ve locked horns with Pruitt both publicly and privately, said Trump “made the right decision” in accepting Pruitt’s resignation.

SCOTUS Nominee Kavanaugh, Ag Impact

With President Trump's nomination of Court of Appeals for the DC Circuit Court Judge Brett Kavanaugh to replace retired Supreme Court of the U.S. (SCOTUS) Associate Justice Anthony Kennedy, agriculture collectively is wondering what this nomination means for its issues which may come before the high court, including immigration, environmental cases – WOTUS, clean water, clean air – and various land use and labor issues.

Sen. Charles Grassley (R, IA), Senate Judiciary Committee chair, said his committee will hire a lot of temporary staff to help read the more than 300 decisions Kavanaugh has written and the thousands of cases in which he's participated. It could take up to 70 days before the Senate votes on Kavanaugh's nomination to the court, Grassley said, based on the schedule for previous SCOTUS nominees.

President Trump's packaging of Kavanaugh to the business community is as an enemy of overregulation, saying, "Judge Kavanaugh protects American businesses from illegal job-killing regulation." The president is recruiting the business community's help in getting Kavanaugh confirmed, a voice which may be critical in an election year.

Politico reports Kavanaugh voted to overrule federal regulators on cases involving clean air, consumer protections, net neutrality and other regulatory battles. Kavanaugh as a federal judge rejected arguments by meat processors in their case against USDA challenging the country-of-origin labeling law (COOL); "helped kill President Obama's most destructive new environmental rules," said Trump, and Kavanaugh voted twice to limit immigration, once opposing special visas to Brazilian workers when Americans were available to work, and once when he argued a union election was "tainted" because undocumented workers had voted in it.

The question of whether Kavanaugh's nomination can be derailed remains an open one. A former aide to President George W. Bush, Kavanaugh is a graduate of Yale Law School, who clerked for Kennedy and worked for former Independent Counsel Kenneth Starr, who investigated President Clinton, and who was a lead author of the controversial Starr Report. Democrat opposition is less about Kavanaugh personally than it is about any Trump nominee, but with only a 51-vote Senate margin needed to approve the appointment – and with eight Democrat Senators rejecting publicly opposition based simply on the Trump connection – some insiders contend it's not if Kavanaugh can be confirmed, but when.

Senate Majority Leader Mitch McConnell (R, KY) joined Trump last week in allowing a confirmation vote will hopefully happen in September in time for a new justice to join SCOTUS by the first Monday in October when the court convenes for its new session.

USDA Ends Media Jump Start on Key Economic Report Release

USDA this week ended a decade's long practice of permitting early media access to so-called "lock-up" reports released by the National Agricultural Statistics Service (NASS) and the World Agricultural Outlook Board (WAOB), an effort, the department said, to ensure that market-moving crop and livestock reports are made public to all at the same time.

“These reports are greatly anticipated each time they are released and they can have a significant market impact,” said Agriculture Secretary Sonny Perdue. “Modern technology and current trading tactics have microseconds a factor. This change addresses the ‘head start’ of a few microseconds that can amount to a market advantage. The new procedures will level the playing field and make the issuance of the reports fair to everyone involved.”

While most “lock-up” reports are generally released at noon, Eastern time, registered media are allowed access to the reports about 90 minutes before the public release, with stories and reports embargoed until the reports are made public. However, USDA reexamined the process and determined technological advances “have afforded recipients of customized media reports a market advantage not enjoyed by members of the general public.”

“Big Four” Food Companies Launch “Sustainable Food Policy Alliance”

Four of the largest multinational food companies – three of which resigned last year from the Grocery Manufacturers Assn. (GMA) – this week announced they’ve formed the Sustainable Food Policy Alliance to “focus on driving public policies that shape what people eat and how it impacts their health, communities and the planet.” The new group’s first two target issues are nutrition labeling and carbon emissions.

Nestle USA, Danone North America, Mars Inc. and Unilever U.S. are the four founding members of the alliance, touting in a press release their commitment to “collectively and voluntarily advancing issues like sodium reduction, responsible marketing and transparency and reducing the impact on the planet, including cutting greenhouse gas emissions.”

The five “key areas” the companies will target are “consumer transparency” to improve the quality and accessibility of food information; environment, focusing on “innovative, science-based solutions” on climate change, “more resilient communities,” renewable energy and “sustainable agriculture systems;” food safety and the “global supply chain,” and people/communities to “promote a strong, diverse and healthy workplace and support the supply chain, including rural economies.”

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