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Disaster Bill Still Blocked in Senate over Puerto Rico Aid

The Senate version of a supplemental spending bill designed to provide nearly \$14 billion in federal disaster aid to states ravaged by hurricanes, floods, wildfires and historic winter blizzards was blocked again last week as GOP and Democrat Senators remained at an impasse over increasing aid to Puerto Rico.

The Senate bill already carries \$600 million in Puerto Rican nutrition assistance. The House has already approved its disaster assistance package, including more money earmarked for Puerto Rico.

At the same time, Sen. Charles Grassley (R, IA), chair of the Senate Finance Committee, continues to try and shoe-horn authority and money for USDA to separately cover the losses of farmers and ranchers with uninsured on-farm stored corn and soybeans. USDA said as of March 1, there was soybeans and the third highest amount of corn stored uninsured on farms. USDA has no program to indemnify producers who store grains and oilseeds on farm without insurance.

A related casualty of the border battles is Secretary of Homeland Security Kirstjen Nielsen, who resigned suddenly last weekend after meeting with President Trump at the White House. Trump was known to be frustrated with the Department of Homeland Security's (DHS) inability to meet his goals for containing the immigration onslaught at the Mexican border. Nielsen was considered "weak" by White House immigration hardliners, and the president now must contemplate not only naming a new DHS secretary, but also appointing a White House "immigration czar" to wrangle border issues.

Most attribute the blocked disaster bill as the victim of an on-going feud between President Trump and the mostly Democrat leadership of Puerto Rico, particularly San Juan Mayor Carmen Yulin Cruz, whom the president has described as "crazed and incompetent." Trump has told audiences he thinks Puerto Rico is a "mess" – "The people of Puerto Rico are GREAT, but the politicians are incompetent or corrupt," he tweeted – and he believes it has received a disproportionate amount of federal assistance compared to continental states just as hard hit by natural disasters.

Fingers are crossed that progress is being made behind closed doors, though Senate Appropriations Committee Chair Richard Shelby (R, AL) described the status of talks as "a crawl, a standoff, a standstill." Congress is eying a two-week Easter recess beginning April 15, and without compromise, no disaster assistance moves midwestern, southern and western states where farmers need help to even consider spring planting decisions.

Last week, however, Senate Majority Leader Mitch McConnell (R, KY) found himself unable to come up with 60 votes to move to final floor action on the bill after President Trump made the Puerto Rico aid issue a major hurdle when he told Republicans he thinks Puerto Rico is getting too much money.

The Senate first rejected a GOP offer to up the ante on disaster aid to reflect funding for two years of disasters, including midwestern and southern states hit by Missouri River flooding in recent weeks, but then turned around and rejected the House-passed version of the overall disaster package. Trump hammered on Democrats to support the GOP plan offered by Sen. David Perdue (R, GA), accusing them of “blocking funding and relief for our great farmers and rural America.”

The plan included about \$3 billion in disaster aid – to be split among hurricane, tornado, wildfire and flood states – as well as \$150 million to rebuild rural “facilities” and \$480 million in forest restoration funding.

Also rejected last week was a \$16.7-billion Democrat offer, put forward by Senate Minority Leader Chuck Schumer (D, NY) and Sen. Patrick Leahy (D, VT), to increase the disaster package by about \$3 billion to specifically cover midwestern flood states, as well as areas hit by tornadoes in the Midwest and South in 2019. However, again the cash influx was pegged to more money for Puerto Rico.

The impasse has senators from Florida, Georgia, Texas, Alabama, Nebraska, Iowa, Minnesota, Missouri and Arkansas nervous because the longer the aid bill is blocked, and the closer farmers are to planting decisions, the outcome could be dire. Sen. Johnny Isakson (R, GA) told his colleagues that producers in his state need their assistance – or at least the assurance of assistance – by the middle of the month or many will start going out of business.

Sen. Charles Grassley (R, IA), who’s state is one of the hardest hit by flooding, challenged Democrat presidential aspirants, “To my colleagues across the aisle who have been spending a lot of time in Iowa as presidential candidates – if you vote against moving forward – how are you going to look lowans in the eye?”

Trump Threat to Close Mexican Border Now “One-Year Warning,” Ag Still Nervous

When President Trump threatened last weekend to close the U.S.-Mexican border, insiders said the talk was more bluster than reality, but U.S. agriculture, stinging from Chinese, Canadian and Mexican retaliatory tariffs over U.S. steel/aluminum tariffs, warned Trump at every turn that such a move would cripple \$19 billion U.S. trade with Mexico, particularly billions in trade in corn, milk, ham, rice and potatoes.

The president now says he’ll give Mexico a “one-year warning” – along with benchmarks that nation must hit on reducing migrant caravans and illegal drug shipments to the U.S. – before closing the border. And just for good measure, he said he might slap tariffs on Mexican automobiles if drug trafficking and migrant caravans don’t decline. “Let me give you a little secret: Security is more important to me than trade,” the president told reporters last week.

Acting White House Chief of Staff Mick Mulvaney said over the weekend, "They (Mexican officials) recognize that's not an empty threat."

The president tweeted that he'll slap a 25% tariff on all cars "made in Mexico and shipped to us." "If that doesn't work, which it will, I will close the border," Trump tweeted. However, late last Friday, he praised the new Mexican government for the "progress" it's made already in apprehending drug dealers and moving to stem illegal immigration. "I don't expect to have to tariff anything," Trump said, with Mulvaney saying on Fox News Sunday, "Mexico has done more in the last week to help with our illegal immigration crisis than Nancy Pelosi and Democrats in the House."

Mexico isn't buying the president's threat. The newly installed Mexican Undersecretary for North America Jesus Seade said "We are not concerned," Seade said, pointing to a side letter – already in force – negotiated as part of the U.S.-Mexico-Canada Agreement (USMCA) that pretty much exempts cars and car parts from any potential tariffs among the three nations. "What has been agreed on the car industry is firm, is not under threat and we are sticking to that," Seade said.

In addition to major agricultural groups and the U.S. Chamber of Commerce, USDA told Trump closing the border isn't a good idea, joined by Larry Kudlow, White House chief economic advisor – who shared data with the president – and Senate Majority Leader Mitch McConnell (R, KY). "Closing down the border would have potentially catastrophic economic impact on our country and I would hope we would not be doing that," McConnell said.

For her part, House Speaker Nancy Pelosi (D, CA) is considering packaging the Trump threat as legislation and ordering a chamber vote to force Republicans to go on-record for or against the president's threatened action.

U.S. Customs & Border Protection said a week ago it would move significant personnel away from ports of entry, slowing down some border crossing processing lanes, United Fresh Produce Assn. (Unifresh) reported.

However, anonymous White House insiders say the president is fully aware of the negative impact a border closure would have on the markets, and Trump is loath to tarnish his economic record or alienate his rural base as both parties shift their attention to the 2020 elections.

The National Pork Producers Council (NPPC) said Mexico represents 20% of its members' export market, and former Secretary of Agriculture Tom Vilsack, now president of the U.S. Dairy Export Council, said the loss of the Mexican market -- \$1.4 billion annually – would prove to be a "gut punch that would set the industry back a decade or two." Another \$600 million in feed grains enters the U.S. from Mexico.

The U.S. Chamber of Commerce, allowing it's "preparing for the worst," said closing the U.S.-Mexican border, even to regular commerce and travel, would have devastating impact on the overall U.S. economy.

The president's tough talk comes as senior White House staff warn of increasing numbers of Latin American immigrants making their way to the U.S. border. "Now they're going to stop them, and if they don't stop them, we're closing the border. They'll close it and we'll keep it closed for a long

time. I'm not playing games," Trump said. In a later tweet, the president said, "Closing the border would be a profit-making operation."

Trade Notes

Trump Veto of Tariff-Limiting Law Vowed – If Congress enacts legislation to limit the power of the president to invoke so-called Sec. 232 tariffs on imported goods for “national security” reasons, as President Trump did with his steel/aluminum tariffs, Trump’s top economic advisor said a veto is likely. “The president is not in favor of that at the moment,” said Larry Kudlow, White House chief economic advisor to a breakfast audience in Washington, DC, last week. “He believes, as he conducts his trade relationships, he needs maximum leverage to bring home some deals.” Sen. Charles Grassley (R, IA), chair of the Senate Finance Committee, said he expects a bipartisan compromise to emerge in the coming weeks to limit the president’s authority to cite national security for imposing tariffs. A House version to limit Trump’s trade authority is expected to pass easily.

Trump Says Xi Meeting on China Deal at Least a Month Away – With ongoing tariff talks between the U.S. and China reaching “a delicate stage,” with White House economic advisors telling reporters “significant work remains” but they’re inching “closer and closer” to a final deal, President Trump said last week after meeting with Chinese Vice Premier Liu He that a face-to-face meeting between himself and Chinese President Xi Jinping likely won’t happen for at least four weeks, and it could take six weeks to wrap up a “comprehensive” final deal. Liu said last week’s talks made “good headway,” so good, in fact, he kept his delegation in Washington, DC, for an extra three days. Issues remaining include enforcement details, details on intellectual property protection theft protection and forced technology transfers, China’s rigid, lengthy biotechnology approval process and the date Trump will lift almost \$260 billion in U.S. tariffs on Chinese imports. It’s also unclear how much China will commit to increasing its purchases of U.S. agriculture and energy products.

U.S.-EU Trade Talks Delayed – While President Trump says they’ll include ag issues and a raft of EU ministers say they won’t, bilateral trade negotiations between the U.S. and the European Union (EU) are delayed. Both sides of the discussion hoped to begin talks this month. It appears the big hurdle is among EU governments trying to figure out if agriculture exports from the U.S. should be part of the formal negotiations. Even without agriculture, France is not happy with giving the European Commission (EC) trade team the okay to begin talks on elimination of industrial tariffs. Without France, talks could technically begin, but negotiators would lack a mandate on how to proceed.

Japan Agrees to Begin Trade Talks this Month – Formal negotiations between the U.S. and Japan to achieve an agreement President Trump says will eliminate the U.S.-Japan trade deficit and lead to “fair and reciprocal” trade are set to start April 15-16 in Washington, DC, and organized agriculture here wants to see a deal done quickly. The first round will focus on setting the scope of future talks, and hopefully setting up a trade summit between Trump and Japan’s Prime Minister Shinzo Abe later this month. Agriculture will a tough area, with U.S. beef anxious to a deal done with Japan before that nation weds itself to beef imports from partners in the TransPacific Partnership (TPP) deal. Similar anxiety exists for U.S. dairy and pork producers. Japan has told the U.S. not to expect any ag trade concessions more generous than those the country agreed to in TPP or other bilateral treaties. And while Japan wants to talk “goods” only, the U.S. is pushing to

expand the agenda to include goods, services and investments. At the same time, the Trump trade gang is working up a plan to get a formal deal done, but avoid having to get congressional blessing, and it appears the easiest way is to cut a “preliminary” ag-only deal on quotas and tariff reductions.

House, White House Talking Ag Labor Shortages

There's increasing dialogue between the House and Senate on best ways to try and ease the chronic and worsening shortage of legal agricultural workers, and now it appears the White House has joined the conversation in the person of President Trump's son-in-law Jared Kushner.

Rep. Zoe Lofgren (D, CA), a veteran labor champion and chair of the immigration subcommittee of the House Judiciary Committee, acknowledged during a hearing on the issue of ag workers, she's had “some contact” with the administration on drafting discussion legislation to address ag labor shortages.

Lofgren said it's possible a bill will be introduced soon that will take on issues like reforming the H-2A seasonal worker program, including expanding the number visas issued, and the White House said it's working on ways to expand legal immigration, including foreign ag workers. She said she's impatient to get started on the issue, but won't set arbitrary deadlines for action.

Ag witnesses at the Lofgren hearing said they want more H-2A visas available to a greater number of ag employers and they want them to cover annual work periods; they want the visa application system to be simplified and made less expensive and “more realistic.” Union leaders said they want to see a pathway to citizenship for existing ag workers who are undocumented or here under the H-2A program.

Lofgren has already introduced the House version of Sen. Dianne Feinstein's (D, CA) “blue card” legislation that provides some protections and visa status for workers already in the U.S. For its part, the administration says modernizing the H-2A program is a priority, with USDA last week launching an online program to help farmers more easily navigate the application process.

Enviro Issues

Grassley, Wyden Investigating Possible Conservation Easement Tax Abuse – Senate Finance Committee Chair Charles Grassley (R, IA) and panel ranking member Sen. Ron Wyden (D, OR) are investigating potential abuse of syndicated conservation easement transactions which may allowed some to get inflated benefits while getting around federal tax requirements. The committee has sent 14 separate letters to individuals who appear to be participating in investor groups that may be unfairly getting richer from conservation easements. The committee investigation comes as the IRS continues its years-long investigation into the same transactions. The actions in question include those who sell interests in land areas to folks looking for big deductions, with those taxpayers getting inflated appraisals leading to conservation easements on the land in question. The resulting deductions are divvied up among investors in the land. Grassley called the committee look-see “just our first step in getting to the bottom of how these tax provisions are being abused and it will inform what else needs to be done to fix the problem.” The Brookings Institution found that gaming the

syndicated conservation easement investment provisions cost the federal government more than \$3 billion on 2014 alone, reports Agri-Pulse.

Chlorpyrifos Ban Target of Legislation – Legislation to ban the use of the pesticide chlorpyrifos has been introduced by 13 senators led by Sen. Tom Udall (D, NM). Calling their bill the “Protect Children, Farmers and Farmworkers from Nerve Agent Pesticides Act, the bill seeks to ban the chemical even though a federal court considers separate action to restrict or halt chlorpyrifos use. Similar legislation was introduced in the last Congress, but didn’t see committee action. Enviro groups have sued to halt the use of the pesticide and the Obama administration was moving in that direction before the Trump EPA reversed course. USDA testing finds little evidence of residues on fruit and vegetables.

Nearly 40 Small Refiner Exemption Apps Await DOE – EPA has not acted on 39 applications for small refinery hardship exemptions from Renewable Fuel Standard (RFS) biofuel/gasoline blending requirements, awaiting Department of Energy (DOE) review information. EPA Administrator Andrew Wheeler told the House Appropriations Committee last week he expects the results of DOE review in a few days and would act on the applications in a “timely” manner.

Corn Production “Air Pollution” Leads to 4,300 “Premature Deaths:” Study – The EurekaAlert website reports a new study, published in the journal “Nature Sustainability,” contends the environmental damage done by U.S. corn production contributes to 4,300 “premature deaths” on a yearly basis. The estimate of the damage caused by corn production are based on the use of “detailed information” on pollution emissions, pollution transport by wind and human exposure to increased air pollution. While acknowledging the “damage to human health” from producing a bushel of corn varies by region, in some areas the damage is greater than its market price. “The deaths caused per bushel in the western corn belt states, such as Minnesota, Iowa and Nebraska, tend to be lower than in the eastern corn belt states such as Illinois, Indiana and Ohio,” said lead researcher Jason Hill, an associate professor, University of Minnesota College of Food, Agriculture & Natural Resources Sciences. Hill said farmers can improve the environmental profile of their crops by use precision ag tools and switching to low-ammonia fertilizers.

USDA Study Shows Ethanol Greener than Gasoline – Greenhouse gas emissions from corn-based ethanol are about 39% less than conventional gasoline, according to a study released by USDA last week. The study also found that when “ethanol is refined at natural gas-powered refineries, the greenhouse gas emissions...are around 43% lower.” The study, done as part of the justification for granting year-round sales of E15, “provides further evidence that biofuels from America’s heartland reduce greenhouse gases even more than we thought and that our farmers and ethanol plants continue to become more efficient and effective,” said Agriculture Secretary Sonny Perdue. The study was published in the journal Biofuels, and supports other research showing ethanol has a better greenhouse gas profile than previously thought. The study confirms that previous notions of increase land use to grow corn for ethanol have not materialized, and that improvements in ethanol refining, combined with on-farm conservation practices, including reduced tillage and cover crops, further reduce greenhouse gases associated with ethanol. Continuing and expanding such refinements, the study says, could lead to a 70% reduction lifecycle emissions by 2022.

CSP Sign-Up Announced – May 10 is the deadline for producers to enroll in the federal Conservation Stewardship Program (CSP), USDA’s Natural Resources Conservation Service (NRCS) announced this week. The CSP, the government’s largest working lands conservation program, will get \$700 million dedicated to new enrollments in FY2019, USDA said. The 2018 Farm

Bill authorizes NRCS to accept new CSP enrollments from now until 2023, and it includes changes to the program. These updates include:

- NRCS now enrolls eligible, high ranking applications based on dollars rather than acres. For fiscal 2019, NRCS can spend up to \$700 million in the program, which covers part of the cost for producers implementing new conservation activities and maintaining their existing activities.
- Higher payment rates are now available for certain conservation activities, including cover crops and resource conserving crop rotations.
- CSP now provides specific support for organic and for transitioning to organic production activities and a special grassland conservation initiative for certain producers who have maintained cropland base acres.

CSP is offered in all 50 states and the Pacific and Caribbean areas through continuous sign-ups. CSP is for working lands including cropland, pastureland, rangeland, nonindustrial private forest land and agricultural land under the jurisdiction of an Indian tribe.

CFTC Sets Agricultural Advisory Committee Meeting

The Commodity Futures Trading Commission's (CFTC) agricultural advisory committee will hold its first meeting on April 11, at the Marriott Kansas City Overland.

The meeting will run 8:30 am – 12:00 pm, and the agenda includes Commissioner opening statements; the future of FCMs by Matthew Kulkin, director, Division of Swap Dealer and Intermediary Oversight; Joe Barker, president, CHS Hedging, LLC, and Tom Kadlec, president, ADM Investor Services; cash market innovations Jim Heneghan, senior vice president–Agribusiness, Gro Intelligence; Jay Froscheiser, senior vice president–Financial Analytics, DTN, and Mark Pryor, chairman and CEO, The Seam; the evolution of electronic trading in agricultural markets: the role of matching algorithms by Tim Andriesen, managing director–agricultural products, John Scheerer, senior director, Global Command Center, Andrew Vrabel, executive director, Global Head of Investigations, then followed by new business and subcommittee recommendations and member comments/questions.

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