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Senate Close to Disaster Deal Compromise, House to Vote Another Package; Negotiators Cautious

Farmers, ranchers, rural businesses and communities across the country may be a step closer to receiving billions in politically stalled federal disaster aid as Senate Republicans reported this week a compromise bill – one with President Trump’s preliminary blessing – may be up for a vote as early as next week.

The House nevertheless is preparing to put yet another disaster package on the floor next week as well, this version carrying a price tag of \$17.2 billion, including language that will provide federal money to cover losses of on-farm stored corn and soybeans lost to midwestern flooding. It’s expected the Senate compromise plan will also cover uninsured, on-farm stored commodities.

The newest \$17-billion Senate bill reportedly will provide aid to states from Florida to California, allowing rebuilding after 2018-2019 natural disasters, including hurricanes, tornadoes, wildfires and the Midwest damage done by flooding because of an historic “bomb cyclone” that hit states along the Missouri River. Hurricane damage in the South is estimated by farm groups to have caused over \$5.5 billion in damage; Missouri River states as far south as Mississippi are reporting nearly \$4 billion in damage.

Senate approval of a \$13-billion-plus disaster package imploded a month ago when the president publicly opposed giving Puerto Rico any more federal assistance than that already sent to the island territory, claiming its political leadership is incompetent. Both the House and Senate floated various iterations of disaster aid compromises, but each failed.

Now, in addition to the \$600 million the Senate bill carries for nutrition assistance for various U.S. territories, including Puerto Rico, the new deal reportedly carries an additional \$300 million in Housing & Urban Development Department (HUD) grants to help rebuilding in Puerto Rico. While some Democrats pushed for the federal government to pay 100% of Puerto Rico’s rebuilding, most lawmakers oppose the notion if only due to the precedent it sets. Nevertheless, the current plan being discussed would have the government pay 90% of the rebuilding costs, with the island picking up 10%.

Sen. David Perdue (R, GA) said after closed-door White House meetings this week that Trump is “on board” with the new GOP deal, but will withhold endorsement until he sees final language.

Sen. Patrick Leahy (D, VT) and Senate Appropriations Committee Chair Richard Shelby (R, AL), who are leading the negotiations, said talks have accelerated given the new GOP deal presented

this week, but are far from complete. As Leahy told reporters, “We have to tug along our caucuses and the White House. But we’re getting closer.”

In a related development, USDA published a list of existing assistance programs available to producers hit by flooding in the Midwest. The article lays out programs up and running, application deadlines, etc., can be found by going to <https://www.farmers.gov/recover>.

Trump, Pelosi, Schumer: Group Hug over \$2-Trillion Deal on Infrastructure Investment

President Trump this week hosted a second White House meeting with House Speaker Nancy Pelosi (D, CA) and Senate Minority Leader Charles Schumer (D, NY) and when the meeting was over not only was there partisan no name calling or finger pointing, but the two Democrat leaders reported the meeting was “productive,” so much so they’re on the same page as Trump when it comes to Washington spending up to \$2 trillion on national infrastructure repair and investment.

The three leaders have a deal to return in early June to continue discussions. “We left the hard part to be discussed later,” said Senate Minority Whip Dick Durbin (D, IL), referring to how to pay for a monster infrastructure package.

No Republicans were invited to this week’s meeting, and most, when asked for their reaction to the Pelosi-Schumer-Trump group hug subscribed to the statement of Rep. Mario Diaz-Balart (R, FL): “The devil is always in the details.”

An agreement in principle between the president and Democrat congressional leaders – on an issue both parties have touted for years – is a long way from a package of infrastructure construction projects and new money to pay for it. At the same time, Trump supporters say they find it odd for Democrat lawmakers to seek Trump support for such a massive federal investment while the House continues to mount investigation after investigation against a sitting president.

In any event, Republicans have said publicly \$2 trillion is too much, will increase the federal deficit and make the states too reliant on federal largesse moving forward.

“I like the number you’ve been using. Two trillion. That number you can talk about,” Trump told Pelosi during the meeting. He talked in the January State of the Union speech about a \$1.5-trillion infrastructure package. For herself, Pelosi said the two sides talked about an approach to infrastructure investment and “came to one agreement, that the agreement would be big and bold.”

Not part of the White House discussions was specifically how to pay for the infrastructure plan. The Democrats, prior to the meeting, outlined in a letter to Trump that any bill to pay for roads, highways, bridges, airports, local commuter systems and river infrastructure – “America’s unmet infrastructure needs are massive” – must be paid for with “real money,” meaning no public-private partnerships as some have suggested or by deregulating the process. They want the president to talk about corporate tax hikes to pay for new spending, a mandate on the use of U.S.-made materials, and a climate change component that invests in renewable energy. They also want to see broadband, water, energy, schools and housing addressed as well.

Strong “buy America, labor, and women, veteran and minority-owned business protections” must be included, Schumer and Pelosi said.

A push for an increase in the federal gas tax, which hasn’t changed in 26 years, is inevitable, say some Capitol Hill Republicans, and Trump has said publicly hiking the corporate tax rate after lowering it just last year, “would grind the gears of our thriving economy.” Schumer has said he won’t talk gas tax hike unless the president agrees to change of his 2017 tax reform law sections.

Japan Ag-Only Trade Pact Could Come Next Month: Perdue

A bilateral trade accord between the U.S. and Japan that would deal with agriculture only – “the issues we care about” – as a precursor to a broader secondary treaty could be in hand as early as the end of this month, Agriculture Secretary Sonny Perdue said this week.

“We want a quick resolution of our agriculture request here, and then maybe temporarily that could then be fleshed out over a longer period,” Perdue told reporters at USDA this week.

President Trump is scheduled to be in Japan May 25-28 for the accession of Japan’s new Emperor Naruhito. Japanese Prime Minister Shinzo Abe was in Washington, DC, this week on a state visit.

During the Abe visit, Trump pushed hard for the Japanese leader to agree to end “massive” tariffs on U.S. agricultural exports to Japan. Abe reportedly countered with a similar desire to see the U.S. end its threat of imposing 25% tariffs on Japanese cars, reminding the president how many Americans are employed by Japanese car makers operating in the U.S.

U.S. Special Trade Representative (USTR) Robert Lighthizer and Japanese Economy Minister Toshimitsu Motegi met during Abe’s White House visit, spending most of their time on cutting an ag-only deal before embarking on talks to reach a more comprehensive trade agreement.

The U.S. goal is to get the same trade and access concessions for U.S. producers selling to Japan as are enjoyed by the 10 members of the TransPacific Partnership (TPP), including Australia and Canada, as well as concessions the Japanese have given European Union (EU) exporters as part of a new bilateral trade agreement.

Perdue said he wants to see tariffs cut for U.S. ag exports across the board and he wants the cuts to be retroactive. Japan has reduced tariffs for TPP and EU exporters twice in the last six months.

Abe has told Trump he should simply reenter TPP – Trump pulled the U.S. out of TPP shortly after taking office in 2017 – but the president has dragged his feet.

Trade Notes

USMCA House Fate in Pelosi’s Hands – While she says her caucus continues to look for a way to say “yes” to the new U.S.-Mexico-Canada Agreement (USMCA), House Speaker Nancy Pelosi’s (D,

CA) caucus members continue to threaten to kill the new NAFTA treaty based on what they say are inadequate labor, environmental and enforcement provisions. This week she added prescription drug provisions to the list of USMCA objections, but said, "Enforcement is key to all of it." In a related development, Mexico's parliament formally approved labor reforms – primarily how unions function – as required by the USMCA agreement. President Trump and Vice President Mike Pence are telling ag audiences across the country of the need to ratify USMCA this year, but said they won't send the implementing legislation and a statement of prospective actions until Pelosi formally requests it. Meanwhile, Sen. Chuck Grassley (R, IA), chair of the Finance Committee, said this week the president needs to lift his steel/aluminum tariffs on Canada and Mexico if he ever expects to see USMCA ratified by either nation. "If these tariffs aren't lifted, USMCA is dead," the lawmaker wrote in an editorial that was published in the Wall Street Journal just ahead of a Grassley-Trump meeting at the White House. Agriculture Secretary Sonny Perdue said of the Grassley remarks, "I agree, and lawmakers can say things more forcefully than I can afford to say things." Grassley also chided Democrats, including Pelosi, for criticizing USMCA but putting no specific suggestions for improvement on paper.

More Producer MFP Cash Payments Unlikely – While White House senior economic advisor Larry Kudlow said this week the administration is willing to go beyond the \$12 billion already pledged in cash payments to farmers negatively impacted by the president's tariff tantrums, Agriculture Secretary Sonny Perdue was left to pour cold water on that notion later in the week. Kudlow said Trump is "ready to do more if necessary" when referring to the direct cash payments the federal government has made to producers, but Perdue has said repeatedly the pay-outs are a one-time thing. Perdue further said he's unaware of any discussion to increase that pot of money, and wrote the issue off saying it was likely confused with the fact USDA this week announced it extended the deadline for eligible producers to certify their 2018 production – it's now May 17 – and get paid by the Market Facilitation Program (MFP).

China Deal Coming – U.S.-China détente in their tariff wars could be announced as early as next weekend, according to some reports circulating in Washington, DC, this week, and reported by CNBC. The biggest evidence something major is afoot is that Chinese Vice Premier Liu He, President Xi Jinping's right-hand advisor, is bringing something like 100 officials to Washington, DC, for the May 8 round of talks. While some issues remained unresolved this week, more and more speculation that President Trump will back off his "tariff-stay-in-place" threat increases, with a greater likelihood those tariffs would be phased out based on how well China abides by the rules of the agreement. One report says the 10% tariff on part of the \$200 billion of goods imported would be dumped, and the remaining tariffs would be removed on an accelerated schedule, leaving just the 25% tariff in place. Affirmation of the expectation comes as criticism of an "inferior" deal starts to fly around town from all the usual suspects, with a major flaw identified as a lack of restriction on Chinese subsidies to its industry.

Hill Dems Tee Up Climate Change, House Approves Measure Barring Paris Accord Withdrawal

The House late this week approved on a 231-190 vote a bill that would stop the U.S. from withdrawing from the controversial Paris Climate Agreement next year and require the Trump

administration to come up with a plan for meeting the U.S. commitment on emissions reductions included in the Paris accord.

Senate Majority Leader Mitch McConnell (R, KY), calling the House action “political theater,” said the Senate won’t take up the measure. President Trump says he’ll veto the bill if it ever reaches his desk. While Trump has said he’ll pull the U.S. out of the Paris agreement, procedurally he must wait until November, 2020, to take that action.

In a related development, USDA scientists attending a G-20 Agricultural Chief Scientists meeting in Tokyo this week endorsed a group commitment to foster “climate-smart technology,” as part of a list of technology priorities that includes science-based decision making.

In the Senate, Democrats released a plan this week to overhaul the nation’s energy tax policy, including a plan to replace existing federal tax cuts and other incentives for biofuels, meaning the \$1/gallon biodiesel blenders’ tax credit would die. The plan would tie any tax incentive for a biofuel to a life-cycle analysis of greenhouse gas emissions, including those from crop production. The likelihood of such a plan reaching the president’s desk is nil, said one staffer.

Democrat House lawmakers, led by Rep. Kathy Castor (D, FL), chair of the Select Committee on the Climate Crisis created by Speaker Nancy Pelosi (D, CA), said the Paris accord vote was the first step by the House majority to signal the rest of the country they share the nation’s priority on taking climate change mitigation action.

Over 30 amendments from both sides of the aisle were approved for debate that began Wednesday. Several amendments dealing with rural issues focused on how climate change and the Paris agreement would impact rural communities.

One amendment would prevent the federal government from getting in the way of states and local governments which wish to take tougher action on climate change than embraced by the federal government. Another would allow “voluntary actions” by agriculture to meet emissions reduction targets, while another focuses on “the fundamental priority of safeguarding food security and ending hunger, and the particular vulnerabilities of food production systems” to climate change. Others would require Congress and the administration to acknowledge climate change is contributing to more frequent saltwater intrusion, floods and drought.

EPA Says Glyphosate “Likely” Not Carcinogen, Plans Minor Label Changes

The herbicide glyphosate is “likely” not cancer-causing, said EPA this week, proposing management steps to prevent application drift while deciding product labels need to disclose the risk of chemical resistance.

In a proposed interim decision on its every-15-year review released this week, the agency said it did “not identify any risks of concern for humans from exposure to glyphosate...in addition, the agency determined glyphosate is not likely to be carcinogenic to humans.”

The public has 60 days to comment after publication in the Federal Register.

EPA did restate its problems with how the International Agency for Research on Cancer's (IARC) 2015 conclusion that glyphosate is a "probable carcinogen" was reached, adding the agency's cancer evaluation was "more transparent" and "is more robust than IARC's evaluation," explaining it looked at much wider set of studies and IARC only reviewed a "subset" of available research.

The EPA action comes after two U.S. juries found Bayer/Monsanto's Roundup – the major product containing glyphosate – was liable for plaintiff cancers. The company is appealing those verdicts.

When it comes to environmental impact, the agency did acquiesce the chemical shows "potential risk" to birds and animals where the herbicide is applied, and said there are risks to plants and water sources if the chemical drifts during application. EPA is recommending producers not spray the herbicide when speeds exceed 15 miles per hour or during temperature inversions.

Wheeler Reportedly Mulling Partial Small Refiner Exemption Option

Instead of a complete "hardship" exemption for small refiners from biofuel blending requirements under the Renewable Fuel Standard (RFS), EPA Administrator Andrew Wheeler is considering providing partial exemptions providing relief from up to half of their RFS blending obligation, according to reports circulating this week. EPA would not comment on the reports.

Currently, the agency is sitting on 36 pending exemption requests for 2018 and the partial exemption option is a political out for the agency which has been badgered by the petroleum industry on one hand and the biofuels industry on the other. Those 36 pending requests have been evaluated by the Department of Energy (DOE), but those reviews and recommendations were only just transferred to EPA, so no decisions have been made.

Three Giants of Agriculture Pass Away

Three of agriculture's strongest champions passed away this week. Here is a rundown their accomplishments:

Sen. Richard Lugar (R, IN) – Sen. Richard Lugar, 87, died this week of complications from a chronic neurological disorder. A bipartisan favorite, Lugar served as chair of the Senate Agriculture Committee, in addition to his role as a major Senate champion for nuclear disarmament and foreign policy. Lugar was ag committee chair twice – from 1995-2000 and briefly in 2001 – and he was known for his tenacity in getting government out of producer decision-making, allowing farmers to operate at full capacity without government interference in either their production or marketing decisions. He was also a champion for the U.S. Feed the Future program, working to get overseas governments to embrace U.S. biotechnology. Lugar left the Senate when he lost his 2012 primary race, accused of not being conservative enough by a Tea Party opponent. Former Sen. Max Baucus (D, MT), who co-chaired with Lugar the Farmers for Free Trade coalition, said the Indiana

lawmaker's death "leaves behind an unmatched legacy of bipartisan achievement on everything from nuclear proliferation to food and agriculture policy."

Bart Chilton, CFTC commissioner – Bart Chilton, who was nominated and confirmed by the Senate to serve on the Commodity Futures Trade Commission (CFTC) by President George W. Bush and renominated by President Barack Obama, died last weekend. He was 58 and suffered from pancreatic cancer. A champion of agriculture, Chilton served three separate House members, including Rep. Jim Jontz (D, IN) and Rep. Jill Long (D, IN), both members of the House Agriculture Committee. Long went on to be USDA undersecretary for rural development. Chilton also served as Agriculture Secretary Dan Glickman's deputy chief of staff, was an executive of the Farm Credit Agency (FCA) and ended his Capitol Hill career as farm policy advisor and senior aide to then Senate Majority Leader Tom Daschle (D, SD). He also worked for the National Farmers Union (NFU) in its Washington, DC, office. Most recently, Chilton hosted "Boom Bust" on RT Television.

Joe O'Mara, trade negotiator – Charles J. "Joe" O'Mara, 75, a Washington, DC, ag trade consultant, died this week of complications from a stroke. From 1990-95, O'Mara served as counsel for International Affairs to the Secretary of Agriculture and special negotiator for agriculture to the United States Trade Representative. O'Mara is credited with a major contribution to the Uruguay Round of General Agreements on Tariffs & Trade (GATT), and his role in helping achieve the original North American Free Trade Agreement (NAFTA). Former USDA chief economist Joe Glauber told Agri-Pulse this week it was O'Mara's expertise that "almost single-handedly resulted in a successful conclusion to the Uruguay Round and creation of the World Trade Organization (WTO)."

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