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It’s Official, Says NOAA – July Hottest Month in 140 Years

July goes down in the books as the hottest month in the 140-year history of official recordkeeping, reported the National Oceanic & Atmospheric Administration (NOAA) this week. The “global land and ocean surface temperature” in July average 1.71 degrees F higher than the average for the 20th century, breaking the previous record set in 2016.

NOAA reports July was the 415th month during which “temperatures, at least nominally, (were) above the 20th century average,” with stronger than usual heat waves experienced in Alaska and central Europe. So far, the January-July average temperature is the second highest six-month period on record. Sea ice coverage also reached record lows, NOAA reported, with 30,900 square miles less coverage than during the previous record in 2012. July’s ice was nearly 20% below the 1981-2010 average, the agency said.

Trump Delays China Tariff Threat, China Vows Retaliation as Talks Resume by Phone

President Trump’s threatened 10% tariffs on $300 billion in Chinese exports to the U.S., set for September 1, have largely been delayed until mid-December, as China vows it will retaliate against American agriculture exports whenever the new levies are imposed.

As to the fate of U.S.-China negotiations, preliminary talks among major negotiators to jump start the trade exchanges have resumed, at least by telephone. Treasury Secretary Steve Mnuchin and U.S. Special Trade Representative (USTR) Robert Lighthizer talked with Chinese Vice Premier Liu He this week, with another call set for the end of the month. Trump said he’s scheduled to talk with Chinese President Xi Jinping “soon,” saying “they would like to do something, I’ll tell you that. I think the longer the trade war goes on, the weaker China gets and the stronger we get.”

The fate of face-to-face high-level negotiations remains in limbo, with Trump saying late last week the next formal round of talks may go ahead in early September. So far, all parties contend the phone chats have been “productive,” and while optimism characterizes public statements, China is standing tough on its threat to impose retaliatory tariffs if the U.S. action proceeds.

“China has to take necessary countermeasures in response to the U.S. announcement of imposing additional 10% tariffs on $300 billion…of Chinese exports,” said the Customs Tariff Commission of the State Council, as reported by Xinhua News, China's government-run news service. While no details of China's targets were given, that nation has previously signaled it could impose new tariffs on U.S. ag exports, including berries, citrus fruits, nuts, vegetables and related commodities. It has already rescinded tariff exemptions on Chinese purchases of U.S. soybeans.

For his part, Trump doesn't think China will impose retaliatory tariffs. "I don't think they'll retaliate. But if they did, we have the ultimate form of retaliation…there's a long way I can go."

As to the most recent list of exempted items, the White House said "certain products are being removed from the tariff list based on health, safety, national security and other factors." However, those goods now at least temporarily exempted from, the 10% duty on so-far untariffed Chinese exports are largely consumer goods associated with U.S. holiday sales, avoiding what political observers contend would be viewed as a "Trump tax" going into the Christmas retail season.

Removed from the tariff list until December 15, are cellphones, laptops, computer monitors, video game consoles and toys, as well as some shoes and clothing items. USTR said it's creating an "exclusion" process by which importers can petition to have specific products removed from the tariff list. Earlier this year, the Semiconductor Industry Assn. (SIA) asked USTR not to put tariffs on $43 billion in cellphones and $37 billion in data processing devices, as well as TVs, video game consoles, monitors, video cameras, headphones and other electronics.

The exempted goods represent the lion's share of the $300 billion targeted by the White House. The list of goods to be tariffed on September 1 and the those whose fate is delayed until December 15, can be found by going to www.ustr.gov.

Trade Developments

Wheat Growers Angered by Trump's 'Dismissive' Japan Import Comments – Saying it's "profoundly disappointed" is the politic way of saying the National Association of Wheat Growers (NAWG) is angry with President Trump for remarks this week by the president indicating Japan, wheat growers' primary export market, would just as soon not buy their production. Speaking at a campaign rally in Pennsylvania this week – where he was supposed to focus on energy – the president said, "Many car plants – they're coming from Japan. I told Prime Minister Abe – great guy. I said, 'Listen, we have a massive deficit with Japan.' They send thousands and thousands – millions – of cars. We send them wheat. Wheat. That's not a good deal. And they don't even want our wheat. They do it because they want us to at least feel that we're okay. You know, they do it to make us feel good." NAWG immediately tweeted this rejoinder: "Mr. President, Japan is the #1 market for US wheat exports on average, where we hold just over 50% of the market. They don't buy our wheat because 'they want us to feel okay.' They buy it because it's the highest quality wheat in the world. That's not fake news." NAWG CEO Chandler Goule told the Capital Press Trump's remarks were "very frustrating." "The president was on a campaign speech and speaking, as he normally does, off the top of his head," Goule said. "What's most unfortunate, in my mind, is he was sitting here in the last couple months talking about how all our farmers in the U.S. are doing great, but yet, they're not and they're suffering." The White House referred reporters to USDA; USDA was reported to have not responded. The U.S. exported about 2.66 million metric tons of wheat (about 97.7 million bushels) to Japan in the 2018-19 marketing year ending May 31. Japan's wheat purchases average about 2.9 million metric tons a year.

Enforcement Language Remains Major USMCA Hurdle – Perhaps the biggest impediment to the White House and House Democrats reaching accord on modifications to the U.S.-Mexico-Canada Agreement (USMCA) sufficient to get chamber approval is the enforcement section of the treaty, reports Politico. Right now, USMCA allows individual nations to block creation of dispute resolution panels, which U.S. Special Trade Representative (USTR) Robert Lighthizer promotes the panel blocking option as a protection for U.S. ability to impose anti-dumping and countervailing duties. House Democrats, however, see the provision as potentially enabling Mexico to dodge U.S. action if it fails to live up to its new labor commitments, another Democrat priority. The USMCA section was carried over from the current NAFTA government-to-government dispute settlement section.

Grassley Continues Effort to Limit Presidents' Tariff Powers – A sitting president's authority to impose so-called Sec. 232 tariffs on any nation's imported goods for national security reasons would be subject to rejection or approval by Congress if Sen. Chuck Grassley (R, IA), chair of the Finance Committee, gets his way. Grassley, who has long argued Congress should never have given a president unilateral authority to impose the tariffs, has committee staff combining the best parts of two bipartisan bills that would reinsert Congress into the Sec. 232 tariff authority issue. While Sec. 232 was initially supposed to allow the U.S. to economically whack a country threatening our national security, the determination of what "threatens" national security is the primary challenge. Both bills shift the examination of threats from the Department of Commerce to the Department of Defense. Several members of the Senate from both sides of the aisle have evinced mistrust of President Trump's rationale for imposing Sec. 232 tariffs on several trading partners, arguing several are allies of the U.S. and pose no security threat.

Trump, UK's Johnson Chat Trade -- The United Kingdom's (UK) newly minted prime minister, Boris Johnson, this week talked with President Trump by phone about trade and global security, setting the agenda for their face-to-face meeting in Biarritz, France, at the G-7 economic summit at the end of the month. National security advisor Josh Bolton was in London this week, helping pave the way to a U.S.-UK trade deal "very quickly, very straightforwardly." "It will be a tough old haggle, but we'll get there," Johnson said in the wake of Bolton's visit. "In my experience, the Americans are very tough negotiators indeed." And with an October 31 Brexit deadline looming, Johnson said, "The single biggest deal that we need to do is a free trade agreement with our friends and partners over the Channel." Last week, Johnson's new International Trade Secretary Liz Truss was in Washington, DC, talking about "fast tracking" a U.S.-UK trade pact, a development coveted by Trump who wants to support Great Britain's exit from the European Union (EU) with a bilateral treaty.

FMCA Publishes HOS Change Proposals

As expected, the Department of Transportation's (DOT) Federal Motor Carrier Safety Administration (FMCSA) this week published five major proposed changes to commercial truck driver hours-of-service (HOS), a move the agency said is designed to improve safety and driver flexibility." FCMSA estimates the changes wills save $274 million a year.

Changes proposed include a minimum 30-minute break for every eight consecutive hours of driving, allowing drivers to use the on-duty, not-driving status rather than declaring themselves “off duty,” expanding the short-haul exemption to 150 air miles and the expansion of duty hours from 12 to 14, and modifying the sleeper berth exemption to allow drivers to split their required 10 hours of work into seven hours of consecutive time in the berth and a second period of no less than two hours off duty or in the berth.

The Agricultural Retailers Assn. (ARA) praised the proposed changes, saying, “These reforms…will provide the necessary flexibility for ARA members to meet the needs of their customers without adversely impacting transportation safety.

EPA Grants 31 Additional Small Refinery Waivers Exempting 1.43 Billion Gallons from RFS

Just as the biofuels industry feared, EPA this week approved 31 small refinery economic hardship exemptions from 2018 renewable fuel blending mandates under the Renewable Fuel Standard (RFS). The action affects about 4 billion gallons of biofuels overall, exempting directly about 1.43 billion gallons of biofuels from being blended with gasoline, just below the 1.8 billion gallons exempted by the agency in 2017.

The announcement was immediately denounced as “unfathomable and utterly reprehensible” by the Renewable Fuels Assn. (RFA). Growth Energy, a consortium of ethanol makers, said EPA’s actions are destroying biofuels demand. “The impact on rural communities cannot be overstated,” the coalition said. “President Trump must move quickly if there’s any hope of repairing the damage. If he won’t hold EPA accountable, then he’s failing to uphold the commitment he’s made to rural America.”

Biofuels makers and corn growers slammed the agency for putting the interests of the petroleum industry ahead of farmers and other biofuels refiners.

“Mr. President, you proudly stand with farmers, but your EPA isn’t following through,” said the National Corn Growers Assn. (NCGA) in a statement. NCGA and other opponents of the action say the exemptions represent billions in savings for petroleum companies and threaten the demand for corn ethanol, biodiesel – both oilseed and animal-based fuels – and other biofuels.

Groups representing small refiners and refinery workers said the exemptions are “necessary to ensure that the RFS avoid punitively damaging our country’s critical refining sector.”

EPA did not identify the exempted facilities citing it’s usual “confidential business information” reasons, but also reported it rejected six other exemption applications and one was withdrawn or declared ineligible.

House Agriculture Committee Chair Collin Peterson (D, MN), seriously frustrated by EPA’s action, and Rep. Dusty Johnson (R, SD) have introduced the Renewable Fuels Standard Integrity Act (HR 3006), that would block EPA from granting the small refinery waivers. Meanwhile, federal court action brought by the biofuels industry over EPA's use of the exemption – in some cases, granted to small refineries owned by multinational petroleum companies – remains on hold.

EPA Actions

Dicamba Approval Illegal, Say Enviro Groups in Court Action; USDA Considers Food Tolerance Ask – This week several environmental groups seeking federal court action to halt the use of dicamba argued EPA ignored the law, scientific evidence and repeated complaints from farmers over application and drift issues in approving the herbicide in 2016 and 2018, subsequently damaging millions of acres and resulting in millions in crop damage. "EPA refused to seek guidance of federal wildlife agencies, as the Endangered Species Act (ESA) require," the groups argued, adding the agency went ahead and "approved the pesticide without any measures to protect endangered plants and animals." Meanwhile, USDA is pondering whether to push EPA to set food tolerances for the herbicide because of drift issues affecting tomato producers and others. If chemical residue is found on a crop for which no tolerance is set, then the government can potentially seize that crop; if found on organic production, the farm could lose its organic certification, USDA said.

Grassley, Wyden Release Tax Extenders Analysis

Summary reports done by several task forces examining the economic impact of expired or about-to-expire federal tax breaks were released this week by the Senate Finance Committee. Additional summaries are expected over the next two weeks, the committee said.

The goal of the task force reports is to get ammunition to those seeking to craft a legislative extenders package that can make it through both chambers before the end of the year.

"The next step will be to put together a legislative package based on the proposals that the taskforces received, the areas of consensus among the taskforce members and continued bipartisan discussions," said Sen. Charles Grassley (R, IA), Finance Committee chair. "Tax policy should not be set a year or two at a time. We need to find permanent solutions that provide certainty to families and businesses," said committee ranking member Sen. Ron Wyden (D, OR).

While most of the reports – energy, individuals, excise taxes and temporary policies – generally summarized the history of a specific tax break or credit and compiled industry reactions, the Cost Recovery Task Force made specific recommendations on the future of the tax breaks, including whether certain breaks should be extended short-term or even made permanent. For instance, a tax break for short-line railroads and other for making commercial buildings "greener" were recommended to be permanent tax breaks, while the utility of others needs to be examined in the context of benefits delivered by last December's Tax Cuts & Jobs Act.

ESA Changes Promise Court Battles

Proposed changes to the Endangered Species Act (ESA) announced this week by the Departments of Commerce and Interior promise lengthy legal action by environmental groups even as industry, including production agriculture, praised the actions as bringing “common sense to the ESA.”

The administration contends the ESA is a necessary and important law leading to the recovery of significant threatened animals and plant species, but the program has not been materially updated in 45 years. Agriculture groups praised the ESA changes, while environmental and animal rights groups are threatening to do “everything in our power to get these dangerous regulations rescinded, including going to court.”

Affected by the final rulemaking are three rulemakings impacting Sections 4 and 7. Section 4 delineates how species are added or removed from federal protection and how “critical habitats” are determined. Section 7 covers the requirement for interagency consultations on how the ESA may or may not apply to rulemakings. The rulemaking reaffirms the basic tenet of ESA that adding or removing species from federal protections be based “solely on the basis of the best scientific and commercial information regarding a species’ status.”

Ag interests argue the ESA has over time blurred the different approaches needed to protect an “endangered” species versus actions to deal with “threatened” species. The government said “critical habitat” can be a valuable conservation tool, but such a designation is not always the best approach, and the final rule will narrow the criteria for critical habitat designations. The new rules also allow the Fish & Wildlife Service (FWS) of the National Marine Fisheries Service (NMFS) to collect economic impact information on a proposed listed species – even though the law says listing decisions shouldn’t take economic factors into account – while setting standards for deciding if what the federal government is doing to protect species is enough.

USDA Reduces Corn, Soybean Acres from June; Farmers Couldn’t Plant Over 19 Million Acres

USDA, bowing to critics, went back to the drawing board and resurveyed corn and soybean farmers in compiling its most recent planted acreage estimates, reporting this week farmers planted an estimated 90 million acres of corn and 76.7 million acres of soybeans, both numbers representing drops from June annual acreage report numbers.

Industry expected corn acres to fall to about 88 million and soybean acres to increase to just over 81 million. The corn crop is now estimated to hit about 13.9 billion bushels, or a 4% drop from 2018, while soybean production is estimated to be 3.68 billion bushels, a 19% drop from last year.

USDA also reported farmers were prevented from planting more than 19.4 million acres in 2019, the most prevented plant acres since the department’s Farm Service Agency (FSA) began compiling prevented planting acres in 2007. It also represents a whopping 17.49 million acres more than reported at this time last year.

The August crop production report resurvey strategy came after the National Agricultural Statistics Service (NASS) was widely criticized for its June annual report estimates, and the new estimates include satellite data and FSA-filed crop certifications.

The June estimate of a 1.6-billion-bushel new crop carryout is now estimated at 2.18 billion bushels for corn, a major shift that put pressure on prices. The new soybean carryout figure is 755 million bushels.

Nearly 75% of prevented planting acres were primarily in 12 midwestern states where heavy rains and flooding impeded corn, soybean and wheat planting, USDA said. South Dakota had the most prevented planted acres for corn at 2.8 million, with Illinois reporting 1.1 million acres of corn went unplanted, the second highest among the states. USDA estimates federal crop insurance claims for prevented planting could exceed $1 billion this year.

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