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Trump Slams NAFTA After First Round; Canada, Mexico Not Surprised

Canadian, Mexican and U.S. trade negotiators were barely back at their desks after last week's first NAFTA renegotiation session in Washington, DC, when President Trump used a campaign-style rally in Arizona this week to opine he's not sure a NAFTA deal is achievable, and that he'd "end up probably terminating NAFTA at some point." The president's comment reignited agriculture's fears over the future of open-border trade in North America.

The next five-day negotiating session will begin September 1 in Mexico City, followed about two weeks later with a session in an as-yet to be announced Canadian location, returning to the U.S. in October.

Trump's statements may explain U.S. Special Trade Representative (USTR) Robert Lighthizer's surprisingly tough trade talk in remarks before the opening session last week. Aggies haunting the halls at the Washington hotel where the talks were held nevertheless came away with guarded optimism, particularly over the three-nation agreement to wrap up the evolution of NAFTA 2.0 quickly.

It's no secret the president thinks NAFTA is the "worst deal the U.S. ever signed" – "I told you from the first day we will renegotiate NAFTA or we will terminate NAFTA," he reminded folks in Arizona this week – but observers split over whether his statement is a vintage Trump deal-making tactic or will it simply force Canada and Mexico into tougher negotiating positions.

For the glass-half-full crowd, Trump offered this: "I personally don't think we can make a deal without a termination, but we're going to see what happens. You're in good hands, I can tell you."

For Canada and Mexico, the president's latest jabs at NAFTA were brushed off, calling the president's remarks pretty standard rhetoric during trade talks and not unexpected. "He's negotiating in his own particular style," said Mexican Foreign Minister Luis Videgaray to *Reuters*. Industry observers said the almost indifferent attitude by U.S. trading partners may reflect the several global options open to Canada and Mexico when it comes to world trade.

Rep. Kevin Brady (R, TX), chair of the Ways & Means Committee, said, "The president's rhetoric is red hot and creates real impact. The words from the president matter, so I'd like to see that take a different approach in tone."

U.S. Position, Proposals – The U.S. seeks to reduce about \$72 billion in U.S. trade deficits with its North American neighbors; increase manufacturing jobs and protect use of U.S. trade laws to resolve trade disputes. Lighthizer told his Mexican and Canadian counterparts that despite the treaty's benefits to agriculture, NAFTA has "fundamentally failed many, many Americans," costing the U.S. 700,000 jobs because of shifting trade movements over nearly 25 years."

"We cannot ignore huge trade deficits, lost manufacturing jobs, the businesses that have closed or moved because of incentives – intended or not – in the current agreement," he said. The U.S., he said, "is not interested in a mere tweaking of a few provisions and a couple of outdated chapters."

Canadian Foreign Minister Chrystia Freeland rejected "trade balances" as the gauge of successful negotiations. "Canada doesn't view trade surpluses or deficits as a primary measure of whether a

trading relationship works,” the minister said. She also said Canada would seek strong dispute resolution language in the new deal even though the U.S. wants to kill the process.

Canada, Mexico and the U.S. publicly agreed last week in a joint statement that the NAFTA 2.0 process should be conducted at a “rapid pace,” leading to an “accelerated and comprehensive” process that it’s hoped can be completed by the end of 2017. Proposed changes, new chapters, etc., were put on the table by the three countries, leading to the setup of working groups on how to proceed on both existing NAFTA sections and new chapters suggested by one or more of the countries.

The U.S. surprised Canada and Mexico by not offering a proposed change to make it easier for regional fruit and vegetable producers, particularly in the Southeast, to bring antidumping cases. Not only is the industry split over the notion of allowing regional data to replace national data as evidence when such cases are brought – western growers fear Mexican retaliation against U.S. grain imports, and other say the proposal fundamentally shifts the treaty’s process – but Congress waded in at the last minute to say it hasn’t had enough time to evaluate the proposal. The proposal is expected to be introduced at the next round of talks in Mexico City.

For the U.S. dairy industry, the prime target is Canada’s protectionist dairy supply management/pricing scheme. The U.S. says it’s a very bad thing, and has made it a major negotiating priority. The Canadians say they’ve no intention of surrendering it. Canada also says dairy concessions made by Canada during the TransPacific Partnership (TPP) negotiations have no place at these NAFTA talks.

While the National Milk Producers Federation (NMPF) hasn’t been shy in attacking the Canadian supply management/pricing system – it says the system has cost the U.S. all ultrafiltered milk sales to Canada; Canada argues it’s just like the U.S. sugar program – this country’s National Farmers Union (NFU), the National Family Farm Coalition (NFFC) and the Institute for Agricultural & Trade Policy (IATP) urge U.S. negotiators to leave the Canadian system alone.

“Undermining Canadian supply management will not bring a large increase in U.S. dairy exports... (but the system) helps ensure dairy prices are high enough to cover the costs of milk production and keep Canadian family farmers in business,” said NFFC and IATP in a public submission to office of the U.S. Special Trade Representative (USTR.)

Clovis Controversy Heats Ups, Senate Dems Tell Trump to Withdraw Nomination

The controversy surrounding President Trump’s nomination of Dr. Sam Clovis, currently White House liaison to USDA, to be under secretary for research, education and science (REE) heated up this week with the Senate minority leader and two former Democrat agriculture committee chairs calling on Trump to withdraw the nomination based on Clovis’ lack of qualifications – he has no background in agricultural science, research or economics – and statements he’s made over time about climate change, race, homosexuality and other hot button topics.

Senate Minority Leader Charles Schumer (D, NY), joined by Sen. Brian Schatz (D, HI), called on Trump this week to withdraw the Clovis nomination “not only because he is a proud ‘skeptic’ of climate change and wildly unqualified for the position of USDA chief scientist, but also as a gesture to the American people that this administration is serious about rooting out the most hateful voices in our society.” Schumer said if Trump does not withdraw the nomination, he’ll work against confirmation and urge his colleagues to do likewise.

Sen. Patrick Leahy (D, VT), an agriculture committee member and former panel chair, said he opposed the nomination, and was joined by Sen. Debbie Stabenow (D, MI), former committee chair and current ranking member, who told various media outlets this week she remained concerned about Clovis' "lack of qualifications and extreme views," saying absent withdrawal she would bring up "Clovis' troubling record and ask tough questions" during his as-yet-to-be-scheduled confirmation hearing.

Agriculture Committee Chair Pat Roberts (R, KS) early on said statements made by Clovis about the "unconstitutionality" of federal crop insurance would not sit well with him or his committee, and Clovis has since said crop insurance is much needed by producers.

Trump supporters contend the attacks on Clovis are veiled attacks on the president, and that there's no sign the nomination will be withdrawn. USDA reiterated this week the former national co-chair of the Trump campaign continues to enjoy the support of Agriculture Secretary Sonny Perdue and the president. Sen. Charles Grassley (R, IA), another ag committee member, supports Clovis, and two weeks ago a letter signed by 23 national agriculture organizations, which value his ties to the president, was sent to Roberts and Stabenow supporting the Clovis nomination.

House Dems Call on Pruitt to Retain WOTUS Rule

While cynics may contend they're a day late and dollar short, more than 100 House Democrats last week sent a letter to EPA Administrator Scott Pruitt urging him to not kill the Obama "waters of the U.S. (WOTUS)" rule.

The administration has already begun the formal process of rescinding the WOTUS final rule by publishing a proposed rule and collecting public input on replacing the rulemaking.

The House lawmakers, 102 members of the Sustainable Energy & Environment Caucus, contend the Trump administration's plan to rewrite the rule is "deeply concerning." "Rescinding this clean water safeguard ignores science," they wrote.

The House letter said that WOTUS – Obama's EPA called it "the clean water rule" – is a "science-based rule that keeps our communities safe and our natural resources protected – exactly what Congress intended the Clean Water Act (CWA) to do."

Agriculture led the industry charge against the WOTUS rule, joined by energy and construction industries, as a federal government power grab.

Commerce Hits Argentina, Indonesia with Biodiesel Import Duties

Argentine and Indonesian biodiesel exporters to the U.S. receive government subsidies that violate international trade rules, and the Department of Commerce (DOC) this week said it will impose countervailing duties on the imports as punishment and to rebalance competition with U.S. biodiesel.

"The subsidization of goods by foreign governments is something that the Trump administration takes very seriously," said DOC Secretary Wilbur Ross. "The U.S. values its relationships with Argentina and Indonesia, but even friendly nations must play by the rules."

The DOC action clears the way for U.S. Customs & Border Patrol (CBP) to collect penalties set to balance prices. Because the department decision is preliminary – DOC will take comment on the action and finalize it in 2018 – CBP is authorized to collect "cash deposits" on exports to the U.S. to cover future

countervailing duties, with those deposits ranging from 50.29-64.17% of the value of Argentine biodiesel, and 41.06-68.28% on biodiesel exported from Indonesia. Because DOC found “critical circumstances” to exist, namely an unusual acceleration in exports, the duties are retroactive to exports from the two nations going back to May, 2017.

The decision by DOC’s International Trade Commission (ITC) hands a major victory to the National Biodiesel Board (NBB) and 15 biodiesel producers who brought the complaint over Argentine and Indonesian biodiesel exports. “The Commerce Department has recognized what this industry has known all along – that foreign biodiesel producers have benefited from massive subsidies that have severely injured U.S. biodiesel producers,” NBB said in a statement.

In October, a second decision by DOC/ITC is expected in another complaint brought by NBB and the producers, this one contending Argentina and Indonesia intentionally dumped excess biodiesel in the U.S. market undercutting U.S. production.

Labor Day to Bring Improved Service: CSX

“Shortly after Labor Day, you’ll see things return to what we call normal,” said CSX Transportation Company President and CEO Hunter Harrison, the railroad’s newly minted chief executive, in a *Wall Street Journal* interview this week on much-needed improvements to CSX service to farmers and others.

Significant service problems that were first identified in May, but which multiplied over the summer prompted 18 national agriculture groups last week to urge the Surface Transportation Board (STB) to “aggressively continue its recent efforts” to investigate the reasons for “precipitous, deteriorating rail service being provided by the CSX Transportation Co.” The Agricultural Transportation Working Group wants to see a plan from CSX to “rectify the harm it (CSX) has caused to its customers in the last few months and (to) restore service to levels that comply with CSX’s statutory obligations.”

The *Wall Street* interview reported National Grain & Feed Assn. (NGFA) and other letter signers, reported to the STB that feed deliveries to some poultry producers have been delay by as much as three weeks, forcing producers to incur “hundreds of thousands of dollars in additional business costs to make emergency purchases of ingredients transported by truck, to keep poultry alive.”

“Reports received from various agricultural rail users show that a significant number of grain elevators, feed manufacturers, livestock and poultry feeders, flour millers, bakers, edible fat and oil refiners and fertilizer plants are being adversely affected by CSXT’s service problems, which have rippled throughout the Midwest, Eastern and Southeastern U.S.,” the group’s letter read.

EPA Notes

EPA Pushes Back on *New York Times* Chlorpyrifos Story – A story last week by the New York Times alleging newly appointed Trump administration officials leaned on career EPA employees to deny a 10-year-old environmental group petition to ban the pesticide chlorpyrifos received serious push back this week as an EPA spokesperson referred to the Times use of “false facts,” and “never letting the facts get in the way of a good story,” and complained the newspaper did not use EPA’s complete response to the report, particularly a statement that “taking emails out of context doesn’t change the fact that we continue to examine the science surrounding chlorpyrifos, while taking into account USDA’s scientific

concerns with methodology used by the previous administration.” The Times left “USDA” out of its report.

Pesticide Emergency Exemptions Investigated by EPA IG – The EPA Inspector General (IG) is going to investigate how the agency grants emergency exemptions for pesticide use and whether that system meets legal criteria. The preliminary action is looking to “determine whether EPA has a comprehensive emergency exemption process that maintains environmental and human health safeguards,” the agency said in a statement. Close attention will be paid to “assessment, approval, implementation and oversight” of special use permissions.

Cargill Invests in Cell-based Meat Company

A company which grows meat from self-reproducing animal cells picked up some major investors this week as Cargill, Inc. joined Microsoft billionaire Bill Gates, Virgin Atlantic’s Richard Branson and several venture capital firms in providing part of the company’s recent \$17-million funding round, reported the *Wall Street Journal* this week.

Cargill invested in Memphis Meats Inc., which produces beef, chicken and duck, because “this is another way to harvest meat. For people who want a product from an animal welfare perspective, we want to be there for them,” said Sonya Roberts, president of growth ventures for the company’s meat division, in the *Wall Street* story. Roberts told Bloomberg.com “We believe consumers will continue to crave meat, and we aim to bring it to the table as sustainably and cost-effectively as we can. Cultured meats and conventionally produced meats will both play a role in that demand.”

In 2016, Tyson Foods bought a 5% piece of Beyond Meat, a company which produces meat-like products from plant-based proteins. Gates is also an investor in Beyond Meat.

EU Opens In-depth Look at Bayer, Monsanto Deal

An in-depth investigation into the product competition implications of Bayer AG’s acquisition of Monsanto began this week in the European Union (EU), action that will take any final decision on the merger into 2018. Focuses of the probe involve Bayer’s glufosinate ammonium product, and an alternative to glyphosate, as well as overlapping businesses in vegetable seed and crop seed development and sale.

“We need to ensure effective competition so that farmers can have access to innovative products, better quality and also purchase products at competitive prices,” said Margrethe Vestager, European commissioner for competition. Opponents of the merger see Vestager’s probe as one of the last battles in their attempt to block the Bayer-Monsanto deal.

The concerns by opponents in Europe center on the disappearance of new seeds and plant traits, particularly oilseed and cotton.