**State Association Weekly Washington Report 1.19.17**

**Trump Picks Gov. Sonny Perdue to be Ag Secretary**

The man has a veterinary degree, spent most of his non-political career in the grain and fertilizer business and was elected the first Republican governor of Georgia since Reconstruction, but as of January 19, Sonny Perdue, 70, is President-elect Donald Trump’s choice to be the 31st secretary of agriculture.

Perdue told *Politico* in an interview before his nomination that he sees USDA needing to ensure department services are more producer friendly, that FDA, EPA and USDA work better together, that trade is an important issue – he counseled Trump on how to make sure farmers get fair deals in trade treaties – but said he supports Trump’s opposition to the Trans-Pacific Partnership (TPP).

The last cabinet secretary to be nominated, the selection took longer than anyone expected – in fact, the process was the longest in remembered history – but Perdue finally prevailed over heavy pressure on Trump to use the USDA secretary slot as an administration position for a minority or woman nominee. He also overcame a push by Sen. Charles Grassley (R, IA) to get Trump to name a secretary from “north of the Mason-Dixon line.”

Perdue, cousin to Sen. David Perdue (R, GA), grew up on a crop and dairy farm near Bonaire, Georgia, earning his doctorate in veterinary medicine in 1971. Before serving two terms as governor, Perdue served in the state senate from 1990-2001, winning his first election as a Democrat before changing parties in 1998.

The Perdue cousins founded Perdue Partners in 2011, a company “facilitating” exports. Sonny Perdue is managing partner of AGrowStar, which runs grain elevators in Georgia and South Carolina, and he also owns Houston Fertilizer & Grain Co., selling farming and garden supplies, and Perdue, Inc., a freight and warehouse company.

The next step for Perdue is confirmation hearings before the Senate Agriculture Committee, chaired by Sen. Pat Roberts (R, KS). Roberts said of the Trump announcement, “The most important quality for the Agriculture Secretary is a solid understanding of the tough economic challenges farmers and ranchers face due to three years of low prices, declining land values and difficult lending conditions. We need a secretary who can recall the 1980s, and will do everything within their power to make sure we do not return to those conditions.” Roberts said he appreciated an earlier meeting with Perdue and said “I look forward to meeting with him again as the committee completes a thorough confirmation process.”

Sen. Debbie Stabenow (D, MI), Senate ag panel ranking member, released the following statement: “Today, we finally received a nomination for Agriculture Secretary, a critically important position that ensures the strength and vitality of American agriculture. It’s imperative the next Agriculture Secretary is ready on day one to support our nation’s food producers and local communities, protect our land, water and wildlife habitats, and ensure all Americans have access to healthy food. I intend to take a close look at Gov. Perdue’s qualifications to lead USDA, and balance the department’s important missions both on and off the farm.”

“Agriculture is the backbone of our nation. However, America’s farmers and ranchers are facing difficult times under current farm conditions, and they deserve a secretary who will work diligently to turn those tides,” said House Agriculture Committee Chair Mike Conaway (R, TX). “As we begin working on the next Farm Bill, the secretary will play a vital role in implementing positive changes, and must understand every aspect of the job at hand. I look forward to working with Sonny Perdue, especially on the committee’s priorities as Congress begins its work toward the next Farm Bill.”

National agriculture groups were near unanimous in praise for Perdue. Zippy Duvall, former head of the Georgia Farm Bureau and now president of the American Farm Bureau Federation (AFBF), said Perdue “I’ve known Sonny Perdue for years, and he’s always had an open door for farmers…and understands agriculture and its importance.” As chief executive of the nation’s largest poultry producing state, Perdue was praised by the National Chicken Council (NCC) as “a welcome choice from the ‘Broiler Belt.’”

The Environmental Working Group (EWG) slammed Perdue’s selection, saying, “It’s certainly hard to imagine that a former fertilizer salesman will tackle the unregulated farm pollution that poisons our drinking water, turns Lake Erie green and fouls the Chesapeake Bay and the Gulf of Mexico.”

**Vilsack Departs USDA a Week Early, Takes Top Job at USDEC**

Secretary of Agriculture Tom Vilsack surprised observers formally resigning from USDA at noon on January 13, a full week ahead of his boss’ schedule for leaving Washington, DC. Vilsack is the first secretary of agriculture to serve a full eight years since Orville Freeman in the 1960s, and is the longest-serving member of the Obama cabinet.

Michael Scuse, USDA under secretary for farm and foreign agricultural services, was named acting secretary of agriculture upon Vilsack’s departure. However, Scuse heads out the door immediately after Trump is sworn in, having recently been named by Delaware Gov.-elect John Carney to be state agriculture commissioner.

The U.S. Dairy Export Council (USDEC) confirmed this week Vilsack will become the group’s president and CEO, replacing the retiring Tom Suber, the only USDEC CEO since its inception. USDEC is a cooperator group promoting dairy and processed dairy exports, and is actively engaged in dairy policy.

**Ross Says Commerce Won’t “Crowd” USTR on Trade Deals; NAFTA First Up on Agenda**

While President-elect Donald Trump wants billionaire Wilbur Ross as secretary of commerce to “steer” U.S. trade policy and negotiations, Ross told members of the Senate Commerce Committee during his confirmation hearing this week he and the Department of Commerce (DOC) will not “crowd out” or “poach” the trade powers of the U.S. Trade Representative (USTR).

Ross told the Commerce Committee he wants to launch a “systematic re-examination” of the trade agreement negotiating process, to determine where deals fail and where they succeed. He sees DOC designing a model trade pact that includes “certain principles that would have to be in any agreement.” He says the biggest mistake negotiators make is starting off talks with a blank sheet of paper; better to start with a standard, irrevocable framework, he said.

All current trade treaties will be re-evaluated using this model approach, Ross said, but wouldn’t commit to how long that process would take. As to Trump’s threat to impose hefty tariffs on some nations’ exports to the U.S., Ross would not elaborate or commit.

Many in export circles were surprised when Trump said he wants Ross and DOC to lead his trade agenda, with USTR-designate Robert Lighthizer, White House National Trade Council Chair Peter Novarro and Jason Greenblatt, who Trump said he’ll name “special representative for international negotiations.” Many in agriculture feared USTR would lose its lead status on agriculture trade negotiations, subsumed by DOC and the White House.

Ross also told the Commerce Committee a “very early priority” for him and the department – within the first 100 days – will be the renegotiation of the North American Free Trade Agreement (NAFTA) with Canada and Mexico. Reports indicate Ross has already informed Canadian officials of the U.S. intent to reopen NAFTA, focusing on rules of origin and the treaty’s independent dispute settlement mechanism as the focus of the initial discussions. Both trading partners have said their willing to talk about the 22-year-old trade treaty, but have stayed silent on the prospects for a full renegotiation.

**EPA Nominee Pruitt Tough on RFS, WOTUS during Confirmation Hearing**

Oklahoma Attorney General Scott Pruitt survived eight hours of heavy grilling during hearings this week to confirm his nomination to be administrator of EPA. Much of the questioning focused on Pruitt having filed or been party to filings relative to legal action by nearly two dozen states against EPA’s waters of the U.S. (WOTUS) rulemaking, as well as Pruitt’s 14 other lawsuits filed against federal environmental regulators.

Appearing before the Senate Committee on Environment & Public Works, Pruitt was hit by committee Democrats for filing legal actions through his office on behalf of the state’s oil and gas industries. He was also hit with question about how he would enforce the Renewable Fuel Standard (RFS). Sen. Tammy Duckworth (D, IL) said she was “concerned about the future of biofuels under a Scott Pruitt-led EPA.” Pruitt said he’s going to honor the intent of Congress when it comes to the RFS. “It’s not the job of the administrator of EPA to do anything other than administer the program,” he said.

Pruitt said EPA is the victim of regulatory overreach by Obama and agency leaders. Pruitt’s gave the committee his vision of EPA as a smaller, less aggressive regulatory agency, one that ceases to “pick winners and losers.” He was unabashed in criticizing Obama administration rules regulating air and water, voicing skepticism about climate change, and pushing states’ rights on environmental regulation.

In his prepared remarks, Pruitt said the agency under the Obama administration, “has bootstrapped its own powers and tools through rulemaking,” which has led to “protracted litigation.”

He said farmers and ranchers feel “hopeless, subject to a neve-rending torrent of new regulations that only a lawyer can understand. They fear the EPA and that just shouldn’t be the case. If confirmed, I will work tirelessly to ensure EPA acts lawfully, sensibly and with those hardworking Americans ever in mind.”

He told committee members he has five guiding principles to agency management. Pruitt said he would reject “the false paradigm that if you’re pro-energy, you’re anti-environment and if you’re pro-environment, you’re anti-energy.” Second, Pruitt would “celebrate the great progress” made as a nation since the inception of the EPA and the laws passed by Congress, recognizing “we have much work to do.” Third, “the rule of law matters,” and fourth, federalism matters. “It matters because Congress says so, and because we need to achieve good outcomes as a nation for air and water quality. We need the partnership of the states to achieve that,” Pruitt said. Fifth, public participation is critical.

**“Border Tax” Notion Getting Lots of House Attention; Trump Not Thrilled**

Call it a “border tax,” a border adjustment tax,” or a “border-adjustable tax,” any way the notion of not federally taxing exports while collecting duty on imports, is gaining a lot of attention in the House as discussions on federal tax reform heat up.

A public priority by both House leadership and the incoming Trump administration – though President-elect Trump this week called the broader House tax reform plan “too complicated” – a border tax is becoming a lynchpin of the legislative effort. House Speaker Paul Ryan (R, WI) embraces a border tax, the brainchild of House Ways & Means Committee Chair Kevin Brady (R, TX).

Earlier this week, Trump told the *Wall Street Journal*, “Anytime I hear border adjustment, I don’t love it. Because usually it means we’re going to get adjusted into a bad deal.” Trump believes lowering the top corporate tax rate to 15% is enough. A Trump spokesman later walked Trump’s comments back a bit, saying the incoming chief executive was keeping an open mind about the border adjustment concept.

Simply stated a border adjustment tax means the federal government taxes imports (goods made overseas and sold in the U.S.), but does not tax U.S.-made exports, as long as they’re sold overseas. The U.S., unlike several other developed nations does not have a form of border tax, and supporters say under the current system, exports actually bear the tax cost and imports do not, resulting in a tax penalty on exports and a subsidy for imports.

Brady and Ryan appear wedded to the border tax notion for now, both contending the tax is a means of leveling the international trade playing field, revamping U.S. trade policy and ending what Brady calls the “made-in-America” tax. Brady wants to finalize language by the end of March, and get a package to the House floor by August, a schedule even supporters consider ambitious at best.

However, because industries which rely on imports don’t like the notion of a border tax, bipartisan opposition to the concept and practice could threaten the broader tax reform effort, insiders say, with some contending there aren’t enough Ways & Means Committee majority votes to move a bill that includes a border tax.

Still other critics contend a U.S. border tax could trigger a World Trade Organization (WTO) dispute filing and possible retaliation, most likely by the European Union (EU). Trade experts say the filing would likely be based upon the allegation the tax violates the WTO agreement on subsidies and countervailing measures, as well as the General Agreement on Tariffs & Trade (GATT) Article 3:2.

**Supreme Court to Make WOTUS Jurisdiction Decision**

Agriculture and business groups this week got word the U.S. Supreme Court has granted a petition by the National Association for Manufacturers (NAM) asking the high court to settle a legal dispute over which federal court should have authority over the groups’ challenge to EPA’s controversial “waters of the U.S. (WOTUS)” rule.

The industry groups contend their challenge to the water rule belongs in federal district courts, rather than federal appellate courts. District courts, they argue, are closer to the areas that will be impacted if the federal water rule were allowed to go into effect.

However, the 6th Circuit Court of Appeals in Cincinnati previously ordered the challenge to be heard before its judges. The appeals court made the determination of jurisdiction just before it issued a national stay of the WOTUS rule.

The controversy stems from a provision of the Clean Water Act (CWA) that grants federal appeals courts “original jurisdiction” to review selected EPA decisions on implementing the CWA.

Agriculture groups praised the high court decision, with the National Cattlemen’s Beef Assn. (NCBA) commenting, “It shows that the court has a continued interest in private property rights and we look forward to oral arguments in the spring.”

**Obama White House Drops 11th-hour Proposed Rule, Guidance on Federal Biotech Regulation**

Sure to become a candidate for rescission, the White House this week published in the *Federal Register* a series of rules, guidance documents and proposals on how the federal government should regulate genetically engineered animals and plants. The documents are the result of a White House 2015 review of federal biotechnology regulation.

The “blockbuster” release – and some contend the most unnecessary of the White House actions – is an FDA guidance document on how the agency will amend Guidance 187, which carries no force of law, but sets regulatory definitions and parameters on agency oversight of genetically engineered animals. For the first time, the guidance includes “recommended” oversight of animals developed through genome editing, a biotechnology technique industry argues shouldn’t be regulated at all. The agency will take public comment on the approach, but offered agency guidance for companies already involved in genome editing.

The documents were published separately by USDA and FDA. USDA’s Animal & Plant Health Inspection Service (APHIS) proposed a rule to refocus regulatory attention on plant traits that pose the greatest risk, allowing biotech companies to move forward with test plots without permits. USDA says this approach makes it easier for smaller companies to attract investors and increases the focus on minor species crops that get little attention from bigger companies.