

## State Association Weekly Washington Report 3.16.17

### Trump “America First” Budget Blueprint Whacks USDA Spending 21%; “DOA” on Hill

USDA’s FY2018 discretionary spending would be slashed 21% and EPA would take a 31% whack – losing about 3,400 jobs – under President Trump’s “America First” budget blueprint released this week. Across the board cuts in most other federal programs, including a 29% cut in State Department spending, would go to pay for a \$54-billion increase in Pentagon spending Trump promised during his presidential campaign.

Released this week is the “skinny” budget outline ([www.budget.gov/budget](http://www.budget.gov/budget)), the White House said, with a detailed administration FY2018 budget proposal due later this spring. Voices from both sides of the aisle and on both sides of Capitol Hill publicly declared the Trump budget proposal “dead on arrival (DOA).” The president’s budget proposal is usually used as a guide and a comparison to the spending packages worked out by appropriators.

“I welcome the president’s blueprint for next year’s budget, which turns the page from the last eight years,” said House Speaker Paul Ryan (R, WI) in a statement pledging cooperation with Trump’s goals. “I look forward to reviewing this with the Appropriations Committee and our entire conference.”

Ironically – and cognizant of the DOA designation White House budget proposals routinely receive – a dozen ag producer groups this week sent letters to the House and Senate budget and appropriations committees asking that more money be allocated for FY2018 Farm Bill programs as farmers weather a 50% drop in net farm income. The letter is similar to a message sent to the same lawmakers March 1, by House Agriculture Committee Chair Mike Conaway (R, TX) and committee ranking member Rep. Collin Peterson (D, MN), reminding appropriators agriculture “gave at the office” when it sustained major cuts in the 2014 Farm Bill.

Also this week, 20 multinational food companies and trade associations asked the same lawmakers to pack extra money into the FY2018 spending package for FDA to implement the Food Safety Modernization Act (FSMA). “Our commitment to food safety is steadfast and we need a strong FDA as our partner to fully implement FSMA and to play its proper role in ensuring the safety of our nation’s food supply,” the companies wrote. Wal-Mart, Nestle USA, Coca-Cola, Costco, Mars and others signed the letter.

Trump would allocate \$17.9 billion in FY2018 USDA discretionary spending – monies not mandated by Congress to run various programs and fund offices. This is a \$4.7-billion or 21% decrease from the \$22.6 billion in current spending levels included in the FY2017 continuing resolution (CR) that expires next month. While the Food Safety & Inspection Service (FSIS), food stamps and other federal nutrition programs, wildland fire programs and ag research would get full or near-full funding, cuts in statistical services, duplicative water and wastewater loan and grant programs, staffing for USDA Service Center Agencies, and elimination of the McGovern-Dole International Food for Education and Food for Peace programs are recommended. A bipartisan group of Senators signed a letter to Trump this week opposing any cuts to Food for Peace, despite its \$1.6-billion price tag in FY2016.

While quick to point out that funding for “critical drinking and wastewater infrastructure” spending is untouched, and some programs are increased, the White House recommends spending for EPA include elimination of the “Clean Power Plan, international climate change programs, climate change research

and partnership programs and related efforts,” for a savings of over \$100 million over FY2017. The budget outline “reins in Superfund administrative costs and emphasizes efficiencies, saving \$330 million a year.” Further, the outline eliminates funding for regional programs, including the Great Lakes Restoration Initiative, the Chesapeake Bay and other geographic programs, with an estimated savings of \$427 million, returning these responsibilities to the states and local entities.

Several independent programs would lose all federal funding under Trump’s plan, including the Chemical Safety Board; the Corporation for Public Broadcasting; the National Endowment for the Arts; the National Endowment for the Humanities; the Neighborhood Reinvestment Corp.; Overseas Private Investment Corp. (OPIC), and the U.S. Trade & Development Agency.

### **Perdue Gets March 23 Confirmation Hearing**

After weeks of wondering how tough putting together ethics, finance and security documents for a former two-term governor could be, March 23 is the date for former Georgia Gov. Sonny Perdue’s appearance before the Senate Agriculture Committee, according to a panel announcement this week.

Apparently the solution to Perdue’s delayed paperwork was his eventual agreement to step down from leadership positions in several agribusiness companies he owns personally or in partnership.

The last remaining confirmation hearing to be scheduled is that of Florida law school dean Alexander Acosta to be secretary of labor. Acosta was nominated when Trump’s first choice for labor secretary, Andrew Puzder, chief executive officer of CKE Restaurants, the parent company of Hardee’s and Carl’s Jr, withdrew his name from consideration.

### **Trump Nominates Dr. Scott Gottlieb to Head FDA**

FDA regulated industry heaved a collective sigh of relief this week when President Trump announced his intention to nominate Dr. Scott Gottlieb to be commissioner of FDA. Gottlieb, a long-time champion of FDA modernization and efficiency, was one of several potential candidates to head the food/drug/device safety agency, but the only scientist/physician on the list.

Gottlieb, served as FDA deputy commissioner for medical and scientific affairs under President George W. Bush, and was a policy advisor to the administrator of Centers for Medicare & Medicaid Services at the Department of Health & Human Services (HHS). He is currently a fellow at the American Enterprise Institute (AEI), a Washington, DC, think tank, has served as consultant to several drug companies, and is a venture partner in New Enterprise Associates, a venture capital firm.

The Grocery Manufacturers Assn. (GMA) praised Gottlieb’s credentials and experience to manage the federal agency charged with regulating the safety of 70-80% of food produced in the U.S.

The Center for Science in the Public Interest (CSPI) urged the Senate Health, Education, Labor & Pensions Committee (HELP), which will hold Gottlieb’s confirmation hearing, to quiz Gottlieb on how he will prioritize FDA food regulation given his reputation is on the human drug approval side of the agency. CSPI also wants to know Gottlieb’s opinion on full funding for implementation of the Food Safety Modernization Act (FSMA).

HELP Committee Chair Lamar Alexander (R, TN), while not announcing Gottlieb's confirmation hearing date, said this week, Gottlieb "has impressive qualifications helping American patients as both a physician and in his previous roles at FDA." Gottlieb is a lymphoma survivor.

### **Giancarlo Trump's Pick to Head CFTC**

As expected, President Trump this week announced he'll nominate Commodity Futures Trading Commission (CFTC) acting Chair Chris Giancarlo to be the next permanent commission chair, the first Republican head of the CFTC in six years.

Giancarlo is well thought of by industry having served on the commission since 2014, and his original nomination to be a commissioner was generally without controversy.

"I congratulate Acting Chairman Chris Giancarlo on his nomination to lead the CFTC," said House Agriculture Committee Chair Mike Conaway (R, TX). "For the past two years, Chris has traveled the country to meet and learn from agricultural and commercial end-users who rely on risk management markets to protect their businesses. His travels have given him a deep understanding of who uses our markets and why, and...how overregulation imposes real burdens. I look forward to working with him."

The commission and its likely new chair face two challenges: First, there are only two commissioners in place, one GOP – Giancarlo – and one Democrat, Wall Street securities lawyer Sharon Bowen. The CFTC needs five commissioners to operate, so any substantive action will need to await Trump's naming of more commissioners. The other challenge is how the commission will approach promulgation of regulations – both on the books and pending – emanating from Dodd-Frank Act, generally directed at jurisdiction over derivatives and over-the-counter swaps markets.

### **It's all about trade...**

**Groups Talk Trade with NEC** – White House National Economic Council Director Gary Cohn met with representatives of nearly a dozen national farm and crop production groups this week to talk trade. The U.S. withdrawal from the Trans-Pacific Partnership (TPP) and President Trump's pledge to "renegotiate" the North American Free Trade Agreement (NAFTA) have left ag leaders understandably nervous about the direction of Trump's trade policy.

Also attending the meeting were Ray Starling, newly named special presidential assistant for food, agriculture and trade, and Andrew Quinn, a newly named trade advisor.

The groups, which included the American Farm Bureau Federation (AFBF), along with the American Soybean Assn. (ASA), National Association of Wheat Growers (NAWG) and the National Corn Growers Assn. (NCGA), were assured by the White House representatives that food and agriculture were not being forgotten in trade policy discussions, and they were asked to submit recommendations.

Recommendations will likely be coordinated through the U.S. Food & Agriculture Dialogue for Trade, a coalition representing more than 150 trade associations and companies, including the American Feed Industry Assn. (AFIA) and the National Grain & Feed Assn. (NGFA). Some groups and companies will no doubt submit their own individual recommendations.

**Lighthizer Breezes through Confirmation Hearing** – Robert Lighthizer, President Trump's popular nominee to be U.S. Special Trade Representative (USTR), appeared before the Senate Finance

Committee for his formal confirmation hearing this week, with panel Democrats a bit out sorts having not been consulted about the timing of the hearing and without resolution as to whether a Senate-approved waiver is needed by Lighthizer since he represented foreign governments as a civilian attorney. Pledging to prioritize agriculture exports, particularly with Japan, the former deputy USTR under President Bush, said he respects current policy, but doesn't close the door on changes and new directions. He stressed his commitment to "rigorously" enforcing existing trade deals. As to whether Lighthizer needs the Senate waiver to take the USTR post, Democrats are arguing he does, as they'd like to use the waiver bill to move miners' health benefits language. The White House this week, through the Department of Justice (DOJ), says no waiver is needed. Just before the hearing, the U.S. Food & Agriculture Dialogue for Trade, a coalition representing over 150 trade associations and companies, sent a letter to the committee calling for swift confirmation of the Lighthizer nomination.

**NAFTA Talks Could Begin in June: Mexican Official** – Talks among the U.S., Canada and Mexico aimed at modernizing the North American Free Trade Agreement (NAFTA) could begin as early as June, according to Mexican Economy Secretary Ildefonso Guajardo Villarreal after he emerged from a meeting this week with Secretary of Commerce Wilbur Ross. At a joint press conference in Washington, DC, the two politicians were optimistic about rewriting parts of NAFTA, despite other border and immigration angst between the two nations. Federal trade promotion authority requires the president to inform Congress 90 days in advance of his/her intent to begin formal trade negotiations with another country. Ross said a letter to the Hill is expected to be sent in the "next couple of weeks." Both the U.S. and Mexico have begun informal talks with lawmakers and industry as to how best to improve NAFTA. Ross said, however, "it's a little premature to discuss what the exact negotiating points will be," adding NAFTA is a "very old agreement" that needs to be updated to reflect the current economies of the three North American nations.

**U.S. Attends TPP Meeting in Chile** – President Trump sent the U.S. ambassador to Chile, career diplomat Carol Perez, to attend a meeting of the 11 remaining Pacific Rim nations committed to the Trans-Pacific Partnership (TPP) agreement. The White House said Perez was attending the meeting to talk trade with the TPP nations, as well as with China and South Korea – non-TPP players – which also had representatives in Chile. The remaining TPP countries affirmed their dedication to the treaty, saying they will move forward without the U.S., a move which calmed the nerves of several major TPP players, including Australia. Japan also committed to pursuing the treaty, but has also signaled willingness to negotiate a bilateral deal with the U.S. The Pacific Alliance, a coalition of Mexico, Peru, Colombia and Chile, said it will use TPP as a model in negotiating other trade deals. China was in-country to push its Regional Comprehensive Economic Partnership, a deal among 16 countries seen as an alternative to TPP, but China remains a "non-player" in TPP talks. TPP will also be the subject of a sidebar meeting to be held during the May 20-21 Asia-Pacific Economic Cooperation forum in Hanoi, Vietnam.

**U.S. Dairy in Mexico Talking Trade** – With President Trump still talking about a 20% import tariff on Mexican exports to the U.S. to pay for the wall he wants to building along the southern border, and Mexico threatening to cut off U.S. corn purchases, temperatures between the two countries are running high as Mexico, the U.S. and Canada look to begin talks on modernizing the North American Free Trade Agreement (NAFTA). To ensure its trade relationship with Mexico remains intact – the southern neighbor represents the U.S.'s largest dairy export market with a value of \$1.2 billion in annual sales – leaders of the National Milk Producers Federation (NMPF), the U.S. Dairy Export Council (USDEC) and the International Dairy Foods Assn. (IDFA) arrived in Mexico City this week for talks while attending the

annual Mexican Milk Producers Federation conference. The groups will also meet the Mexican secretary of agriculture to provide assurances the U.S. places a high priority on NAFTA. U.S. dairy is also nervous as Mexico talks with the European Union (EU) about updating their existing bilateral trade agreement, and contemplates new discussions with New Zealand over a possible bilateral trade treaty.

### **Bill would Put USDA, HHS on Foreign Investment Review Panel**

Legislation to give USDA and the Department of Health & Human Services (HHS) permanent seats on the Committee on Foreign Investment in the U.S. (CFIUS) was introduced this week by Sen. Charles Grassley (R, IA) and Sen. Debbie Stabenow (D, MI), ranking member of the Senate Agriculture Committee and a long-time critic of USDA's absence from CFIUS membership.

CFIUS is an intergovernmental review committee tasked with investigating the purchase of U.S. companies by foreign entities based on concerns for the national security of the U.S. The Grassley-Stabenow bill not only give USDA and HHS membership on the panel, but adds agriculture and food-related criteria to be used when reviewing "covered transactions," including specific review of transactions' impact on availability of, access to, or safety and quality of food.

"As we think about the future and the growing global population, it's important to consider who will control the food supply," Grassley said in a statement. He said Congress owes it to farmers and those who rely upon them to ensure CFIUS "is more strategic" in its reviews. Stabenow said protecting "the integrity, safety and resiliency" of the food supply is "core to our national security," adding that recent "aggressive acquisitions of U.S. food and agriculture companies...makes it imperative that these transactions face additional scrutiny."

Similar legislation (HR 1238) was recently approved by the full House, and along with a Senate companion bill introduced earlier this month, provides for additional priority on safeguarding U.S. food security, biosecurity, food safety and the prevention of agroterrorism.

### **House Ag Panel Looks at Farm Bill Ag Research Title; Dairy, Livestock Get Hearings Next Week**

As part of its ongoing series of listening sessions, the House Agriculture Committee this week held a subcommittee hearing on the importance of agricultural research in keeping U.S. agriculture competitive globally and capable of addressing world food needs.

Next week, the committee will hold March 21 nutrition subcommittee hearing on nutrition distribution programs, followed by a hearing before the livestock and foreign agriculture subcommittee on livestock producer perspectives on the next Farm Bill. On March 22, the full committee will take up dairy policy.

"The public-private partnership in agricultural research has allowed American agriculture to flourish over the last century, supplying...stable, abundant and affordable food," said subcommittee Chair Rodney Davies (R, IL). "Today we learned more about the benefits of investing in research. It is vital we invest in public agricultural research."

### **Glyphosate Not Carcinogen: EU Chemical Agency**

The "is-it, isn't-it" battle over the alleged carcinogenicity of glyphosate, the primary ingredient in Monsanto's widely used Roundup herbicide, got one more vote in the "isn't" column this week when

the European Chemicals Agency (ECA) announced the chemical is not cancer-causing. The assessment is expected to expedite glyphosate's European Union (EU) approval.

"The available scientific evidence did not meet the criteria to classify glyphosate as a carcinogen, as a mutagen or as toxic for reproduction," ECA's Committee for Risk Assessment determined. The panel did say the chemical can cause "serious eye damage" and can be "toxic to aquatic life." ECA stressed its assessment looked at the hazardous nature of glyphosate and does not "address the risks of exposure."

EPA is one step away from reaching the same conclusion, but critics contend the ECA "got it wrong," contending evaluators manipulated the system to reach its conclusion of no carcinogenicity. The International Agency for Research on Cancer (IARC) said in March, 2015, that glyphosate "probably causes cancer."

### **Long-time House Ag Committee Chair Kika de la Garza Dies**

Rep. Kika de La Garza (D, TX), who represented the 15<sup>th</sup> District of Texas for 32 years – 15 of those years as chair of the House Agriculture Committee – passed away this week at 89. He took over the committee just as national agriculture was entering one of its worst economic downturns in history.

Tributes to de la Garza as a House member and a man poured into his home in McAllen, Texas, this week. De la Garza was famous for instilling a strong bipartisan spirit within the ag committee, allowing him to hammer together compromises between urban and rural members that would be politically impossible on other House committees. He was fond of explaining that "politics is the art of the possible," meaning without compromise, results are scarce.

Said Rep. Mike Conaway (R, TX), chair of the House Agriculture Committee: "Kika de la Garza was a true public servant in every sense of the word. He made a lasting impact. I have long admired his commitment to bringing together food producers and the average consumer – a worthy cause I aspire to continue..."

"Kika was my first chairman when I came to Congress in 1981," said Rep. Collin Peterson (D, MN), committee ranking member. "Kika was one of the original farm bill coalition leaders, bringing churches, nutrition groups and labor unions together with farm groups to support the four farm bills enacted during his time in Congress."

When the GOP took control of the House after the 1994 elections, de la Garza remained as ranking member of the committee. Sen. Pat Roberts (R, KS), chair of the Senate Agriculture Committee, who was a House member in 1994, took over the House ag panel chairmanship, always referring to de la Garza as "chairman emeritus."