State Association Weekly Washington Report 6.1.17

Trump May Reverse Obama Policy on U.S.-Cuba Relations; Author Pushes Cuba Export Finance Bill

President Trump will likely modify significantly – and may totally reverse – policy put in place by President Obama to normalize U.S.-Cuba diplomatic and economic relations. The White House said it's close to finishing its review of the Obama actions, and a decision will be announced this month, most likely at a speech in Miami.

The potential Trump administration move – the outcome is unknown because White House advisors are again split over the issue – is seen as political payback to the Cuban-American exile community, but the president says he's fulfilling one more campaign promise. The president wants "changes" in Cuba, including nixing an Obama provision allowing financial deals that benefit Cuban military and security operations. Trump reportedly also wants to see tougher human rights protections, and he may restrict even further travel by U.S. citizens to Cuba, along with tougher enforcement of the eventual policy.

Meanwhile, Rep. Rick Crawford (R, AR) continues to push to get a Florida House delegation sign-off on his bill to clarify how U.S.-Cuba trade deals are financed. Crawford introduced legislation in the last Congress allowing sales between the U.S. and Cuba to be paid for with credit instead of an up-front cash payment as now required. His current draft bill would allow for credit payments and apply a 2% transaction fee on agricultural sales. The proceeds from fee collection would be put in a fund to pay U.S. citizens and companies with legitimate claims against the Cuban government for an estimated $8-billion in property confiscated and nationalized when former President Fidel Castro came to power.

Agriculture and agribusiness groups which strongly support an end to the 1961 U.S. trade embargo with Cuba, and who supported President Obama's diplomatic normalization plan, see interference in the U.S.-Cuba trade exchange as one more blow by the Trump administration to agriculture's efforts to build and expand world markets. The president has already pulled the U.S. out of the Trans-Pacific Partnership (TPP) with 12 Pacific Rim countries, has notified Congress of his administration's intent to begin renegotiation of the North American Free Trade Agreement (NAFTA) – a move that makes industry very nervous – and now, the White House may cut off what little U.S.-Cuba agriculture trade exists, critics say.

One pro-Cuba trade group – EngageCuba – released a report this week alleging a break with Cuba would fall most heavily on rural communities which rely on ag, shipping and manufacturing, along with Gulf and southern Atlantic ports. The cost impact of walking away from rebuilding an economic relationship with Cuba, the report says, is about $6.6 billion, over half of which would be borne by the travel industry. A full break would cost about 10,000 jobs over four years, the report alleges, with on-island jobs and finance company transfer operations most directly impacted. Finally, walking away from Cuba would mean reinstatement of regulations to prohibit trade, tourism, etc.

The Crawford bill to allow for credit sales for agriculture goods – offered as an amendment to the FY2017 financial services appropriations bill – was ultimately blocked by Cuban-American lawmakers who see no reason to lift economic, tourism and political sanctions on the communist island nation. Crawford contends his latest draft bill is the product of 10 months of negotiations with Florida Republican House members Reps. Mario Diaz-Balart, Ileana Ros-Lehtinen and Carlos Cubelo. The three have been silent on the new text, even though Crawford says his new draft addresses their concerns over looser U.S.-Cuba relations. A Crawford staff spokesman said there's no deal yet.

The U.S.-Cuba Trade & Economic Council opposes the Crawford approach, saying U.S. companies and traders had nothing to do with Castro's nationalization of U.S. assets in Cuba and should not be forced to make payments to compensate those with legitimate claims against the Castro government.

The U.S. Agriculture Coalition for Cuba put out a release this week praising separate Senate legislation by Sen. Amy Klobuchar (D, MN) and Sen. Mike Enzi (R, WY) that would end the nearly 60-year U.S. embargo on trade with Cuba. The bill, also co-authored by Sen. Patrick Leahy (D, VT) and Sen. Jeff Flake (R, AZ), was described by the coalition as "finally allowing U.S. producers to satisfy longstanding Cuban demand for high-quality food products, and help lay the groundwork for further commercial, cultural and diplomatic exchanges between our two countries."

U.S. to Pull Out of Paris Climate Accord

Fulfilling a campaign pledge, President Trump this week announced the U.S. will pull out of the controversial Paris accord on climate change, but stressed he wants to renegotiate U.S. obligations under current the agreement on international greenhouse gas (GHG) reductions or negotiate an entirely new deal provides greater benefits to the U.S.

"The bottom line is that the Paris accord is very unfair at the highest level to the U.S…I represent Pittsburgh, not Paris," the president said in a Rose Garden briefing on his decision. "We are getting out, but we will start to negotiate and we will see if we can make a deal that is fair." He said the current accord "empowers some of the top polluting countries," and that he wants a deal that is fair to "our businesses, workers, people and taxpayers."

"The Paris climate agreement was simply a raw deal for America. Signed by President Obama without Senate ratification, it would have driven up the cost of energy, hitting middle-class and low-income Americans the hardest. I commend President Trump for fulfilling his commitment to the American people and withdrawing from this bad deal," said House Speaker Paul Ryan (R, WI) in a statement.

Agriculture Secretary Sonny Perdue, calling the climate pact "a willful and voluntary ceding of our sovereignty," backed the president's decision, saying White House "rightly determined that the Paris accord was not in the best interests of the U.S." Perdue said the accord's impact on global temperatures would be "negligible."   The secretary called for more research to help farmers cope with climate change.

Leaders in China – "climate change is a global challenge no nation can ignore" – and the European Union (EU) said this week they'll jointly move full speed ahead in fulfilling their Paris accord obligations, and even Pope Francis urged Trump during his audience last week to remain in the climate deal. Sen. Patrick Leahy (D, VT) called the Trump decision a "great leap backward." The National Farmers Union (NFU) said the White House move "rejects science and U.S. leadership" on climate change. NFU was one of only a few national agriculture groups to react to the president's move.

The accord, mainly a symbolic document of the world's commitment to reducing GHG emissions to curb global climate change, seeks to ultimately reduce global temperature increases by 3.6 degrees Fahrenheit, thus avoiding melting ice caps and rising sea levels. The pact includes individual national goals when it comes to carbon emissions reductions and recapture. The U.S. has agreed to reduce its overall GHG emissions 26-28% from 2005 levels by 2025. One of Trump's criticisms of the deal is that President Obama agreed to much stricter and ambitious GHG reduction goals than other nations, including major polluters India and China.

The decision to pull out of the accord came after White House Senior Advisor Steve Bannon and EPA Administrator Scott Pruitt prevailed in arguing for withdrawal. Gary Cohn, director of the Council of Economic Advisors (CEA), and Jared and Ivanka Kushner, who also advise the president, argued for the U.S. to remain part of the international pact, at lesser obligations, to retain a leadership role in the global climate change discussion. In addition, several major corporations, including Cargill, want to see the U.S. remain as part of the nearly 200-nation pact.

Last week, 22 GOP Senators – the majority of whom represent coal, oil and gas states, including Majority Leader Mitch McConnell (R, KY) – sent a two-page letter to Trump urging him to pull out of the Paris accord, saying to not do so would undermine White House efforts to rollback Obama environmental regulations.

NAFTA Reassurances Keep Coming; No Deadline for Completion

The administration continues to publicly move to reassure traders, particularly those in agriculture, that renegotiation of the North American Free Trade Agreement (NAFTA) will not damage currently successful trading relationships with Mexico and Canada. In a speech to a policy group this week, Commerce Secretary Wilbur Ross, the administration's point man on trade, said his primary guiding principle will be "do no harm."

In a related development, U.S. Special Trade Representative (USTR) Ambassador Robert Lighthizer this week said the U.S. has told the Canadian and Mexican governments the U.S. has not agreed to complete NAFTA modernization discussions by December 15. The denial came after the Mexican economy secretary told Mexican businessmen he and LIghthizer had agreed to the deadline in a two-man meeting earlier this month. The Mexican administration wants to complete talks by year's end so its legislature can act prior to a July, 2018, presidential election.

Ross said the second guiding principle will be to secure concessions from Canada and Mexico that the two nations agreed to in the Trans-Pacific Partnership (TPP), calling these access agreements as "the starting point for discussion." In addition, Ross said service sector access, digital trade, intellectual property rights, customs procedures, food safety, labor and environmental issues and enforcement will also be covered in the talks.

Montana Summit Draws DC Ag Leaders

Agriculture Secretary Sonny Perdue, Senate Agriculture Committee Chair Pat Roberts (R, KS) and J. Christopher Ciancarlo, acting chair of the Commodity Futures Trading Commission (CFTC), traveled this week to Great Falls, Montana, joining Sen. Steve Daines (R, MT) at the 2017 Montana Ag Summit.

For Perdue, it allowed the secretary to make good on his acceptance of Daines' invitation – made during Perdue's ag committee confirmation hearing – to make Montana one his first destinations once confirmed.

“I’m excited to host Secretary Perdue in Montana,” Daines said. “This will be a great opportunity for (Perdue) to see Montana’s number one economic driver firsthand, and talk with our hardworking farmers and ranchers.”

Perdue took the opportunity to publicly praise President Trump’s move to pull the U.S. out of the Paris climate accord, cushioning the message a bit by telling beef producers talks with China over imports should yield trade protocols in a couple of weeks. He also told his Montana audience of about 700 farmers, ranchers and agribusiness types that in addition to providing technical assistance to lawmakers as they craft a new Farm Bill, USDA will provide advice on moving the bill “from the left lane to the right lane, a little bit.” He defended federal crop insurance, but repeated a warning he’s been making of late, namely farmers shouldn’t make planting decisions based on a crop insurance fallback. “Let’s face it, you don’t buy insurance on your house hoping it will burn down, do you?,” Perdue said, stressing insurance is a safety net, not an income alternative.

Roberts joined Perdue and Giancarlo for a discussion on the future of agriculture. The three men beat the drum of anti-regulation, with Roberts hitting on changes needed in both the requirements and enforcement of EPA’s “waters of the U.S.” (WOTUS) rulemaking, and the Endangered Species Act (ESA). He also praised Perdue’s reorganization of USDA, and reported farmers tell him their top two issues are expanding trade and protecting crop insurance. Giancarlo said he’s working to meet Trump’s directive for regulatory relief, but said he’ll keep the CFTC focused on grain and cattle industry trading processes that have raised concerns in the industry.

When Roberts talked about Trump’s recommendation that the FY2018 budget slash USDA’s discretionary spending by $38 billion over a decade, he called the plan “a non-starter,” explaining Congress will come up with its own numbers on the budget and spending. It’s a given the president’s budget thrilled no one in production agriculture, Roberts said. “I don’t think we’ve taken the White House budget seriously since Reagan,” adding when he saw the recommended cuts to crop insurance premium subsidies and administrative cost buy-downs, he told his staff “just pick the damn thing up and throw it back.”

California WOTUS Case Heats Up; Rescission Actions Continue

Federal action against a California farmer under the Clean Water Act (CWA) just got a much bigger spotlight as the chairs of two House committees weighed into the fray. Meanwhile, the administration continues its stepwise approach to rescinding and rewriting the “waters of the U.S.” (WOTUS) rulemaking.

White House efforts to rescind the current WOTUS rule and begin the process of reinventing the regulation continue as the Office of Management & Budget (OMB) now has the rescission order out for interagency review. Several reports indicate OMB will meet next week with the American Farm Bureau Federation – WOTUS was its number one regulatory priority during the Obama years and it represents the Waters Advocacy Coalition – and other organizations opposed to the EPA rulemaking. OMB has met with the National Mining Assn. (NMA), the Natural Resources Defense Council (NRDC), Nurses for a Healthy Environment and the Clean Water Network.

The California case was brought by the U.S. Army Corps of Engineers in 2012, alleging the producer failed to get the proper permits to discharge material into a wetland. Further, the farmer’s plowing of the wetland with low-lying areas to plant wheat did not qualify for CWA exemptions for regular or "normal" farming practices. The farm faces a $2.8-million fine.

House Agriculture Committee Chair Mike Conaway (R, TX) and Judiciary Committee Chair Bob Goodlatte (R, VA), a former ag committee chair, sent Attorney General Jeff Sessions a letter this week wanting to know why the Department of Justice continues to pursue the California case. The two lawmakers contend the Corps is ignoring congressional intent by claiming the producer doesn't qualify for the exemption, and poses a series of legal questions regarding the case to see if a legislative solution is needed.

Trump Plan on River Tolls Draws Opposition

A plan by the Trump administration to charge river tolls to help pay for lock and dam repairs and construction as part of the White House infrastructure scheme has drawn strong opposition from ag shippers and river users. Shippers met last December with Department of Transportation officials, and met again in May to push for full funding of 24 waterway projects at a total cost of $8.7 billion over a decade.

Waterway users already pay a "barge tax" – 29 cents per gallon on diesel fuel – to defray the cost of river projects, and supported a major increase in that tax during reauthorization of the federal waterways program. They see the tax paying for about 25% of new projects authorized by Congress, with the other 75% coming from a tax reform move to repatriate nearly $2 trillion in U.S. corporate taxes held overseas.

The toll idea, says the White House, is in line with its preference to push for private-federal partnerships to pay for infrastructure projects. Critics say the toll would have to be so high it would drive shippers off the rivers. President Trump's FY2018 budget recommendation gave shippers no reason to smile as it recommends killing off three of four ongoing U.S. Army Corps of Engineers river projects, and while recommending more money overall than President Obama, construction spending is less than the previous administration recommended.

Several locks and dam projects have been authorized, but never funded, including the Navigation & Ecosystem Sustainability Program (NESP), which includes seven locks and dams on the upper Mississippi River with a price tag of $2.8 billion.

STB Reform Bill Reintroduced

Legislation to improve freight service on U.S. Class 1 railroads has been reintroduced by Sen. Tammy Baldwin (D, WI). The "Rail Shipper Fairness Act" would increase authority at the Surface Transportation Board (STB) to police railroad shipping contracts, prevent rails from overcharging on fuel costs and develop competitive switching rules. Baldwin originally introduced the bill in the last Congress, but it saw no action.

The switching rules are aimed at allowing a shipper using designated terminals to switch to another service if there's an "interchange" nearby. The bill is supported by the Rail Customer Coalition, a broad alliance of agriculture, manufacturing and energy interests.

Maryland Joins California in Banning "Routine" Antibiotic Use on Farms

The Maryland Assembly approved legislation to ban the routine use of antibiotics in animal agriculture in the state, with the bill becoming law without the governor's signature or veto. The bill prohibits giving cattle, swine and poultry antimicrobial drugs if they're not sick. California is the only other state to enact such a law.

Effective October 1 – farmers have until January 1, 2018 to comply – the law also requires the Maryland Department of Agriculture to collect "publicly available data" on the use of some antibiotics in the state. Both the California and Maryland laws track action by FDA.

CFTC Market Risk Advisory Committee to Meet June 20

The Commodity Futures Trading Commission's (CFTC) market risk advisory committee announced this week it will hold a public meeting on June 20, at CFTC headquarters in Washington, DC.

The agenda includes a presentation by the commission's division of clearing and risk on how it conducts risk surveillance of central counterparties (CCPs), discussion on how to better inform the CCP regulatory framework through academic research and economic analysis, and advise the commission on potential effects of Great Britain's exit from the European Union (EU), i.e. "Brexit."

The meeting can be watched online by going to www.cftc.gov. Written statements to the committee need to be filed by June 27.