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Congress on Recess, Returns Next Week

Congresspersons spent the last week back in their states and districts, dodging bullets on the ugly issues and taking pats on the back on those that play well at home. When they return, the focus will shift back to Farm Bill evolution – when does the House bill hit the floor and when does the Senate unveil its version – along with the ongoing battle over the Renewable Fuel Standard (RFS) and Renewable Identification Number (RIN) modifications, and not to forget general spending, immigration and all those other issues that play loudly running up to the November midterm elections.

Conaway Shoots for May 14 for House Farm Bill Action, Moves to Block Poison Pill Amendments

The procedural road ahead for the House version of the 2018 Farm Bill remains rocky, and House Agriculture Committee Chair Mike Conaway (R, TX) this week, still shooting to get the bill on the floor the week of May 14, came up with an amendment plan that may derail the bill altogether.

Conaway told a radio interviewer last week he intends to ask the House Rules Committee to make out of order any floor amendments from members who don't promise to vote for passage of the bill. Conaway said this was to avoid so-called "poison pill" amendments," changes to the committee-approved bill so controversial as to take down the entire bill.

One such prospective amendment surfacing this week would eliminate the federal sugar program, long the bane of food processors and other sugar users. In a GOP caucus meeting this week on the committee bill, there was less talk of food stamp reform than there was of sugar program reform, with some members demanding a separate meeting to talk about arcane sugar grower protections they contend inflate food costs. A similar Senate move in 2013 was only narrowly defeated.

Dubbed by Rules Committee Democrats in a letter to panel chair Rep. Pete Sessions (R, TX) a "Trump-style loyalty pledge," the Conaway strategy was criticized as an "extraordinary break with tradition," and an "outrageous plan. The proposed amendment plan could push Democrats to offer no amendments as part of "the rigged partisan process." The committee members want a written response from Sessions rejecting the Conaway plan.

Farm Bills usually head for the floor under what's called an "open rule," meaning any and all amendments are welcomed during floor debate. Democrats reminded Sessions the Rules Committee "historically has encouraged all members to bring their best ideas for consideration."

Meanwhile, opposition to the controversial omnibus farm legislation continues to mount, both from Democrats who reject the bill's nutrition title for making stricter work requirements as part of federal food stamp program eligibility, but also from conservative factions who oppose the overall price tag of the farm program section of the bill. The bill carries an official cost of about \$865 billion over 10 years, with 70-75% of that price attributed to federal nutrition programs, including food stamps.

The National Farmers Union's (NFU) unanimously voted last week to oppose the House ag panel's approved bill saying the bill falls short in providing farmers with the tools to "cope with continued low prices."

House ag committee ranking member Rep. Collin Peterson (D, MN) said this week Conaway's missionary work to try and convince moderate farm state Democrats to vote for the bill, might be better focused on GOP House members who are considering cost-cutting amendments aimed at farm income programs, crop insurance premium subsidies, conservation program consolidation, and killing off the sugar program. Conaway has held at least one meeting with the full Republican House caucus to give them the first formal look at the bill, and plans next week to meet with conservative groups the Tuesday Group and the Freedom Caucus.

Sixty-five organizations sent a letter last week to the Hill opposing any attempt to "cut federal crop insurance," meaning reduce or means test policy premium subsidies or administrative cost payments to crop insurance companies. Conaway told his colleagues there are two reasons to protect crop insurance: First, any amendment to cut the program would likely kill the bill on the floor, and second, "against a backdrop of a loss of 50% in net farm income in the last five years, those amendments have no place in the bill."

This week Americans for Prosperity and Freedom Partners, two far right groups, sent Congress a letter outlining their strong opposition to the House Farm Bill, saying it's not just food stamps which need reform and the committee should have looked at changing farm programs. Last week more than 12 conservative groups sent a similar letter to House leadership calling for caps on Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs, killing off the sugar program, dropping some forms of crop insurance, reducing premium subsidies and promoting means testing for an array of federal income support and insurance programs.

American for Prosperity and Freedom Partners said the "reckless" budget bill signed this year, and the "irresponsible" omnibus spending package criticized by President Trump, mean the Farm Bill must travel a "fiscally responsible path." However, as approved the bill is "rife with corporate welfare," benefitting big agribusiness and penalizing the average taxpayers.

Conaway hasn't started counting votes – he needs 218 to get the bill through the House – because "we have a lot of educating to do," adding "It's a question of whether there's enough good stuff on the (food stamp) side to cause members who had overall problems with the last farm to vote 'yes.'"

McConnell Wants Final Senate Farm Bill Talks "Before the Summer is Out"

While no Senate Agriculture Committee 2018 Farm Bill has been unveiled – the tentative schedule is sometime this month – Senate Majority Leader Mitch McConnell (R, KY) this week told *Agri-Pulse* he wants to start conference committee action to reconcile House and Senate bills "before the summer is out."

McConnell said he fully intends to bring the Senate's version of omnibus farm legislation to the floor as soon as possible," saying "I set the floor schedule, and the bill will be there."

Senate Agriculture Committee Chair Pat Roberts (R, KS) and panel ranking member Sen Debbie Stabenow (D, MI) have so far escaped most of the attacks leveled at their House counterparts as they've publicly said they will not try and "reform" the bill's nutrition title, and that it's their goal to move a wholly bipartisan bill – taking into account the wants/needs of multiple stakeholders – through the committee process and to the floor.

However, the Senate ag panel has not escaped the slings and arrows of farm program critics altogether. This week groups opposed to any cuts in federal conservation programs to pay for other Farm Bill tinkering warned such a move means damage to waterways and increased erosion. The Environmental Defense Fund (EDF) was the loudest voice among activist groups, while conservation groups are generally pushing hard to keep program funding intact.

Roberts told one media outlet, “While I can’t share specifics of the conservation title as we are still negotiating, we are working to strengthen conservation programs on working lands and to provide certainty to farmers and ranchers in this title and throughout the bill.” Stabenow says she’s not in favor of cutting conservation funding.

Trade Update

May is World Trade Month – With U.S. officials in China this week to hold talks to head off a trade war over proposed U.S. steel and aluminum tariffs, with NAFTA 2.0 still a work in progress, and the possibility the U.S. could rejoin the Trans-Pacific Partnership (TPP) still looming large, the irony that May is World Trade Month was lost on no one who read the USDA announcement this week. Agriculture Secretary Sonny Perdue, in a prepared statement, said the department “marks the occasion by highlighting USDA’s success and continued commitment to expanding trade and increasing rural prosperity through agricultural exports.” In 2017, exports of food and farm products totaled \$138.4 billion, up just slightly from 2016, but supporting 1.1 million U.S. jobs.

Trump Extends Tariff Deadline 30 Days – Taking pressure off various U.S. trade negotiators this week, President Trump has extended the deadline for complying with his proposed 25% steel tariff and 10% aluminum tariff by 30 days. Exemptions have been granted to a number of nations, including Canada, Mexico, Australia and the European Union (EU.)

Light at the end of the NAFTA 2.0 Tunnel? – The pressure is on to get an agreement in principle to finalize the elusive “comprehensive” deal “among U.S., Canadian and Mexican negotiations on a modernized NAFTA treaty by the end of May, and next week the talks move to another “technical” round among the three countries’ top trade officials. However, President Trump last week couldn’t resist hedging on NAFTA progress when he said, “NAFTA...is moving along. I could make a deal very quickly, but I’m not sure that’s in the best interest of the U.S. We’ll see what happens, but we’re doing very well.” While the various working groups will continue working, next week’s high-level sessions will be “very intense,” and could continue throughout the week and possible beyond. Both Canada and Mexico’s top negotiators have praised the progress made during ministerial talks in Washington, DC, last week. Among unresolved issues are Canadian dairy protections, dispute resolution, labor and automobile issues, though all three negotiators appear confident deals can be reached. U.S. Special Trade Representative Robert Lighthizer, after cancelling Hill meetings to stick with NAFTA talks, told lawmakers and the White House this week he’s confident a preliminary deal can be reached in the “next couple of weeks.” For the first time, Lighthizer said the U.S. goal is to have a comprehensive treaty rewrite approved by Congress before it recesses in mid-December, while Mexico’s legislative season means it must approve a pact by August 31. The U.S. deadline is predicated on provisions of the trade promotion authority (TPA) law requiring the White House to submit the treaty to both houses of Congress for a 90-day review and up- or-down vote before the president can sign the deal.

High Level Talks over U.S.-China Tariff Threats Continue – Treasury Secretary Steve Mnuchin, Commerce Secretary Wilbur Ross, U.S. Special Trade Representative Robert Lighthizer, White House National Economic Council Director Larry Kudlow and trade advisor Peter Navarro headed a U.S. delegation in China this week for talks over U.S. proposed steel and aluminum tariffs, as well as a separate \$150-billion tariff package aimed at China, and that nation’s threat to hit U.S. products with similar tariffs, with the most severe aimed at U.S. soybeans, sorghum and pork exports to the world’s second largest economy. The talks present a “a very big challenge” in getting China to change the way it does business with U.S. companies, particularly those in high technology industries. At the same time, the U.S. and China continue “consultations” over the tariff threats as part of the World Trade Organization (WTO) process based on a complaint filed by China over steel/aluminum tariff prospects. The European Union (EU) has formally requested to join the U.S.-China consultations because it’s exemption from the tariff threat is only temporary. Ross, nominally the head of President Trump’s trade team, continues to downplay potential economic pain for agriculture, telling CNBC this week the cost to China to impose tariffs on U.S. agricultural imports would be high, particularly for soybeans, and would likely drive up the cost to China to try and source soybeans from South America. However, the head of Bunge told *Bloomberg* this week that China stopped buying U.S. soybeans and is sourcing beans mostly from Brazil and Canada.

One More, and Likely the Last, White House Biofuels Meeting Next Week

The White House will host four Senators next week at what will be the seventh meeting to discuss possible “fixes” to the Renewable Fuel Standard (RFS) and Renewable Identification Number (RIN) programs. The president has made it known this is the last meeting he’ll host in pursuit of a “win-win” solution to the RFS/RIN controversy between the biofuels and petroleum industries.

Biofuels champions Sen. Charles Grassley (R, IA) and Sen. Joni Ernst (R, IA) will sit across the table from petroleum industry advocates Sen. Ted Cruz (R, TX) and Sen. Pat Toomey (R, PA) at the meeting to be held Monday or Tuesday next week. While biofuels makers contend the RFS/RIN programs are sound and allowed them to grow into money-making operations, the petroleum industry says the programs’ costs are so great and requirements so complex, smaller companies are going out of business.

On the agenda will be Cruz’s proposal to cap RIN prices, an idea roundly rejected by ethanol and biodiesel makers, but also Grassley’s increasing frustration with EPA’s granting of waivers from RFS blending requirements to so-called “small refiners,” many of which are owned by national and multinational oil companies. Grassley says the overabundance of waivers granted by EPA Administrator Scott Pruitt undermines President Trump’s campaign and administration commitment to support the biofuels industry. For Trump, the issue of federally allowing year-round sales of E15 will once again be broached.

When the White House has hosted meetings on the issue they’re usually attended by Agriculture Secretary Sonny Perdue and Pruitt. Perdue has called the EPA waiver action “demand destroying” action by the agency when it comes to biofuels.

Grassley Seeks Changes to EPA’s Small Refinery Waiver Authority

EPA’s zeal in granting small refinery waivers from biofuel blending requirements under the Renewable Fuel Standard (RFS) to facilities owned by multinational petroleum companies is being targeted by Sen.

Charles Grassley (R, IA), who says he'll reverse spending bill report language the agency says gives it authority to grant the waivers.

The Iowa champion of all things biofuels says he'll reverse report language in the FY2015 and FY2016 spending bills that goes to waiver authority when the next round of spending bills is released this summer or early fall. However, EPA also points at a federal court decision last year that held the agency was being too stingy in granting the waivers as justification for its actions.

Normally reserved for small refineries making less than 75,000 gallons a day, the waivers have been granted to smaller facilities owned by such companies as Andeavor, one of the world's largest oil companies. ExxonMobil and Chevron have reportedly applied for waivers for their smaller facilities, and a refinery owned by billionaire investor and former Trump advisor Carl Icahn has also been granted a waiver, according to reports.

Claiming the waivers have cost the industry over 1 billion gallons in lost demand, the biofuels industry this week through the Advanced Biofuels Assn. (ABAZ) filed suit in federal court to get a ruling on whether EPA is violating its waiver authority in granting the waivers. The petroleum industry says the filing shows "a fundamental misunderstanding of the hardship exemption" in the underlying RFS authorizing law.

CFTC Releases "Reg Reform 2.0" Agenda

Commodity Futures Trading Commission (CFTC) Chair J. Christopher Giancarlo this week released a commission white paper – "Swaps Regulation Version 2.0: An Assessment of the Current Implementation of Reform and Proposals for Next Steps." It's title notwithstanding, the document was co-authored by CFTC Chief Economist Bruce Tuckman.

The paper is "economy focused," Giancarlo said, and looks at a "range of academic research, market activity and the agency's regulatory experience with implementing current swaps reform" to see if the commission is doing what it can and should to improve the "current swaps market reform framework."

The focus of the new document is five key areas, including "swaps central counterparties;" swaps reporting rules; swaps execution rules; swaps dealer capital, and end user exceptions. The full white paper is found at www.cftc.gov/pressroom/pressreleases/7719-18?utm_source=govdelivery.

USDA Finally Publishes GM Food Labeling Proposed Rule

The long-awaited proposed USDA rule on how food companies must provide consumers label information on the use of or presence of biotechnology was published in the Federal Register this week, but with a 60-day public comment period included in the publication, USDA has all but admitted it will miss the July 29 deadline for finalizing the rulemaking.

The rule is the result of the Bioengineered Food Disclosure Act, a landmark biotechnology labeling law enacted in 2016, which seeks to provide a national standard by which the public can find out if a food product contains a biotech ingredient or is a biotech variety of plant. However, the delay in publishing the proposed rule is reportedly due to a highly contentious interagency review process conducted by the Office of Management & Budget (OMB).

Animal feeds and pet foods are not covered by the law or the eventual rules requiring label disclosure. Meat and poultry fed GM-containing feeds are not covered by the law, nor are foods in which the main ingredient is meat or poultry.

“The standard will provide a uniform way to offer meaningful disclosure for consumers who want more information about their food and avoid a patchwork system of state or private labels that could be confusing for consumers and would likely drive up food costs,” USDA said in a statement. The rule is open for comments until July 3.

The food industry and production agriculture are generally relieved the rule has finally been published; some food companies which already spend the money to label for the presence of GM ingredients, along with consumer activist groups are not happy with the proposed regulation.

The rule seeks information/opinion on refined ingredients from GM plants, and wants to know what industry and the public thinks about USDA’s definition of “bioengineered” and how inclusive it is of other emerging technologies including gene editing; what ingredient thresholds should trigger labeling; the use of enzymes and yeasts; exemptions for “incidental additives,” as well as proposed lists of bioengineered foods along with disclosure options, including on-label icons, bar codes, etc.

Industry says the 106-page proposed rule is a marketing rule, with no implications on the safety of biotechnology in food production, and is supported by over 1,100 state, local and national organizations seeking to avoid a patchwork of state genetically modified (GM) food labeling laws.

FDA Approves Indiana Facility to Grow GM Atlantic Salmon, but Alaska Senator Blocks Sales for Now

An inland, freshwater, recirculating facility in Indiana, developed by AquaBounty Technologies (AQB) to grow its FDA-approved genetically modified Atlantic salmon, was approved and certified this week by FDA. However, full commercialization of the first-ever GM food animal remains blocked by language in the current appropriations bill which stops the company from importing from Canada the GM eggs needed to grow the fish to full market weight in less than half the conventional time.

The fish is approved and widely commercialized in Canada.

The appropriations bill language, the result of anti-GM actions by Sen. Lisa Murkowski (R, AK), was included in the spending bill to protect her wild-caught Pacific salmon fisherman from market competition. AQB says its market is not the high-end wild-caught Pacific salmon customer, but rather the U.S. Atlantic salmon market, 97% of which is supplied by salmon imports from Canada, Norway, Chile and Scotland.

Because the spending bill language says AQB cannot import eggs until FDA finalizes its labeling guidance on GM salmon, it’s hoped USDA’s publication of its GM labeling proposed rule – and the concurrent interagency review – will clear the way for FDA to act on its updated labeling guidance document.

Texas Leads States in Suing to End DACA

Texas and six other states this week brought action in federal court to end the Deferred Action for Childhood Arrivals (DACA) program set up by President Obama. Joining Texas are Alabama, Arkansas, Louisiana, Nebraska, South Carolina and West Virginia.

DACA, which provides federal deportation protection to minor children brought to the U.S. illegally by their parents, is illegal, say the states, because Obama created it through executive order without congressional action and approval. The case asks the U.S. District Court for the Southern District of Texas to immediately “rescind and cancel all DACA permits currently in existence because they are unlawful.” At least, say the states, the federal government needs to be blocked from issuing or renewing DACA permits.

Last week a Washington, DC, federal judge ordered the White House to keep the DACA program in place and start accepting new applications unless it can provide legal justification for killing it off. Other suits similar to that in Washington – San Francisco and Brooklyn – were ordered to proceed.

Sam Clovis Heads Back to Iowa

Dr. Sam Clovis, senior White House advisor to USDA, resigned his job this week and is heading home to Sioux City, Iowa.

A former college economics professor, radio talk show host, and unsuccessful candidate for the Senate, Clovis was one of the first recognizable ag voices in President Trump’s run for the White House, serving as national campaign co-chair and perhaps the longest-serving Trump advisor at USDA.

President Trump nominated Clovis to become USDA undersecretary for research, education and economics, but concerted Democrat opposition and eroding GOP support over previous public Clovis statements on hot button issue, coupled with concern over Clovis’ overall qualifications to be USDA chief scientist, knocked him out of the running.

“I’m ready to go home,” Clovis told reporters this week, telling *Agri-Pulse* it was a personal decision to leave Washington, DC. “I think we’ve accomplished a great deal...I’m very proud of what we’ve accomplished and I’m leaving the place in good hands.”