

## **State Association Weekly Washington Report 5.18.17**

### **Perdue Makes Debut Appearance at House Ag Hearing, Talks Reorganization, Rural, Trade Issues**

Agriculture Secretary Sonny Perdue took a break from barnstorming the hinterland this week, appearing before the House Agriculture Committee for the first time since being sworn in. The sole witness in one of the panel's "state of the rural economy" hearings, Perdue shined a little more light on President Trump's agriculture priorities, defending USDA reorganization plans, trade and gave assurances rural issues are still one of his top priorities.

House Agriculture Committee Chair Mike Conaway (R, TX) teed up the Perdue testimony using his opening statement at the full committee hearing to reference the importance of trade, deregulation/regulatory reform, realistic school lunch rules, federal biotech labeling, Mexico and sugar, trade accountability and the new undersecretary slot, service to farmers and ranchers with less money, getting cottonseed producers eligible for income supports, reforming the Margin Protection Program (MPP) for dairy, spinning out a veritable Farm Bill issues list.

Perdue's announcement last week he will reorganize USDA, primarily filling a new undersecretary for trade position while eliminating the current undersecretary for rural affairs slot and rolling it into a new mission area of the secretary's office, raised concerns from some farm groups, echoed at this week's hearing. At one point he talked about an "assistant secretary" to deal with rural issues, a statement later corrected by his office, explaining Perdue was referring to an "assistant to the secretary" position on rural affairs.

He stressed elimination of the rural affairs undersecretary in favor of the new position in his office "in no way diminishes the rural development mission area, and that the new hire will have direct access to him, "so we can move quickly and nimbly with a vision for improving rural America."

He explained rolling the Natural Resources Conservation Service (NRCS), the Farm Service Agency (FSA) and the Risk Management Agency (RMA) into a new USDA farm production and conservation mission area will provide farmers and ranchers more efficient services "whether they're signing up for a farm program, ARC, PLC, EQIP or other things." In his original announcement, he called this efficiency "one-stop shopping" for farmers and ranchers seeking USDA assistance.

In the context of near record-low farm income – down 50% since 2013 – Perdue stressed trade is paramount. "We've got to sell our way out of the supply-demand situation that is depressing prices right now," he said. He stressed the new undersecretary for trade – a position created in the 2014 Farm Bill and as yet unfilled – is going to be the ultimate salesperson, a deal maker who will spend a lot of time on the road. He said there's nothing "anti-trade" in the Trump administration.

"This guy is going to be a million-mile flyer," Perdue said. "Foreign buyers want to see you in person, so the presence is important." He described the new undersecretary as someone who will wake up each day thinking, "where can I go sell U.S. agricultural products, who is hungry, who can pay and how can we do the deal?" He said the White House has begun interviewing candidates for the new job.

On NAFTA, the secretary reassured the committee the White House is not out to scrap the 23-year-old treaty, but is looking to modernize it. He said some components of the Trans-Pacific Partnership (TPP), from which the U.S. withdrew, could be included in a new NAFTA treaty as "building blocks." He told

reporters “you might see a sort of trilateral TPP” that includes the U.S., Canada and Mexico...I’m just suggesting that” to White House trade leads.

Perdue punted the cottonseed farm payment issue to Conaway, explaining it will take Congress to thread that needle of cottonseed farmer eligibility given the move’s \$4-billion, 10-year price tag, and his “options are limited severely” with the unsuccessful try to include the cottonseed eligibility fix in the FY 2017 omnibus spending bill.

He said inland waterway service and rural broadband service are priorities for the administration, but in the context of Trump’s infrastructure investment proposal.

### **NAFTA Game Begins as Trump Sends Congress Formal Notice of Intent to Renegotiate**

Whether it ultimately turns out to be a full renegotiation, “modernization,” or simple “tweaks” to level the playing field among the three signers, the White House this week formally kicked off negotiations over the future of the North American Free Trade Agreement (NAFTA) by sending Congress formal notification of its intent to renegotiate the treaty.

President Trump’s newly confirmed U.S. Special Trade Representative (USTR) Ambassador Robert Lighthizer sent Congress the letter this week, starting the 90-day countdown to beginning formal negotiations among the U.S., Canada and Mexico. The letter assures lawmakers the administration intends to work “closely and transparently” with them, explaining it is the president’s goal to “update” NAFTA, adding provisions covering intellectual property rights, digital trade, labor and environmental standards.

Specific U.S. goals are due to Congress 30 days prior to the first-sit down meeting of the three parties as required by trade promotion authority (TPA) given by Congress to the president. President Obama came was sternly criticized by his own party when the Trans-Pacific Partnership (TPP) was negotiated, House Democrats saying they were not consulted early enough to ensure labor and environmental protections were included in the Pacific Rim treaty.

Lighthizer sought to reassure traders, particularly those in agriculture, that while he and Commerce Secretary Wilbur Ross will seek to increase manufacturing trade, that achievement won’t come at the expense of active successful exporters, including farmers, ranchers and agribusiness.

Groups representing U.S. grain, feed, dairy, produce and livestock production warned the White House to not “improve” the trade deal if it means losing trade advantages currently enjoyed, including integrated supply chains facilitating the free movement of goods and components across borders.

These same ag groups encouraged U.S. negotiators to focus on updating sanitary/phytosanitary standards (SPS) included in the treaty, and Agriculture Secretary Sonny Perdue has suggested to administration trade leads that provisions negotiated by the U.S. and now part of the Trans-Pacific Partnership (TPP) could be the “building blocks” to modernize those provisions. Industry refers to the TPP SPS section as “SPS Plus,” and remind the White House Canada and the U.S. signed off on the provisions during the original TPP negotiations.

“Agriculture has been relatively successful for Americans across several sectors, including agriculture, investment services and energy,” he said. “However, other sectors like manufacturing – particularly as with regards to Mexico – have fallen behind.”

Rep. Kevin Brady (R, TX), chair of the House Ways & Means Committee which must ultimately approve any new and improved NAFTA, said, “We look forward to working with the administration to strengthen the agreement in a seamless way and ensure that we retain the current benefits for American workers, farmers and businesses.”

Democrats say the Trump administration will need to significantly change NAFTA to win their support, particularly from lawmakers who opposed the Trans-Pacific Partnership (TPP). “NAFTA is a brutal instrument and it pits the investment class against the industrial working class and small farmers,” said Rep. Marcy Kaptur (D, OH), who voted against the original NAFTA treaty in 1993. “Those who have the most (are pitted) against those who don’t.”

Democrats also want to see provisions on currency manipulation, and tighter “rules of origin” provisions that require more use of U.S. components and ingredients to qualify for greater tariff reductions, government procurement, investor-state settlements and U.S. worker protections. House Minority Leader Nancy Pelosi (D, CA) said she wants to see progress on fighting climate change as part of the new treaty.

### **Trump Infrastructure Investment Plan Tilts Toward Public-Private Investment**

The much talked-about infrastructure investment plan touted by the White House is looking more and more as if it will prioritize projects for federal funding if the state or local project has already secured some other form of financing, including private financing, Secretary of Transportation Elaine Chao said this week to a U.S. Chamber of Commerce audience.,

“The goal is to use federal funds as an incentive to get projects underway and built more quickly,” Chao said. This means greater participation by state, local and private “partners,” she added, explaining the Department of Transportation (DOT) is very aware there are “few special projects” for which private sector funding will not be possible.

However, as the Trump White House looks at granting private companies tax credits for infrastructure partnerships, some on Capitol Hill say that funding mechanism may not always be possible. Rep. Martin Heinrich (D, NM) said, “Wall Street investors are going to put money, time and resources where they make the largest profit and the get the quickest return.” He made the statement as a member of the House-Senate Joint Economic Committee in releasing a report on economic challenges in the rural U.S.

Heinrich said some infrastructure projects in remote rural areas aren’t going to get investor attention, and the federal government will need to step up. A private-public partnership is good, he said, “if you’re developing an airport. It doesn’t work if you’re trying to build a water project in eastern New Mexico or a highway in rural Montana.”

### **Don’t Cut Income Support, Crop Insurance, Says Conaway, while Trade Promo Targeted for Big Hike**

Jockeying for issue prominence in the upcoming FY2018 Farm Bill is ramping up, with legislation introduced this week to double federal spending on USDA export promotion programs, and fears emerging the detailed Trump FY2018 budget will seek to cut income support and crop insurance programs.

Word late this week is that House Agriculture Committee Chair Mike Conaway (R, TX) was meeting with Office of Management & Budget (OMB) Director Mick Mulvaney to convince the former House

lawmaker that President Trump should not seek to cut or cap farm income support programs, nor should he seek to cut federal crop insurance programs to save money. Conaway is a staunch supporter of both programs, and will no doubt remind Mulvaney that the FY2014 Farm Bill is on track to save the federal government \$104 billion over 10 years.

Several groups, including Heritage Action, want to see both programs cut, contending a free market is better for rural growth and competitiveness. In the FY2014 Farm Bill, dead aim was taken by several members to cap crop insurance premium subsidies, contending the government currently pays up to 62% of the average farmer's crop insurance premium, while at the same time paying down insurance company administrative costs. Critics contend this system favors large farms, and costs the government \$21.08 per acre on average.

Meanwhile, Reps. Dan Newhouse (R, WA) and Chellie Pingree (D, ME) introduced legislation that would double the amount of money USDA contributes to the Market Access Program (MAP) and the Foreign Market Development (FMD) program, both geared toward selling U.S. products abroad. The Newhouse-Pingree bill recognizes neither MAP or FMD funding has been increased since 2002, and would jack funding for MAP to just under \$400 million, up from the current \$173 million, and increase FMD to around \$60 million, from its current level of \$26.6 million.

Both programs are matching funds programs, meaning groups deemed eligible put up private funds to "match" the federal contribution. Newhouse and Pingree would increase the required matching funds, currently 10% minimum on MAP, with a 50% minimum on brand-specific promotion, with similar increases for FMD matching requirements.

## **EPA Notes**

**Stabenow Not Happy with Science Review Board Firings** – Senate Agriculture Committee ranking member Sen. Debbie Stabenow (D, MI) is not happy with EPA Administrator Scott Pruitt for deciding to not renew about half of the contracts for scientists who sit on the agency's Board of Scientific Counselors, a panel which provides independent, third-party review of the science underlying agency rulemakings. Stabenow sent Pruitt a letter asking for details of the elimination of nine scientists through non-renewal of their contracts, how the firings might affect agency programs and actions, and if he has plans to fire scientists on other EPA advisory boards, including those dealing with pesticides and food-related issues.

**Agency Gets Over 57,000 Comments on Reducing EPA Rules** – EPA Administrator Scott Pruitt this week said his agency has received more than 57,000 comments on how best to reduce the EPA regulatory burden on industry, including many from agriculture and biofuels industries. The suggestions, many of which are already on the White House target list, included several urging the agency to move expeditiously to replace the controversial "waters of the U.S. (WOTUS)" rule, with the National Cattlemen's Beef Assn. (NCBA) suggesting revamping regulations on fuel storage tanks is necessary. The Renewable Fuels Assn. (RFA) reportedly joined a number of other groups in pushing EPA to allow E15 gasoline/ethanol fuel blends to be sold year-around, while the National Biodiesel Board (NBB) told the agency it needs to provide funding for additional guidance and compliance assistance with the Renewable Fuel Standard (RFS), the proposed Renewable Enhancement & Growth Support rule, vehicle regulations and other issues. Environmental groups pushed for Pruitt to show restraint in cutting back on regulations. According to reports, the Natural Resources Defense Council (NRDC) supposedly ready

every single comment, alleging those to who oppose Pruitt's zeal to cut regulations outnumber his supporters 1,168 to 16.

**EPA Sets Up WOTUS Website** – A new website – replacing a 2015 Obama administration site – has been unveiled by EPA so that folks who care can get the latest information on the agency's actions to rescind and replace the controversial "waters of the U.S. (WOTUS)" rulemaking. The new site can be found at <https://www.epa.gov/wotus-rule>. The site is the result of agency meetings with state and local officials aimed at facilitating the development of a new WOTUS rule. Said Administrator Scott Pruitt: "This website aims to provide the public with information about our actions to meet the president's directive" to rescind and replace the Obama EPA rule. The proposed rule to rescind the rule is now at the Office of Management & Budget (OMB) for review. All pages and documentation from the Obama administration site will be available through [www.archive.epa.gov](http://www.archive.epa.gov).

**EPA Wants Comments on Pyrethroids** – EPA reopened its comment period on its ecological evaluation of the popular pesticide chemical class called pyrethroids. The pesticide is used on a wide array of crops, including corn, soybeans, alfalfa, apples, almonds and citrus fruits. The agency is encouraging farmers producing any or all of these crops to comment. Several manufacturers of the chemical, including FMC, AMVAC, BASF, Bayer, Syngenta and Valent BioSciences, have set up a website for information about the insecticide, its uses, science, etc. The website can be found at <http://pwg2pmp.com/>.

#### **Foreign Supplier FSMA Compliance Date May 30**

The first compliance date for the foreign supplier verification program (FSVP) created by the Food Safety Modernization Act (FSMA) is May 30, and feed companies importing ingredients need to be compliance, reports the American Feed Industry Assn. (AFIA).

The FSVP requires importers to perform certain risk-based actions to ensure food imported into the U.S. – including animal foods and ingredients – is produced in a way providing the same level of public health protection as required of companies in the U.S. The requirement, FDA says, creates a "seamless" program for all food/feed facilities, and is "in line with our international treaty obligations" that requires the U.S. to treat foreign facilities the same as domestic facilities.

Compliance is required by May 30, if a foreign supplier is NOT subject to FSMA preventive controls for animal food or human food as laid out in the respective rules, AFIA said. If a U.S. company is an FSVP importer, compliance by May 30, is required if your foreign supplier must comply with the preventive controls rule for animal food and current good manufacturing practices, AND your foreign supplier is NOT considered a small business OR a qualified facility (including "very small business") under the preventive controls for animal food FSMA rule, AFIA explained.