

## **State Association Weekly Washington Report 4.26.18**

### **House Farm Bill Floor Schedule Slipping; House Conservatives Offer Up Their Version of a “Farm Bill”**

While House Agriculture Committee Chair Mike Conaway (R, TX) said last week after a brutal full committee markup and party-line approval of the GOP Farm Bill that he'd like to see the bill on the floor in May, he walked back from that prediction this week, saying he's got to round up 218 hard “yea” votes before getting his controversial bill scheduled for full House action.

Conaway has been holding small group meetings with colleagues urging support for the bill, especially among conservative Republicans. He plans to meet with the full GOP caucus this week

The support-gathering task got tougher this week as House conservatives unveiled their own far-reaching 2019 budget plan, along with what they consider to be a fiscally sound Farm Bill, and it looks not a bit like Conaway's committee bill.

The conservative leaders would split the nutrition title out of the broader farm program legislation, just as was done in 2014, but this time they'd stay separate bills. Work requirements would be added to the federal food stamp program, and the plan would block grant the program.

The plan calls for cutting the Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) programs, the backbone of federal crop income support programs. The sugar and dairy titles would disappear in favor of “free-market” regulated industries. Crop insurance premium co-pays would be reduced to 30% and administrative cost reimbursement to crop insurance companies would end. No new enrollments would be accepted in the Conservation Reserve Program (CRP) and the Conservation Stewardship Program (CSP)

### **Senate Farm Bill Debate Shaping Up with Emerging Place-holder Bills**

Bills aimed at new farm policy are cropping up across the Senate, so-called place-holders for the upcoming Senate Agriculture Committee move to craft its version of a 2018 Farm Bill.

Committee Chair Pat Roberts (R, KS) and ranking member Sen. Debbie Stabenow (D, MI) are close to consensus on how to proceed, but have not announced a schedule yet.

Sen. John Thune (R, SD), already the author of a bill to return the Conservation Reserve Program (CRP) cap to 30 million acres, this week reached across the aisle in unveiling a bill to modify the Agriculture Risk Coverage (ARC) to make it more generous to participants. Thune's bill would adjust the ARC commodity formula for corn and soybean producers. The current formula pays based on when the average county crop price falls below 86%; Thune's bill changes that payment level to 90%, would be based the crop price on a three-year average, not the current five-year average. Wheat farmers would see their formula changed so the average yield is increased up to 50% to account for weather events.

The Thune bill includes portions of a similar bill introduced by Sen. Heidi Heitkamp (D, ND) and Sen. Joni Ernst (R, IA) aimed at getting more reliable yield data by using Risk Management Agency (RMA) numbers, a move to eliminate fluctuations in county data in the same state.

## **Pruitt Whipsawed in House Hearings**

EPA Administrator Scott Pruitt, embroiled in a series of internal agency investigations into a series of ethical allegations and mispending federal dollars, survived attackers and defenders during a House Energy & Commerce Committee hearing this week. Pruitt also testified later before both House and Senate appropriations subcommittees reviewing the FY2019 EPA budget.

In his prepared statement, Pruitt said, “I more than anyone want to establish the hard facts and provide answers to these reports. Let me be very clear. I have nothing to hide as it relates to how I’ve run the agency for the past 16 months.”

The only issue of real substance discussed at the Energy & Commerce hearing was this week’s announcement by EPA of a new draft science policy in which the agency limits the agency’s use of studies which don’t have publicly available raw data when setting air and water rules and policies. Long a Republican priority, the new draft policy drew allegations from Democrats of Pruitt granting himself the authority to hide some studies and ignore others if they don’t fit the administration’s policy goals. While critics said the new policy would allow favoritism, Pruitt insisted the new approach would be applied equally to “all third-party studies.”

Throughout Pruitt’s appearance, Republican panel members dismissed Democrat attacks on the former Oklahoma attorney general as political posturing, and praised Pruitt’s work in rolling back several Obama administration rulemakings, including “waters of the U.S. (WOTUS), clean air initiatives, and other rules industry considers heavy-handed.

President Trump has also praised Pruitt, though his support now is somewhat lukewarm compared to a month ago, with observers referring to the White House attitude as “Pruitt fatigue.” Also showing some signs of that same fatigue is Sen. James Inhofe (R, OK), Pruitt’s staunchest Senate supporter, who this week became somewhat ambivalent in his defense of his home state administration official.

Democrats assailed him for allegations he violated federal travel rules by use of first class airfare and private jets; that he authorized a \$43,000 “phonebooth” in his office for secure calls; that he intervened in raising the salaries of two personal staff after the White House nixed the raises, and that he rented a room in a home owned by the spouse of an energy industry lobbyist. Pruitt has steadfastly denied any wrongdoing, but EPA’s Inspector General (IG) is investigating the allegations.

## **RFS Waiver Battles Continue; Perdue Says EPA Practice is “Demand Destruction”**

EPA Administrator Scott Pruitt, citing rising Renewable Identification Number (RIN) market prices, told lawmakers on Capitol Hill his agency has granted 53 “small refiner” waivers from 2016 and 2017 Renewable Fuel Standard (RFS) fuel blending mandates.

Critics contend Pruitt is issuing waivers to refineries owned by national and international petroleum companies, while the waiver program is supposed to be limited to plants processing less than 75,000 gallons a day.

Agriculture Secretary Sonny Perdue this week told the Senate Agriculture Committee that EPA’s [waiver](#) program use eliminated demand for about 1.12 billion gallons of ethanol last year, which he says undermines the RFS program.

“Our conclusion is that’s direct demand destruction,” Perdue said at a hearing designed to showcase his first year as secretary. His analysis lines up with that of the Renewable Fuels Assn. (RFA). He also said Pruitt’s use of waivers may conflict with an earlier directive to EPA to do nothing that might erode the 15-billion-gallon RFS set by Congress.

Perdue told the panel the run-up in RIN prices has more to do with refiner market practice than speculators or manipulation of the markets. He said refiners were “hoarding” RINs, in some cases, driving up prices to hurt smaller refiners. “That’s as much of a factor as the blend wall,” he said.

#### NAFTA Progress Slow, but Sure; Trade Concerns Continue

Both Canada and Mexico continue to be cautiously optimistic about an eventual successful outcome to the ongoing NAFTA 2.0 negotiations, while the U.S. is mum. Meanwhile, Treasury Secretary Steve Mnuchin headed to China this week to talk prospective tariffs, a move designed to calm continuing trade war fears.

The chief Mexican trade negotiator emerged from the third day of intense ministerial negotiations in Washington, DC, this week vowing to stay and work as long as it takes to get to a general agreement in principle on a new NAFTA treaty. His Canadian counterpart echoed his sentiments, adding ‘creative’ suggestions have emerged on sticky issues, including a U.S. sunset provision, automobile and parts access, and other issues.

Mnuchin’s trip to China gave heart to U.S. agricultural exporters that the U.S. is seriously talking to China about trade policy changes between the two nations that will avoid an all-out trade war after President Trump threatened to impose nearly \$150 billion in tariffs on Chinese goods moving to the U.S. The Chinese government quickly answered in kind, targeting U.S. agriculture imports.