

State Association Weekly Washington Report 3.23.17

Everybody Loves Sonny Perdue Based on Confirmation Hearing

The Senate Agriculture Committee room was packed with his family, including 14 grandchildren; friends and former coworkers when President Trump's nominee to be secretary of agriculture was introduced by a former Georgia GOP Senator – who just happened to be the former chair of the ag committee – and a Georgia Democrat House member. In the end – only about two and a half hours later – former Georgia Gov. Sonny Perdue had sailed through his confirmation hearing with nary a negative syllable uttered, with members on both sides of the aisle repeatedly thanking him for his willingness to serve.

Committee Chair Pat Roberts (R, KS) said he'll schedule a business meeting of the full committee as soon as possible to get a final vote on Perdue's nomination. "We have told leadership we would like to move him as soon as possible and leadership has agreed," he said. However, when asked if Perdue would get full committee and full Senate approval before the April 10 two-week Easter recess, Roberts said, "Hope springs eternal."

"Now, more than ever, agriculture needs a voice – and advocate – at the highest levels of government," said Roberts in his opening remarks. "Gov. Perdue has been nominated to serve in exactly that role."

Committee ranking member Sen. Debbie Stabenow (D, MI) echoed Roberts' sentiments, saying in her statement, "An agriculture secretary will need to look past regional divides or partisan pressures to support all farmers, all families and all rural communities. And right now we need an advocate to stand up for them in this administration."

Stabenow's view also reflects most other Senate Democrats' opinion of Perdue. "We have a nominee who understands agriculture, grew up on a dairy farm and after multiple discussions with him, I feel he can do a good job of running the department. Barring anything that comes up in questions for the record and so on, I'm planning on supporting him," she said. In addition, the National Farmers Union (NFU) issued a strong endorsement of Perdue this week, urging quick confirmation.

For himself, Perdue noted his confirmation hearing was held "during the same week we celebrate National Agriculture Week," and he committed to being a "tenacious" champion for agriculture. He provided diplomatically worded responses to some questions, appearing to be less than 100% on board with Trump administration moves on the budget, as well as on trade.

"Agriculture is in my heart, and I look forward to fighting for the producers of America," Perdue said.

"I will work tirelessly to advance four primary goals," said Perdue in his sworn testimony. "I will maximize the ability of the men and women of America's agriculture and agribusiness sectors to create jobs...for the American taxpayers – our customers – I will prioritize customer service every day...our tax payers are also consumers, and they expect a safe and secure food supply... (and) we will safeguard and maintain our responsibility as good stewards (of the land) ...supporting conservation efforts and managing natural resources as entrusted to the department."

Issues raised by the committee included telling the White House of the need for a strong foreign market development effort; the need to protect the Renewable Fuel Standard (RFS), forestry management issues in the West, and a rework the Margin Protection Program (MPP) for dairy. Perdue was born and raised on a small dairy farm.

Perdue, in response to a question from Sen. John Thune (R, SD) as to whether the U.S. should embargo beef imports from Brazil after allegations of unsanitary practices protected by company bribes were reported this week, said he did not favor formally blocking imports lest other nations take similar steps against the U.S. poultry industry due to concerns about avian influenza. He said he supported thorough inspections of Brazilian beef entering the U.S.

All of the media hype about Perdue's corporate holdings, "ethics" issues while governor and other criticisms were never mentioned. A good number of committee members delivered opening statements which were laundry lists of the challenges facing production agriculture – including Trump's "skinny" FY2018 budget outline which contemplates whacking USDA's discretionary spending by 21% -- but they asked no questions in open committee. Other members looked for Perdue's on-the-record commitment to protect a favorite program from Trump budget cuts, work with them to achieve a constituent goal as part of 2108 Farm Bill development, or travel to their state to meet with their farmers and ranchers, go to a football game or go hunting.

Ag gets White House Attention on Ag Day; Reassurance on Trade Priority

President Trump tweeted about farmers and ranchers, White House Press Secretary Sean Spicer talked ag this week, and newly appointed assistant to the president food, agriculture and trade Ray Starling talked the importance of and administration commitment to ag trade, as the White House used National Agriculture Day to show farmers, ranchers and agribusiness a little love.

Marking March 21 as National Agriculture Day with an official proclamation, Trump tweeted, "Today on #NationalAgDay, we honor our great American farmers and ranchers. Their hard work and dedication are ingrained in our national fabric."

Spicer cited Ag Day during his daily press briefing, saying, "While our farmers are the most efficient in the world, margins have been tightening, regulations have been multiplying and exports, which have historically counted for over one-fifth of U.S. farm production, have been declining due to unwise trade policies. The president promised many people in the agriculture industry and throughout rural American that he would not allow this to continue, and he will continue to pursue policy changes that will reverse this disturbing trend."

Starling assured the audience at a Washington, DC, Ag Day event that trade remains a top priority for the Trump administration. He said farmers and ranchers need to be "reassured that what's said inside the White House about agricultural trade is nothing but good stuff." He said Trump's public talk of addressing the imbalance of trade in manufacturing "is not meant to neglect ag." He said the White House continues to meet with ag groups to get direction on how to renegotiate the North American Free Trade Agreement (NAFTA.)

House Ag Hears About Farm Bill Dairy Fixes Needed

While Secretary of Agriculture-designate was peppered with questions during his Senate Agriculture Committee confirmation hearing on his willingness to reinvent federal dairy income protection programs, the dairy industry was giving the House Agriculture an earful on what it needs in the 2018 Farm Bill.

Perdue, born and raised on a small Georgia dairy farm, promised Sen. Patrick Leahy (D, VT) and panel ranking member Sen. Debbie Stabenow (D, MI) he'd work to fix what's broken with the current Margin Protection Program (MPP) authorized in the last Farm Bill. That program, modeled on crop insurance, was undersubscribed, failing to pay dairy producers what they needed to make up lost sales and income.

The dairy industry wants to see reinstated a 10% cut made in MPP during 2014 Farm Bill deliberations. That cut in the program designed by the National Milk Producers Federation (NMPF) changed the way producers calculated their feed costs for determining margins, and this shift cut producer participation dramatically, NMPF said. NMPF President & CEO Jim Mulhern told a separate DC audience, "We had it right the first time."

The NMPF feed margin formula proposal does not sit well right now with House Agriculture Committee Chair Mike Conaway (R, TX), whose opening statement at this week's hearing on dairy policy was strongly sympathetic to the drop in dairy prices and acknowledged the "underperformance" of MPP. However, prior to this week's hearing, the committee asked the Congressional Budget Office (CBO) to calculate the cost of changing MPP back to the way NMPF originally proposed it. That number came in this week at \$2 billion over 10 years.

Conaway said, "I don't want expectations to outrun what we can actually get done," and that seeking such an increase in dairy program costs wasn't "rational." Mulhern said, "Let's get the policy right and then address the cost of it."

Also on the dairy industry wish list is a voluntary incentive program as part of USDA nutrition programs giving participants incentives to buy dairy products.

Brazilian Beef Scandal Raises Calls for Import Ban; USDA Assures on 100% Re-inspection

Amid police raids, multiple arrests and growing government allegations that private meat companies bribed Brazilian government meat inspectors to allow spoiled and bacteria-laden meat to be sold, several countries have banned Brazilian beef imports, while USDA has stopped short of a ban and instead assured the public of its "additional steps to keep the food supply safe."

Those steps don't satisfy a growing number of lawmakers on Capitol Hill. Rep. Rosa DeLauro (D, CT), one of the staunchest food safety champions on the Hill, this week called for an immediate halt to all Brazilian meat imports in a letter sent to acting Deputy Secretary of USDA Michael Young. DeLauro said the U.S. should follow Chile, Canada, Mexico, China, South Korea and the European Union (EU) and immediately halt Brazilian meat imports, including poultry in some cases. Sen. Jon Tester (D, MT) introduced a bill that would ban Brazilian meat imports for 120 days to give USDA time to assess the situation and take appropriate steps.

Senate Agriculture Committee ranking member Sen. Debbie Stabenow (D, MI) wrote to Young this week as well, posing several questions to USDA on how it's handling the Brazil situation. She wanted responses in writing to questions about what "immediate actions" the department is taking to "ensure the integrity of our import U.S. food supply." Specifically, she asked if any adulterated meat has entered the U.S.; whether USDA needs additional personnel at ports of entry, and whether the Food Safety & Inspection Service (FSIS) is going to revisit its determination that the Brazilian food safety system is equivalent to the U.S. system.

USDA almost immediately released a public statement detailing its actions in the wake of the Brazilian meat bribery scandal. First, it assured the public no Brazilian beef sourced from any of the 18 plants implicated in the bribery allegations has entered the U.S. FSIS has instituted additional pathogen testing of all shipments of raw and ready-to-eat products from Brazil, and has increased examination of these product categories at ports of entry across the country. The department said it will indefinitely continue its 100% re-inspection and pathogen testing for *Salmonella* and *Listeria monocytogenes* of all regulated products imported from Brazil.

Biodiesel Board Wants Antidumping Duties on Argentine, Indonesian Imports

Accusing the two nations of illegally subsidizing their domestic biodiesel industry and then dumping surplus fuel on the U.S. market, the National Biodiesel Board (NBB) this week announced it's asking the Commerce Department and the U.S. International Trade Commission (ITC) to impose countervailing duties on Argentina and Indonesia.

"This is a simple case where companies in Argentina and Indonesia are getting advantages that cheat U.S. trade laws and are counter to fair competition...U.S. biodiesel production is being put at risk by unfair market practices," NBB said. Biodiesel is refined from oilseeds or from animal fats, greases and oils.

Between 2014-2016, imports from the two nations increased a whopping 464%, cutting U.S. market share by 18.3%, the group said. NBB says foreign biodiesel is being sold into the U.S. at prices far below their domestic cost of production, with Argentina dumping margins of 23.3% and Indonesia dumping at a 34% margin

Peru put antidumping and countervailing duties on biodiesel imports from the two countries in 2016. The European Union (EU) slapped 41.9-49.2% duties on Argentina, and 8.8-23.3% duties on Indonesia in 2013.

PRIA Passes House, Heads to Senate

The federal law which lays out how pesticide manufacturers get their products reviewed and approved by EPA and the fee cost of that endeavor was approved this week by the full House and is now headed to the Senate for likely concurrence.

Fees associated with pesticide registrations – designed to expedite approval schedules – will increase slightly under the reauthorization of the Pesticide Registration Improvement Act (PRIA), with most of those funds helping fund the operation of the Office of Pesticide Programs (OPP). The bill requires OPP to spend at least \$128.3 million in appropriated funds before assessing fees.

The reauthorization is the fourth time the 2003 program has been reinvented, this time for seven years instead of five years as originally proposed by bill authors. The approved bill also includes language increasing funding for farm worker safety programs and environmental protection initiatives.

The bill was supported by a rare coalition of ag producer groups, pesticide companies and environmental groups. Included in the coalition are CropLife America, the Natural Resources Defense Council (NRDC), the National Association of State Departments of Agriculture (NASDA), Farmworker Justice, as well as crop production groups.

Trump Administration to Send NAFTA Hill Notification, Review of Existing Trade Deals

A draft of the formal notice from the White House to Capitol Hill that the president intends to begin negotiations with Canada and Mexico to modernize the North American Free Trade Agreement (NAFTA) is ready to go, administration sources said this week, while another executive order is being prepped ordering a full review of all existing U.S. trade pacts.

Under trade promotion authority granted to the president by Congress, formal notice of impending trade negotiations must be conveyed to lawmakers 90 days before talks begin. The timing of the formal notification jives with statements out of Mexico on the timetable for NAFTA talks. Commerce Secretary Wilbur Ross said this week there is a “sense of urgency” in the timing of the notice, and reported senior negotiators have met with the House Advisory Group on Negotiations, a panel created under the Trade Promotion Authority law, on what will be discussed and how the NAFTA talks will proceed.

On the treaty review front, President Trump promised during his campaign his administration would review all 14 bilateral trade deals in which the U.S. is currently involved. NAFTA is number one among candidates for review, which will include how technology has affected treaties, how production has shifted among trading partners and how U.S. imports and exports have changed.

To facilitate both the NAFTA talks and the review of existing trade deals, and as a backgrounder for the confirmation hearing of Robert Lighthizer to be U.S. Trade Representative (USTR), the White House put together at the request of Sen. Pat Roberts (R, KS) a “model” treaty – “Key Elements of a Model Trade Agreement” – a document that includes more than 20 key areas that should be covered in negotiations. The list includes areas not covered in existing trade deals, including currency manipulation and protection of intellectual property.

Unfortunately, country-of-origin food labeling (COOL) is on that list, prompting the Senate Agriculture Committee chair to comment, “We don’t need to go down that road again,” referring to the ugly political battle waged in the last Congress to repeal the U.S. COOL law to avoid retaliation by Canada and Mexico.

Ag panel ranking member Sen. Debbie Stabenow (D, MI) joined Roberts in expressing her frustration, saying that while the World Trade Organization (WTO) has ruled on the U.S. COOL law, and the ag committee did what needed to be done to comply with the WTO decision on petitions filed by Canada and Mexico, those nations continue to threaten retaliation.