

News from Washington: February 18-24

Unless stated otherwise, stories are sourced from [Politico](#).

Trade Talks Could Set Up Trump-Xi Faceoff

The U.S. and China are likely to announce that trade negotiators have made serious headway in forging a trade deal, a development that could lead to a high-stakes summit between Trump and Chinese President Xi Jinping next month. Trump plans to meet this afternoon with China's top trade negotiator, per [Bloomberg](#).

A potential deal to stave off Trump's plan to increase tariffs on \$200 billion in Chinese goods on March 2 could feature as many as six separate memorandums of understanding related to areas including agriculture, non-tariff barriers and intellectual property rights.

USTR is also pushing for China to deliver "quick wins" for Trump on 10 additional items that don't require major reforms, such as approving more U.S. biotech crop varieties for importation.

China is expected to buy more U.S. agricultural goods, regardless of how a deal is structured. Bloomberg [reported](#) Thursday it had offered to make \$30 billion in increased purchases of soybeans, corn and wheat for a number of years.

The two sides are still debating how a deal would be enforced. Beijing has agreed in principle to some type of enforcement mechanism, but several sources told Doug that China doesn't want the U.S. to have a unilateral right to impose new tariffs if Washington thinks the deal has been violated.

Post-Shutdown Ag Agenda Takes Shape

Now that the threat of another funding lapse this fiscal year is over, a series of USDA events and congressional hearings over the next two weeks could deliver new clues about the Trump administration's ag plans for 2019, especially in terms of implementing the farm bill, H.R. 2 (115), working with Congress to bolster the farm economy, and handling agency reorganization efforts.

The farm bill should be a major topic at USDA's annual Agricultural Outlook Forum starting Thursday, given the way the shutdown prevented the department from getting a quick start on implementation. Trade headwinds and their impact on the farm economy will also be a focus, considering the meeting's theme of "growing locally, selling globally."

USDA also plans to hold a [listening session](#) Feb. 26 to gather public input on programs in the 2018 farm bill, and Perdue is scheduled to testify before the Senate Ag Committee on Feb. 28 about implementation efforts. Ag groups will be listening closely for word on timing and details of new initiatives, like the reboot to dairy margin coverage.

The final Ag-FDA spending bill enacted last week, H.J. Res. 31 (116), also set up a potential clash in the coming months between lawmakers and Perdue over reorganizing and relocating the Economic Research Service and National Institute of Food and Agriculture. The appropriations measure included report language calling for Perdue to provide further analysis before moving ahead with the proposal. Democrats followed that up by proposing standalone legislation that would block the controversial plans.

Fallout from the five-week shutdown continues to affect the logistics of the Supplemental Nutrition Assistance Program. More than 35 states and territories plan to issue March food

stamp benefits on an accelerated schedule, to lessen the gap between payments following the early release of February benefits

USDA's Cloudy Farm Outlook

Chief economist Robert Johansson said Thursday the state of the farm economy in 2019 is as uncertain as at any time since the 1990s, with low commodity prices likely to continue weighing on farm income for years to come.

In a presentation at USDA's annual Ag Outlook Forum, Johansson covered the broad range of economic headwinds buffeting farmers and ranchers, from trade turmoil to rising farm debt. But he said conditions aren't as bad as during the farm crisis of the 1980s.

USDA doesn't expect real farm income to crack \$80 billion in any year in the next decade — a far cry from the peak of \$134 billion in 2013.

The U.S.-China trade war has sent U.S. ag exports plummeting, with soybean sales to China down more than 90 percent from last year.

Farm bankruptcies were higher in 2018 in major ag states like Wisconsin, Kansas and Minnesota compared with both 2017 and the 10-year average, Johansson said. The national farm bankruptcy rate remained low, he said.

New Optimism in Efforts to Lift Steel Tariffs

Canadian Ambassador to the U.S. David MacNaughton said Thursday he's "confident" that U.S. tariffs on Canadian steel and aluminum could be resolved "in the next few weeks."

Duties on the metals from Canada and Mexico led both nations to hit back at U.S. ag products, and their existence could pose a major impediment to ratifying the new NAFTA agreement.

Mexico's Economy Ministry has resumed tariff-relief discussions with the U.S., according to Guillermo Malpica, head of Mexico's trade and NAFTA office in Washington. He said the change of administrations in Mexico and the "priority to conclude" the NAFTA 2.0 talks led to a "lapse without discussion" on the tariffs.

Agriculture Secretary Sonny Perdue said at Thursday's Outlook Forum that the ag sectors in the three countries had the "appropriate" expectation that tariffs would be removed once a deal was struck. "The president listens," he said. "Obviously, he has a different opinion on the benefits of tariffs at this point in time, though I think he is willing to consider what other methods may be used."

Secretary Perdue Statement on President Trump's Signing of Appropriations Bill & Declaration of National Emergency

U.S. Secretary of Agriculture Sonny Perdue issued the following statement regarding President Donald J. Trump's signing of legislation that funds the U.S. Department of Agriculture (USDA) and declaration of a national emergency at the southern border:

"I am pleased that Congress has passed, and President Trump has signed, funding for USDA for the remainder of Fiscal Year 2019. We will be moving at full speed on all of our responsibilities, making good on our motto by doing right and feeding everyone. Since Congress did not act to protect our southern border, the President has also declared a national emergency, which helps him fulfill a clear promise to protect our national security interests. He

is exercising his Constitutional authority, as presidents from both parties have done many times in the past.

“Even with the passage of the appropriations bill, Congress still has unfinished business in areas of great concern for USDA and the customers we serve. Farmers and ranchers were battered last year by a series of monumental storms, robbing them of their livelihoods and inflicting damage well beyond the financial risks they normally assume in their operations. These are the men and women who dedicate their lives to feeding, fueling, and clothing this nation, and we cannot turn our backs on them when they need assistance. Just as importantly, another devastating wildfire season left our Forest Service badly in need of replenished funds to fight fires, remove excess fuels, and conduct necessary forest management. Without these resources, we risk falling behind in forest maintenance and inviting even more severe seasons in the future. I will continue to work with the President and the Congress to address these critical issues.”

[Source: USDA](#)

Fed Undecided On 2019 Rate Changes

The Federal Reserve’s recent pause on raising interest rates might not continue indefinitely, according to minutes from the central bank’s January meeting.

Fed officials could still move to increase rates in 2019. The [minutes](#) released on Wednesday show the outlook is highly uncertain, with members of the bank’s monetary policy committee leaving the door open to future rate hikes or even cuts.

Several officials said if the U.S. economy continues in line with what they expect, they would “view it as appropriate” to raise rates later this year.

If the central bank does resume steadily raising interest rates, it could start to make business more expensive for some farmers and ranchers reliant on certain types of loans to finance their operations.

Pressure Builds Against ‘Lite’ Deal with China

A new report from the nonpartisan National Bureau of Asian Research warns the White House that it’s naive to expect that China will agree to make deep structural reforms to its economy in the ten days before the March 1 deadline to produce a trade deal.

The better strategy, the report said, is not to cut a deal full of half-measures but instead to keep tariffs on Chinese goods in place — potentially for years — while working with the EU, Japan and other allies to crank up the pressure on Beijing to implement lasting reforms.

The report comes as U.S. and Chinese officials continue high-level negotiations in Washington this week. Trump is ready to increase tariffs on \$250 billion worth of Chinese goods on March 2 if a deal is not reached.

“We don’t think inflicting collateral damage on the U.S. economy is a good thing,” said former Rep. Charles Boustany (R-La.), one of the report’s authors. “But we’re saying hold the line right now [on tariffs], short of any kind of major breakthrough. We want the administration to pivot to taking the long-term approach to this.”

The authors said it's possible in the meantime to negotiate "interim agreements," like lifting Chinese tariffs on U.S. farm goods in exchange for Trump removing duties on Chinese electronic goods.

The Chinese government announced Tuesday that it plans to expand its agricultural overhaul in a bid to bolster its rural economy and offset trade challenges. Reuters [reports](#) Beijing will promote increased soybean planting, accelerate its development of a new farm subsidy system and crack down on ag smuggling.

Senate Finance Chairman Chuck Grassley also warned Tuesday that a quick agreement between Washington and Beijing is likely to fall short of addressing the big-ticket trade concerns the Trump administration wants China to rectify.

Sen. Rob Portman (R-Ohio) told CNBC that he expects a three-part deal including commitments from Beijing to protect U.S. intellectual property, buy more U.S. goods to reduce the trade imbalance and curb subsidies and other unfair advantages of Chinese state-owned enterprises.

Dems Target USMCA Drug Price Provisions

House Democrats are homing in on drug provisions as they call for changes to the new North American trade pact. It's the latest in a series of issues threatening to derail a vote on Trump's signature trade achievement.

In a draft letter obtained by POLITICO, a group of House Democrats calls for the so-called U.S.-Mexico-Canada Agreement to be amended to allow less-expensive versions of some biologic drugs to enter the market more quickly. This new class of pharmaceuticals has shown promise in treating cancer and other serious illnesses but is often costly.

The Democratic focus on drug pricing appears to align with one of Trump's domestic priorities, lowering the cost of medicine, and it could potentially be another stumbling block when Congress takes up USMCA implementation legislation later this year.

Democrats have already called for changes to strengthen enforcement of labor provisions in the trade pact, but the Trump administration and Republican lawmakers oppose the idea of reopening negotiations with Canada and Mexico.

WTO Sees Weakest Trade in Years

Global trade continued to slow amid lingering feuds, according to a World Trade Organization indicator that registered the weakest performance in nearly nine years.

"This sustained loss of momentum highlights the urgency of reducing trade tensions, which together with continued political risks and financial volatility could foreshadow a broader economic downturn," the WTO said.

Export orders, agricultural raw materials, air freight, automobile production and sales, and electronic components have all dropped below recent trendlines. (Check out the report [here](#).)

What's Next After Auto Import Report?

The Commerce Department on Sunday sent Trump a long-awaited report on whether auto imports are a threat to U.S. national security. The key question now is what's in the report, and whether it will prompt Trump to slap new tariffs on cars and auto parts.

Trump now has 90 days from Sunday (until mid-May) to make a decision. The White House and Commerce have remained tight-lipped about the contents of the report. (It's up to the White House to release the report or keep it private.)

If Trump goes through with auto tariffs, new duties would likely mark Trump's most significant trade action to date. The U.S. imported about [\\$360 billion](#) worth of cars and auto parts in 2017 — more than seven times the value of steel and aluminum imports.

A new study from the Center for Automotive Research found that a blanket auto tariff could threaten more than 366,000 jobs. The [report](#) considered 10 possible scenarios, with the worst-case resulting in an estimated \$2,750 increase in the average price of a car sold in the U.S.

European Commission President Jean-Claude Juncker said Monday that he expected Trump to keep a promise he made last year to not impose tariffs on European cars while the U.S. and the EU pursue trade negotiations. But he said that if Trump does impose tariffs, the EU "will no longer feel bound by our commitments" to buy more U.S. soybeans.

United States Issues WTO Counter Notification Concerning India's Market Price Support for Various Pulses

U.S. Trade Representative Robert Lighthizer and Secretary of Agriculture Sonny Perdue today announced that the United States, together with Canada, submitted a counter notification in the World Trade Organization (WTO) Committee on Agriculture (COA) on India's market price support for five pulses: chickpeas, pigeon peas, black matpe, mung beans, and lentils.

Based on United States/Canadian calculations, it appears that India has substantially underreported its market price support for chickpeas, pigeon peas, black matpe, mung beans, and lentils. When calculated according to WTO Agreement on Agriculture methodology, India's market price support for each of these pulses far exceeded its allowable levels of trade-distorting domestic support. The United States expects a robust discussion on how India implements and notifies its policies at the next COA meeting, which is scheduled for February 26-27, 2019.

[Source: USDA](#)

Trump 2020 Team Takes Shape

The president's reelection effort is starting to look like a sprawling, corporate-style operation, with 11 divisions reporting to campaign manager Brad Parscale — a stark contrast from Trump's freewheeling 2016 campaign.

The team has hired more than 30 full-time staffers and started building out a surrogate network devoted to putting pro-Trump talking heads on TV and radio.

One of the new hires will be familiar to agriculture, USDA's chief spokesperson, Tim Murtaugh, will join the Trump 2020 campaign as communications director.

First Taste Of 2020 Food Politics

New Jersey Sen. Cory Booker isn't getting much flak from Iowa Democratic voters for his meat-free diet. The 2020 Democratic presidential hopeful [told VegNews](#) that "this planet simply can't sustain billions of people consuming industrially produced animal agriculture," but Iowans mostly greeted the senator's views with a shrug.

“There have been vegans and vegetarians in Iowa for decades now,” said Sean Bagniewski, chairman of the Polk County Democrats. “If you’re voting for somebody based on what’s on their dinner table, then you’ve got bigger problems.”

The Iowa caucuses are first up in 2020, meaning Democratic voters there will play a role in shaping the huge field of candidates vying to challenge Trump in 2020. The state is No. 1 in pork production, and 95 percent of Iowans eat meat at least weekly, according to the state Farm Bureau.

Chris Petersen, a part-time farmer in Cerro Gordo County, said he’s not interested in Booker’s diet, but he credited the senator for filing legislation last year that proposed an 18-month moratorium on ag mergers. Booker has argued that consolidation in the industry has hurt small farmers and rural communities.