

News from Washington: March 18-24

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Congress Has Options for Federal Flood Response

The Senate is aiming to vote on a House-passed \$14.2 billion disaster aid bill, H.R. 268, when both chambers return from recess next week. Federal aid for flooded farm-belt states like Nebraska — which is facing an estimated \$1.36 billion in damage — could be in the mix as lawmakers negotiate a final package.

Tax writers could also get in on the action. The House Ways and Means Committee is [expected to mark up](#) a broad tax measure in April that could include tax breaks for people affected by 2018 hurricanes and wildfires, and potentially this year's tornadoes in Alabama and flooding in the Midwest.

Tax options include: Allowing deductions for casualty losses, extending tax filing deadlines, easing limits on deducting charitable contributions and waiving penalties for tapping retirement accounts.

The disaster declaration Trump approved Thursday unlocked [federal resources](#) for Nebraska, where livestock producers are seeking help with replacing ruined feed and washed-out fences, state Agriculture Director Steve Wellman told reporters.

Iowa is expected to submit its own disaster request to Washington— potentially this weekend, Sen. Joni Ernst (R-Iowa) told POLITICO. Ernst said Fremont County alone has lost \$7 million worth of grain due to flooding, per county estimates. “That’s money that they likely will not be able to get back. Grain is not insured,” she said.

Row crop growers with swamped fields could be forced to delay or cancel 2019 planting. “It’s probably going to be impossible for them to get back into the fields for this year,” Iowa Gov. Kim Reynolds told POLITICO.

The Missouri River is expected to continue surging downstream, causing additional flooding through next week. Government forecasters are warning of a “potentially unprecedented flood season,” Reuters [reports](#). Missouri farmers have also been hit by floodwaters.

White House Tries to Sell Budget Cuts

The White House’s release of supplementary budget documents on Monday included its rationales for reducing funding for many USDA programs and eliminating some entirely. Trump’s fiscal 2020 budget request, a wish list it unveiled last week, calls for a 15 percent reduction in overall USDA funding.

Congress is expected to largely ignore Trump’s budget agenda. The White House wants to put USDA’s main research arm — the Economic Research Service — on the chopping block. The blueprint calls for ERS funding to be lowered by \$26 million, or nearly 30 percent, compared with its prior-year level. The White House would deliver that reduction by scrapping “low priority” research that it believes is “duplicative of research at land-grant universities,” according to a [new document](#) that outlines “major savings.”

Forest and rangeland research money would be cut by \$45 million, and money for research in recreation, bioenergy and urban stewardship would be reduced or eliminated.

The White House also identified Agriculture Secretary Sonny Perdue's plan to relocate ERS and the National Institute of Food and Agriculture out of the Washington area as another opportunity for savings, in part due to the high cost of living in the capital region.

The White House envisions a budget that includes money for 160 full-time employees at ERS, lowering the agency's total staff by more than 50 percent from its fiscal 2019 estimate of 329, though not all of those positions are currently filled.

Forest Service research would also see positions eliminated as part of a White House proposal to "reorient" the agency to focus on wildfire research and the Forest Inventory and Analysis program.

USDA Assists Farmers, Ranchers, and Communities Affected by Recent Flooding

To help residents, farmers, and ranchers affected by the devastation caused by recent flooding, U.S. Secretary of Agriculture Sonny Perdue has directed the U.S. Department of Agriculture (USDA) to aid people in their recovery efforts. USDA staff in the regional, state, and county offices are responding and providing a variety of program flexibilities and other assistance to residents, agricultural producers, and impacted communities at large.

"Recent flooding in the Midwest and along the Missouri and Mississippi River Valleys has caused devastating impacts across the region, and USDA has personnel and resources devoted to helping farmers and communities recover after this storm," Secretary Perdue said. "I encourage area farmers and ranchers to contact their local USDA Service Center so we can work with them to identify the resources and tools needed to reestablish their operations. While farmers and ranchers in the area are resilient, the pain is real. We will do everything in our power at USDA to be as helpful as we possibly can."

On Thursday, [President Donald J. Trump declared that a major disaster exists in the Nebraska](#) counties of Butler, Cass, Colfax, Dodge, Douglas, Nemaha, Sarpy, Saunders, and Washington.

[More information available from USDA.](#)

Trump Wades into USMCA Hill Battle

Trump has invited House Republicans whipping support for the U.S.-Mexico-Canada Agreement to a strategy session at the White House next week, [per](#) POLITICO Playbook. It's set for Tuesday at 3:15 p.m.

The meeting is significant because it shows Trump is taking greater personal involvement in ginning up support for the new NAFTA. Ratification of the deal is a major priority for the administration this year, and getting the deal through Congress would give Trump a signature achievement to tout on the 2020 campaign trail.

But Trump's real sell is to Speaker Nancy Pelosi and House Democrats. Lawmakers on the left remain skeptical of the deal and want changes. If Pelosi agreed to put the deal up for a vote in its present form, it's unlikely that Trump could rely on the usual bloc of Republicans and a smattering of pro-trade Democrats to approve it.

Agriculture leaders from across the American South are coming together to urge Congress to approve NAFTA's replacement as soon as possible. Texas Agriculture Commissioner Sid Miller,

who heads the Southern U.S. Trade Association, is leading the effort to press lawmakers from both parties to pass the USMCA, in part because of the benefits it would provide agriculture.

The ag industry, he said in a release this week, “represents perhaps the most important reason to sign the USMCA.” Miller’s release also quoted ag leaders from Virginia, Mississippi, Louisiana and Arizona.

Fed Unlikely to Hike in 2019

The Federal Reserve on Wednesday sent a clear signal that raising interest rates is likely off the table for this year.

Chairman Jerome Powell has cautioned against reading into the Fed’s projections for future rate changes, given major uncertainty about the U.S. economic picture. He suggested the outlook is overall positive, but said growth “is slowing somewhat more than expected.”

A reprieve from rate hikes for the rest of 2019 could help some farmers and ranchers, as higher interest rates can make business more expensive for producers who are reliant on certain types of loans to finance their operations.

Farmers and ag economists frequently cite relatively low interest rates today as one of the reasons conditions in the industry aren’t as bad as they were during the 1980s farm crisis, despite current problems like declining income, trade turmoil and low commodity prices.

Tom Jensen, senior vice president of lending at First National Bank of Omaha, said “the big help is that interest rates continue to be reasonable,” DTN [reports](#).

“Farmers are having losses, but the effects of that don’t compare when loans are at 5 percent to 6 percent versus (in the 1980s) when they were in the teens and up to 20 percent,” Jensen said.

Measuring Trump’s Trade Relief Effort

The Agriculture Department has paid \$8 billion to farmers under the trade-relief program for certain commodities, a USDA spokesperson told MA, out of the estimated \$9.6 billion set aside for direct payments.

It’s unclear exactly how much money producers will ultimately receive under the program. USDA paid farmers about \$5.2 billion in 2018 and is projected to pay another \$3.5 billion this year, totaling \$8.7 billion, according to the department’s 2019 farm income forecast released earlier this month.

Some producers are waiting to receive money under a separate \$1.2 billion commodity purchase program, also aimed at helping producers burned by retaliatory tariffs, the Midwest Center for Investigative Reporting [writes](#).

An analysis conducted by the nonprofit media outlet said the department has ordered just 11 percent of the food it has promised to buy and redistribute to food banks, school lunches and other programs.

EU Preps Auto Tariff Retaliation Plans

If Trump slaps the EU with new car duties, Brussels has plans to hit back with tariffs on some \$20 billion in American exports, EU trade chief Cecilia Malmström told European ministers last month.

The list of potential targets has been closely guarded, but European economists and officials say U.S. fruits, meat, dairy, trucks and tractors are likely to be among the targeted goods.

One EU official said imposing retaliatory tariffs would also provide an opportunity for the bloc to shield its influential ag producers and prop up certain regions.

Canadian Farmers Banking on Trump's TPP Pullout

The U.S. is looking to get trade negotiations with Japan off the ground in a hurry, as Trump's decision to withdraw from TPP is starting to benefit Canadian farmers and ranchers — potentially at the expense of U.S. exporters.

Preliminary January import numbers from Japan showed Canadian beef exports to the country were three times greater than in January 2018. Overall, Japan in January imported 60 percent more beef from other nations in the rebranded Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, which entered into force near the end of December. The first official export numbers of the CPTPP era will be released [March 27](#).

An expected boost to Canadian agriculture would rub salt in the wounds of U.S. producers, who are already facing retaliatory tariffs from major trading partners like Canada, China and the EU.

Sen. Pat Roberts (R-Kan.) told U.S. Trade Representative Robert Lighthizer during a Senate Finance Committee hearing this month that CPTPP is “still very popular out in farm country, if we would hitch our wagon there.”

Lighthizer responded that “if we can get an agreement with Japan that's a good agreement, that will go a long way towards having essentially the same effect as being in TPP.”

Under the trade deal, Tokyo cut its beef import tariffs from 38.5 percent to 27.5 percent, with another cut expected in April. That's given a major leg up to Canada and other ag export powerhouses like Australia and New Zealand in the competition for access to the lucrative Japanese market.

If Trump can't reach a trade deal with Japan, the U.S. beef sector could face export losses of \$550 million by 2023, according to a [study](#) from the U.S. Meat Export Federation.

Sen. Steve Daines (R-Mont.) complained earlier this month that barley growers in his state were “literally showing me contracts they have lost in Japan.” Montana wheat growers stand to lose \$150 million per year in sales to Japan once CPTPP is fully implemented, said Broadview, Mont., wheat farmer Michelle Jones, a past president of the Montana Grain Growers Association.

FDA Reorganization to Start March 31

Outgoing FDA Commissioner Scott Gottlieb can check off another box on his agenda. HHS has approved his plan to reorganize and consolidate some agency operations, which will begin at the end of March. Under the blueprint, the Office of the Commissioner will directly oversee FDA's various centers for food, drugs, biologics, devices, veterinary medicine and tobacco — “elevating” their role, Gottlieb said in a [memo](#) to staff on Thursday.

The plan creates two new entities for food and drug policy — the Office of Clinical Policy and Programs and the Office of Food Policy and Response — that will take over some duties now

handled by a pair of offices dealing with medical products, tobacco, food and veterinary medicine. The new clinical policy office will cover orphan products, pediatric therapeutics and combination products.

Jury Finds Roundup Caused Cancer

A California man claiming that Roundup caused his cancer scored a victory Tuesday when a federal jury decided the weedkiller was likely to blame for his non-Hodgkin lymphoma diagnosis. The verdict means the trial will continue into a second phase, in which Monsanto will have to disclose internal documents. The jury will also discuss what liability the company faces.

It's a major blow for Bayer, which inherited Monsanto's Roundup product portfolio when it purchased the agrichemical company last year. The company received bad publicity in August when a California jury awarded \$289 million in a state case to a former groundskeeper who said he got non-Hodgkin lymphoma after longtime exposure to glyphosate, the active ingredient in Roundup.

In a statement, Bayer said credible science doesn't support the plaintiffs' case and that it plans to "vigorously defend" glyphosate-based products used by farmers and consumers.

The six-member jury, which has already been in court for about a month, will continue to hear testimony, including those involving company discussions about health studies. The same jury will decide whether Bayer will have to pay damages to Edwin Hardeman, the 70-year-old plaintiff. His attorneys stated they "look forward to presenting this evidence and holding Monsanto accountable for its bad conduct."

Evidence Restricted in Roundup Cancer Trial

The second phase of a federal trial over Bayer's Roundup weedkiller continues today, and the judge overseeing the case has sharply limited the evidence that can be introduced. On Tuesday, the six-person jury determined there was a credible case that plaintiff Edwin Hardeman developed non-Hodgkin lymphoma as a result of using Roundup for years on his California property.

The second phase will consider whether Bayer, which inherited Monsanto's Roundup portfolio when it acquired the company, should be held liable for Monsanto's conduct. Specifically, the jury will evaluate whether Monsanto should have more thoroughly studied the health and safety risks of glyphosate, the controversial herbicide used in Roundup. Testimony is expected to wrap up by the middle of next week, after which the jury will deliberate for a second time and consider potential damages.

U.S. District Judge for the Northern District of California Vince Chhabria has restricted introduction of information related to Monsanto's conduct after 2012, the year Hardeman was diagnosed. In 2015, the International Agency for Research on Cancer found glyphosate to be a "probable carcinogen."

But that doesn't mean the jury can't hear all evidence dating from after 2012. Chhabria indicated Tuesday he may find a middle ground. "To the extent Monsanto ... was doing something post-2015, post-2012, that sheds light on what it was doing pre-2012, then I think it is admissible," Chhabria said, per court transcripts.

Hardeman's trial is the first federal court proceeding in a long line of cases that will consider the claims of hundreds of plaintiffs who contend that Roundup products caused their cancer. The

next trial — this time involving two plaintiffs — is set to begin in a state court in Oakland, Calif., on Thursday.

Brazil Guarantees Duty-Free U.S. Wheat Imports

Wheat growers are happy after a [joint announcement](#) from Trump and Bolsonaro that Brazil will establish a 750,000-ton quota for tariff-free wheat imports.

The move could bring some relief to farmers who have lost export sales after Trump pulled out of the Trans-Pacific Partnership and slapped duties on major trading partners, prompting retaliation against U.S. farm goods.

Here's what else is in the tentative agreement, and what's not:

- Brazil agreed to remove measures that bar imports of U.S. fresh, frozen and further processed pork products.
- The U.S. agreed to take steps that could lead to resuming Brazilian beef imports, after the Trump administration banned the meat in 2017 amid safety concerns following a widespread bribery and corruption scandal. U.S. livestock groups are firmly [against reopening the market](#) to beef from Brazil.
- The next step on that front is to schedule a technical visit by USDA food safety inspectors to audit Brazil's raw beef inspection system.
- There was no mention of Brazil's decision to slap a 20 percent tariff on ethanol imports (beyond a current duty-free quota of 600 million liters). That restriction was initially set up for two years, so it should expire later in 2019.

Gottlieb Talks CBD, Sesame, Food Safety Funds

FDA Commissioner Scott Gottlieb on Tuesday covered a flurry of topics on the agency's to-do list, including labeling foods for sesame allergies, setting CBD regulations and squeezing extra food safety money out of Congress.

The outgoing FDA leader has been highly active on a range of topics since announcing earlier this month that he would soon leave the agency.

Gottlieb projected that he won't be able to finish work on new cannabidiol, or CBD, regulations before he leaves the agency on April 5 — and he doubts even his successor will finish the job. "I don't think that will be done before the next guy leaves, too," he said during an event at the Brookings Institution.

Farmers and food companies are increasingly looking to sell the popular hemp extract after the 2018 farm bill, H.R. 2 (115), approved industrial hemp production. The FDA next week will officially announce a new working group to consider potential legislation for introducing CBD into the food supply.

Gottlieb also said he's "confident" the FDA will set rules to tighten labeling requirements on foods containing sesame. It's one of the most common food allergens, but it isn't subject to the same strict packaging requirements as milk, peanuts, shellfish and other top allergens.

The FDA chief also outlined how the agency would spend extra food safety resources the White House requested in its new fiscal 2020 budget plan.

FDA asked Congress for \$67 million more over fiscal 2019 spending levels to pay for additional state inspections, hire more staff for outbreak response and expand technology for tracing contamination sources.

Kentucky Hemp Sales Skyrocket

The Kentucky Department of Agriculture on Monday released a pretty remarkable recap of 2018 hemp figures. Sales of Kentucky-grown hemp products were more than three and a half times higher than in 2017, and the amount farmers were paid for their harvests more than doubled.

Hemp processors reported \$57.75 million in gross product sales last year, compared with \$16.7 million in gross product sales in 2017. Processors paid Kentucky farmers \$17.75 million for harvested hemp materials in 2018, up from \$7.5 million in 2017.

The number of hemp growers in the state has risen significantly, too. Last year, the state approved 210 grower applications. So far this year, 1,047 farmers will be growing hemp. Kentucky is a hemp leader thanks to Senate Majority Leader Mitch McConnell, who lobbied for his home state to receive a hemp pilot program in the 2014 farm bill. The Kentucky Republican personally pushed for commercial cultivation of hemp to be legalized via the 2018 farm bill, H.R. 2 (115), and has [reminded](#) USDA that he'll keep close tabs on implementation of those provisions.

"We are building the critical mass of growers, processors and researchers that will ensure the hemp industry's success in Kentucky for years to come," said Kentucky Agriculture Commissioner Ryan Quarles, per the [AP](#). More than 50,000 acres have been approved for hemp production in the state this year, more than triple the approved acreage in 2018.

The report provides further evidence that hemp has the potential to be a lucrative crop once the farm bill provisions are implemented nationwide. Kentucky's hemp gains are especially enticing for growers in other states, given slumping prices for many other crops.

But many questions about the industry's future remain, such as whether demand will keep pace with a growing supply. Farmers are also waiting to learn how USDA and FDA plan to regulate cannabis-based products, decisions that could impact the industry's future scale.

USDA Continues to Prevent African Swine Fever from Entering the U.S.

Last week, USDA-trained detector dogs played a major role in the seizure of smuggled pork from China where there is an outbreak of African swine fever (ASF). The highly contagious and deadly disease affects both domestic and feral (wild) pigs and there is no treatment or vaccine available for it.

Today, since prevention is our best protection against the disease, U.S. Secretary of Agriculture Sonny Perdue is sharing information about the importance of keeping ASF out of the United States. It is vital for everyone to know about ASF and how to prevent it, while keeping the U.S. pig population healthy.

To help people learn more about this disease, as well as the steps that can be taken to help protect U.S. pigs, the USDA's Animal and Plant Health Inspection Service has updated its web content with additional information and links to partners' resources. This information is available at www.aphis.usda.gov/animalhealth/swine/asf.

[More information available from USDA.](#)