

News from Washington: June 18-24

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### **Conaway's Farm Bill Triumph**

House Ag Chairman Mike Conaway pulled it off — and fittingly, too, with H.R. 2 passing by a two-vote margin. The Texas Republican succeeded in passing a Republican-only farm bill for the first time in history. The vote was dramatic — it wasn't clear for several minutes whether the bill would pass or fail. Democrats and Republicans logged their votes at almost the same pace, and farm bill watchers held their breath as the vote count stayed at 211-211 for what felt like minutes. When the gavel went down on the 213-211 vote, Republicans in the chamber cheered with a palpable sense of relief.

House Freedom Caucus support was essential. Twenty Republicans joined with Democrats in opposing the bill, but eight Freedom Caucus members flipped their votes from last month and voted in favor, including caucus Chairman Mark Meadows (R-N.C.).

Once the Senate approves its own farm bill, which is widely expected to happen next week, lawmakers from both chambers will have to confront the difficult task of melding two very different bills in conference. Following Thursday's vote, Conaway acknowledged to reporters that he realizes his entire farm bill wish list won't be featured in the final version. But he's holding onto hope that stricter work requirements for food stamp recipients — the chief policy priority in H.R. 2 (115) — will make it into the conference report. President Donald Trump gave off the impression on [Twitter](#) that he feels that way, too.

Ag leaders certainly agree on one thing: They all want to get the farm bill done fast, because the Sept. 30 deadline will arrive quickly. A missed deadline could be a liability for Republicans heading into the midterms, and no farm-state Democrat wants to campaign without a farm bill with the potential that tit-for-tat trade retaliation will be wreaking further havoc for producers in the fall.

"We're not going to be any smarter in October than we are in August or September. So putting it off is not really useful," Conaway said, adding that House and Senate staffers are likely to begin negotiations as soon as the Senate version clears.

The bitter House farm bill battle left behind a smoldering relationship between the House Ag Committee's leaders. Ranking member Collin Peterson avoided reporters after the vote, issuing a statement that again criticized H.R. 2 as "a bill that simply doesn't do enough for the people it's supposed to serve." That relationship may need to be mended for lawmakers to be able to reach a consensus in conference, as Peterson has said he plans to play for the Senate side during those talks.

Conaway had some predictions as to how he thinks Peterson will approach negotiations, saying: "My guess is Collin will weigh in on behalf of the production of agriculture in the way he has always done." Conaway added that he thinks Democrats also have some provisions in the bill they'll want to protect.

### **Senate Farm Bill Action Is On For This Week**

Senate Majority Leader [Mitch McConnell](#) on Thursday set in motion the process for considering the farm bill on the floor this week. Around 6 p.m. Monday, the Senate will hold a procedural vote on the motion to proceed to the legislation, which may pave the way for debate.

Also on Thursday, the Congressional Budget Office posted its [analysis](#) of the Senate farm bill, shedding light on the cost of making changes to commodity, conservation, nutrition, trade and other policy.

Under the Senate bill, the dairy industry would see an additional \$200 million in support over a decade, as would row crop farmers participating in Agriculture Risk Coverage, which shields against drops in revenue. But overall spending on the commodity title is expected to be about \$400 million less than current law, primarily due to the elimination of “economic adjustment assistance” for the cotton industry and a proposal to reduce the means test that determines eligibility for crop subsidies from \$900,000 to \$700,000 in adjusted gross income.

Total spending on conservation programs would hold steady over 10 years, though the amount allocated to different initiatives would shift around. Annual acreage enrollment in the Conservation Stewardship Program would drop, saving about \$1 billion, while funding for the Environmental Quality Incentives Program would decrease by \$1.5 billion. But proposed funding for the Agricultural Conservation Easement Program and Regional Conservation Partnership Program would increase by about \$2.5 billion combined.

The Senate bill makes few changes to the Supplemental Nutrition Assistance Program. Some of the administrative changes that Senate Agriculture Committee leaders have proposed would save money, while others would drive up costs. For example, states would be required to use a national database to prevent SNAP participants from receiving benefits from more than one state at a time — reducing spending by an estimated \$588 million over a decade. Meanwhile, boosting a grant program that funds incentives to food stamp recipients who purchase fruits and vegetables would see a \$400 million bump.

### **Secretary Perdue Statement on 2018 Farm Bill Passing the House of Representatives**

U.S. Secretary of Agriculture Sonny Perdue issued the following statement after the House of Representatives passed their version of the 2018 Farm Bill:

“I applaud Chairman Conaway and the House Agriculture Committee for their diligence and hard work in passing their 2018 Farm Bill through the House of Representatives. American producers have greatly benefited from the policies of the Trump Administration, including tax reforms and reductions in regulations, however a Farm Bill is still critically important to give the agriculture community some much-needed reassurance. No doubt, there is still much work to be done on this legislation in both chambers of Congress, and USDA stands ready to assist with whatever counsel lawmakers may request or require.”

[Source: USDA](#)

### **Trump Wants to Shake Up Food Safety, SNAP**

In a sweeping proposal the administration officially released on Thursday, food safety oversight would be shifted from the FDA to the USDA, and the Supplemental Nutrition Assistance Program would move from USDA to a newly renamed version of HHS. Many of the major changes outlined in the proposal would require approval by Congress, so it's no safe bet any of this will come to fruition.

The administration said the shakeup hopes to fix the problem of food safety oversight being divided between too many agencies — something public health advocates have long complained about. And SNAP now will be placed with other safety net programs like Medicare and Medicaid. The report contends the changes would smooth coordination with state

governments, which now have to work with both USDA and HHS. States typically administer these benefits from a single agency.

Losing SNAP to HHS would mark a clear loss for USDA since the food stamp program, which helps more than 40 million Americans buy groceries each week, represents about three-quarters of USDA's budget.

Sandra Eskin, director of food safety at the Pew Charitable Trusts, warns that merging the inspection practices of USDA and FDA is a major task. She noted that USDA still follows its century-old approach and inspects beef on a carcass-by-carcass basis. While FDA inspections take place no less than every three years, "the nature and frequency of inspection is widely different," said Eskin. "Before you go there, you need to modernize the meat and poultry laws because they are very antiquated and, in many instances, they aren't aligned with the food safety authorities of FDA."

Rural housing assistance, now handled by USDA, would shift to the Department of Housing and Urban Development. Read the administration's report [here](#).

### **Trump's Misstep On China: Coming On Too Strong**

Trump has prided himself time and again on being a tough negotiator, but strong-arm tactics are likely not the best way to reach any sort of deal with Beijing, China experts warn, given that Chinese President Xi Jinping will not be willing to appear as if he's backing down against the U.S. president.

"You can't approach them in a publicly hostile way or they're not going to be able to respond to that," Bruce Andrews, a former Commerce Department official under the Obama administration, said at an event Thursday hosted by the Washington International Trade Association.

"There's nobody in this administration who is really looking at Chinese culture, Chinese practices, what's going to most influence Xi and how you bring it to a successful outcome," Andrews continued. "It's all brute force, and I don't think that's going to be successful, because that's not something that works well with Chinese culture."

Putting some pressure on China can be an effective technique, particularly as Beijing appears ready to make at least some changes, added Mary Lovely, a senior fellow at the Peterson Institute for International Economics.

"Just not the type of pressure that we're putting on them — because it doesn't give them any negotiating room," she said.

Given that "both sides are getting themselves into a position where getting a negotiated outcome is going to be difficult," as Lovely put it, it's unclear where U.S.-China trade tensions are going next, and at least one round of new tariffs — and retaliatory tariffs — is a foregone conclusion, the panelists said.

But Derek Scissors, resident scholar and China economy expert at the American Enterprise Institute, offered one slightly more optimistic take: a deal later this year, before the U.S. moves to impose tariffs on the additional \$200 billion in goods that Trump threatened earlier this week. "If the Chinese had made more concrete commitments in the first round, we wouldn't have gotten to this point," Scissors said. "I think they will make them in the second round, and we will get purchases."

But, he added, that will only hold until the 2020 election begins in earnest. "When we get into the presidential election, we will have a protectionist, Democratic candidate saying, 'This is what Trump said in 2016, and this is what he did,'" Scissors said. "And what he did is going to see a larger bilateral trade deficit, no fundamental change in Chinese practices, and the administration is absolutely going to get raked over the coals."

### **Ross Gets Earful On Trump Tariffs**

Finance Committee senators blasted Commerce Secretary Wilbur Ross on Wednesday for the damage done to the U.S. agricultural sector by foreign retaliation to the administration's steel and aluminum tariffs. American farmers "are bearing the brunt of retaliation for these actions," Chairman Orrin Hatch said during the hearing. "I just don't see how the damage posed on all of these sectors could possibly advance our national security."

Sen. Ron Wyden (D-Ore.) cited complaints from Oregon potato growers and Pacific Northwest cherry growers "who have got nearly 1.5 million boxes of cherries ready to ship to China. They're worried those cherries are going to end up stuck on the dock or rotting in a warehouse due to China's retaliation,"

Sen. Chuck Grassley (R-Iowa) noted that market volatility can also make it more expensive for companies to invest in commodities to balance out the risk of other holdings. "I wish we would stop invoking national security because that's not what this is about," Sen. Pat Toomey (R-Pa.) said. "This is about economic nationalism."

Ross said the administration has "no control over what another country does in retaliation," but argued the president's most recent threat to impose tariffs on another \$200 billion in Chinese products was designed to discourage further escalation. The administration's aim, he said, is to have more free trade — not less. "The president's objective is not to end up with high tariffs, and his objective is not to end up in a trade war," Ross said. "His objective is to get to a lowering of barriers, both tariffs and non-tariff ones, and to protect intellectual property. ... The purpose of this is to get to an endgame that is much closer to free trade than what we've been before."

But Sen. Michael Bennet (D-Colo.) blasted Ross for not articulating a vision of how agricultural producers would be protected. "I don't think you're going to have any backstop for our farmers and ranchers, and to blindly pursue these policies without considering what happens to them I think is a huge mistake," he said.

Sen. Chuck Grassley had told reporters during his weekly ag briefing Monday that Trump pointed to Agriculture Secretary Sonny Perdue before telling a group of governors and congressional lawmakers that the federal government would subsidize any losses faced by farmers due to tariffs. "That's not what my farmers in Iowa want — help from the federal treasury," Grassley responded. He reiterated his displeasure about the idea to Ross at the hearing.

### **Ag World Calculates Trade Losses**

The early estimates of the cost to farmers were daunting based on Trump's announcement last week that he would slap 25 percent tariffs on \$50 billion in Chinese goods — but that was before he upped the ante Monday night by ordering an additional 10 percent tariff on \$200 billion in Chinese goods in response to Beijing's retaliation. China, in turn, denounced "this practice of extreme pressure and blackmail," and asserted that "If the U.S. side becomes irrational and issues a list, China will have to adopt comprehensive measures combining quantity and quality to make a strong countermeasure."

Ben Brown, manager of the College of Food, Agricultural, and Environmental Sciences at Ohio State University, helped publish a [study](#) in May predicting that Ohio farmers would lose 59 percent of their income if a 25 percent tariff were imposed on U.S. soybeans. Brown added in an interview Friday that he was watching to what extent China would purchase its soybeans from other countries, like Brazil and Argentina. He noted that the U.S. has already benefited from the drought in Argentina, giving China one less market from which to buy soybeans. "How much can Brazil fill that gap?" Brown asked. Iowa State University Economist Chad Hart estimated that the state would lose \$624 million in soybean sales. Hart added that things look even worse nationwide: Soybeans are now the largest crop planted on an acreage basis.

USDA's Economic Research Service released [data](#) in its Livestock, Dairy and Poultry outlook Monday showing the tariffs come at a time when beef exports in April rose to 254 million pounds overall, a 16.1 percent increase over the year before. ERS noted that's the largest monthly year-over-year percentage increase to date this year and it was largely driven by growing exports to South Korea, Mexico, Taiwan, Canada and Japan. Pork exports in April also reached record high levels at 548 million pounds, with the largest amounts ever sent to Mexico and South Korea.

White House Council of Economic Advisers Chairman Kevin Hassett said Monday that the U.S. economy can absorb these tensions right now because of its strength, Bloomberg [reported](#). "If right in the middle of a financial crisis we added some uncertainty over exactly how are these negotiations going to work out, then it would be pretty harmful then," said Hassett. "But right now the economy has got a lot of on forward momentum."

On Monday night, the Senate voted to reimpose the U.S. ban on Chinese telecom giant ZTE, in a rebuke to Trump and his efforts to keep the company afloat. Trump could still get his way if the ban is modified during the conference process between the Senate and House. He could also veto the legislation, which would require a two-thirds majority in both chambers to reverse. If the ban on ZTE is reimposed, that could lead to more backlash from China.

### **Immigration Crackdown May Pivot to Ag**

Even with a growing backlash over the Trump administration's move to separate migrant children from their parents at the border, top aides to President Donald Trump are planning additional restrictions on immigration before the November midterm elections. And this time farmers may feel the pain: These changes could include limiting the number of agricultural temporary workers and thereby worsening agriculture's labor shortage.

Trump aides hope that by September, these changes would show voters that he fulfilled his immigration promises, pleasing even those who had hoped for a border wall.

The news left members of the agriculture community scratching their heads. Just last month, the Agriculture, Labor, State and Homeland Security departments issued a joint release saying they were working together to revamp the H-2A agricultural guest worker program to address farmers' long-held concerns over requirements and restrictions. Those plans involved reducing "cumbersome bureaucracy and ensuring adequate protections for U.S. workers." It's unclear what will now happen to those efforts.

### **Secretary Perdue Announces New Budget Director at USDA**

U.S. Secretary of Agriculture Sonny Perdue today announced the selection of Erica Navarro to serve as Director of the Office of Budget and Program Analysis (OBPA) for the U.S. Department of Agriculture (USDA). OBPA administers the Department's budgetary functions and also

develops and presents budget-related matters. The Director is responsible for providing leadership in carrying out Department-wide responsibilities in policy analysis, program review, budget, legislative, and regulatory functions.

Secretary Perdue issued the following statement:

“A top priority at USDA is to be the most effective, most efficient, and best-managed department in the entire federal government, and highly qualified officials like Erica will help us achieve that goal. Erica has a sterling track record and excellent credentials, and I am confident she will focus that talent serving America’s farmers, ranchers, foresters, and agricultural producers.”

Background:

Erica Navarro previously served as the Budget Director for the U.S. Department of Education. Before that, she served as Budget Director for the U.S. General Services Administration (GSA) and Acting Deputy Assistant Administrator and Senior Advisor for the Africa Bureau at the U.S. Agency for International Development (USAID). She began her career serving in the Office of Management and Budget (OMB). She received her Bachelor of Arts degree from Tulane University before earning her Master of Business Administration (MBA) with a concentration in finance from the Yale School of Management.

[Source: USDA](#)

### **Syngenta Chief Warns of Potential Food Shortages**

Pushback to widespread pesticide use and development of genetically modified crops could lead to a global food crisis in as soon as 20 years, Syngenta CEO J Erik Fyrwald said in an [interview](#) with The Guardian.

“If we don’t keep getting better with technology that helps feed the world with less greenhouse gas emissions, I think we are going to have food availability issues and the climate is going to get much worse from agriculture,” Fyrwald said to the Guardian. “There could very well be, ten to twenty years from now, significant issues around feeding the world.”

Pesticide use around the world has raised increasing concerns, especially in the E.U. where in April, neonicotinoid insecticides were banned to protect bees. Glyphosate, the key ingredient in Monsanto’s Roundup, earned a shorter lease in the E.U. and will now be up for renewal in 5 years, due to worries about the herbicide’s potential cancer risk flagged by IARC, a cancer research institute that is part of the World Health Organization.

In the U.S., meanwhile, Arkansas forbids use of the herbicide dicamba during part of the growing season, much to the chagrin of some farmers who rely on it to manage pigweeds and other invasive plants.

### **Sprint and T-Mobile’s Rural Broadband Pitch**

Sprint and T-Mobile are making the plea to regulators that their planned merger should be approved because it’ll be good for competition and enable nationwide deployment of next-generation 5G service in rural areas that lack access to high-speed internet. That’s a smart argument, considering that the administration has made improving rural broadband capabilities a priority.

T-Mobile plans to increase outdoor wireless coverage to reach 59.4 million rural residents, or 95.8 percent of rural America, according to the companies’ public interest statement. It aims to

deliver wireless broadband at at least 10 Mbps and an even faster fixed, in-home wireless broadband service to most of that footprint. Without merging, neither company would have the spectrum or towers needed to make such commitments, the companies said.

A merged Sprint and T-Mobile would compete with AT&T and Verizon, leaving just three nationwide providers. Lawyers for the companies also have to convince the Justice Department to sign off on the deal, a tough task because DOJ's antitrust division usually sets a higher bar than the FCC for evaluating the competitive effects of deals because it has to use a different economic analysis.

The companies' rural access argument could resonate with DOJ antitrust cop Makan Delrahim, who said recently that he doesn't see an obvious problem with just three companies providing wireless services. That's a different take than the one held by Obama antitrust officials, who scared off Sprint and T-Mobile from attempting to combine.