

News from Washington: July 2-8

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U.S. Farmers Face China Tariffs

U.S. farmers, ranchers and agribusinesses are again bearing the brunt of China's retaliatory trade actions, with the latest round of tariffs on \$34 billion worth of American products targeting soybeans, cotton, rice, sorghum, beef, pork, dairy, nuts and produce. The Chinese penalties are expected to kick in today and are in response to the Trump administration's decision to levy tariffs on more than 800 Chinese products like medical devices and auto parts, which took effect at midnight.

It's the most severe round of tit-for-tat trade moves to date between the world's two largest economies, and American soybean growers are particularly affected this time. Nearly one-third of U.S. soybeans, or about \$14 billion, is sent to China each year, where the commodity is primarily used to feed China's enormous pork industry. Now that the commodity is about to become significantly more expensive, Brazil and other soybean exporters will benefit from the escalating tensions, according to agricultural economists and market analysts.

"At the end of the day, these tariffs will increase prices for U.S. soybeans in China, and incentivize production in South America," said Brent Gloy, an agricultural economist at Purdue University who also operates a farm in southwest Nebraska.

Meanwhile, other U.S. agricultural sectors like pork and fruit are about to be hit with a second wave of retaliatory tariffs by China. All the various duties on U.S. pork cumulatively add up to 71 percent in tariffs, [according](#) to financial services firm Rabobank, and could effectively shut it out of China's market.

Today's actions stem from an [investigation](#) by the Office of the U.S. Trade Representative that fault China for the loss of U.S. valuable intellectual property, either through forced technology transfers or outright theft. The tariffs come on top of those China imposed on about \$3 billion in U.S. goods — including fruit, nuts, pork and wine — in April in response to Trump's decision to hike taxes on steel and aluminum imports using national security justifications.

Members of the Federal Open Market Committee are increasingly worried that tensions and tariffs involving the U.S. and its trading partners could hurt the broader economy, according to their June meeting minutes released Thursday.

What Pruitt's Departure Means for Ag

On Thursday afternoon's, EPA Administrator Scott Pruitt resigned after more than a dozen ethics investigations. One Republican close to the White House told POLITICO that support for Pruitt waned after the president realized that his deputy, Andrew Wheeler, could easily carry out the same agenda for deregulation but without the drama.

Ethanol producers celebrated after Pruitt antagonized them, as well as Midwestern farmers, with repeated efforts to ease RFS requirements on refiners. North Dakota farmer Kevin Skunes, president of the National Corn Growers Association, said bluntly, "It's no secret corn farmers have been frustrated with Scott Pruitt's ongoing actions over the past year that have seriously undermined the Renewable Fuel Standard."

Bob Dinneen, CEO of the Renewable Fuels Association, added, "We look forward to working with acting Administrator Andy Wheeler, whose long career focusing on policies that recognize

economic growth and environmental protection are not mutually exclusive is not undermined by an unmistakable anti-ethanol, anti-farmer bias.”

Iowa Sen. Chuck Grassley, who had been infuriated by Pruitt’s actions on RFS, said that “President Trump made the right decision.” He added that “fewer things are more important for government officials than maintaining public trust. Administrator Pruitt, through his own actions, lost that trust. I hope acting Administrator Wheeler views this as an opportunity to restore this administration’s standing with farmers and the biofuels industry.”

Wheeler, however, had a six-month confirmation battle before he became the No. 2 leader of the EPA. Before he assumed office in April, Democrats and the environmental community rallied hard against Wheeler, pointing to his work as a coal lobbyist and his time as an aide to Sen. Jim Inhofe (R-Okla.), who rejects mainstream climate science. On Thursday, Food Policy Action swiftly noted that Wheeler is “a former coal industry lobbyist and climate-change denier.”

Wheeler’s reputation as a smooth insider who works well with both friends and adversaries may make him even more effective at deregulation. When he was a lawyer, his clients included large corporations and ag conglomerates such as International Paper, Archer Daniels Midland and General Mills.

Perdue Hears Farmers’ Trade Fears on West Coast Tour

As USDA Secretary Sonny Perdue wrapped up his four-state West Coast tour talking to farmers from Oregon to Alaska, he couldn’t avoid the endless questions from anxious farmers about the trade war.

At a stop in Oregon, farmers didn’t hesitate to tell the secretary exactly how much they’re suffering from trade talks, The Associated Press [reports](#). As one farmer pointed out, cash bids for hard red winter wheat have dropped from around \$7 per bushel to \$6 per bushel amid the turmoil. About 85 to 90 percent of Oregon wheat is exported overseas.

Perdue conceded repeatedly that farmers need help. “As patriotic as American agriculture producers are, you can’t pay the bills with patriotism,” he told [The Columbian](#) while visiting the Port of Vancouver. (Nearly half of U.S. wheat exports and more than a quarter of all U.S. grain exports move through the Columbia River and Puget Sound grain terminals.) Reporters noted that Perdue did not offer timing on any trade relief for farmers.

Block Trades Don’t Hurt Markets

The Commodity Futures Trading Commission analyzed so-called block trades after smaller traders and commodity groups raised concerns. Its conclusion: Such products are not reducing liquidity in the market as some feared

CME Group introduced block trades — large numbers of privately negotiated futures or options transactions — for agricultural products in January. So far, they “are a very small portion of overall volume” and are occurring where markets are liquid, the CFTC said in a [report](#) released this week. The regulatory body also said “all block trades reviewed appear to be priced within the CME rule for ‘fair and reasonable’ prices.”

The issue is one that has frustrated some small grain dealers, who have [said](#) they reduce transparency. CME executives met with Agriculture Secretary Sonny Perdue last week and said they were holding periodic talks on the topic with the National Grain and Feed Association, a trade group that represents commercial grain handlers, Reuters [reported](#).

But some still complain that block trades are unfairly allowing big players to trade in secret and bypass the open market. “This is the exchange catering to the big managed money accounts, and the traditional players are not relevant to them,” Scott Hedin, an independent grain trader, told Reuters.

A Battle Breaks Out Over GMO Labeling

More than 11,000 comments from consumers, farm groups and multinational corporations like Hershey’s poured in this week about USDA’s proposed GMO labeling rule. Food manufacturers are at odds with farmers over which ingredients should be subject to disclosure.

Companies argue that foods made with even some genetically modified corn, soybeans and sugar beets need to have disclosures.

Farmers, who make up the other side of the debate, say it’s not accurate to apply the standard to highly refined foods because they often only contain no detectable amounts of such products. (Almost all U.S. corn, soybean and beet sugar crops are bioengineered.)

The Center for Science in the Public Interest, a consumer advocacy group in Washington, told [Reuters](#) that it agrees with both sides. Farmers are correct in arguing their finished ingredients are no different scientifically from their non-GMO counterparts, but products should still be labeled, the group says. “USDA should read the statute broadly and provide consumers with as much information as possible, but it should be scientifically accurate,” said Gregory Jaffe, director of the center’s Project on Biotechnology. “They need a different disclosure for those highly refined ingredients.”

Consumers and some lawmakers like Sen. Richard Blumenthal (D-Conn.) were more concerned about new language. USDA has suggested using the term or symbol for “BE” or “bioengineered,” instead of “GMO” or “GM” for genetically modified organisms.

The USDA is already behind schedule and it will take time for the department to sort out the thousands of comments and different perspectives.

Smithfield’s Tough Road Ahead on Hog Waste

Smithfield had hoped this would be a case it could win — it was the one that it selected as part of a class-action involving hundreds of plaintiffs.

But on Friday, a federal jury in North Carolina decided to award \$25 million in damages to a couple complaining of miserable living conditions near a hog farm. It’s another blow to Smithfield, the company that contracts with hog farms across the state.

In April, a jury unanimously decided to award North Carolina plaintiffs millions in a nuisance lawsuit against Murphy-Brown, a subsidiary of Smithfield.

That verdict was the first trial in a series of cases in North Carolina filed against the company. About 500 people who live near Smithfield-contracted farms in the eastern part of the state complain that living in proximity to industrial-scale hog farms has ruined their quality of life, forcing them to cope with foul smells, swarms of flies and buzzards.

Those suing are unlikely to see much of the millions of dollars mentioned in headlines. The total amount of the verdict will likely be reduced under a state law capping how much plaintiffs can be

awarded in punitive damages. For example, the first trial resulted in a more than \$50 million verdict that was reduced to \$2.5 million per the cap.

The juries' decisions indicate that plaintiffs have made a strong argument against Smithfield, the world's largest pork producer, as the company prepares to litigate more trials in the class-action lawsuit throughout the year. Smithfield has vowed to appeal the latest decision. It also gives a range of damages that could result from any potential settlements.

Last week, even before the recent verdict, the state's legislature set out to protect what lawmakers see as a vital state industry. Both chambers overrode a veto from the governor to authorize a bill that restricts nuisance lawsuits against farms and other livestock and forestry operations, the News & Observer in Raleigh [wrote](#). Sponsors of the bill, known as the North Carolina Farm Act, worry that verdicts could wreak havoc on the pork industry in a state that has 9 million hogs on nearly 2,300 hog farm operations. North Carolina ranks No. 2 behind Iowa in terms of pork farming.