

News from Washington: September 17-23

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### **Europe Can't Replace China as U.S. Soy Buyer**

American farmers are now supplying more than half of the European Union's soybeans, according to new [figures](#) the European Commission released Thursday. Over 12 weeks from July through mid-September, U.S. soy exports to the EU were 133 percent higher than during the same period last year. The U.S. accounted for 52 percent of all EU soybean imports, compared with 25 percent over the same period in 2017.

While the increase in European imports provides some real help to farmers, it doesn't come close to replacing the business with China that U.S. soybean growers have lost due to retaliatory tariffs. The U.S. exported about \$587 million worth of soybeans to Europe over the 12-week period, which is roughly \$2.5 billion on an annualized basis. China, the world's largest importer of soybeans, bought up \$12.3 billion worth of U.S. soybeans in 2017 — that's 60 percent of all U.S. soy exports.

Those sales have dried up since China imposed a 25 percent retaliatory duty on soybeans and a host of other U.S. agricultural exports in July. The price of soybeans has plummeted about \$2 per bushel, or 20 percent, since June — making them “very attractive” to European buyers, the European Commission noted in Thursday's announcement. USDA [projects](#) agricultural exports to China will drop by \$7 billion in the fiscal year starting Oct. 1 “as soybean sales are expected to be sharply lower due to retaliatory tariffs.”

The EU figures show that the U.S. has now supplanted Brazil as Europe's top soy supplier, at the same time that Brazilian soy exports have swept into the Chinese market amid the U.S.-China trade spat. But even the increased sales to Europe don't go as far because of slumping U.S. soy prices.

“Europe is a sizable market, so growth (hopefully sustained) helps,” Chad Hart, an associate economics professor at Iowa State University, said in an email. “But compared to China, this is only a partial offset.”

And the trade war shows no signs of easing. China announced on Tuesday that it would place tariffs on another \$60 billion worth of U.S. goods next week, shortly after President Donald Trump gave the go-ahead for new tariffs on \$200 billion in Chinese imports. The American Soybean Association said Thursday it was “highly concerned” about the [latest](#) escalation.

Still, the EU uptick offers at least some relief for soy growers. And it's something Trump can call a win, after he and European Commission President Jean-Claude Juncker agreed in July that the EU would ramp up purchases of U.S. soybeans and other commodities.

“Any gains in soybean trade are significant right now, given the free fall soybean prices have been in,” Hart said.

### **China Coming After U.S. Food & Ag Targets**

China announced Tuesday that it will fire back at President Donald Trump with retaliatory duties of 5 percent or 10 percent against another \$60 billion worth of U.S. products, a day after Trump triggered the largest wave of tariffs yet in the escalating trade dispute.

Once China implements the plan — scheduled for Monday, to coincide with the new U.S. duties — a total of \$113 billion in U.S. exports will be subject to tariffs, while the U.S. will have placed

taxes on a total of \$253 billion in Chinese goods. And Trump is prepared to go further. On Tuesday, he reiterated his threat to impose duties on another \$267 billion worth of imports. Trump accused China of purposefully targeting farmers, ranchers and industrial workers “because of their loyalty” to him.

“What China does not understand is that these people are great patriots and fully understand that... China has been taking advantage of the United States on Trade for many years,” Trump [tweeted](#). “They also know that I am the one that knows how to stop it. There will be great and fast economic retaliation against China if our farmers, ranchers and/or industrial workers are targeted!”

What’s on China’s list this time? Meat products including lamb, salted beef and pig casings and hind legs; frozen and canned produce like peas and spinach; refined ingredients ranging from soybean, corn and coconut oil to processed oats; along with coffee, teas and liquors.

Some ag groups and officials were critical of Trump’s decision. “As we head into the 2018 harvest season for corn and soy out here in Iowa, this escalation of the trade conflict really couldn’t come at a worse time,” Iowa Agriculture Secretary Mike Naig [said](#) in an interview on CNBC.

The National Farmers Union also spoke out against the new round of tariffs.

“The administration’s current strategy has created serious and potentially irrevocable problems for American farmers and ranchers,” Rob Larew, NFU’s senior vice president of public policy and communications, said in a statement Tuesday — pegging losses for corn, soy and wheat growers in the month of June alone at roughly \$13 billion. “Yesterday’s announcement to escalate tensions further will undoubtedly cost them billions more in the years to come.”

California garlic company Christopher Ranch LLC said it’s all in on Trump’s trade war — especially the new 10 percent tariff on Chinese garlic imports.

“Illegally dumped Chinese garlic continues to flood the U.S. market, making its way to unassuming American consumers, and U.S. farmers need our government’s support,” Ken Christopher, the company’s executive vice president, said in a [statement](#). “The anticipated tariffs of Chinese garlic will go a long way to restoring a longstanding injustice on American garlic farmers.”

### **For Conservatives, It’s Work Requirements or a Farm Bill Bust**

Conservative groups advocating for trimming social safety net programs held a call Thursday urging farm bill negotiators to go with the House’s work requirements for SNAP recipients.

The call comes as House and Senate agriculture leaders are struggling to reach agreement on major portions of the farm bill, including on SNAP policy, which has long been considered the toughest piece of the puzzle. Current law expires Sept. 30 and it now seems unlikely Congress will get a deal done in time.

Senate Agriculture leaders have been clear for months: Stricter work requirements cannot garner the 60 votes needed to pass a farm bill in the Senate, but conservatives on Thursday reiterated they won’t accept one without more work requirements. The call included experts from The Heritage Foundation, the American Enterprise Institute and the Foundation for Government Accountability, as well as state leaders from Texas and Kansas.

“From our understanding, the Senate has been intransigent about making a compromise,” said Jason Turner, executive director of Secretaries’ Innovation Group, which represents conservative state officials who administer SNAP and other social aid programs. Asked what a compromise would look like if it doesn’t include stricter work requirements, Turner responded: “There’s other things that can be done, but they wouldn’t be sufficient to call for an agreement.”

House Agriculture member Rodney Davis (R-Ill.) [told](#) an Illinois newspaper that there aren’t enough GOP votes in the House to pass a farm bill that doesn’t make changes to the program. Here’s the Herald & Review’s write-up of its [interview](#) with Davis, including plenty more on SNAP.

### **Target Date Dawns for U.S.-Canada Deal**

Thursday was the informal deadline for U.S. and Canadian trade negotiators to strike a trade deal to allow ample time for officials to write the draft text and send it to Congress by Sept. 30. With the calendar shrinking, House Republicans on Wednesday kept knocking the Canadians for the lack of visible progress toward an agreement, prompting a subdued response from Canada’s top trade negotiator.

Deadline day? Mexican Economy Secretary Ildefonso Guajardo has said it will take at least 10 days to finalize the draft text. President Donald Trump is required by the trade promotion law to submit that draft 30 days after notifying Congress of an agreement — which occurred Aug. 31, when he told lawmakers he intends to sign a trade pact with Mexico and possibly Canada.

Canadian Foreign Minister Chrystia Freeland and U.S. Trade Representative Robert Lighthizer resumed direct talks on Wednesday, but there was no word of a breakthrough. Freeland exited the final session Wednesday evening and declined to discuss details of the talks, which will continue today. Earlier, she (sort of) responded to accusations from congressional Republicans that the Canadians were not willing enough to compromise with the U.S.

“It is my job to stand up for the national interest. That’s what we’ve done from day one and that’s what we are going to continue to do,” Freeland said after an hour-and-a-half meeting with Lighthizer earlier in the day.

House Majority Whip Steve Scalise said Tuesday that “there is a growing frustration with many in Congress regarding Canada’s negotiating tactics,” adding that there’s “not an unlimited amount of time for [Canada] to be part of this new agreement.”

On Wednesday, House Ways and Means Chairman Kevin Brady issued a softer version of Scalise’s warning, telling CNBC’s “Squawk Box” that the Canadians need to “really step up here this week.” The Texas Republican also said the U.S. and Canada were on the verge of a deal, or “in the end zone,” as he put it.

### **Ranchers Question Drought Insurance Revamp**

USDA has changed its formula to determine how much in insurance payments farmers can collect when dealing with scarce rain. The Risk Management Agency adjusted the Pasture, Rangeland, Forage program to make insurance payments more “actuarially sound” and to prevent inaccurate payments. But some Western ranchers say they will now receive less compensation and are worried they won’t be able to fully cope with long-running droughts.

The new formula in effect reduces county base rates, which determine how much coverage per acre a rancher can purchase. The rates are based on a statistical calculation that utilizes rental rates, hay costs and grazing fees. Payments are triggered when rainfall is less than expected during a two-month period. The change will apply to the 2019 growing season.

At this point, it's hard to predict how the new formula will affect payments. But ranchers in some states anticipate trouble. Jay Whetten, president of the Arizona Cattle Growers' Association, said he's seen estimates that ranchers could see up to a 40 percent reduction in coverage. On the other hand, it's possible that some ranchers in other regions see an increase.

The change was made to more accurately factor in hay prices, which USDA realized had resulted in an overvaluation of actual production potential, an RMA spokesman said. "RMA routinely evaluates the pricing methodology underpinning crop insurance products to ensure it balances tax dollars with the needs of producers for an effective farm safety net," the spokesman said in a statement. "The federal crop insurance program is not intended to make producers whole; rather, to provide options to help them mitigate risks and reduce their liability exposure."

Twenty members of Congress, led by Reps. Martha McSally(R-Ariz.) and Tom O'Halleran (D-Ariz.), wrote to USDA Secretary Sonny Perdue on Tuesday asking to halt the changes. The bipartisan group estimated that as many as 32,000 ranchers could be put at "great financial risk."

### **Ag Reports on Florence Damage**

So far, the impact on the North Carolina ag sector, in terms of livestock that were killed and swine-waste lagoons that overflowed or were breached, has already blown past the totals from the last mega-storm to hit the state.

The state's Department of Agriculture and Consumer Services estimates 3.4 million poultry and 5,500 hogs have perished from Florence. That's nearly twice the swine death toll from Hurricane Matthew in 2016, which wiped out 2,800 hogs and 1.8 million birds.

"We know agricultural losses will be significant because the flooding has affected the top six agricultural counties in our state," Agriculture Commissioner Steve Troxler [said](#) Wednesday.

To public health and environmental advocates, the most worrisome figures are the number of bacteria-filled manure lagoons that have burst or been inundated by Florence's floodwaters — potentially mixing noxious waste into water supplies. As of Wednesday, five lagoons were structurally damaged, 17 were totally swamped, 21 had spilled their contents over the side, and another 67 were within inches of [overflowing](#), according to the North Carolina Department of Environmental Quality.

"Hurricane Florence has been devastating for farmers, their neighbors and water quality, and the effects of this flooding will be felt for a long time," Maggie Monast of the Environmental Defense Fund said in a statement. The group Waterkeeper Alliance [said](#) its members spotted two breached swine-waste lagoons in the Cape Fear River Basin "with their contents completely emptied."

A new Duke University [study](#) found that North Carolina communities near concentrated animal feeding operations, or CAFOs, experienced higher rates of infant mortality and deaths from kidney disease, anemia and other diseases, though the research did not establish causality.

The North Carolina Pork Council has said the flooded lagoons represent “a small percentage” of the state’s 2,100 hog farms. “While we are dismayed by the release of some liquids from some lagoons, we also understand that what has been released from the farms is the result of a once-in-a-lifetime storm and that the contents are highly diluted with rainwater,” the group said in a [statement](#).

Rep. David Price (D-N.C.) filed legislation last year that would raise certain safety and environmental standards at hog facilities and would fund the development of technological alternatives to waste lagoons. He’s still pushing for action on the measure, H.R. 2722 (115) — an effort that could see more attention after Florence — but there’s no GOP support yet for the bill, his office said Wednesday.