

News from Washington: October 22-28

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### **Trade War Clouds 2019 Farm Forecasts**

Agricultural producers feeling the trade war blowback are settling in for the long haul. Commodity prices are down and operating expenses are trending up — both partially a result of the tit-for-tat tariffs between the U.S. and its top trading partners. Many are already projecting another dip again next year unless there's a major shift in the trade situation.

Net farm income is already near 15-year lows in 2018, according to the latest forecast from USDA's Economic Research Service. Brent Gloy, an agricultural economist, predicts farm income could drop even lower in 2019. "Prices are low pretty much across the board livestock and crops. It's hard to find many bright spots," Gloy said.

The trade spat with China, in particular, shows no signs of easing anytime soon. Chinese retaliatory tariffs have weighed on the price of soybeans and other ag products for months. "Prices have just fallen off a cliff since those tariffs went into effect," said Grant Kimberley, a central Iowa farmer and director of market development at the Iowa Soybean Association.

Meanwhile, U.S. tariffs on steel, aluminum and chemicals manufactured in China have contributed to rising prices for certain equipment, pesticides and other ordinary farm expenses.

"We have one of the lowest years of farmer profitability, and yet next year our inputs are going to be higher," said Bill Gordon, a corn and soybean grower in southwest Minnesota. Gordon said he expects fertilizer for Spring 2019 alone to cost him 15 percent more than this year.

### **Tariffs Hit the Campaign Trail Across Heartland**

President Donald Trump's trade war is showing up in key midterm races across the Midwest, where farmers and other businesses have been hammered by the president's steel and aluminum duties and the resulting retaliatory tariffs from other countries. Take North Dakota, where Sen. Heidi Heitkamp — arguably the most vulnerable Democrat this cycle — has made soybean growers' trade woes a [daily theme](#) of her reelection campaign.

Heitkamp has lambasted her opponent, Rep. Kevin Cramer, and his surrogates, [accusing them](#) of not taking ag tariffs seriously enough, but she remains underwater in the polls. One [last week](#) had Cramer besting Heitkamp by 16 points, suggesting she'd lost significant ground after voting against Supreme Court Justice Brett Kavanaugh earlier this month.

Wisconsin is another crucial battleground where trade is likely to be on voters' minds come Nov. 6 — though the issue cuts both ways. Trump hailed the new North American trade deal as a major win for Wisconsin dairy farmers at a rally in Mosinee Wednesday night. The next day, farm and business groups gathered for a "tariffs town hall" event in Waukesha — where they pulled no punches in their assessment of Trump's trade feuds.

"More frustrating than a broken combine during peak season" — that's how Wisconsin Farm Bureau President Jim Holte described the tit-for-tat tariffs. Other business leaders said the turmoil was unraveling the economic boost from last year's Republican tax code overhaul — and one called for voters to keep trade in mind when they hit the booths.

“There’s an election coming up in 12 days. I think it’s important that we go to the ballot box with this in mind, this issue on tariffs,” said John Kirchner, executive director for the U.S. Chamber of Commerce in the Midwest region.

Sen. Claire McCaskill (D-Mo.) has also made Trump’s tariffs a cornerstone of her reelection campaign. But despite 45 percent of likely voters disapproving of the president’s trade agenda, farmers say they’re sticking by him and his party, according to a NBC News/Marist survey. More than anything, the topic of trade has a recognition problem: A CBS poll noted 55 percent of Missouri voters hadn’t heard about or experienced the effects of the trade war. More from [TIME](#).

Speaking of tariff polling... voters in Minnesota are divided on tariffs and Trump’s approach to trade. A new poll by the [The Star Tribune](#) reports 48 percent of voters disapprove of the president’s handling of trade negotiations, while 42 percent approve and 10 percent are not sure.

The split gets more complicated when comparing urban areas with the rest of the Minnesota. Voters in the two counties that are home to Minneapolis and St. Paul overwhelmingly disapprove of Trump’s approach (64 percent to 26 percent, with 10 percent not sure). Outside these urban centers, the president’s trade numbers improve dramatically. Metro suburbs approve 50 percent to 42 percent. In Northern Minnesota, 53 percent of voters say they support Trump’s approach — the highest amount of support in any region of the state.

### **Dairy Asks USDA for Greater Trade Aid**

The dairy lobby doesn’t think the Agriculture Department’s initial trade assistance package for farmers contained enough support for the sector — and it’s basing its case on recent studies estimating that milk producers could lose upward of \$1 billion in income this year. The National Milk Producers Federation and U.S. Dairy Export Council have met with officials from USDA and OMB to present the findings, ahead of an announcement Agriculture Secretary Sonny Perdue is expected to make in December on whether another round of aid is needed.

The two industry groups commissioned separate economic analyses by [Texas A&M University](#) and Informa Agribusiness Consulting on the effect retaliatory tariffs from China and Mexico will have on U.S. dairy exports.

NMPF, in a [letter](#) to Perdue this week, cited Texas A&M’s findings that dairy farmers could lose \$1.2 billion annually — a projection based on an assumption that the 42 percent decrease in U.S. dairy exports to China and Mexico since retaliatory duties took effect would continue long-term. The study also considered other scenarios, which estimated income losses of between \$415 million and \$2.8 billion annually.

Those estimates dwarf the amount of money that USDA is in the process of sending to dairy farmers as part of its first trade mitigation package. The assistance for dairy included \$127.4 million in direct payments and another \$84.9 million in commodity purchases.

Perdue [told Reuters](#) earlier this month that the U.S.-Mexico-Canada Agreement could shrink the \$12 billion pot USDA has set aside for trade assistance. However, Federal Reserve banks in the Midwest are reporting that, for now, the new trade pact won’t do much to help.

While hog and dairy prices have recovered some since September, due in part to the commodity purchase component of USDA’s trade aid program, “contacts viewed gains from the new U.S.-Mexico-Canada Agreement as too small and too far in the future to help dairy

farmers,” the Chicago Fed said Wednesday, in the central bank’s periodic [report](#) on economic conditions across its 12 districts.

Still, Trump touted the trade pact as a game-changer for dairy producers when he visited Mosinee, Wis., for a political rally Wednesday night. The North American agreement would expand access to the Canadian dairy market by about 3.6 percent and wipe out Canada’s milk price classes 6 and 7, which U.S. producers complain have dried up demand for their products and skewed global markets.

“Now ... the Canadian market, which was not open, is now open. Go do well,” Trump said, after crediting the state for spurring him to target NAFTA for changes. “To a very large extent, it started here because of a specialty, little tiny dairy product.”

### **Perdue Talks Hurricanes in Trade Aid Context**

USDA is considering the possibility of adjusting the direct payments segment of the Trump administration’s trade aid program to factor in losses producers have suffered as a result of the hurricanes that have blasted Southeastern states this fall, according to a DTN/Progressive Farmer [report](#).

“I’ve asked our staff to look at the fact we believed the payments should be based on actual production and not county averages ... but I think we’ve got to look at situations where people had crops that were good crops that were totally obliterated,” Perdue said, per the report. “These safety-net programs don’t contemplate that, and I think if Congress is generous enough to give us another supplemental regarding a disaster program for Hurricane Florence and Michael, then we need to look at those kind of considerations.”

Perdue made clear that USDA will announce a second round of payments to tariff-hit producers under the Market Facilitation Program, though he didn’t say when such an announcement will be made, according to the DTN/Progressive Farmer report. USDA officials have previously said it will happen in December. The secretary said he wanted to put to rest concerns that a second round of trade-aid payments may not be made.

A day earlier, Perdue [said](#) the government has no plans to extend financial assistance to farmers hurt by Trump’s trade policies in 2019, because officials expect the market recover will recover next year even if the U.S.-China trade war continues.

“The market will equilibrate over a period of time. There’s not an expected or anticipated market facilitation program for 2019.”

Speaking of trade aid, Sen. Chuck Grassley suggested Thursday that Smithfield Foods, which is owned by Chinese conglomerate WH Group, shouldn’t be eligible for the relief package.

“Smithfield seems to [be] in a ‘can’t lose’ situation [thanks] to American taxpayers,” he [tweeted](#). A spokesman for Grassley said the Iowa Republican is digging into the matter. The Washington Post [reported](#) this week that Smithfield qualifies for trade assistance.

### **Many Towns Want ERS, NIFA**

USDA has no shortage of options for relocating its Economic Research Service and the National Institute of Food and Agriculture. It’s received 136 expressions of interest across 35 states, from Alabama to Wyoming, the department announced Monday, a few days after Perdue gave some details on the applications.

The Trump administration's plan for relocating the two agencies (which also involves moving ERS under the Office of the Chief Economist) remains controversial, but the list released by USDA shows why the concept is likely to have political appeal outside the Beltway.

It's notable that all four of the states where key House and Senate Agriculture Committee leaders hail from have thrown their hat in the ring: There appear to be six expressions of interest from Kansas, as well as from Texas, Michigan and Minnesota.

Senate Agriculture Chairman Pat Roberts (R-Kan.) and ranking member Debbie Stabenow (D-Mich.) have raised several [questions and concerns](#) about USDA's plans.

Perdue has been pretty clear that the goal is to move ERS and NIFA outside of the D.C. area, but that didn't stop several local officials from submitting expressions of interest.

More than a dozen submissions came from Maryland, including from nearby University of Maryland, College Park and Montgomery County, Md. Virginia officials also spoke up, including ones from Loudoun County and Charlottesville.

Critics of the relocation plans responded to the USDA announcement Monday saying that the long list of interested locales doesn't prove it's a good idea.

"Today's USDA announcement does not allay fears that a NIFA and ERS move would jeopardize scientific integrity at the agency and alienate important stakeholders that rely on agricultural research," said Nichelle Harriott, a policy specialist at the National Sustainable Agriculture Coalition, which has been a leading voice against the proposal. "While many universities and economic agencies responded, many in the same university community have voiced concerns about the consequences of moving the agency and its scientists."

### **U.S., Canada Still Have to Work on Steel Tariffs**

The new North American trade pact was supposed to help facilitate a separate resolution on steel and aluminum tariffs that the U.S. imposed on its northern neighbor. But discussions toward lifting the U.S. tariffs haven't taken place for months, a top Canadian official said.

Many ag groups who have largely supported the new trade deal say their top priority now is ending the steel and aluminum duties that spurred retaliatory tariffs on U.S. agricultural products.

The last tariff talks took place in the spring. The Trump administration proposed capping Canadian steel exports at 2017 levels and lifting tariffs on exports below that threshold, according to one steel executive. That position was seen by Ottawa as a nonstarter.

Meanwhile, several countries are challenging Trump's tariff actions in the World Trade Organization. China, Canada, Mexico, the EU, Norway, Russia and Turkey will formally request dispute panels to take up Trump's steel and aluminum duties, which were issued supposedly for national security reasons. The U.S. is also challenging the retaliatory tariffs imposed by several of those countries.

### **Swine Fever and the Trade War**

The deadly African Swine Fever outbreak rippling through China won't have a major impact on U.S. pork exports to the country — at least in the short term — a handful of economists told MA. That's in part because the disease has only affected a fraction of China's massive pork industry.

China, the world's largest producer and consumer of pork, has culled hundreds of thousands of pigs since August to stop the spread of the disease (which isn't harmful to humans). That's a relatively small number considering China is home to half the world's swine, with an estimated 433 million pigs at the start of this year.

If China had to start importing pork, it would turn to Canada or the EU first, economists say, rather than pay the 62 percent retaliatory tariffs on U.S. pork imposed as part of the ongoing trade war. But if the highly contagious disease were to reach epidemic proportions, China would effectively be forced to buy from the U.S., even with the high tax on imports.

"If things got really bad, then Canada would run out of pork, and there might be a point where people would pay those kind of duties," said Dermot Hayes, co-director of the Food and Agricultural Policy Research Institute at Iowa State University. "But the situation would have to get extreme."

African Swine Fever has yet to be found in the U.S., which has upped its defense systems and restricted imports from affected countries including Poland. And keeping it out could be essential for gaining the upper-hand in trade if the disease's spread gets out of control. But U.S. producers aren't counting on a future shortage in China. Pork is faring relatively well compared with other commodities and sectors caught in the trade war's crossfire, like dairy, which is expected to lose more than \$1 billion in income this year. Although pork producers have felt the sting of retaliatory tariffs from China and Mexico, exports this year remain slightly ahead of 2017's record numbers, as producers have been able to diversify their overseas markets in recent years.

### **Trump Wades into Water Wars**

Western ag interests got a presidential boost last week after Trump issued a memorandum aimed at funneling more water to farmers in California's thirsty Central Valley. Also benefiting are several of the House Republicans running in competitive re-election races in the region, where water supply is a top campaign issue.

Vulnerable GOP incumbents now have an ag policy win they can tout in their farm-heavy districts. Jeff Denham, David Valadao and other California Republicans joined Trump for the memo signing Friday in Arizona. POLITICO [rates](#) Denham's race as a toss-up and Valadao's as leaning Republican.

Denham, a House Ag Committee member, said in a statement that bolstering the Valley's water supply was his "number one priority." Trump said the move "will move things along at a record clip."

The memo sets an accelerated timeline for reviewing the environmental impact of dams and canals that pump water to California farmlands and cities, Pro Energy's Annie Snider reported Friday.

Initial biological opinions related to California's Central Valley Project will be due by Jan. 31, with a final joint opinion due 135 days later — a much swifter schedule than parties on the ground had expected.

Agriculture groups like the California Farm Water Coalition, Western Growers Association and California Farm Bureau Federation cheered the move as relief from burdensome water supply rules. Environmentalists and the state itself could still try to thwart the federal changes.

The directive takes aim at efforts to alter or remove hydropower dams along the Columbia and Snake Rivers in Washington state, which produce about half of all U.S. hydropower. It also speeds up the timeline for federal agencies to complete environmental reviews for water projects in Oregon's Klamath River basin.

### **Cash Pours into Anti-Grocery Tax Ballot Measures**

A pair of ballot measures in Washington and Oregon that would ban taxes on sugar-sweetened beverages and most other foods is flying under the radar nationally amid a high-stakes fight for control of the House, but the Pacific Northwest pre-emption campaigns are attracting big money from retailers and beverage companies.

Washington's Initiative 1634 would block new grocery taxes, but critics contend the goal is to stop sugary drink taxes from cropping up elsewhere in the Evergreen State. Seattle already has a soda tax in place and it's pulling in [more money](#) than expected (the tax wouldn't be affected by I-1634).

So far, just about all of the money in this fight is backing the initiative — beverage giants, including Coca-Cola and PepsiCo, have dropped \$20 million into the state. Opponents have raised just over \$23,000.

Oregon's Measure 103 would amend the state's constitution to block new taxes on groceries, but there's a heated debate whether it's that simple. Grocers argue it's necessary to keep groceries affordable for consumers, while critics say the measure is so broadly drafted it would permanently ban taxes on everything from fast food to e-cigarettes.

Proponents of Measure 103 have brought in more than \$4.3 million, largely from retailers like Kroger, Safeway and Costco, as well as from the American Beverage Association. Opponents have also raised more than \$4.3 million, though that figure includes work on several other ballot initiatives. Major contributors include a variety of unions and AARP, among others.

### **EWG Goes for Round 2 In Glyphosate Fight**

The Environmental Working Group released its second installment of research that found trace amounts of the herbicide glyphosate in common foods. The first report, released in August, sparked widespread media attention, as well as criticism, over its claims that breakfast foods popular with children contain trace amounts of the chemical and should therefore be avoided.

This time around, EWG zeroed in on oat-based cereals, snack bars and granola made by General Mills and Quaker. The nonprofit found low levels of glyphosate in 28 products tested, and deemed nearly all to have unsafe amounts of the herbicide. Note: EWG scientists used a much lower safety standard than the one EPA employs.

When the first report came out, Quaker and General Mills, along with other food companies identified, refuted its conclusions by pointing out the difference between EPA's threshold and the standard EWG applied. In response, EWG said that "just because something is legal doesn't mean it's safe" and pushed for EPA to further limit glyphosate residues and to prohibit its use as a drying agent on crops such as oats.

## **Debate Over Cell-Based Meat Continues**

The second and final day of a joint USDA-FDA public gathering on cell-cultured food technology was essentially all about one question: If it looks like meat and tastes like meat...can you call it meat?

During a freewheeling public comment period, stakeholders at USDA's southwest D.C. headquarters laid down markers on what the new form of meat should be called and how it should be labeled — a critical factor in shaping consumer opinion.

Supporters of the food tech, which takes cells from animals and grows them into meat products like burgers, nuggets, fish or sausages, say the products are effectively meat and should be labeled accordingly. There's still a lack of consensus on what to call the new class of products, though there were plenty of opinions about what not to call it at the meeting this week.

Mike Selden, CEO of Finless Foods, a cell-based seafood company, criticized the term "lab-grown meat," which has been widely used for a while now, calling it "intensely misleading" and unfair. "If meat is 'lab-grown' meat, then beer is 'lab-grown' beer," he said. On Tuesday, Selden argued that calling cell-based fish anything other than "fish" could be dangerous for consumers with seafood allergies, who might mistake it for a safe-to-eat substitute.

New Age Meats CEO Brian Spears said he served cell-based pork samples to his friends and reporters and they didn't notice a difference from traditional products. "It was perfectly mistakable for meat because it is meat," he said. "When we go to market and label this, it would be simply dishonest to label it as anything other than meat."

Traditional meat groups made clear they don't want the new kids on the block using their names. Kevin Kester, president of the National Cattlemen's Beef Association, called the products "lab-grown fake meat" and said manufacturers "must not be permitted to use the term 'beef' and any associated nomenclature." Several individual cattle ranchers spoke out against any use of the term meat, too.

FDA and USDA officials were careful to avoid taking sides, using neutral terms throughout the two-day event.

## **Starch as The New Sugar**

Sugar may be nutrition's *bête noire*, but is starch next? Dariush Mozaffarian, dean of the Friedman School of Nutrition Science and Policy at Tufts University, suggested Tuesday that starch (think pasta, bread, packaged snacks and rice) is the biggest dietary problem in the food supply right now.

"If I had to pick one harmful thing it would be starch — not sugar, but starch," he said during a panel on food at the Milken Institute's health summit in Washington. Mozaffarian has been spending more time on Capitol Hill to promote a new Food is Medicine working group, which takes its name from an emerging theme in the food and health space. (The goal, in a nutshell: Bring down massive health care costs by improving eating habits.)

While he named starch as the top problem, Mozaffarian told the audience that the driving factors for diet-related disease are complicated. Still, he said members of Congress and staffers are constantly asking for the one thing that could be done to improve the American diet.



Sugar was still a major point of discussion during the panel Tuesday, which was titled Food is Medicine. When Mozaffarian noted the food stamp program (aka SNAP) currently purchases 30 million to 40 million servings of sugar-sweetened beverages per day for low-income families, there were muted gasps in the room.