

News from Washington: January 20-24

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### **Potential Challenges for Trump's China Deal**

When the president signed the partial trade pact last week, it appeared to lock down one of his biggest wins for U.S. farmers and ranchers: the promise of \$80 billion in ag exports to China over the next two years. But even now that the ink is dry, there's still plenty of doubt that Beijing will follow through on its end of the bargain.

Much of the skepticism comes down to China's repeated statements that higher imports from the U.S. must be based on market demands, comply with WTO limitations and not affect imports from other nations.

It's hard to square those conditions with an outright promise to buy a set level of farm goods, along with other products and services. Unless there's a surge in Chinese demand, which is unlikely, the uptick in purchases from U.S. producers would have to come at the expense of those in other countries.

That could pose problems especially for soybean growers, who will have to compete with cheaper beans from Brazil. One analyst said China has already purchased half its soybean demand for the year ahead, largely from the record Brazilian harvest that will come to market in February. And Chinese demand is expected to fall short of previous years due to the African swine fever outbreak, which has wiped out pig herds and lowered demand for soybeans used for animal feed.

If the agreement holds up, it could set records for ag exports and boost farm prices that have been depressed by years of trade tension and overproduction, says Virginia Tech associate professor Jason Grant, whose expertise is in ag and trade issues. "However, to make this change a reality, China will have to purchase U.S. agricultural products earlier and more often in 2020 and 2021 than we are typically accustomed to seeing," Grant said.

Chad Brown, a trade specialist at the Peterson Institute for International Economics, said in a new report the commitments appear to be "even more unrealistic than first believed. ... Even worse, hostilities might renew, leading to a re-escalation of trade tensions currently on hold."

### **EPA Inks New WOTUS Rule**

Administrator Andrew Wheeler on Thursday announced the long-anticipated replacement of the Obama-era WOTUS rule, touting the effort during an address to the National Association of Home Builders in Las Vegas. The group for decades has fought to restrict the reach of federal water protections alongside industries like agriculture, mining, oil and gas.

The [final rule](#) removes millions of miles of streams and roughly half the country's wetlands from protection under the Clean Water Act, which requires industries to obtain permits to discharge pollution or fill in wetlands and imposes fines for oil spills. It's the largest rollback since the modern law was passed in 1972, going much farther than simply stripping out what the Obama administration attempted.

The American Farm Bureau Federation, which led a lobbying and legal campaign against what it argued was a massive regulatory overreach under the Obama administration, said President Donald Trump's iteration "provides clarity and certainty, allowing farmers to understand water regulations without having to hire teams of consultants and lawyers." That statement was

echoed by groups like the National Corn Growers Association and National Cattlemen's Beef Association.

One of the agriculture industry's top concerns about the Obama-era WOTUS rule in 2015 was that it was too vague, potentially allowing greater scrutiny of ditches used to drain stormwater off fields or carry irrigation water, and connect to other water bodies. EPA officials at the time noted that the rule maintained long-held exemptions for normal agricultural practices, including runoff.

The agency finalized the rule despite its scientific advisory board raising concerns in late December that it was "in conflict with established science ... and the objectives of the Clean Water Act." The criticism was notable because the majority of the board members were handpicked by the Trump administration.

From WOTUS to SCOTUS? Environmental groups and Democratic states have already said they'll sue over the new rule, as did the conservative Pacific Legal Foundation, which has called the new rule not narrow enough. If the challenges make it to the Supreme Court, the Trump administration is banking on being able to win the backing of five justices with its novel interpretation of the limits of federal power under the water law. Legal experts say it's a gamble, and could result in a lasting win for the administration and its industry allies — or a spectacular loss.

### **Secretary Perdue Statement on EPA WOTUS Rule**

U.S. Secretary of Agriculture Sonny Perdue today praised the Environmental Protection Agency (EPA) for defining the Waters of the United States (WOTUS) rule with the Navigable Waters Protection Rule:

"President Trump is restoring the rule of law and empowering Americans by removing undue burdens and strangling regulations from the backs of our productive farmers, ranchers, and rural land-owners. The days are gone when the Federal Government can claim a small farm pond on private land as navigable waters," Secretary Perdue said. "I thank President Trump and Administrator Wheeler for having the backs of our farmers, ranchers, and producers and for continuing to roll back Federal overreach. With reforms and deregulation, Americans once again have the freedom to innovate, create, and grow."

[Source: USDA](#)

### **Trump Receives Warm Welcome at 2020 AFBF Convention**

The president is hurtling into election season with a critical piece of his base largely intact, judging by his warm reception Sunday at the American Farm Bureau Federation's convention. Trump talked up his ag and trade policies at the event in Austin, Texas, despite the hardships that farmers have endured since 2018 because of the administration's tariff battles, biofuel blending waivers and other actions.

Farmers and ranchers at the annual event sang the president's praises, especially his moves to slash the Obama administration's regulations on pesticides and water pollution. They also said Trump is delivering on his trade agenda, despite the financial pain from retaliatory tariffs against U.S. farm goods.

Tennessee farmer Ben Moore said Trump "assured us for the past three years that he knew what he was doing, and it's obvious with his final signing that he did," referring to the newly

signed “phase one” agreement with China. The partial trade deal is expected to guarantee \$80 billion worth of ag-related exports to China over the next two years.

The recent happy talk comes after a brutal year for farmers, not just because of the trade turmoil. 2019 included historic weather challenges that led to record planting delays, an uptick in farm bankruptcies and other rising signals of financial stress in the ag sector.

Trump has also frustrated farmers with his administration’s heavy use of blending waivers for oil refiners, which have hurt domestic biofuel demand and caused ethanol plants to shut down. But some supporters at the event were happy to look past those issues, especially those who said they’re wary of the current crop of Democratic presidential candidates.

“We see absolutely nothing other than Donald Trump,” said Donald Vogler, a cotton farmer from Lamesa, Texas. “My personal income is secondary to my national pride in the United States.”

Agriculture isn’t the only industry going through a rough patch. U.S. manufacturing remains in a recession, a point that could undermine Trump’s relatively strong economic record as he seeks reelection.

### **Farm Bureau Sets Policy Goals For 2020**

The influential farm group wrapped up its annual convention this week in Austin, Texas, and laid out the policy changes it will pursue throughout the year from trade aid to hemp rules. Despite the recent ease in trade tension with China and other major partners, AFBF is calling for additional tariff relief for farmers and ranchers.

“Our members are basically saying, ‘Show us results,’” said Scott VanderWal, the group’s national vice president. He noted that “no products have moved, implementation hasn’t happened yet, and it’s kind of a ‘prove it to me’ thing.”

There’s growing skepticism about whether China will fulfill its commitment to buy at least \$80 billion in U.S. farm goods over the next two years under the new “phase one” trade pact. Agriculture Secretary Sonny Perdue has said farmers shouldn’t count on any more multibillion-dollar bailouts in 2020 now that the agreement has been signed.

AFBF wants USDA to amend its hemp production framework to allow for plants with up to 1 percent tetrahydrocannabinol (the psychoactive chemical in cannabis), compared with the current limit of 0.3 percent. The department’s interim hemp rule requires “hot” crops to be destroyed at 0.5 percent THC levels.

The farm group’s delegates also recommend a review of the National Agricultural Statistics Service’s crop reporting program, including its methodology and track record. Perdue on Monday defended the NASS crop reports that were heavily criticized last summer for surprising commodity markets and driving big changes in crop prices.

“The June 2019 Acreage report was a debacle, and it seems like each NASS report this year has contained surprises and unexpected market impacts, etc.,” AFBF said. [Read the rest of the new policy agenda here.](#)

### **Perdue Sees ‘Record Year’ For Ag Exports**

The USDA chief also delivered remarks at the AFBF convention, where he acknowledged the hardships of 2019 but predicted much brighter days ahead. “2020 I believe will be a record year

for agricultural exports,” Perdue said. “We’re talking about doubling the number of ag imports that China has ever done before, throughout the whole agricultural sector.”

Trade aid 2.0, part III: He confirmed that USDA plans to offer a third and final batch of trade aid for 2019 losses, “no ‘maybe’ about it,” after Trump had teased the additional aid on Sunday. But Perdue indicated there might not be another bailout program for 2020, with the promise of Chinese ag purchases and other trade deals in place. “Now let’s grow stuff, let’s produce things and let’s sell stuff,” he told the gathering of farmers.

Crop report conspiracies: The secretary also noted the industry’s concern about recent production data from USDA’s National Agricultural Statistics Service. Some of the agency’s crop reports last year diverged from private estimates, causing big moves in commodity markets and fueling accusations that Washington was playing with prices. The frustration boiled over when a farmer [made violent threats against USDA employees](#), causing the agency to withdraw staff from a crop tour last summer.

“We got a little conspiratorial, thinking NASS was out to get us, too. I questioned them very heavily,” Perdue said. “Ultimately I think you’ll find out their numbers ... might have been more correct than the market was, ultimately.” He added that USDA is seeking suggestions to improve its data collection methods.

### **EU Chief Sees Trade Deal Within Weeks**

European Commission President Ursula von der Leyen said she’s gunning for an agreement with President Donald Trump “in a few weeks,” according to German media. The scope of any potential deal is unclear, but von der Leyen previously said she discussed “trade, technology and energy” with Trump earlier this week.

For his part, Trump told CNBC he “would be very surprised if I had to implement the tariffs,” referring to his threat to slap duties on European auto exports to the U.S.

The U.S. and France will try to reach their own agreement today to resolve the digital services tax dispute, according to French Finance Minister Bruno Le Maire, who met with Treasury Secretary Steven Mnuchin on Wednesday in Davos, Switzerland. Le Maire also confirmed key elements of the preliminary truce between Paris and Washington

### **The Farm Sector’s Fertilizer Problem**

Runoff from agricultural chemicals has been a growing source of environmental problems in recent years. Fertilizer byproducts can contaminate drinking water sources and pollute rivers and lakes, causing hazards like toxic algae blooms and marine dead zones. The chemical compounds also seep into the atmosphere as a potent greenhouse gas.

Environmentalists have been warning for years about the impact of unchecked fertilizer use, even though it’s seen as a smaller problem than carbon emissions. Researchers say deep cuts to nitrogen runoff and emissions are critical to avoid more extreme consequences — but it’s tricky to address because of nitrogen’s key role in food production.

Regulators have been slow to take meaningful action to control fertilizer use. State authorities typically favor voluntary limits and recommendations over strict rules and enforcement. And when states do try to crack down, those efforts are often stymied by the ag industry and its political allies.