

News from Washington: June 15-19

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No Meat Trade, No Deal

U.S. Trade Representative Robert Lighthizer told lawmakers that the Trump administration won't agree to any trade deal with the U.K. unless it opens up the British market to more American meat products.

At a House Ways and Means hearing, Lighthizer said the U.S. is "not going to compromise" on lowering the U.K.'s stringent barriers to meat imports, which stem from fear among British and European consumers about certain U.S. ag practices. "We either have fair access for agriculture or we won't have a deal," he said.

The dispute over beef, pork and poultry exports to Europe has long stymied progress on a separate trade deal with the EU. Lighthizer said the concerns about food safety and animal welfare are "thinly veiled protectionism" by Brussels and London.

Farm Aid Keeps Flowing to The Midwest

Three weeks since USDA launched its \$16 billion farm aid program, the department has approved \$2.9 billion in direct payments to producers whose businesses have been disrupted by the coronavirus pandemic. More than 220,000 farmers have received funding so far, [according to USDA's weekly update](#).

Iowa farmers have received around \$314 million, the most of any state. Nebraska producers got more than \$207 million, followed by other Midwestern states like Illinois, Kansas and Minnesota that have each received at least \$150 million as of Monday.

By sector, livestock producers have received about half of all the money dispersed so far. The sector has been one of the hardest hit by the closure of schools and restaurants, outbreaks at meatpacking plants and a wide disparity in cattle prices.

Ag Exports to China Are Lagging

Under the "phase one" trade deal that took effect in February, China pledged to buy at least \$36.5 billion in U.S. farm goods this year. That was seen as an ambitious goal even before the coronavirus scrambled global trade. Nearly halfway through 2020, the likelihood of Beijing hitting its target appears to be shrinking.

[Trade with China has been "disappointing" so far](#), writes David Widmar of Agricultural Economic Insights. For example, soybean sales to China through April were the lowest in five years, and they're well behind pre-trade war levels (e.g. 2016 and 2017). As for total U.S. ag products, exports to China through April were similar to 2019 but lagged the previous three years.

Widmar said that recent positive chatter about China's purchase commitments for later in 2020 "often overlooks the big picture." For one thing, low commodity prices will make it even harder for China to reach the dollar targets in the phase one deal.

"If you're considering the possibility of China purchasing record levels of U.S. ag products in 2020, one has to concede the hurdle is greater after four months of activity in the books," he wrote.

USDA last month [dialed back its fiscal 2020 export projections by \\$3 billion](#) in part because of weaker Chinese demand.

Steering Stimulus Loans to Rural, Underserved Businesses

Jovita Carranza, head of the Small Business Administration, is asking financial lenders to focus on helping the neediest employers and communities, including rural businesses, apply for Paycheck Protection Program loans before the June 30 deadline.

The agency wants to “ensure that entities in underserved and rural markets” can benefit from the program, including new businesses and those owned by veterans, women or “economically disadvantaged individuals,” Carranza wrote in a message to lenders on Monday.

Banks and other institutions have issued \$512 billion in forgivable loans to more than 4.5 million borrowers, but there’s still nearly \$130 billion left on the table.

Small farms initially struggled to apply for PPP loans because of delays by SBA in approving farm lenders to participate in the program. As of last week, businesses in agriculture, forestry, hunting and fishing had received about \$7.6 billion in loans, [according to the agency](#).

Where’s the money going? House Democrats are [asking lenders to turn over records](#) of which businesses received loans through the program, after Treasury Secretary Steven Mnuchin last week said the administration wouldn’t reveal the names of the borrowers.

Farmers Still Plagued by Hog Backlog

States hit hardest by the meatpacking industry crisis are just now starting to ease the backlog of hogs unable to be processed. So far, hundreds of thousands of hogs have been killed by producers, and while still falling short of the initial slaughter estimates in the millions, the pork industry says it needs additional funds from Congress to cover the cost of euthanizing animals and price losses associated with the pandemic, as well as mental health resources for farmers disturbed by having to kill their animals for disposal.

“The drain on equity and the financial and emotional crisis that farmers are facing is not resolved,” said Dave Preisler, chief executive officer of the Minnesota Pork Producers Association. “Really, without an infusion of cash, it’s going to be difficult for folks to continue on.”

Producers have gone to great lengths to reduce the backlog and avoid on-farm slaughter. Some have been shipping hogs to processors out of state or selling directly to individuals looking to stockpile meat. Others have started contracting with small processors, who have seen an unprecedented surge in business.

Farmers have been building additional barns to house hogs ready for slaughter but waiting for plants to accept them. They’ve also opted to put hogs on “diets” by using slower-growth feed and increasing water intake.

Still, those measures have not fully solved the pileup and producers in some of the top hog states have had to resort to morbid ways to reduce their herds. The American Association of Swine Veterinarians recommends several approaches, including electrocution, anesthetic overdose or by gunshot.

Animal welfare groups like the Humane Society want to see bans on certain types of euthanasia that they say are cruel and unnecessary yet are suggested by vets, such as blunt force trauma or shutting off access to ventilation so that hogs die from overheating.

Small Meatpackers Scramble to Meet Demand Boom

Driven by a cultural shift toward buying local and the closure of large meatpacking plants due to coronavirus outbreaks, small processors have seen an influx of business amid the pandemic. But the rising demand could do more harm than good if Congress and the Agriculture Department don't throw small meatpackers a regulatory lifeline.

Most small plants can only kill 10 to 20 animals per day, and they can't easily increase their speed or volume, says Rebecca Thistlethwaite, director of the Niche Meat Processor Assistance Network. Meanwhile, the large facilities that employ thousands of workers can slaughter up to 20,000 per day, she said.

As livestock producers with fewer options to sell their animals increasingly turned to smaller packers, those plants scrambled to invest in bigger coolers, freezers, holding bins and other operating needs just to keep up with the amount of product coming in. Many have backlogs stretching longer than a year.

To ease the demand, small processors, ranchers and other advocates are calling for financial support from Congress and regulatory changes like waiving overtime fees, on top of broader antitrust enforcement in the heavily concentrated industry.

ProPublica has a deep-dive on the breakdown between large meatpackers and state health officials that allowed coronavirus outbreaks to worsen in slaughterhouses across the country.

USDA Misses Organic Livestock Rule Deadline

The Agriculture Department blew past the 180-day deadline set by Congress to finalize its origin of livestock rule, and senators who sit on the panel overseeing the agency's budget are turning up the heat on USDA to finish the job. The organic industry has been pushing for years for USDA to close a loophole in the rules governing how livestock are transitioned to organic production. But the Trump administration has dragged its feet in making the fix, leading Congress to set a timeline for completion in last year's appropriations law.

Because of the loophole, "some producers continuously cycle cows in and out of organic management, putting smaller producers in states like ours at a significant financial disadvantage and placing the integrity of the organic label at risk," wrote Sens. Susan Collins (R-Maine) and Patrick Leahy (D-Vt.) in a letter to Agriculture Secretary Sonny Perdue. The pair urged USDA to finish the rulemaking "without further delay."

USDA is also facing pressure from 70 farm organizations that said the department "is letting down organic dairies" and that "continued delays in implementing this rule will prolong the dire economics facing organic dairy farmers, as well as jeopardize consumers' trust in the organic label," per a [letter sent to members of Congress](#).

USDA Taps Food Box Suppliers For 2 More Months

The department is extending the contracts of certain companies participating in its \$3 billion food box delivery program, launched last month to steer surplus meat, dairy, fruits and vegetables from farmers to food banks with unemployment and hunger on the rise.

USDA said it chose “select vendors” to deliver another \$1.16 billion worth of food boxes through Aug. 30, based on their performance so far in supplying the first \$2.2 billion through the end of June. The department is also considering contracts for several vendors whose initial applications were rejected because of technical errors.

USDA said it chose not to extend some contracts because of concerns raised during audits or difficulties delivering the food boxes. While the program is broadly popular, the launch was [hampered by delays](#), logistical gaps and concerns about several of the contractors with little experience in food distribution or less capacity than needed to handle multimillion-dollar contracts.

Some states are also feeling left out of the program. Virginia Democrats led by House Ag member Abigail Spanberger sent a letter to USDA this week expressing [“grave concerns”](#) that Virginia food banks are having difficulty receiving aid, especially in rural areas.

Similarly, Wisconsin lawmakers have questioned why experienced milk processors and distributors based in the dairy state received less than 1 percent of the funding to source dairy products and fluid milk.

USDA on Wednesday said it’s “continuously evaluating how to expand access to the program in areas that are underserved,” and it’s in the “final stages of determining cities and states ... where additional food boxes are in demand.”

Senate Ag Back in Action

The committee will meet Wednesday to debate a bipartisan climate measure that would create a new USDA certification program for farmers, ranchers and foresters to participate in carbon credit markets. Notably, it’s the panel’s first meeting since the coronavirus took over the congressional agenda in early March and forced lawmakers to adapt to social distancing guidelines.

The climate legislation, introduced earlier this month, was fueled by growing interest across the ag industry and policymakers in using carbon sequestration to help curb global warming, while offering financial rewards to producers who practice climate-friendly farming.

The bipartisan effort is backed by key farm industry groups and environmental advocates, from the American Farm Bureau Federation to the Environmental Defense Fund. Officials from both groups will testify at the hearing.

Poultry Plants Raising Line Speeds Despite COVID Outbreaks

USDA’s Food Safety and Inspection Service in April approved 15 large poultry plants’ requests for waivers from line-speed limits, allowing the facilities to accelerate their processing lines by 25 percent — despite coronavirus outbreaks at most of the facilities and a coronavirus-related death at one plant, [according to a new report from The National Employment Law Project](#). Eight of the 15 plants have ongoing outbreaks, per the report.

The waivers allow plants to process as many as 175 birds per minute, up from the current maximum of 140 birds per minute. NELP argues that the move “goes against CDC recommendations on how to limit COVID spread in meatpacking plants.” NELP’s analysis of publicly available data found that all 15 plants also “had reports of severe injuries, a history of OSHA violations, or were the site of a COVID-19 outbreak.”

EPA to Boost Biofuel Mandate by Half-A-Billion Gallons

The agency will require oil refiners to blend another 500 million gallons of biofuels into the gasoline pool over the next two years, according to two biofuel industry members.

The move is aimed at complying with a 2017 court ruling, which found that the EPA had [improperly used waivers](#) to lower the blending requirements from 2014 through 2016. The federal court directed the agency to require 500 million more gallons in future rules to compensate biofuel producers for the lost volume.

The D.C. Circuit Court of Appeals will hear oral arguments on Sept. 25 in another case that could determine whether the EPA has to curtail its program of exempting small refineries from their annual blending obligations.

In a separate case, a federal court earlier this year ruled that the agency could only continue to exempt refiners that received waivers each year since the program started in 2013. But that ruling only applied to a handful of Western refineries, while the upcoming D.C. Circuit decision would have national implications.

Perdue's Forestry Blueprint Faces Green Backlash

The USDA chief last week sent a memo to the Forest Service directing the agency to speed up environmental reviews, potentially allowing national forests and grasslands to be used for more logging, grazing, resource extraction and other purposes. The plan isn't sitting well with environmental advocates.

"This is a roadmap to national forest destruction, and it's painful to read," said Randi Spivak, director of the Center for Biological Diversity's public lands program. Spivak called it a "dystopian vision of expanding mining, fracking, logging and grazing in national forests" that would "kill wildlife and increase carbon pollution."

The memo said it's aimed at ["increasing the productivity of national forests and grasslands."](#) citing opportunities like using the public lands for broadband infrastructure, energy and minerals extraction or recreational activities such as hunting and fishing. It's scant on specifics, but environmentalists are worried about how broadly it could be applied.

Apple Groups Appeal for Ag Aid

The U.S. Apple Association and other industry groups sent USDA a letter on Tuesday asking the department to reconsider including apple growers in its direct aid program, which launched in late May and has already [dispersed \\$2.9 billion](#) to farmers and ranchers.

When USDA concluded that apple prices didn't drop by at least 5 percent from January to April, "every grower in America knew that wasn't correct," said USApple CEO Jim Bair. In reality, the apple business has been hampered by record-setting oversupply and sluggish sales, Bair added.

[The industry submitted more than 30 pages to USDA](#) with sales data from USApple and the Washington State Tree Fruit Association that shows a decline in apple prices ranging from 6.5 percent to nearly 25 percent. Among the group's other findings: Apple stocks on hand were 15 percent larger than the previous record; shipping volumes were down 24 percent; and 19 percent of the 2019 crop remains to be marketed.

Other farm groups that weren't included in the aid package have also made their case to USDA, [including egg producers who sell to the liquid egg market](#), which was crushed by the closure of schools and restaurants. (By contrast, the distinct market for shell eggs actually saw an initial boost at the start of the pandemic.)

The department said Tuesday that it has now [purchased more than \\$2.2 billion worth of food products](#) to help farmers and ranchers burned by retaliatory tariffs since the start of Trump's trade war in 2018. The commodity purchase program is on top of the \$23 billion in trade bailout payments to producers over the past two years.

Another Push for Dietary Guidelines to Address Obesity

A coalition of nutrition and health groups on Thursday repeated its call for USDA to delay publishing the 2020 dietary guidelines scientific advisory report following a meeting of the advisory committee this week. The group, whose members include the NAACP and Academy of Nutrition and Dietetics, said it's concerned about incomplete scientific reviews and cited "the urgent need" for the guidelines to address Americans with chronic, diet-related diseases often caused by obesity.

The guidelines don't specifically address the needs of most Americans, as 60 percent of the population is considered overweight or obese, according to a [letter signed by the Food4Health Alliance](#). People of color stand to be disproportionately ignored as they have higher rates of obesity.

The advisory committee didn't address any of the calls for delay during its meeting on Wednesday.