

News from Washington: June 24-28

Unless stated otherwise, stories are sourced from [Politico](#).

Dialing Back Ag Expectations for China Deal

Trump and Chinese President Xi Jinping are preparing for a high-stakes meeting Saturday that could mark another turning point in the U.S.-China trade war. But if the two leaders are going to reach any agreement at the G-20 in Osaka, Trump might need to dial back his demands for Beijing to make massive purchases of U.S. farm goods.

The Wall Street Journal [reports](#) that Xi plans to present Trump with a set of requirements before China will sign off on any trade truce. Among the asks: that Trump lift the ban on selling U.S. technology to Chinese telecom giant Huawei; scrap all punitive tariffs on Chinese goods; and stop pressuring Beijing to promise to buy even more American farm products than it had agreed to when Trump and Xi last met in December.

The Trump administration has promised farmers that the trade feud with China — which has [hammered U.S. ag exports](#) like soybeans and pork — would ultimately pay off with much greater market access for their products.

“The numbers that China was negotiating when they were here and talks were going well, the commitment of purchases was reestablished as multiples of what they had been purchasing,” Agriculture Secretary Sonny Perdue said on Fox News last month, attempting to assure farmers that the trade war won’t cause long-term damage.

If Xi draws the line on more food and farm purchases, it could potentially weaken that argument from the White House. The sit-down is scheduled for 11:30 a.m. Saturday in Osaka.

Pelosi Insists on Strategic Tweaks to USMCA

House Speaker Nancy Pelosi indicated Thursday that Democrats could demand that USMCA be reopened just to address concerns with enforcement provisions — and not to renegotiate vast chunks of the trade pact.

“It couldn’t be like we’re opening it up and now it’s olly olly oxen free. No, it would be surgical,” she said at her weekly press conference.

Blumenauer is firm that USMCA won’t pass this summer, a goal for many Republicans. “It won’t happen,” he told POLITICO in a phone interview Thursday. “There’s too much to do and I just can’t envision any way that would happen.”

Ag Gets Little Attention in Debates

The first two debates that marked the real start of the battle for the White House ended with only the briefest mentions of agriculture policy. Moderators on the first night of debates didn’t ask a single question about rural America or agriculture. On Thursday night, one candidate was asked about how farmers hurt by climate change can be helped. Still, a handful of candidates managed to squeeze in mentions of ag.

On Wednesday night, Sen. Cory Booker when discussing economic problems caused by rapid consolidation, touted his legislation that would halt mergers of agriculture companies until Congress can update antitrust laws. “One of the most aggressive bills in the Senate to deal with corporate consolidation is mine about corporate consolidation in the ag sector,” he said.

Former Rep. Beto O'Rourke said Wednesday that farmers need to be part of the solution to combating climate change. "We're going to free ourselves from a dependence on fossil fuels, and we're going to put farmers and ranchers in the driver's seat, renewable and sustainable agriculture, to make sure that we capture more carbon out of the air and keep more of it in the soil, paying farmers for the environmental services that they want to provide."

On Thursday night, Pete Buttigieg, mayor of South Bend, Ind., said he supports a carbon tax and dividend, as well as soil carbon sequestration. "Here's what very few people talk about," he said. "First of all, rural America can be part of the solution instead of being told they're part of the problem. With the right kind of soil management and other kinds of investments, rural America can be a huge part of how we get this done."

Trump Goes After India Tariffs

In Osaka for the G-20, Trump demanded Thursday on Twitter that India lift new tariffs on American goods ahead of a meeting with Narendra Modi, the country's prime minister. India has slapped duties on 28 American products – including many agricultural goods like almonds – in retaliation for Trump's duties on the country's steel and aluminum exports.

Democrats Demand USDA Watchdog Probe

A group of Senate Democrats is calling for an Inspector General investigation into USDA's [burying of climate studies](#), as well as [claims of retaliation](#) against economists who produce reports that don't align with the Trump administration's priorities, both first reported by POLITICO.

In a letter to the IG, Sen. Mazie Hirono, Senate Agriculture ranking member Debbie Stabenow and 17 other senators asked the department's internal watchdog to look into "potential instances of suppression and alteration of scientific reports, documents, or communications" produced by USDA.

They said one case reported by POLITICO this week, in which USDA sought to dissuade its research partners from disseminating their findings about nutrition losses in rice stemming from elevated CO2 levels, was "particularly concerning" because it suggested to universities "that climate-related research is not to be promoted."

The Democrats are also seeking answers about any "instances of retaliation and political decision-making" related to USDA's production of other scientific reports, like studies that have shed unflattering light on President Donald Trump's tax and trade policies.

"While recent reporting has brought these troubling accusations to light, prior surveys have illustrated ongoing concerns among USDA staff," they wrote.

A couple Democrats running for president signed onto the IG letter, including Kamala Harris, Cory Booker and Kirsten Gillibrand. Sens. Michael Bennet and Amy Klobuchar earlier this week [sent their own letters](#) to USDA seeking answers. Andrew Yang, a tech entrepreneur running for president, also [criticized](#) the administration.

Quadruple Scoop Confirmed

Farmers unable to plant their usual crops because of heavy rain and historic flooding could be in line for a four-part payout this year, now that the Agriculture Department has decided to award trade aid for cover crops on prevented planting acres.

The trade aid opportunity comes on top of two other potential checks from the government — disaster aid and crop insurance for prevented planting — as well as USDA's [decision](#) to expand the window for selling cover crops on the market.

“All those combined won't come up to what a farmer could have [earned] if they could have planted,” Perdue told reporters after an industry event in Washington. “Prevent plant is not a strategy. It's a fall-back safety mechanism.”

Tough Times for Farmers Squeeze Ag Lenders

Trump's trade war is pushing the rural economy closer to a full-blown meltdown, as economic challenges in agriculture start to weigh more on banks that lend to farmers and ranchers.

Retaliatory tariffs are among the many headwinds buffeting farmers, along with unusually bad weather and a five-year decline in farm income. Even a deadly pig disease spreading in China is expected to slam demand for U.S. soybeans (a main ingredient in animal feed) for years to come, even if the trade war with Beijing is resolved.

“How many black swans have we had in the past couple years?” said Grant Kimberley, a corn and soybean grower in Iowa. “We've had weather, we've had African swine fever, we've had trade wars. I'd say this is pretty unprecedented. We haven't seen anything like this since the '80s.”

Weakness in the farm economy is threatening to pose problems for agricultural lenders, especially in the Midwest. During the first quarter of 2019, the default rate for farm loans held by banks hit its highest level in seven years.

One in five farm borrowers increased the amount of debt they carried over from the prior year in the first quarter, according to the Federal Reserve Bank of Kansas City. And producers are estimated to hold nearly \$427 billion in debt this year — the most since the 1980s farm crisis.

“When the ag economy starts taking a downturn, it affects [rural banks] because it's not only farm loans, it's also those businesses that sell to farmers” that get hurt, said Mark Scanlan, senior vice president of agriculture and rural policy at the Independent Community Bankers of America.

Lenders that specialize in agriculture have been tightening credit standards as the situation for farmers becomes more dire, as well as relying more on USDA-backed loan guarantees. Farmers, for their part, are staying afloat by putting off equipment repairs and other investments in their operations, burning through equity or leaving the industry altogether.

Expecting an Exodus From ERS

USDA economists have long warned that Perdue's plan to uproot the ERS from Washington and move it into the heartland was causing a brain drain of veteran scientists. Now that the first group of agency employees is set to be relocated by Aug. 1, the attrition is likely to accelerate.

A preliminary survey of employees, conducted by the agency's newly formed union and shared exclusively with POLITICO, found that two out of three employees are certain they will leave ERS rather than relocate to Kansas City. As many as 80 percent might quit, according to the survey.

Decision time: USDA gave those workers tapped for relocation until July 15 to make a decision — just one month after Perdue [announced the final site](#) selection. The secretary has said the move will save money and improve customer service by bringing the agencies closer to farming regions, but some ERS economists see it as [retaliation](#) for their reports that cast unflattering light on Trump administration policies.

Not one employee in the agency's Information Services Division said they're likely to relocate. Around 90 percent of the employees studying food assistance, climate change and the rural economy might quit.

SCOTUS Rules Against Argus Leader's Bid for SNAP Data

The Supreme Court handed a win to retailers in a lengthy legal dispute stemming from USDA's refusal to disclose store-level Supplemental Nutrition Assistance Program data after a 2011 Freedom of Information Act request from the Argus Leader, a daily newspaper in Sioux Falls, S.D.

The 6-3 decision rejected a 45-year-old appeals court precedent that allowed business records to be withheld under FOIA only if disclosure would harm either the business or the government's ability to acquire such information in the future. Justice Neil Gorsuch, writing for the majority, faulted the D.C. Circuit Court for setting a legal standard not found in the actual FOIA statute.

Farm Facts, Congressional District Edition

The National Agricultural Statistics Service on Wednesday released a trove of stats detailing which districts have the most farms, grow the most soybeans, raise the most cattle and much more. The data comes from USDA's 2017 Census of Agriculture released earlier this year. Here are some of the highlights:

Republican Rep. Adrian Smith's Nebraska district is home to 33,294 farms and 55,834 producers — more than any other congressional district. His district is also No. 1 in corn production, measured by 2017 acres harvested, at 7.1 million. Iowa Republican Steve King's district has just over 33,000 farms and 54,187 producers.

Despite representing more farmers than anyone else in Congress, neither Smith nor King serve on the House Agriculture Committee (though Smith sits on the Ways and Means Committee, which has jurisdiction over trade). King lost his House Ag seat earlier this year after making racist remarks.

New York's 6th and 7th districts, based in Queens and Brooklyn, each include exactly three farms and three producers.

North and South Dakota, each represented by a single "at-large" representative for the whole state, harvested the most soybeans by acre of any congressional district in 2017 — 7 million and 5.6 million, respectively.

Minnesota's 7th district (represented by a certain House Agriculture chairman) is next, with 5 million acres. King's Iowa district comes in fourth in acreage, but it's home to the highest number of soybean farms at 18,222.

Rep. Markwayne Mullin's eastern Oklahoma district is home to more women ag producers (19,411) than any other, followed by Montana at-large (18,673).

Mississippi River Towns Still Reeling from Floods

Mayors from Illinois and Iowa to Louisiana and Mississippi warned Tuesday that farmers, businesses and residents along the river are struggling to recover after months of heavy flooding.

Barge traffic has shut down on stretches of the Mississippi River, compounding the headaches for farmers and slamming transport companies. Bruce Blanton, transportation services division director at USDA's Agricultural Marketing Service, said barge shipments of grain are down 67 percent from the previous three years.

USDA's Deputy Chief Economist Warren Preston said the lower forecasts for 2019 corn planting, after weeks of unusually wet weather, would translate into "\$1 billion less that's going into seed, fertilizer," and other operating costs like fuel and equipment repairs. That has a "ripple effect on communities" closely linked to the farm economy, he said.

Some mayors see the largely unprecedented level of weather woes this year as Exhibit A of the dangers that climate change poses to farmers and ranchers. "The climate-related issues are mounting up all over, from cyclones to droughts to floods," said Mayor Frank Klipsch of Davenport, Iowa, during a press call with other mayors and federal officials.

In the past, when the river overflowed, "We'd just consider it a nuisance, and we'd be back in business," said Rick Eberlin, mayor of Grafton, Ill. "But with the duration [of the flooding] as it is, it just wears and tears on the mind-sets of not only the business owners but the homeowners. There's a couple occasions where we'd start to clean up, only to have it stopped by another rise in the river."

The floodwaters have also plagued towns with sinkholes, sewage backups and swarming mosquitoes. "Some folks can't flush their commodes," said Greenville, Miss., Mayor Errick Simmons, citing at least 14 sewage pump failures in his town. Simmons said the Mississippi Delta region hasn't gotten as much attention as Midwestern states further up the river, but the Southern area will "probably bear the lion's share of the cost when it's all said and done."