

News from Washington: July 22-26

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### **USDA Debuts Details of \$16B Trade Package**

Farmers hit by retaliatory tariffs may receive larger checks from USDA's second batch of trade aid than in the last iteration in 2018, and direct payments are expected to be sent out as soon as mid-to-late August, [department officials announced Thursday](#).

USDA raised to \$500,000 the total amount of subsidies each farm operation can collect in direct payments, compared with \$375,000 last year. USDA also eased what was a \$900,000 adjusted gross income test to qualify for the program. Now, as long as at least 75 percent of someone's income is derived from agriculture, that limit won't apply — something Congress directed in the multibillion disaster assistance measure enacted earlier this year.

Of the \$16 billion trade package, \$14.5 billion is set aside for direct payments. Another \$1.4 billion will go to federal purchases of surplus agricultural commodities that will be distributed to food banks, and \$100 million to promote exports overseas. The provisions are similar to last year's \$12 billion trade relief package.

A number of news outlets, including the [AP](#) and [New Food Economy](#), have documented how large farms find legal ways to circumvent USDA's payment limits on trade aid.

For example, a Missouri soybean grower, who was registered as three entities at the same address, was paid nearly \$2.8 million under the 2018 trade aid package, per the AP. (The same strategies are often used to get around caps on traditional farm bill support programs).

Payments from the 2018 package were based on specific commodities, meaning soybean growers received the lion's share of the pie. This time, every commodity grower in a county will receive the same payment per acre, regardless of what was planted — an attempt to avoid influencing farmers' decisions.

The payments will be doled out in three installments, with the last two dependent on the status of the trade situation, USDA officials said.

Senate Agriculture ranking member Debbie Stabenow (D-Mich.) said in a statement that the fine print of USDA's trade aid 2.0 only confirmed her concerns that it's "not equitable and favors certain farmers over others."

Sen. John Hoeven (R-N.D.) said the assistance is vital for producers, but emphasized that they need access to foreign markets. That sentiment was shared by many farm groups, including the National Association of Wheat Growers, National Cotton Council and National Association of Milk Producers.

Agriculture Secretary Sonny Perdue told reporters that the new trade package fulfills President Donald Trump's promise to shield farmers from bearing the brunt of the trade war while giving the administration time to strike fair and reciprocal trade deals.

Perdue regularly tells Trump about the impact of retaliatory tariffs on farmers, briefing the president on what he hears from districts across the country. The secretary is among Trump's "Don't Screw It Up" caucus — a group of advisers urging him that best way to win reelection is to turn down the burners on his trade wars and avoid any fiscal meltdowns.

## **USDA Dives into Cost-Benefit of SNAP Eligibility Crackdown**

The department has now posted its full breakdown of the costs and benefits of its new proposal to rein in what's known as broad-based categorical eligibility, a policy that allows more low-income households to qualify for SNAP.

USDA's own [45-page analysis](#) predicts the net savings from the proposed rule would be about \$9.4 billion over the next five years. That comes out to just south of \$1.9 billion per year, on average, which is considerably lower than the \$2.5 billion in annual savings USDA officials touted to reporters on a phone call Monday evening.

Why the discrepancy? A department spokesperson said the \$2.5 billion estimate was based on a department analysis that extends over 10 years. That analysis, which has not been released, finds savings of \$25 billion over a decade, they said. The spokesperson said USDA can't release more information about the costs and benefits until the 60-day comment period is complete.

The gross savings estimated by USDA (\$10.5 billion over five years) are blunted somewhat by a predicted increase in administrative costs (about \$2.3 billion over five years, split between the federal government and the states).

In its rule this week, USDA [acknowledged](#) the proposal may worsen food security and would have a greater impact on elderly households. In its longer analysis, USDA said it was unable to "accurately estimate the effect of the proposed rule by race." That said, the department took a stab at estimating the impact and determined the rule is likely to have a "slightly greater impact on households with a white head of household."

## **China Eyes Soybean Buy Ahead of Trade Talks**

The White House confirmed on Wednesday that U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin will travel to Shanghai next week to continue trade talks between the world's two largest economies.

The trip announcement came as China approved importers going forward with the purchase of up to three million tons of U.S. soybeans without retaliatory tariffs, Bloomberg [reports](#). Citing sources who declined to be identified, Bloomberg added that there could be a second round of exemptions depending on how the trade talks progress.

## **Budget Progress Bodes Well for USMCA**

The bipartisan budget deal is picking up steam in Congress — the House is set to vote on the \$1.37 trillion measure today, and the Senate may consider it next week before departing for the August recess. President Donald Trump is expected to sign the legislation. With one less legislative issue on the table, that's a good sign for USMCA getting its moment in the fall.

But first, House Democrats and Lighthizer have to reach a deal that addresses Democratic concerns with the pact. The nine Democrats tapped by House Speaker Nancy Pelosi are expected to meet with Lighthizer on Friday to discuss enforcement of the deal, which the speaker has called the "overarching issue." And staff on the Hill and USTR are expected to be shuttling proposals over recess.

## **Senate Ag Takes on Hemp Hype**

Farmers eager to break into the hemp industry, and state regulators looking to guide them, as well as food manufacturers with dollar signs in their eyes, could get some highly sought-after

answers about the emerging crop from the Senate Agriculture Committee today. Top USDA, EPA and FDA officials are set to testify at the first dedicated [hearing](#) on hemp, which was legalized nationally under the 2018 farm bill.

Farmers have been clamouring for information from USDA on how it plans to regulate hemp. But they've been met with tremendous caution, as the department has chosen to move slowly in setting up regulatory framework for a brand new crop. Agriculture Secretary Sonny Perdue has previously said USDA doesn't expect to have rules in place until the 2020 planting season.

On the FDA side, the agency has been cracking down on companies making unsubstantiated claims about the health benefits of products containing cannabidiol, which is extracted from hemp. On Tuesday, FDA said it had [issued](#) a warning letter to Massachusetts company Curaleaf Inc. for illegally selling unapproved CBD products that claim to treat cancer, Alzheimer's disease, opioid withdrawal, and pain and pet anxiety, among other conditions. In the absence of sweeping federal action, states have taken matters into their own hands by passing local regulations, such as in Texas and Florida. In the meantime, USDA is operating under the 2014 hemp pilot program.

From building a crop insurance program to accurately testing THC levels in plants, officials across agencies have a lot to figure out before the industry can fully get off the ground. Today, they might offer some clues about what track they plan to take.

Montana leads the country in hemp production with farmers growing 22,000 acres of the crop, according to our DataPoint graphic team. Colorado is a close second, with 21,600 acres, and Oregon comes in third with farmers planting 7,800 acres.

### **Moving Day for ERS, NIFA**

The first batch of ERS and NIFA employees reporting in the Kansas City area will work temporarily out of a building known as the Beacon Complex, on the Missouri side of the city, that already houses employees from other USDA agencies. Here are some important questions as ERS and NIFA begin splitting staff between the Beltway and the Midwest:

- *How many employees, to start?* Six new hires are set to report to work today and relocating employees can start reporting at any time from now on. A department spokesperson did not say how many total staffers will begin working at the Beacon Complex. But leaders of the union representing ERS and NIFA employees said the first wave was expected to include a fraction of the total number of staffers the department plans to move out of Washington by Sept. 30 — the date by which all employees selected for relocation must report to work in Kansas City.
- *Will communication be a problem?* Critics of Agriculture Secretary Sonny Perdue's relocation plan, including a host of Democratic lawmakers and current and former ERS and NIFA employees, have argued that placing a majority of staff in the Midwest could inhibit the agencies' ability to meet core functions. Today begins the test of whether those concerns will prove true, or whether the agencies will benefit from being closer to the agricultural producers they serve, as Perdue has argued.
- *How many employees will relocate in the end?* USDA has said it planned to relocate 253 positions at ERS, and 294 at NIFA. But last week, the department said that more than half of all ERS employees selected to relocate said they wouldn't make the move or didn't respond prior to a deadline to disclose their plans, and that slightly more than two-thirds of employees at NIFA also declined or didn't respond.

Those numbers are expected to fluctuate until the Sept. 30 deadline. But several current staffers told POLITICO they believe the tally of employees who said they would relocate — 72 at ERS, 73 at NIFA — is inflated because some staffers told USDA they would relocate when in fact they don't plan to do so and only sought to cover themselves as they search for a new job.

- *Will attrition weaken the agencies?* Scott Hutchins, deputy undersecretary for research, education and economics, said the department has “a very aggressive hiring plan,” but critics have consistently voiced concerns about the long-term effects of attrition, given that the agencies have already lost some experienced personnel. Filling the vacancies will test Perdue’s contention that the ag-industry hub in the greater Kansas City area will allow USDA to attract top-notch talent.
- *When and where will a long-term lease be secured?* The General Services Administration is working on locating a long term lease for a new headquarters in the Kansas City metropolitan area, a timeline that has been moved back by one month due to the current NIFA landlord protesting the relocation. In the short term, USDA has said the Beacon Complex can house 200 ERS and NIFA employees.

Kansas and Missouri officials worked together to win the relocation sweepstakes, offering \$26 million in incentives. But the offices of the Missouri and Kansas governors didn't disclose what they entail. “Many of the details in the USDA project are still under negotiation, so we are treating it as an active project,” a spokesperson for Missouri Gov. Mike Parson told POLITICO.

### **Klobuchar Unveils Rural Housing Plan**

The Minnesota senator and 2020 presidential candidate on Thursday released an ambitious plan intended to expand access to affordable housing, with a chunk of her platform focusing on rural communities.

Under the proposal, rural rental assistance programs would see a funding boost, especially ones that serve Native Americans. It would improve training for government agencies to better educate housing developers, as well as build on programs that provide technical assistance to rural nonprofits working on housing issues.

The plan also seeks to expand access to credit for people living in rural areas, in part by using the loan purchasing power of Fannie Mae and Freddie Mac to ask lenders to meet mortgage credit needs for rural residents. [Read the entire plan.](#)

### **USDA To Host Public Meetings On Heirs' Property**

An issue dating back to Reconstruction that's prevented many black farmers from keeping land within their families will be the focus of [two USDA listening sessions](#) in the coming weeks. The department will convene on July 31 in Jackson, Miss., and on Aug. 14 in Washington, D.C.

Land that's passed down without a will or clear title is known as heirs property — a common practice among black families who historically lacked access to the legal system and were distrustful of white courts. An estimated 80 percent of land owned by African Americans has been lost due to heirs' property since 1910, according to the U.S. Census Bureau.

It often results in distant relatives becoming co-owners of the same property, complicating decisions about what to do with the land, who pays the taxes and sometimes leads to forced auctions.

Farmers owning heirs property have also been excluded from USDA loan, subsidy and conservation programs and other federal assistance. Congress directed the department in the

2018 farm bill to gather input on how to help heirs property owners gain access to these programs, including by assigning them USDA farm numbers. The department was also directed to study the impact of unresolved legal issues on heirs property owners' ability to operate their farms.

Both [The New Yorker/ProPublica](#) and [Washington Post](#) dove into the issue this week.

### **Trump Tweaks EB-5 Threshold for Rural Areas**

The Trump administration on Wednesday published a rule in the Federal Register that would raise the investment limits for immigrants applying to the EB-5 visa program. The program currently allows foreigners who invest \$1 million in a U.S. commercial project that will create or preserve at least 10 jobs to apply for a green card. That investment threshold drops to \$500,000 if the project takes place in a high-unemployment or rural area.

Under the new regulation, the standard threshold is increased to \$1.8 million, and the threshold for rural or high-unemployment areas will rise to \$900,000 — a smaller jump than the \$1.35 million proposed in an earlier version of the rule.

Sen. Chuck Grassley (R-Iowa) praised the change in a floor speech Wednesday, saying it will encourage investment in rural America.

### **Ag Economists Fret Future of ERS**

As some 1,400 food and ag economists gathered in Atlanta this week for their annual meeting, one topic dominated the chatter on the sidelines: What's going to happen to ERS? For many at the Agricultural & Applied Economics Association meeting, shock and outrage over the Trump administration's plan to relocate USDA's premier ag economics division — and the likely mass attrition — has slowly turned in to acceptance that the move is unlikely to be stopped.

"It's really sad," Katherine Smith Evans, a former administrator for ERS, said during remarks, as she got choked up. "I think it's a fait accompli."

Not everyone at the meeting thought ERS was doomed. Bob Young, the former chief economist for the American Farm Bureau Federation, for example, told attendees that while there's likely to be short-term pain, the agency can rebound with fresh talent. He thinks the focus should be on how to support ERS in the transition.

One thing yours truly couldn't help but note at the meeting was just how wonky and decidedly non-political the legions of economists were. This is a group that's much more comfortable with the nitty gritty of regression analysis. Even a session that focused largely on the ERS relocation was obscured by its staid title: "The Future of Institutional Organization and Support of Applied Economics." The economic research on display was highly technical, with titles like: "Ethanol Production and Rail Markets" and "Economic Impacts of Disease and Management in Washington Sweet Cherry Production."

An attack on economic analysis? Still, several attendees, including ERS employees, raised concerns both on the sidelines and publicly during at least one session about how the administration's proposal has them worried about a broader assault on unbiased economic analysis as an important tool for policymakers, regardless of political party — a sentiment that confirms much of POLITICO's earlier reporting on the saga.

The agency had a booth at the meeting as it tries to recruit more economists to apply for jobs in the Kansas City area. By pure coincidence, AAEA's meeting next year is slated to be held in Kansas City.

### **U.S., Guatemala Partner on H-2A Recruitment**

The U.S. and Guatemalan governments are working together to develop a "registered Foreign Labor Recruiter program" for farm workers in Guatemala looking to participate in the H-2A foreign guest-worker programs, DHS [announced](#) Monday. The initiative is part of several agreements the governments are discussing to address "irregular migration patterns."

Under the recruitment program, the U.S. would prioritize H-2A visa applications from Guatemalans ahead of other non-immigrant visa categories and launch an outreach campaign to recruit workers, in partnership with Guatemala's Ministry of Labor.

Last week, the Department of Labor released a rule changing the H-2A certification process, a step that is intended to make it easier for producers to participate in the program. Current regulations require employers seeking temporary workers through the program to complete a labor certification process to demonstrate the positions could not be filled by U.S. workers. They also must show that hiring guest workers won't negatively affect wages of similarly skilled U.S. workers.