

News from Washington: August 19-23

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

### **CBO Predicts Economic Slowdown from Trade War**

U.S. economic growth will “gradually” slow over the next four years because of Trump’s trade policies, lower consumer spending and a decline in government purchasing, CBO said Wednesday. The budgetary scorekeeper projects the economy will grow at an average rate of 1.8 percent per year over the next decade.

The agency’s latest economic outlook also estimates the federal deficit will total \$960 billion this year — an increase from its May projection — after Trump signed a \$2.7 trillion budget deal to raise defense and domestic spending limits for the next two years.

Trade barriers imposed since January 2018 will reduce household income by 0.4 percent and real GDP by about 0.3 percent by 2020, the budget office predicts.

The yield curve also inverted again on Wednesday, the [second time in a week](#) that the bond market has [issued the reliable recession warning](#).

Federal Reserve officials are keeping their monetary policy options open after lowering interest rates last month by 25 basis points, according to the minutes from the central bank’s July meeting released on Wednesday. The bank’s rate-setting committee will meet again in September, and investors widely expect another rate cut.

### **Hemp Court Battle Reveals Industry’s Legal Risk**

In January, a truck driver transporting hemp grown in Oregon to be processed in Colorado was stopped for a random inspection at a weigh station in Boise, Idaho. Unable to immediately distinguish between hemp and marijuana, authorities charged the driver with trafficking marijuana, a felony charge that can carry a minimum of five years in prison.

That arrest set off a debate about state and federal authority, and it highlighted one of several legal gray areas following hemp legalization in the 2018 farm bill.

Authorities [seized the entire truckload](#) — approximately 7,000 pounds of hemp estimated to be worth \$1.3 million. Lawyers representing the hemp processing company, Big Sky Scientific, are fighting to get the confiscated crop released. A federal district court judge in February denied their request for a preliminary injunction to get the hemp returned. The U.S. Court of Appeals for the 9th Circuit will hear arguments in the case on Wednesday.

Hemp and marijuana look identical, but industrial hemp contains no more than 0.3 percent THC, the psychoactive chemical found in cannabis. Testing showed the truckload of hemp fell below that threshold.

Elijah Watkins, the lead attorney representing Big Sky, told MA this month the case will determine if hemp can be transported across the country, either by truck, plane or mail. He said it’s a first-in-the-nation appellate case that will reverberate throughout the industry.

“The stakes are obviously for Big Sky to get its products back, but for every company like Big Sky, can they do it? Do they have a viable business to be shipping across the country?”

Hemp remains illegal in Idaho, so authorities had the right to seize the truckload, county prosecutors argued in legal briefs. Idaho also has the ability to prohibit transportation of hemp within the state because the product must first be lawfully produced, which can't happen because USDA hasn't approved any state plans for regulating hemp, according to prosecutors. The Idaho attorney general's office declined to comment on pending litigation.

In an attempt to clear up confusion on hemp transportation, the USDA in May released a legal [opinion](#) that states will be forbidden from preventing the transportation or shipment of hemp after USDA crafts its guidelines for the crop and approves state plans. Those guidelines are expected to be released this fall.

### **USDA Details Trade Damage Estimate Calculations**

U.S. Secretary of Agriculture Sonny Perdue announced that the U.S. Department of Agriculture (USDA) Office of the Chief Economist has published a detailed accounting of how estimated damage from trade disruptions was calculated for its [support package for farmers](#) announced on July 25, 2019. USDA's Office of the Chief Economist developed an estimate of gross trade damages for commodities with assessed retaliatory tariffs by China, India, the European Union, and Turkey to set commodity payment rates and purchase levels. USDA employed the same approach often used in adjudicating World Trade Organization trade dispute cases.

"Just as we did before, we want to be transparent about this process and how our economists arrived at the numbers they did. Our farmers and ranchers work hard to feed the United States and the world, and they need to know USDA was thorough, methodical, and as accurate as possible in making these estimates. We listened to feedback from farmers on last year's programs and incorporated many of those suggestions into today's programs. While no formula can be perfect in addressing concerns from all commodities, we did everything we could to accommodate everyone," Secretary Perdue said. "For a long time, China and other nations have not provided free, fair, and reciprocal access to U.S. farmers and ranchers and President Trump is the first President to stand up to them and send a clear message that the United States will no longer tolerate unfair trade practices. Our support package ensures farmers will not stand alone in facing unjustified retaliatory tariffs while President Trump continues working to solidify better and stronger trade deals around the globe."

The full description of the Trade Damage Estimation for the [Market Facilitation Program](#) and [Food Purchase and Distribution Program](#) is available on the website of [USDA's Office of the Chief Economist](#).

[Source: USDA](#)

### **NFU Worries Trade Aid Could Erode Support for Next Farm Bill**

Roger Johnson, president of the National Farmers Union, told reporters on Thursday he's concerned that the billions in trade aid the Trump administration has been pouring out to farmers could end up undermining political support for the next farm bill.

Johnson noted that the \$16 billion aid pledged for this year exceeds total spending on Title I farm programs in a year, a part of the sweeping legislation that already has somewhat tenuous support as political power shifts away from rural voters. Congress also relaxed payment limits for the trade aid program, making it easier for millionaires to qualify.

"That's a dangerous thing," Johnson said of the rolled back payment limits. He added: "I think there's a lot of urban congressman that are going to look at this and say, 'You know what there

was a lot of damage done in my state in this industry or that industry as a result of this trade disruption — none of my guys got a nickel.”

The last time an administration used the Commodity Credit Corporation, the program USDA is using to pay the aid to farmers, for what “one might argue [was] for political purposes, their hands were immediately slapped,” he said. “Congress put riders on appropriations bills and said you will not do this again.”

### **Trade on Tap at G-7 Summit**

Donald Trump will largely focus on trade during his trip to Biarritz, France, for the G-7 leaders gathering this weekend. The president already has one-on-one meetings scheduled with the leaders of the United Kingdom, France, Japan, India, Germany and Canada, senior administration officials said Thursday in a call with reporters.

When Trump meets with French President Emmanuel Macron, he'll bring up his opposition to France's new digital services tax, which the U.S. argues is targeting major U.S. tech companies like Google and Facebook, the officials said. Trump has threatened to hit back with tariffs on French imports, including wine, and the Office of the U.S. Trade Representative has begun an investigation of the tax that could provide a legal basis for U.S. retaliation.

Trump will also pressure Macron to remove what the U.S. considers to be barriers to agricultural exports, another official said during the call.

### **U.S., Mexico Land A Tomato Deal**

The draft agreement announced Wednesday aims to resolve a longstanding spat between U.S. growers and their Mexican competitors. It also staves off a 25 percent anti-dumping duty on imported tomatoes that was set to take effect.

The plan, which takes effect Sept. 19, would set minimum prices at 31 cents per pound for round and roma tomatoes; 46 cents for stem-on tomatoes; 50 cents for tomatoes on the vine; 49 cents for specialty loose tomatoes; and 59 cents for specialty packed tomatoes. Organic tomatoes will be priced 40 percent higher than non-organics.

Mexican tomatoes will also be subject to new inspection requirements under a joint program by the Agriculture and Homeland Security departments. The Commerce Department will also be allowed to audit up to 80 Mexican tomato producers per quarter.

### **Pork Sees Global Gains Ahead, If Trump Delivers**

U.S. pork exporters are ready for blastoff — if Trump comes through with a pair of trade victories in Asia. A farm-focused deal with Tokyo, which the White House hopes to wrap up in the coming months, would help the pork industry maintain its foothold in the valuable Japanese market.

And if Trump can resolve tensions with China (he [claims to be “the chosen one”](#) to take on Beijing), U.S. producers could also tap into the booming Chinese demand for imported protein as African swine fever ravages the country's domestic hog herds. Even with retaliatory tariffs in place, June pork exports to China were more than double the five-year monthly average.

### **The Biofuel Waiver Blowback is Building**

Rep. Cindy Axne (D-Iowa) has called for an investigation into the EPA's decision to expand the number of oil refinery exemptions from blending requirements under the Renewable Fuel Standard. The agency has granted waivers to 31 small refineries, sparking complaints from corn growers and ethanol producers who say the exemptions undermine demand for the biofuel.

Axne will ask the EPA's inspector general to investigate the agency's "highly questionable decision-making" and its "misuse" of waivers during a press conference at Southwest Iowa Renewable Energy, an ethanol producer in Council Bluffs. (Note: It's the same plant Trump visited in June to celebrate his administration's move to allow year-round sales of 15 percent ethanol.) A potential probe is the latest pressure point in a bubbling backlash over the EPA waivers.

The president, who personally approved the agency's decision earlier this month, is now looking for a way to appease frustrated corn growers, [Reuters reported Tuesday](#). During a two-hour Cabinet meeting, he directed his staff to find a compromise.

The agency echoed a refining industry talking point in defending its decision. Citing data from the Energy Information Administration, EPA said the U.S. has been setting records for both ethanol production and exports.

"There is zero evidence that EPA's congressionally mandated small refinery exemption program, which provides regulatory relief to small refineries around the country, has had any negative impact on domestic corn ethanol producers," agency spokesperson Michael Abboud said in a statement.

But POET, the largest U.S. ethanol producer, said Tuesday it was forced to idle an Indiana plant due to the waivers: "Our industry invested billions of dollars based on the belief that oil could not restrict access to the market and EPA would stand behind the intent of the Renewable Fuel Standard," CEO Jeff Broin said in a statement. "Unfortunately, the oil industry is manipulating the EPA and is now using the RFS to destroy demand for biofuels."

### **USDA Cuts Separation Payments for ERS, NIFA Workers**

The department is offering \$10,000 voluntary separation incentive payments to employees leaving the Economic Research Service and the National Institute of Food and Agriculture next month instead of moving to Kansas City. That's down from the \$25,000 payments initially on the table, due to the large number of employees opting to quit, and the 60 percent cut isn't going over well with their union.

J. David Cox, president of the American Federation of Government Employees, [said in a statement](#) that it's "hard to imagine USDA management finding more ways to demoralize the workers at these two agencies, yet they continue to top themselves at every turn." Cox noted that employees also would be forced to return the separation payments if they accept another federal job within five years.

The relocation has already sparked an exodus from the research agencies and [fueled complaints of a crackdown on scientific research](#) that's unflattering to Trump's agenda.

A USDA spokesperson said the department's "priority was to offer a standard VSIP to every eligible employee who applied, instead of on a first come first serve basis." The spokesperson also pointed to the department's efforts to provide other options for departing employees,

including “not limiting the career transition assistance program for eligible employees ... and offering eligible employees voluntary early retirement authority.”

Forty-three ERS employees and 48 NIFA employees are eligible for a separation payment. Those accepting a VSIP are required to leave the agencies between Sept. 16-27, according to USDA.

### **Waiting on Heirs' Property Changes**

The 2018 farm bill was seen as Washington's biggest step yet to address the issue of heirs' property, which USDA has called the leading cause of land loss among black Americans. But advocates and lawmakers are growing frustrated that those changes have yet to take effect, partly because of a budgetary logjam in Congress.

It authorized \$50 million over five years for a loan program aimed at helping heirs' property tenants establish a clear title to the land. The legislation also made it easier for producers operating on heirs' property to register with USDA for a farm serial number, which is required to access a range of federal farm services.

Congress needs to provide funding for the loan program in a fiscal 2020 appropriations bill. The House in June approved \$5 million for the program in a broader spending package, while the Senate has yet to write its own Agriculture-FDA appropriations bill.

**And USDA has yet to implement the provision defining alternative documentation** that farmers without a deed can use to obtain a farm number, though the department held two listening sessions on heirs' property this summer. A spokesperson said USDA is “in the process of gathering feedback and writing the rule.” (Of course, the department has a long list of farm bill programs to implement, including highly anticipated hemp production rules expected next month.)

Sen. Elizabeth Warren (D-Mass.) has pledged to build on the farm bill provisions in an agriculture policy plan she released earlier this month.

### **Why Some Rural Democrats Are Hopeful About 2020**

Before ending his campaign Wednesday night, Inslee laid out a beefy ag policy plan earlier in the day — through the lens of his signature issue, tackling climate change. Despite Inslee [calling it quits](#), there's a good chance the eventual nominee will have a rural-specific policy platform of their own, as most of the front-runners are pushing to chip away at Trump's heartland base.

Of course, rural issues [aren't exactly dominating](#) the primary debate so far. But with the current field of candidates paying far more attention to the topic than in past cycles, rural Democrats are sounding increasingly optimistic about their chances.

“Rural America is in play in 2020,” said Marshall Matz, an agriculture lobbyist who's helped Democratic presidential campaigns with rural and farm policy outreach. “I think the Democrats sense that.”

Matz noted that several voices in the party have been urging more focus on rural voters, including Illinois Rep. Cheri Bustos, who chairs House Democrats' campaign arm, as well as former agriculture secretaries Tom Vilsack and Dan Glickman. And he thinks the attention will continue regardless of who the nominee is.

Sarah Smarsh, a best-selling author based in Kansas who frequently criticizes the press for overlooking rural progressives, lauded the Democrat field on Wednesday. “As a tired rural defender I’m moved. It is a shift,” she [tweeted](#).

Dee Davis, founder of the nonpartisan Center for Rural Strategies in Whitesburg, Ky., said he’s encouraged that candidates’ plans for rural America are emphasizing its potential beyond agriculture.

“This time, you’re beginning to see platforms from Democrats that are framed around capacity,” Davis said. “The thing about rural America is that a lot of places get their identity from the work they do. As more and more jobs like mining or timbering go away, it is harder for us to explain who we are.”

Pete Buttigieg launched a rural ad campaign. While we’re here, the South Bend, Ind., mayor this week launched radio ads targeting rural voters.

Democrats aren’t the only ones hoping to make gains in Midwestern states this time around. [The Trump campaign is setting its sights on Minnesota](#), hoping to flip the state that Hillary Clinton won by a slim 1.5 percentage points in 2016.

### **Ag Central to Sanders’ Climate Plan**

The Vermont senator on Thursday released an eye-popping \$16 trillion climate [plan](#) that would invest \$410 billion to help farmers sequester carbon and cope with the effects of extreme weather. Sanders joins a chorus of other 2020 Democratic candidates seeking to pay producers to capture carbon and implement other green farming policies, but he’s the first to put a price tag on the effort.

Sanders’ plan calls for the agriculture industry to transition to regenerative practices by increasing spending for conservation programs to \$24.85 billion, encouraging CAFOs to reduce their environmental footprint, and supporting organic farming. And it calls for farms to support renewable energy infrastructure, providing additional revenue to growers.

Sanders would also set aside \$41 billion specifically for socially disadvantaged and beginning farmers “who have been historically underserved by USDA programs,” the plan states.

### **Dairy Demands a Deal with Japan**

There’s a long list of U.S. farm sectors that fear they’re losing ground in the lucrative Japanese market to competing nations that have forged trade deals with Tokyo — count dairy producers among those concerned. A coalition of industry groups sent a letter to Trump’s chief trade negotiator warning that the sector could lose \$1.3 billion in exports to Japan over a decade if the administration fails to strike a farm-focused trade agreement soon.

Those trade losses would result in a \$1.7 billion hit to farm income, they wrote, during a period when dairy farmers are already under immense financial pressure due to low milk prices and bankruptcy rates are [ticking up within the sector](#).

Trump exited the TPP during his first week in office, and the revised 11-nation trade pact went into effect this year. So did a separate agreement between Japan and the EU. That’s placed the dairy industry at a “significant disadvantage,” the groups wrote to U.S. Trade Representative Robert Lighthizer.

U.S. and Japanese officials wrapped up their latest round of in-person talks last week in Washington, and Lighthizer and Japanese Economic Revitalization Minister Toshimitsu Motegi are expected to meet later this month.

With Japan's national elections in the rearview mirror, farm groups say it's go-time to hammer out a deal in the next few months. Pork producers also consider it critical to strike a deal with Tokyo before the 2020 U.S. elections.