

News from Washington: September 3-6

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### **Fed Finds Weakness in Key Farming Regions**

The central bank on Wednesday offered another assessment of widespread financial problems in farm country. “Agricultural conditions remained weak as a result of unfavorable weather conditions, low commodity prices and trade-related uncertainties,” [the Federal Reserve wrote in its Beige Book](#).

The challenging farm conditions stretched across Fed districts based in Kansas City, Minneapolis and St. Louis. Among the common findings: low commodity prices, trade woes and continued fallout from heavy rain and flooding during the spring planting season.

“Sharp declines in crop and livestock prices in August weighed on farm revenues” in the 10th district, according to the Kansas City Fed. “Hog and soybean prices declined moderately alongside ongoing trade disputes, and cattle prices decreased sharply following a substantial disruption at a major beef processing facility located in the District.”

“Corn and wheat prices also declined sharply following higher-than-anticipated production estimates,” the bank wrote.

The St. Louis Federal Reserve bank reported that corn and soybeans in the district were in worse condition than in July and also compared with last year’s crop. As for agricultural credit conditions, industry contacts in the Minneapolis-based 9th district said that farm income and capital spending were down compared with a year earlier, with further declines expected in the months ahead.

### **Keeping Tabs on Trade Aid 2.0**

USDA has received more than 175,000 applications from farmers seeking payments for their 2019 production, and \$2.46 billion has been paid to date. The latest aid comes on top of \$8.6 billion producers received for their 2018 production under last year’s trade relief plan, which drew more than 1 million applicants.

Row crop growers, hog farmers and dairy producers have received the most funds, followed by cherry and pecan growers, a USDA spokesperson told POLITICO on Wednesday. The money has flowed heavily to Midwestern states led by Illinois, Iowa, Minnesota, Kansas and Indiana.

The taxpayer dollars have buoyed farmer income amid a continued slump in the ag economy, which is struggling under low commodity prices, trade headwinds and rising farm debt levels.

John Newton, chief economist for the American Farm Bureau Federation, [pointed out](#) that without federal support, farm income this year would total \$69 billion, according to USDA estimates. That would put 2019 income in the bottom half of all years since 1929, accounting for inflation.

### **Digging Out of Trump’s Ethanol Dilemma**

After campaigning as a champion of ethanol, Trump is struggling to pacify corn growers and biofuel producers angered by his approval last month of 31 waivers the EPA granted to small oil refiners. But it’s unclear if a compromise the White House is now considering will be enough to placate farmers.

The action last month sparked a backlash from producers who say the exemptions undermine demand for ethanol, exacerbating economic challenges in agriculture including low crop prices and the trade war with China. The National Corn Growers Association on Friday said Trump's ethanol moves have cost 2,700 rural jobs and affected demand for 300 million bushels of corn due to lower ethanol production and plant closures.

"NCGA has no confidence in the volumes EPA proposes for 2020," Lynn Chrisp, the group's president, wrote in comments submitted to the EPA. "These refinery waivers have significantly outpaced annual increases in [Renewable Fuel Standard] volume requirements, taking RFS volume requirements backward."

**The president's hands-on approach** to the highly technical program is unusual, and it reflects the importance of the competing industries — oil and agriculture — as central pieces of Trump's political base. But finding a compromise has proved elusive.

Trump last week promised a "giant package" of changes, claiming that "the farmers are going to be so happy when they see what we are doing for ethanol." Agriculture Secretary Sonny Perdue, EPA Administrator Andrew Wheeler and White House aides are negotiating details of a plan to boost both corn ethanol and soy-based biodiesel by raising blending requirements for next year.

The plan under consideration would add about 875 million gallons to refiners' obligations, but that accounts for just a third of the volume affected by the EPA waivers.

### **Trade Aid Behind Projected Farm Income Bump**

USDA on Friday projected that net farm income in 2019 would reach \$88 billion, a nearly 5 percent increase over last year. But the turnaround doesn't prove that the farm economy is rebounding — it's bolstered by an expected 43 percent jump in direct government payments to farmers, including the Trump administration's trade relief program.

USDA expects to pay out \$19.5 billion in direct subsidies to farmers in fiscal 2019 (not including crop insurance). That includes \$10.7 billion in trade relief payments for both 2018 and 2019 production, as well as disaster aid and traditional farm bill programs.

The median farm income is expected to be a loss of \$1,644. Farm sector debt is projected to continue rising, along with debt-to-asset ratios, leaving producers at the highest risk of insolvency since 2009 — but still relatively close to historical averages over the last three decades.

Farm exports to China are expected to slightly increase to \$7.5 billion next year. That's due to rising pork sales as African swine fever decimates hog herds in Asia. Chinese demand for U.S. soybeans remains the "greatest unknown," USDA said in its first trade forecast for fiscal 2020.

Delays in sending out trade relief checks to farmers have cost the government more than \$1 million in interest, [NBC reports](#). Farm Service Agency offices have been swamped with producers seeking payments. And because the 2019 package was designed differently than the first round in 2018, FSA workers have had to learn the new program on the fly.

### **Ag Cheers Potential Wins in Japan Deal**

Trump and Japanese Prime Minister Shinzo Abe [announced a trade agreement "in principle"](#) at the G-7 summit in France, with the goal of signing a final deal at the U.N. General Assembly

later this month. The pact could go a long way toward regaining U.S. agriculture's market access in Japan after Trump pulled out of the Trans-Pacific Partnership in 2017 — and it might help offset some trade losses from the feud with China.

Farm groups have widely cheered the announcement, including pork producers who count Japan as one of their most lucrative export markets. Wheat growers said the deal will help them compete with Australian and Canadian exporters who have benefitted from greater access under the new 11-nation TPP that took effect this year.

Under the tentative deal, Japan would purchase more corn from U.S. farmers, helping relieve the surplus that's built up due to trade tension and high production. NCGA last week said it was seeking more details from the administration but called the announcement "encouraging news," given Japan's position as the second-largest buyer of U.S. corn.

U.S. Trade Representative Robert Lighthizer said the expected agreement will also require Japan to open its market to more U.S. beef, dairy, wine and ethanol, among other agricultural goods. Producers will benefit from "substantial reductions in tariffs and non-tariff barriers across the board," Lighthizer said.

### **USDA Opens 2019 Enrollment for Agriculture Risk Coverage and Price Loss Coverage Programs**

Agricultural producers can now enroll in the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs, two popular safety net programs, for the 2019 crop year. Interested producers must sign up for either program by March 15, 2020.

The 2018 Farm Bill reauthorized and made updates to these two USDA Farm Service Agency (FSA) programs. ARC provides income support payments on historical base acres when actual crop revenue declines below a specified guarantee level. PLC program provides income support payments on historical base acres when the price for a covered commodity falls below its effective reference price.

"The ARC and PLC programs, in combination with crop insurance, are the bedrock of the farm safety net for crop farmers and something I hear about frequently on the road," said U.S. Secretary of Agriculture Sonny Perdue. "This exciting opportunity for enrollment in these programs marks the first time folks will have the opportunity to switch their elections since the 2014 Farm Bill was implemented. I am pleased to add that today's announcement means our staff met yet another major Farm Bill implementation goal and they are continuing to move full speed ahead."

Covered commodities include barley, canola, large and small chickpeas, corn, crambe, flaxseed, grain sorghum, lentils, mustard seed, oats, peanuts, dry peas, rapeseed, long grain rice, medium grain rice (which includes short grain rice), safflower seed, seed cotton, sesame, soybeans, sunflower seed and wheat.

[More information available from USDA.](#)

### **Where 2020 Democrats Stand on Farmers and Climate Change**

The candidates' pitches to the agriculture community got the most airtime yet during CNN's marathon town hall this week, after the first two rounds of primary debates mentioned farmers only once.

Nearly all 10 of the candidates who qualified for the town hall — except former Vice President Joe Biden and HUD Secretary Julian Castro — fielded questions about agriculture’s contributions to climate change, as well as how it can be part of the solution. “Cover crops,” “red meat,” and “incentives” were among the buzzwords. The event arrived as Hurricane Dorian made its way through the Carolinas.

Harris, Yang endorse eating less red meat. Sen. Kamala Harris (Calif.), who said she loves eating cheeseburgers from time to time, supported changing the government’s Dietary Guidelines for Americans to reduce red meat consumption. Sen. Amy Klobuchar (Minn.) said the government could “look at doing that,” but emphasized that it should be based on science. Entrepreneur Andrew Yang didn’t specifically mention the guidelines, but he said it would be healthier for people and the planet to eat less red meat.

USDA and HHS, which write the dietary guidelines every five years, decided not to consider environmental sustainability or explicitly urge Americans to cut back on red meat [in its 2015 iteration](#), despite recommendations by an advisory panel, after significant blowback from the meat lobby. The Trump administration doesn’t plan to in 2020, either.

Livestock are responsible for about 14.5 percent of the world’s greenhouse gas emissions, according to the United Nations’ Food and Agriculture Organization. The global EAT-Lancet Commission [made waves earlier this year](#) with its “planetary health diet” that advised a big shift to largely plant-based foods, drawing criticism from the livestock industry, as well as registered dietitians and low-carb enthusiasts.

South Bend, Ind., Mayor Pete Buttigieg, Sens. [Cory Booker](#) (N.J.) and Klobuchar were specifically asked how they would help farmers be more resilient to intensifying natural disasters, as well as economically viable. They touted plans to pour billions into conservation programs that pay farmers and ranchers to do things like plant cover crops. The practice can improve soil health, which helps pull carbon from the atmosphere, and prevent nutrient runoff from fields.

“With climate change, farmers have the most to lose,” Buttigieg said in response to a question from a Connecticut dairy farmer. “Rural Americans can be a huge part of the solution. To me, the quest for a net zero emissions cattle farm is one of the most exciting things we might undertake. It can be done right now, but it’s unaffordable. To make it pencil out, we need to change the economics. It means federal investment in [USDA research and development].”

Former Texas congressman Beto O’Rourke rejected that we have to “radically” change how we eat to combat climate change, arguing instead that we should be more responsible with natural resources. He said some of the best ways to do that include paying farmers for environmental services, as well as setting a price on carbon. That idea was endorsed by more than half of the 10 candidates at the CNN town hall — but has been politically toxic in Washington.

### **Southeast Agriculture Bracing for Dorian**

The category 2 hurricane is on track to make its way up the East Coast this week, after causing major devastation in the Bahamas. The National Hurricane Center [projected](#) Dorian will “move dangerously close to the Florida east coast and the Georgia coast [Tuesday night] through Wednesday night. The center of Dorian is forecast to move near or over the coast of South Carolina and North Carolina Thursday through Friday morning.”

Ag producers in those states were hit hard by storms last year, namely Hurricanes Florence and Michael, which caused major damage to crops, livestock and timber. Congress responded by passing a disaster aid package in June, including \$3 billion to address agricultural losses from the hurricanes and other severe weather.

North Carolina's agriculture department is warning producers that Dorian could cause heavy losses of livestock and crops ready to be harvested. The state temporarily [suspended trucking limits](#) for transporting ag products. Georgia similarly [lifted animal health requirements](#) like vaccine certifications to speed up evacuations.

Florida is facing the immediate brunt of the storm in the U.S. More than 770,000 acres of ag lands there could see significant damage, including areas with major citrus and sugarcane production, [according to the University of Florida's agriculture branch](#). It's déjà vu for many of the state's producers who have dealt with powerful hurricanes several years in a row, [the Orlando Sentinel reports](#).

### **Chicken Industry Faces Wage-Fixing Claims**

A lawsuit filed last week alleges that officials from 18 chicken companies and affiliates held annual, secret meetings at a hotel in Florida since 2009 to coordinate pay and benefits for line and maintenance workers at 200 plants, [Bloomberg reported on Tuesday](#). The firms named in the suit include Tyson Foods, Sanderson Farms, Perdue Farms and Pilgrim's Pride — together they produce more than 90 percent of U.S. chicken.

The laborers allegedly affected by the wage-fixing scheme work in more dangerous conditions than other industries. According to a [report from the nonprofit Oxfam](#), 72 percent of poultry workers in 2013 reported a significant work-related injury or illness, and average wages were \$11 per hour.

The Justice Department is already investigating whether poultry processors conspired to set chicken prices. Food service distributor Maplevale Farms sued the companies in 2016 for price fixing, and large grocers including Sysco and Walmart have also filed suit.

The Agriculture Department's antitrust enforcement arm is also looking into potential market manipulation following an Aug. 9 fire at a Tyson Foods beef processing plant in Kansas, which processed 6,000 heads of cattle each day, or 5 percent of the total U.S. slaughter.

After the plant temporarily closed, retailers scrambled to lock in their beef supply, sending prices sharply higher. Secretary Sonny Perdue last week asked USDA's packers and stockyards division to investigate whether any "price manipulation, collusion... or other unfair practices" might have occurred.

### **Food Insecurity Shrinks to Decade-Low**

Nearly 89 percent of all U.S. households were "food secure" in 2018, meaning they didn't experience difficulty feeding their members at some point during the year, [according to an annual report from USDA's Economic Research Service](#).

The 11.1 percent of households that did experience food insecurity was the lowest percentage since 2007, before the recession. Food insecurity was 11.8 percent in 2017 and has declined steadily since a high of 14.9 percent in 2011.

Anti-hunger advocates cheered the findings — while warning against the Trump administration’s nutrition policies they said could unwind that progress. “If we keep this momentum going, ending child food insecurity is within our reach,” said Lisa Davis, senior vice president at Share Our Strength, [in a statement](#) Wednesday. “We must not allow new policies proposed by the White House to undo nearly a decade of progress. Today, that risk is real.”

Davis cited USDA’s proposal to [rein in “broad-based categorical eligibility”](#) in the Supplemental Nutrition Assistance Program, a policy that has allowed most states to expand the number of low-income residents who qualify for SNAP benefits. She also mentioned the administration’s “public charge” rule, which would allow officials to [deny green cards to immigrants](#) who receive SNAP benefits or other government assistance — or are deemed likely to do so.

James Weill, president of the Food Research and Action Center, said USDA’s report actually “underscores that the nation has been making far too weak progress on food insecurity.” “What the nation does not need is the weakening of nutrition programs and other safety net supports that has been coming in waves of unprecedented attacks by the Trump administration,” Weill said.

If health services focus more on nutrition, they could save 3.7 million lives by 2025, according to the World Health Organization, [which published a separate report on Wednesday](#). WHO Assistant Director-General Naoko Yamamoto said that “nutrition should be positioned as one of the cornerstones of essential health packages.”

### **The Poultry Clash Awaiting U.S.-U.K Trade Talks**

If negotiations get off the ground between the U.S. and a post-Brexit Britain, one agriculture issue in particular could ruffle the feathers of both countries: poultry. “We’re not too keen on that chlorinated chicken,” Johnson told Pence during his visit to Downing Street on Thursday.

The comments refer to the American practice of washing chicken carcasses with chemicals to kill pathogens, such as salmonella and E. coli. The process, known as “pathogen reduction treatment,” is banned in the EU and has long been a slippery trade issue. Pence, during his dinner remarks later in the day, acknowledged that chlorinated chicken would be the subject of “some pretty tough discussions.”

Johnson also emphasized a desire to free up the U.S. market to British exports, noting that Americans “don’t eat any British lamb or beef or haggis from Scotland.” Haggis, the national dish of Scotland, is a pudding typically made from sheeps’ heart, liver and lungs.

Johnson, who promised to pull the U.K. out of the EU by Oct. 31, has faced a string of defeats this week, including losing his one-seat majority in Parliament. Johnson is now calling for a snap election to try to once again form a majority that could support his Brexit plan.

### **Top Dairy Execs Make Millions as Farms Shutter**

An economic slump has forced thousands of dairy operations out of business in recent years, but it hasn’t put a dent in the salaries of top executives at Dairy Management Inc. — which are paid by farmers’ milk checks, [the Milwaukee Journal Sentinel reported Thursday](#). DMI, a nonprofit tasked with promoting milk, cheese and other products, paid 10 executives a combined \$8 million in 2017. That year, 1,600 dairy farms closed across the country.

DMI is funded by one of the nearly two dozen federally mandated checkoff programs overseen by USDA, covering crops from pork and soybeans to popcorn and mangoes. The commodities

are taxed and pooled for research, advertising and other promotional efforts. Dairy farmers pay 15 cents for every hundred pounds of milk sold.

Some DMI officials and board members took trips to the Super Bowl, the Journal Sentinel reported. An affiliated group, GenYouth, hosted a 2017 fundraiser on a retired aircraft carrier docked on the Hudson River in New York. That event was paid for through corporate sponsorships and table sales, according to DMI.

In a statement to the Journal Sentinel, DMI spokesperson Heather Oldani said the board reviews the CEO's salary each year in comparison to peer companies. Executive salaries are also within competitive levels for the public and private sector, Oldani said.

Sarah Lloyd, a dairy farmer who served on DMI's board from 2013 to 2016, said: "I would often leave the meetings and weep on my way home. These high-priced marketing people sitting in fancy offices in suburban Chicago were driving up to the meetings in luxury foreign SUVs. They were using my money and [other] farmers' money when farmers' kids are on free and reduced lunch. The contrast was just maddening."