

News from Washington: November 4 - November 8

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

USMCA Negotiators Near the Finish Line?

House Ways and Means Chairman Richard Neal and a bipartisan group of lawmakers met with Trudeau on Wednesday, and they assured the prime minister that negotiations over the new NAFTA deal are nearly complete.

The Massachusetts Democrat said he told Trudeau that it all comes down to enforcement of labor standards, adding that the U.S. needs Canada's help to guarantee that the deal's labor provisions are carried out. Both Mexico and Canada will have to approve any changes made to USMCA before Congress ratifies it.

U.S., China Agree to Tariff Cuts... Eventually

The two nations will begin phasing out certain tariffs once Trump and President Xi Jinping sign a partial trade deal, according to Chinese officials. Trade negotiators have been working to finalize the agreement for signing within weeks, though a place and time has yet to be determined.

"Both sides agreed to remove the additional tariffs imposed in phases as progress is made on the agreement," said Gao Feng, a spokesperson for the Chinese Commerce Ministry. "If China and the U.S. reach a phase one deal, both sides should roll back existing additional tariffs in the same proportion simultaneously."

Trade analysts cautioned there are significant disputes to resolve before tariffs can be lifted. "The Chinese have wanted the U.S. to say we are willing to lift all tariffs. Maybe we agreed to say that as part of Xi meeting Trump," said Derek Scissors, an analyst at the American Enterprise Institute. "But that by itself would be about as valuable as them promising to protect all intellectual property, someday."

China is also weighing the removal of its import restrictions on U.S. poultry, according to Chinese state media. American poultry and eggs have been banned there since January 2015 because of an avian flu outbreak, which ended years ago.

How China Could Get To \$40B in Ag Purchases

If it's signed, the "phase one" deal could bring major benefits to farmers and ranchers who have seen their sales to China plummet since the trade war began. But it will be difficult for China to reach the \$40 billion or more in ag purchases that Trump is seeking under the agreement.

To hit that target, China would most likely shift its current imports of farm goods from other countries to the U.S., rather than increasing its overall ag import levels, said Mark Schultz, chief analyst at the Minneapolis-based brokerage Northstar Commodity. Schultz predicted that Chinese buyers might ramp up imports of U.S. meats, soybeans, wheat and corn, and potentially ethanol.

Another Trade Aid Tranche Coming in Hot

USDA is moving forward with a second batch of direct payments for farmers and ranchers burned by retaliatory tariffs. "We just have gotten authorization on the second tranche," Secretary Sonny Perdue told reporters on Thursday. "We'll be getting it ready hopefully at the end of this month or early December."

It was previously unclear if the department planned to offer another tranche of payments, with U.S. and Chinese officials working to finalize a partial trade agreement that would include a commitment by China to purchase huge sums of U.S. farm goods. USDA has already paid farmers \$6.7 billion for their 2019 production, on top of \$8.6 million that was provided for 2018.

Perdue said further aid might not be needed in 2020 if the limited U.S.-China agreement is signed. “We’re hopeful that trade would supplant any type of farm aid needed in 2020,” he said.

Corn, Pork Groups See Promise in U.S.-China Deal

Corn growers are hoping for a big ethanol purchase by Beijing under the “phase one” trade deal that could be signed later this month. But ultimately the industry wants ethanol sales to be based on market demand, said Lesly McNitt, public policy director at the National Corn Growers Association.

“We were seeing a lot of growth in terms of ethanol exports to China before the trade dispute and all of the tariffs came on,” McNitt said. “And we think there’s a great opportunity within the context of purchases for ethanol to be part of that.”

Corn growers also face a number of other barriers in China that NCGA hopes the limited trade deal will address — like the burdensome Chinese approval process for genetically modified crops and certain duties on dried distillers grain, a byproduct of ethanol production.

Pork producers are also optimistic about growing sales to China, which are already way higher this year than in 2018, when Trump started ratcheting up tariffs.

Exports to China totaled 241,000 tons as of Oct. 24, compared with just 29,000 tons for all of last year, our Pro Trade friends told MA. The National Pork Producers Council is hoping the partial trade deal will eliminate the 60 percent retaliatory duty that Beijing imposed on U.S. pork, as well as the 12 percent tariff that all suppliers face, said NPPC Vice President Nick Giordano.

NPPC also wants China to end its prohibition on meat from hogs that were raised using the growth-boosting drug ractopamine, a common feed additive used in U.S. pork production. If the ban is lifted, U.S. pork exports alone could make a dent in the annual trade deficit with China, which totaled \$419 billion last year, Giordano said.

Peterson Calls for Trade Aid Tweaks

The House Ag chairman is asking USDA to address a handful of issues with the department’s trade relief program, including crops that aren’t eligible for aid and the formula for determining payments to dairy producers. “The current program has created winners and losers among neighbors who find themselves facing the same market situations, meaning that some producers may remain viable while others may be forced out of business,” [Peterson wrote in a letter to Perdue.](#)

One of the issues Peterson said farmers have raised is that forage growers’ eligibility can hinge on their seed blend — so mixes that are heavily weighted toward grass over alfalfa might not qualify for payments, while those with a higher blend of alfalfa could receive aid, for example.

Dairy farmers have also questioned why their payments are based on their established farm program production history, rather than actual production, like other commodities under the program. And even though USDA is offering payments for a much wider range of commodities

than under the 2018 trade relief program, “some crop and livestock sectors that were affected by trade disputes” still aren’t eligible for aid, Peterson wrote.

Hemp Checkoff in The Works?

A USDA official suggested this week that the hemp industry might one day have a producer-funded checkoff program. Speaking at the Hemp Industries Association annual conference, Heather Pichelman, director of specialty crops programs’ promotion and economics division at the Agricultural Marketing Service, said the hemp industry “has clearly shown interest” in paying fees to promote hemp, “The idea here is that a rising tide lifts all boats.”

Hemp would join the ranks of [21 crops that have checkoff programs](#), such as soybeans, cotton, milk, pork and even popcorn and watermelon. Growers of those crops pay mandatory fees that go into a fund used for research and marketing.

A checkoff would benefit the emerging hemp industry grappling with marijuana-related myths. It would also represent an endorsement from USDA that hemp is a legitimate crop with long-term potential.

Some hemp growers are struggling to sell their crop, after thousands of farmers poured into the burgeoning market after the 2018 farm bill, which allowed for nationwide production of the plant.

Despite booming demand for hemp-derived cannabidiol, the flood of first-time growers has driven down prices, and market analysts estimate that 65 percent of hemp farmers can’t find a buyer this season.

Ethanol Sector Looks South for Sales Boost

Corn growers and ethanol producers have grown increasingly frustrated that Trump’s blending waivers for oil refiners are deflating the domestic biofuel market. While they continue pleading with the White House for a solution, the industry is hoping foreign buyers can help make up for the sales they’re losing back home.

Trade groups including the U.S. Grains Council and American Coalition for Ethanol have been working with Mexican officials to promote the use of a 10 percent ethanol blend. They’re hosting workshops and targeting Mexican gas station owners, petroleum equipment retailers and the nation’s ag and energy officials.

U.S. ethanol exports to Mexico have largely been used for producing other goods, rather than as transportation fuel. But retailers in border cities are increasingly buying pre-blended E10 at U.S. terminals and reselling it at Mexican stations.

Mexico currently allows E10 nationwide except in its three major cities: Guadalajara, Mexico City and Monterrey. But Ryan LeGrand, CEO of the Grains Council, said he expects Mexican energy regulators to present a proposal to allow E10 in those cities by the end of 2019. “Once the entire country is open, there’s a potential 1.2 billion gallons of ethanol exports to Mexico,” LeGrand said.

Beyond Mexico, biofuel producers are aiming to grow sales in South Asia. And corn growers are hoping that China could make a significant purchase of U.S. ethanol as part of the limited trade deal that officials are expected to finalize this month.

Trump Taps Hahn For FDA's Top Job

The president announced his pick for commissioner on Friday, and the nominee represents a sharp contrast from former FDA chief Scott Gottlieb. If confirmed by the Senate, Hahn would begin his first job in public service in about 25 years.

Hahn was chairman of the University of Pennsylvania medical school's radiation oncology department for nine years until 2015. He then joined MD Anderson Cancer Center and was named chief medical executive last year.

Hahn's last foray into government work was in the 1990s, when he served as chief of the National Cancer Institute's prostate cancer clinic. That's a notable shift from Gottlieb, who had a wealth of federal experience when he joined the Trump administration in 2017.

As a relative newcomer to food policy, Hahn will inherit a platform largely shaped by his predecessor, who hewed closer to the Obama administration on nutrition issues than many in Washington expected.

Ned Sharpless has been acting commissioner since Gottlieb left the agency in April. Brett Giroir, HHS assistant secretary of health, is expected to fill the role until Hahn is potentially confirmed.

Meat Sector Seeing Green in Export Outlook

The U.S. Meat Export Federation held an upbeat conference call on Tuesday, touting the recent uptick in pork sales to China — and claiming there's room for major growth in 2020.

Pork exports to China have skyrocketed in recent months, even setting records in July and August, as African swine fever wipes out Chinese hog herds and boosts the country's demand for imported proteins. Joel Haggard, the group's senior vice president for the Asia-Pacific region, said American producers have been able to compete for that booming demand despite retaliatory tariffs amid Trump's trade war — but they're still “the supplier of last resort because of that duty.”

“Our exports to China have grown dramatically,” he said. “But if there's one topline message, it's that they could grow much more dramatically if we didn't have the 72 percent punishing duty on our imports, compared to the 12 percent duty that our competitors face.”

The group estimates that pork exports to China could hit 1.6 million tons per year under favorable conditions, which would represent a massive increase from the 2018 total of 220,000 tons. “In 2020... that full demand impact [of China's pork shortfall] is going to be in play,” Haggard added.

USMEF President Dan Halstrom said exporters are also “very upbeat” about the Trump administration's ag-focused trade deal with Japan, which could take effect in January if it's approved by the Japanese legislature. He noted that Tokyo is set to lower tariffs on a range of U.S. farm goods while Australia's beef herd is shrinking, leaving American beef producers “well-positioned” to grow their footprint.

Canada is set to resume beef and pork exports to China after a four-month ban, which Beijing imposed in June because several Canadian exporters forged veterinary certificates.

Farm Economy Woes Forcing Farmers Out of Business

Agricultural producers have faced a historic mix of challenges this year, from extreme weather to continued trade headwinds. Those hurdles have exacerbated longer-term problems in the farm economy like a multiyear decline in farm income and rising debt levels. It all adds up to a growing number of farmers and ranchers being driven into bankruptcy.

Farm bankruptcies increased by 24 percent in fiscal 2019, [according to economists at the American Farm Bureau Federation](#). There were 580 filings for Chapter 12 bankruptcy (a legal option for family farmers and fishermen), the highest number since 2011.

Producers aren't going out of business at the same rate as during the 1980s farm crisis, but "the trend is a concern," AFBF writes. Trump signed bipartisan legislation in August to overhaul the farm bankruptcy law so more producers can qualify under Chapter 12 rules, which were originally written in the 1980s.

How A Foreign Meatpacker Became a U.S. Powerhouse

The São Paulo-based conglomerate has hauled in \$78 million from the Agriculture Department under the trade relief program for farmers and ranchers stung by Trump's trade war — a quarter of all pork bailout contracts and more than any other U.S. pork producer.

Democrats have asked USDA to block trade aid funding for foreign companies, but JBS is firmly entrenched in U.S. agriculture after seizing control over wide swaths of the meat industry in the last decade. JBS purchased its first American meat plant in 2007 — using illegally secured Brazilian bank loans — and consolidated pieces of five U.S. beef, pork and poultry companies into JBS USA.

The company now employs 60,000 people in the U.S. and buys from more than 11,000 farmers and ranchers. Agriculture Secretary Sonny Perdue has defended the JBS pork contracts as beneficial to U.S. hog suppliers.

USDA has paid \$6.7 billion to farmers for 2019 production under a separate piece of the trade relief program, a department spokesperson said. Row crop growers, hog farmers and dairy producers have so far received the most aid, respectively.

Price Incentives Boost SNAP Produce Purchases

A USDA-funded program designed to encourage low-income Americans to buy more fresh fruits and vegetables is showing signs of success in Michigan supermarkets, [according to a new study published in Health Affairs](#). Double Up Food Bucks matches up to \$20 a day in fresh produce purchases by Supplemental Nutrition Assistance Program participants, and it was initially deployed in farmers markets. In 2015, USDA awarded \$5 million to the program's creator, Fair Food Network, to expand into supermarkets over a four-year period.

Researchers funded by the Robert Wood Johnson Foundation analyzed millions of transactions at 32 supermarkets in Michigan in 2015 and 2016; some offered Double Up Food Bucks while others did not, acting as the control group. SNAP participants spent 7.2 percent more on fresh produce in 2015 at stores offering the subsidy. The following year, purchases were 2.2 percent higher.

The study's lead author attributed the disparity between 2015 and 2016 to changes in what produce qualified. The first year, SNAP participants could buy any fresh fruits and vegetables, but the matching funds had to be spent on local produce. The following year, that criteria was

flipped for unclear reasons, according to Pasquale Rummo, an assistant professor of research at New York University's School of Medicine. Starting in 2017, there were no "local" requirements, Rummo said. His team plans to do a follow-up study.

The results also suggest the program can buttress falling produce sales during winter, Rummo said. The Michigan supermarkets launched Double Up Food Bucks from August to December of each year. Even though the percentage of spending on fresh produce was lower during this period compared with the first part of the year, the drop was smaller at supermarkets that implemented the subsidy.

"Our results show that this program is very feasible," Rummo said. "We saw a significant increase in spending, and we have reason to believe — based on other research — that it will lead to an increase in consumption of fruits and vegetables. Supermarkets and managers were also willing to participate, state SNAP agency's mailed notices to create awareness and cashiers helped explain it to customers."

Indecision 2020: Peterson Mulls Another Run, Another Farm Bill

While speculation swirls about whether he'll run again, the Minnesota Democrat is thinking long and hard about whether he really wants to do another farm bill.

In a lengthy interview with POLITICO, Peterson said he's sure he would win another term if he decides to run, but he's really mulling whether he wants to stick it out to see another cycle for the omnibus farm legislation — the current farm bill, H.R. 2 (115), expires in 2023, but discussions begin several years in advance.

"It's getting harder every time to do a farm bill," Peterson said. "It's a big commitment. So that's really what my main thing is — if I want to do that. Because then basically I feel like I have a responsibility to see it through."

The Agriculture chairman wouldn't reveal his decision. He intends to keep his plans quiet until he publicly announces in January or February next year, as he has done in past races.

Republican operatives point to the fact that Peterson recently sold his waterfront D.C. condo as a sign he's heading for the exit, but he dismissed the suggestion. Peterson said he sold his pad for the additional capital to expand his farm in Minnesota because he grew sick of the rapid development and hordes of Millennials in the neighborhood.

Others don't see any reason to think Peterson is throwing in the towel. Advisers note that he's maintained a strong showing at parades in his district. (Forty-five so far this year!)

USDA to Award New Broadband Money By December

The \$600 million pot of money the department has for its rural broadband loan and grant program, known as [ReConnect](#), will all be awarded by next month, according to Rural Utility Service Administrator Chad Rupe. During a Senate Agriculture Committee hearing on Thursday, Rupe said the agency has "offers pending" to 27 applicants — for a total of \$289 million in support for broadband projects. The applicants have to accept the terms of the loans and grants before USDA can formally announce any details, however, a department spokesperson said.

Those 27 projects would be in addition to the [five awards](#) already announced, which total \$44.3 million for projects in five states including Tennessee, South Carolina and Oklahoma.

There's more than enough demand for the program, Rupe noted. Nearly 150 applicants requested a total of \$1.4 billion in support from the first round. Congress allocated \$500 million for a second phase, Rupe said.