

News from Washington: November 11-15

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Ag Purchases Ensnare U.S.-China Trade Talks

The U.S. and China are making headway in their negotiations over a skinny trade agreement. But China is proving stubborn about making commitments on a “handful of issues that separate the ‘skinny’ from the ‘invisible,’” according to one person with knowledge of the talks.

President Donald Trump indicated he’s willing to consider China’s request to phase out existing tariffs and stave off additional duties. But he’s pushing Beijing to offer more in return than “stale commitments” on intellectual property, financial markets and, of course, agricultural purchases, the person said.

Trump claims China will buy at least \$40 billion per year in U.S. farm product under the agreement, but it’s still unclear if that number is feasible given supply and demand limitations. The haggling over farm purchases has emerged as one of the main snags in the discussions, [per The Wall Street Journal](#).

Derek Scissors, a China expert at the American Enterprise Institute, said Chinese negotiators are pushing hard for tariff cuts — but they’re giving Trump little room to make a deal. “It’s politically dangerous for Trump to roll back existing tariffs when the Chinese have offered nothing concrete,” Scissors said.

Trump says his trade war is good for business. The president on Tuesday defended his tariff policies during a speech at the Economic Club of New York, denying that his erratic trade actions have caused uncertainty for U.S. companies. The U.S. would actually be in much worse shape over the long term if he wasn’t aggressively challenging China now, Trump argued.

Despite the trade fallout on farming, manufacturing and other sectors, Trump has plenty of positive economic data he can tout as he makes the case for reelection: Unemployment was down to 3.6 percent in October, and consumer confidence remains high.

But economic growth is on track to slow to about 2.3 percent this year and could decelerate even further in 2020. The Port of Los Angeles estimates that Trump’s tariffs threaten nearly 1.5 million U.S. jobs and more than \$186 billion of economic activity nationwide, in a report released Tuesday.

Trump also claimed that the U.S. and China are closing in on a partial trade agreement that would include massive Chinese purchases of American farm goods. “We’re close,” he said.

Of course, trade officials have yet to determine when and where Trump and President Xi Jinping would meet to sign the limited agreement, which the White House announced one month ago. And they’re still negotiating potential tariff cuts under the deal.

Moderate Dems Push for USMCA Deal

More than a dozen battleground House Democrats on Thursday tried to rally support for the new North American trade deal in a special caucus meeting on the issue, according to multiple people familiar with the conversations.

The bid marks the latest sign of moderate House members growing agitated over the lack of movement to get the deal passed. Some feared a backlash from progressives, but according to one person in the room, only Reps. Jan Schakowsky and Bill Pascrell pushed back.

Schakowsky said after the meeting that she believes a deal can be wrapped up this year but cautioned that “those who are anxious just to move [the deal] need to think about the necessity for getting it right.”

Earlier in the day, House Speaker Nancy Pelosi gave a positive sign for USMCA’s fate in Congress, indicating that a deal between House lawmakers and the Trump administration could be announced within the coming days. Pelosi also met with the nine-member working group tapped to secure changes to the USMCA. The group had not been scheduled to meet this week as of Wednesday.

“I do believe that if we can get this to the place it needs to be — which is imminent — that this can be a template for future trade agreements,” Pelosi told reporters on Thursday during a weekly press briefing. “A good template.”

Trade Aid’s Winners and Losers

USDA’s trade aid program for farmers hit by retaliatory tariffs has repeatedly been criticized for primarily benefiting the largest and wealthiest operations in the country, along with allowing foreign-owned companies to qualify for support. On Tuesday, a group of 15 Senate Democrats echoed those complaints and added a new wrinkle, arguing in an analysis that the 2019 iteration overcompensates farmers in the South who aren’t feeling the pain as much as those in the Midwest and elsewhere.

The analysis, conducted by the office of Senate Agriculture ranking member Debbie Stabenow (D-Mich.), called on USDA to change its formula for calculating how much money farmers in each county receive in direct payments. The senators also urged the department to target more assistance to small- and medium-sized farms and block companies like JBS — a Brazilian-based meatpacking conglomerate that’s been awarded \$90 million in commodity purchase contracts as of August — from participating in the program.

The majority of the \$28 billion that the Trump administration allocated for trade aid in 2018 and 2019 is being sent to farmers and ranchers directly. (USDA has already paid out \$6.7 billion for 2019 production, on top of \$8.6 billion that was provided for 2018). This year, the department established “payment rates” for every county based on the estimated trade damage to crops and livestock in the area — a change from the 2018 iteration to avoid distorting farmers’ planting decisions.

Stabenow’s report noted that only 193 counties had payment rates of \$100 or more per acre, and 95 percent of them were in Southern states. There were 402 counties with a minimum payment rate of \$15 per acre, and 77 percent of them were in the Midwest and other parts of the country. Southern counties with heavy cotton production saw the highest payment rates, even though the price of cotton increased nearly 4 percent during the 2018 crop year, the report said. The National Cotton Council said an official wasn’t available to comment.

Even though Southern farmers got higher payment rates this year, 60 percent of all trade mitigation money to date has flowed to Midwestern states, according to a USDA spokesperson. The top five recipients under the 2019 program are Illinois, Iowa, Kansas, Nebraska and Minnesota.

Under the 2019 program, USDA set limits on trade aid at \$250,000 per person or legal entity, for three separate categories: planted commodities like corn, soybeans and wheat; specialty crops like cherries and almonds; and dairy and hogs. One farmer could theoretically receive payments under each category, although they can't exceed \$500,000 combined. This is a departure from the 2018 trade aid program and the 2018 farm bill, which set \$125,000 caps on subsidies.

China Welcomes Poultry Imports Again

China has agreed to resume imports of U.S. poultry for the first time since January 2015, opening up a huge market for U.S. producers. China's poultry ban came in response to an avian influenza outbreak in December 2014, even though the U.S. has been free of the disease since August 2017.

U.S. poultry groups said renewed access to the Chinese market could mean \$1 billion annually in sales of chicken parts alone. Other chicken products, including leg and breast meat, could be another \$1 billion of potential exports. Turkey exports could bring in another \$100 million and poultry breeding stock at least \$60 million more.

U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin were scheduled to speak to Chinese Vice Premier Liu He Friday, according to a top USDA official. The official put the chances of the two sides signing a deal "at better than 50 percent."

Cold Weather Cuts into Corn Crop

After a year of record planting delays due to heavy rain and flooding, Midwestern farmers have been dealing with additional weather challenges during the harvest season. USDA on Friday lowered its estimate for 2019 corn production by 1 percent from last month's projections. [The department is forecasting 13.7 billion bushels of corn for grain in 2019](#), a 5 percent decline from last year.

USDA maintained its soybean production estimate of 3.55 billion bushels, which represents a 20 percent drop from 2018. Corn prices moved higher Friday on the lower production numbers

Rural Areas Face Toughest Economic Conditions

Rural communities are facing population declines, slow employment growth and higher poverty rates than urban areas, [according to a new report from USDA's Economic Research Service](#). Personal income has declined in recent years in part because farm and mining income has dropped, the research found.

When comparing urban and rural areas, from 2010 to 2018, metro counties saw a 7 percent increase in rates of population change in contrast to a nearly 2 percent decrease in completely rural, non-adjacent counties. The highest rates of population loss were in isolated, completely rural areas.

Since the Great Recession, employment has grown more rapidly in metro than non-metro areas. Labor force participation rates have been slower to recover in rural areas, which can be explained by the tendency of rural regions to have older residents who are more likely to be retired, lower levels of education and higher rates of disability.

USDA's research also notes that poverty rates have been declining across all communities nationwide since 2013, but rates are highest in the most rural and isolated areas. In 2017, personal income per person was nearly \$54,000 in metro areas but less than \$40,000 in non-

metro areas — and the gap in income between metro and non-metro areas has widened since 2010.

A New Crack in the Farm Economy

With weather challenges, trade tension and long-term financial headwinds buffeting the ag sector, more farmers and ranchers are taking on high-interest loans beyond the usual ag lenders just to stay in business, [The Wall Street Journal reports](#).

Traditional farm banks are offering less money and placing tighter restrictions on loans, forcing cash-strapped farmers to look elsewhere for capital. Financial services providers that are less regulated can offer a lifeline to desperate producers — but those same loans can prove treacherous for farmers that fall behind, with interest rates twice as high as those from standard farm banks.

“If you don’t make a crop and you have a bad year, they’ll clean your clock,” said Heath Jobe, an Arkansas farmer who filed for bankruptcy after he lost a recent crop due to dry weather. Jobe said his loan payments with 9 percent interest had started piling up and his request for a new loan was rejected.

Producers have increasingly been falling behind on their loans this year, squeezing ag lenders and threatening to send the rural economy toward a full-blown meltdown after years of pressure, [as POLITICO reported in June](#). Farmers are expected to hold nearly \$416 billion in debt this year — the most since the farm crisis in the 1980s.

The American Bankers Association and Federal Agricultural Mortgage Corporation released a survey of ag lenders on Monday. Among the findings: About 57 percent of farm borrowers were profitable in 2019, but 82.5 percent said their profits were declining. Dairy, livestock and grains were seen as the most concerning sectors.

“The agricultural economy and farm income remained stressed in 2019 with limited signs of improvement in 2020,” according to the report

Dean Foods Goes Bankrupt

The Dallas-based dairy giant filed for bankruptcy after struggling to retain consumers who have increasingly turned to non-dairy milk alternatives and other beverages. The filing could potentially affect dairy producers who supply to Dean Foods, dealing another blow to a sector that has struggled with trade headwinds, a labor shortage and years of low milk prices.

Dean has recorded a net loss in seven of its last eight quarters. Walmart started processing its own milk in 2017, prompting Dean Foods to scrap more than 100 milk contracts across eight states, and Food Lion cut ties with Dean in 2018. The company operates about 60 plants across 29 states.

Dean is in “advanced discussions” with the DFA about selling virtually all of its assets. The company has secured financing to temporarily continue operations, and customers are expected to continue receiving their dairy products without interruption.

Michael Dykes, president of the International Dairy Foods Association, said in a statement that the group is still gathering information about how Dean’s bankruptcy will affect the industry. “We will work across the industry to ensure farmer cooperatives remain competitive, dairy processors have a reliable supply of milk, retailers and grocers continue to put milk on the shelf,

and consumers continue to make milk and other dairy products a key part of their diet,” Dykes said.

Biofuels Lawsuit Against EPA Thrown Out

The D.C. Circuit Court of Appeals tossed the Advanced Biofuels Association’s challenge to the EPA’s wide use of blending exemptions to oil refiners, which corn growers and biofuels producers say has crushed demand.

The three-judge panel said the lawsuit failed to identify a “final agency action” that can be challenged in court. But the judges also warned the EPA that it could be vulnerable to a future lawsuit: “The EPA’s briefing and oral argument paint a troubling picture of intentionally shrouded and hidden agency law that could have left those aggrieved by the agency’s actions without a viable avenue for judicial review,” the court wrote.

Spending Talks on Tap as Deadline Nears

With both chambers of Congress back in session today, the top four House and Senate appropriators are set to meet tonight to discuss the endgame for fiscal 2020 — including reaching an agreement on how to divvy up defense and domestic spending among the 12 appropriations bills.

The House is expected to pass another short-term stopgap next week, before the current continuing resolution expires on Nov. 21. Congressional leaders have yet to determine an expiration date for the next CR, but they appear to be converging around the idea of extending temporary funding through mid- to late-December.

Bringing Ag Into the Drone Zone

A trio of senators are pushing the FAA to give farmers, ranchers and rural communities a seat at the table as the agency determines its drone policies. The aerial technology is becoming more prominent in agriculture, with some producers using drones to monitor fields or even spray chemicals.

Senate Agriculture Chairman Pat Roberts (R-Kan.), Majority Whip John Thune and Michigan Democrat Gary Peters introduced a bill on Friday that would establish a public nomination process to allow for broader representation on the FAA’s Drone Advisory Committee, among other changes. The American Farm Bureau Federation, National Farmers Union and major commodity groups are backing the legislation. [Read more.](#)

Brazil’s Implementation of Tariff Rate Quota for Wheat a Win for American Farmers

U.S. Trade Representative Robert Lighthizer and U.S. Secretary of Agriculture Sonny Perdue welcome Brazil’s implementation of an annual duty-free tariff rate quota (TRQ) of 750,000 metric tons (MT) of wheat imports.

For many years, Brazil failed to implement its obligation under the WTO to establish a TRQ for wheat. Brazil’s implementation of this TRQ fulfills a commitment made to President Trump by President Bolsonaro earlier this year and reflects a desire to deepen trade and economic ties between both countries.

“This solution to a long-standing problem is a result of the Administration’s advocacy for American farmers and will allow our wheat exporters to compete on a level playing field,” said Ambassador Lighthizer. “We look forward to increased exports of American wheat to Brazil.”

Secretary Perdue said, “American farmers can compete with anybody when given access to customers. This is why we are working tirelessly to knock down barriers to our exports, like high Brazilian tariffs on our wheat. We are excited about the additional export opportunity U.S. wheat farmers will have with the opening of this TRQ. Exports are critical to the success of our farmers and the United States looks forward to once again having stable access to this important wheat market.”

[Source: USDA](#)

USDA Sends Hurricane Aid to Southern Farmers

The department announced it’s providing up to \$800 million in block grants to states hit by Hurricanes Florence and Michael in 2018, which dealt major damage to agriculture in the South. A USDA spokesperson said \$381 million will go to Florida, \$337 million to Georgia and \$25 million to Alabama.

The block grants are part of a \$3 billion fund to help farmers and ranchers recover from the storms and other natural disasters over the last two years, which is part of a broader disaster aid package that Congress passed in June. The money is also intended to help producers affected by wildfires, flooding, tornadoes, blizzards and other severe weather.

This round of grant funding will cover the loss of timber, cattle and poultry, as well as costs related to horticulture crop damage and pecan value losses, [USDA said in a statement](#). In Florida, Agriculture Commissioner Nikki Fried said producers can use the aid to replace irrigation systems, clear debris and plant new trees.

“This funding is a huge victory for Florida’s timber producers,” [Fried said on Friday](#). Hurricane Michael damaged an estimated 550 million trees in the state, representing a loss of \$1.3 billion.

The disaster aid comes on top of standard farm safety net programs like federal crop insurance, which triggered nearly \$490 million in indemnities last year for Southeastern producers affected by the hurricanes. Midwestern farmers have received nearly \$4 billion this year because of historic flooding, which left some 20 million acres unplantable, setting a modern record, USDA said.

Related: Federal Reserve Governor Lael Brainard warned that climate change is going to have “profound effects” on the U.S. economy and the stability of the financial system.

“Monetary policymakers must accurately assess how disasters such as hurricanes, wildfires and flooding affect labor markets, household and business spending, output and prices,” Brainard said on Friday in remarks at a research conference at the San Francisco Fed.

France’s Glyphosate Phase-Out Falling Short

The French government is aiming to completely end the use of the popular weedkiller by 2022. But its early efforts to phase out glyphosate aren’t going according to plan.

“There is strong reason to fear that [glyphosate] usage has not decreased,” according to a report published Wednesday by the French parliament. The herbicide has been the subject of extensive international debate about whether it causes cancer.

The report’s authors said they couldn’t obtain figures for 2018 glyphosate usage in France from the government or ag sector, so they recommended setting up a national database of pesticide

use. “Without being able to monitor the statistics of glyphosate usage, the mission cannot objectively comment on the effects of the strategy put in place by the government,” the report said

Organic Corn Harvest Weeks Behind Schedule

Organic corn growers are weeks behind in harvesting their crops compared with the last five years, as cold, wet weather has kept farmers sidelined in key states like Illinois, Iowa and South Dakota. Continued delays could push the end of the harvest into December for some states and further affect crop yields and quality.

“The weather this harvest season isn’t offering much in the way of an apology for this year’s planting conditions,” said Ryan Koory, the research firm’s economics director. Heavy rain and flooding during the spring caused historic planting delays for corn and soybean growers.

USDA last week lowered its estimate for 2019 corn production by 1 percent because of the weather problems, which have cut into corn yields. Koory said it’s “difficult to speak with any level of certainty about production this year when half of the corn crop is still in the field.”

NSAC Calls for Climate-Neutral Ag Sector

American agriculture has made progress on improving soil quality, but the sector hasn’t made significant strides toward tackling climate change, with greenhouse gas emissions and climate impact having increased in recent years, [according to a new paper from the National Sustainable Agriculture Coalition](#).

NSAC, which promotes small- and medium-sized farms and regional food systems, this week [called on policy leaders](#) to set a goal of making the agriculture sector “climate-neutral.” The group said it’s submitting its paper to the House Climate Crisis Committee and others on Capitol Hill to help inform the simmering climate policy debate.

NSAC lays out roughly 30 policy recommendations, including that USDA should make carbon sequestration a national priority as well as make greenhouse gas reduction and climate change mitigation resource concerns for Natural Resources Conservation Service programs.

Brazil on Damage Control After Amazon Fires

Images of the rainforest ablaze made international headlines in August as celebrities and politicians shared jarring photographs on social media. The fires were real, but many of the pictures weren’t, depicting entirely different forests or another point in time, [Mother Jones](#) and other news outlets reported.

Still, a spike in fires this year attracted criticism of President Jair Bolsonaro’s environmental policy and prompted activists to call for boycotts of the country’s goods. Bolsonaro vowed to loosen restrictions on farming, mining and logging in the Amazon region and relax oversight of violations despite concerns over deforestation and its contribution to climate change.

Officials from Brazil’s agriculture sector this week said the country can grow its output of beef, corn and soybeans without greater deforestation. They disputed that land is being destroyed, highlighting stats showing that 66 percent of the country remains preserved with native vegetation, while 30 percent is used for farming. And deforestation rates have trended downward for about a decade, they said. However, rates started to tick up again last year, [according to Brazil’s space agency](#).

“Always we can say that things need to get better ... but I think farmers are already on a sustainable path,” said Geraldo Martha, a senior researcher at Embrapa, the research corporation affiliated with the country’s Ministry of Agriculture, during an event hosted by Apex-Brazil that promotes foreign investment.

Brazil’s farm land devoted to growing grains will jump by an estimated 10 million hectares (24.7 million acres) over a decade to meet the demand for food from a larger world population. Martha said livestock production will become more efficient, therefore requiring less pasture, which can be converted into growing soybeans and other crops. Brazil also is adopting integrated farming systems, he said, which involves rotating crops, livestock and forestry activities in the same area, and can help improve soil health, boost yields and reduce chemical inputs.