

News from Washington: November 18-22

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### **Farm Credit Chief Sees Shadow of Eighties' Ag Crisis**

Farm Credit Administration Chairman Glen Smith told the House Agriculture Committee on Tuesday that the farm lending system is currently “safe and sound” — but officials are “very concerned and closely monitoring some weakening in credit quality.” At a subcommittee hearing, Smith also drew parallels between the current downturn and the run-up to the 1980s farm crisis.

“I think we’re at a level that’s comparable to the early ’80s,” he said, citing economic trends like falling farm income, rising debt-to-asset ratios and concerns about the value of farmland. “At that time in the Midwest, we’d lost 15-20 percent of our land values. Guess what? Today we’ve lost 15-20 percent of our land values in the Midwest.”

Farmland values remain largely stable across the country. But that could change, [Smith warned in his written remarks to the committee](#), if larger amounts of farmland go up for sale — like if farm bankruptcy rates continue ticking upward.

“With declining land prices, farm balance sheets could deteriorate more quickly, and a farm borrower’s ability to restructure debt or obtain additional financing could weaken,” Smith said. He also said the FCA is monitoring an increase in producers turning to non-traditional lenders for financing, which often carry higher interest rates and can prove treacherous for farmers that fall behind.

Another similarity to the Eighties? “The late ’70s and early ’80s were typified by trade wars,” Smith added, referring to the U.S. grain embargo against the Soviet Union.

### **Democrats Doubt USMCA Gets Done This Year**

Freshman Democrats are increasingly skeptical that House negotiators are close to an agreement with the Trump administration over changes to the new NAFTA deal, raising doubts that Congress will complete one of its top legislative goals for 2019.

Several first-term members exited a meeting with labor leaders on Tuesday [with few signs of progress](#). Frustration has been building about the lack of movement on USMCA among centrist Democrats from farm states or battleground districts who see the deal as critical to their constituents and potentially to their reelection prospects.

House Ways and Means Chairman Richard Neal (D-Mass.), who’s been leading talks with the administration to secure changes to the pact, predicted that an agreement could be announced shortly after the Thanksgiving recess. “I don’t think anybody wants to see this drift into next year,” he said.

Ratifying USMCA was arguably at the top of Washington’s to-do list when 2019 started. Now it’s on the verge of seeping into 2020, an election year when, typically, precious little is accomplished on Capitol Hill.

### **House Tees Up Vote to Avert Shutdown**

House and Senate leaders reached an agreement over a one-month continuing resolution that would extend funding through Dec. 20. House Democrats published the text on Monday and the

chamber is scheduled to vote today — followed by a Senate vote by Thursday, when a current stopgap spending bill expires.

The bill, H.R. 3055 (116), should have relatively smooth sailing through both chambers, and President Donald Trump is expected to sign the measure. But there's still no agreement on full appropriations for fiscal 2020, which started Oct. 1. Top appropriators haven't been able to strike a deal on divvying up defense and domestic spending among the 12 annual appropriations bills.

Negotiators at some point will need to find a way around the partisan dispute over funds for Trump's promised U.S.-Mexico border wall. A standoff over the wall last December sparked the longest government shutdown in history.

### **Turkey with A Side of Trade Aid**

USDA is launching a second tranche of trade relief payments to farmers and ranchers affected by President Donald Trump's bruising tariff fight with China, with checks expected to land in farmers' hands by Thanksgiving.

The Trump administration has already paid farmers at least \$6.7 billion for their 2019 production (on top of \$8.6 billion provided for last year's production, plus additional trade relief efforts like commodity purchases and marketing assistance).

The first set of 2019 payments, which started over the summer, covered the first 50 percent of a farmer's eligible production; the new funds [announced on Friday](#) will cover an additional 25 percent.

A possible third tranche of aid for the 2019 production year could be distributed starting in January based on trade and market conditions.

Trump talked up the new round of payments in a Sunday tweet — even as he noted that the ag-trade outlook is improving. “Our great Farmers will receive [sic] another major round of ‘cash,’ compliments of China Tariffs, prior to Thanksgiving,” [Trump wrote](#). “The smaller farms and farmers will be big beneficiaries. In the meantime, and as you may have noticed, China is starting to buy big again. Japan deal DONE. Enjoy!”

Senate Democrats argue the trade aid program has unfairly favored big farms over smaller producers, along with boosting foreign-owned conglomerates like Brazil's JBS and disproportionately helping certain regions and commodity sectors over others. Senate Agriculture ranking member Debbie Stabenow (D-Mich.) said in a statement that she was “disappointed the Trump administration has not corrected the serious inequities” in the program.

### **Ag Trade Balance on Track for Decade-Low**

U.S. farm exports are projected to total \$134.5 billion for fiscal 2019, which ended Sept. 30, while ag imports totaled \$129.3 billion, according to the Agriculture Department's estimates. The projected surplus of \$5.2 billion would be the smallest since fiscal 2006, [USDA said Wednesday](#).

The U.S. in the last 50 years has never run an agricultural trade deficit, according to USDA data going back to 1967. But the value of agricultural imports has been rising faster than the value of farm exports, including lower than expected corn and soybean exports in fiscal 2019.

USDA's initial estimates for fiscal 2020 suggest the trade balance could climb to \$8 billion, based on projected exports of \$137 billion and imports of \$129 billion.

Former USDA Chief Economist Joseph Glauber, now a visiting fellow at the American Enterprise Institute, takes a deep dive into the department's trade relief program for farmers affected by Trump's trade war with China, which has slammed U.S. ag exports since mid-2018. [Read the analysis here.](#)

### **USDA Under Pressure to Block JBS From Trade Aid**

Rep. Rosa DeLauro (D-Conn.) [became the latest](#) lawmaker to call for an investigation into JBS getting taxpayer-funded trade aid. DeLauro requested on Thursday that USDA jump start the process of suspending the company from federal contracts, such as the \$90 million it was awarded last year under the program.

Last month, Sens. Marco Rubio (R-Fla.) and Bob Menendez (D-N.J.) [asked the Treasury Department](#) to look into whether JBS presented a national security threat. And in July, Rep. Carolyn Maloney (D-N.Y.) told financial regulators that the company's American subsidiaries have been securing financing from investors without disclosing that the SEC and the Justice Department are investigating potential violations under the Foreign Corrupt Practices Act, the New York Daily News [reported](#).

The co-owners of JBS, Wesley and José Batista, were fined more than \$3 billion in 2017 as part of a plea agreement with Brazilian prosecutors. The brothers admitted to bribing thousands of government officials in order to obtain favorable loans from the country's development bank (prosecutors have since requested the deal be terminated after obtaining evidence of previously undisclosed crimes). The loans helped finance JBS' entry into the U.S. and around the globe, according to Brazilian court documents. Subsidiaries include JBS USA and Pilgrim's Pride, a leading poultry processor.

JBS USA spokesperson Cameron Bruett said that in regards to the trade mitigation program, the company operates U.S.-based pork plants processing hogs raised by American farmers. "Our intent in participating in this program is to support U.S. producer prices and help our American producer partners negatively impacted by trade disruptions," he said in an email.

Who else is trade aid flowing to? About \$6 billion in trade aid was paid directly to farmers between Aug. 19 and Oct. 31, and half of that went to just 10 percent of participants, according to a [new analysis](#) by the Environmental Working Group. Three operations collected more than \$1 million a piece, while 45 received more than \$500,000 each.

For the 2019 program, there's a \$250,000 payment cap for three categories: row crops, dairy and hogs, and specialty crops like cherries and almonds. However, a farmer can't receive more than \$500,000 combined. There are legal ways to circumvent this limit; for instance, multiple family members can each have their own payment cap, so long as they meet USDA's definition for "actively engaged" in farming.

USDA has now paid more than \$9 billion to farmers for 2019 production, topping the 2018 total of \$8.6 billion, with another tranche of payments on the way pre-Thanksgiving

### **Farms Hire More Workers at Higher Wages**

Farm operators hired 809,000 workers in the second week of October, showing a three percent increase from 2018, according to USDA's latest semi-annual farm labor report.

Overall, wages have increased for farm laborers across the board. The 2019 all hired worker annual average gross wage rate is \$14.91 per hour, up 5 percent from the 2018 annual report. In October, farm operators paid workers an average gross wage of \$15.02 per hour, a 4 percent increase from the 2018 findings.

The news comes after the House Judiciary Committee advanced a bill this week that would expand the H-2A foreign guestworker program and provide a path to legalization for farm workers

### **Democrats Roll Out Renewal of Biodiesel Tax Break**

House Democrats unveiled a long-awaited draft bill to extend a crop of expired tax breaks for renewable energy, including incentives for biodiesel blenders.

The biodiesel tax credits would be retroactively extended from 2018 through 2021, and then gradually phased out through 2024. [Ten biodiesel plants have been idled this year](#) after the \$1-per-gallon biodiesel subsidy lapsed at the start of 2018 along with other tax “extenders.”

The legislation hasn’t been scheduled for a markup. But biodiesel industry advocates have said they’re hoping an extension of the tax credit hitches a ride on a final appropriations package by the end of the year.

### **Animal Vaccine Makers Seek USDA Funding Boost**

If Congress eventually passes a full-year fiscal 2020 spending package, the legislation should include a \$4 million boost to USDA’s center that oversees the safety and effectiveness of products for diagnosing, preventing and treating animal diseases, including vaccines, according to the Animal Health Institute.

The group, which represents drug companies like Elanco, Bayer and Merck, has been warning House and Senate appropriators that the funding increase is needed to avert potential shortages of important vaccines for foot and mouth disease, African swine fever — which has decimated hog herds in China — or other diseases. Vaccines are also key to reducing the use of medically important antibiotics on farms, said Will McCauley, AHI’s director of veterinary biologics. (ICYMI, it’s World Antibiotic Awareness Week.)

USDA’s Center for Veterinary Biologics has operated on a flat budget of about \$16.5 million annually for at least a decade, AHI said. The center has done more with less for too long, McCauley said, citing a backlog of maintenance on laboratories and other infrastructure, as well as staff vacancies in part because of the increasing cost of salaries. These employees play a role in approving every animal vaccine in the U.S. that’s produced domestically or is imported, he added, and a slowdown in that process could limit the availability of vaccines.

The House Agriculture-FDA spending bill included a spending boost of \$2 million for the center, while the Senate version would hike funding by \$1 million. Lawmakers have yet to reach a compromise on fiscal 2020 appropriations.

### **Farm Labor Overhaul Shows Partisan Cracks**

The House Judiciary Committee on Wednesday night cleared an agricultural labor package after many hours of debate. A recorded vote will take place this morning — but based on the divided tone of the markup, expect the tally to fall along party lines.

The legislation tackles the agricultural labor shortage from several directions by expanding the H-2A foreign guestworker program and providing a path to legalization for farm workers. Rep. Zoe Lofgren (D-Calif.), chairwoman of the Immigration and Citizenship Subcommittee, who spearheaded the legislation, emphasized during the markup that the bill was produced from long and intense negotiations with Republicans and Democrats at the table. Rep. Dan Newhouse (R-Wash.) is the lead GOP co-sponsor, and 20 other Republicans have signed on.

Top Republicans on the committee, however, opposed the bill because they argue that it provides “amnesty” to undocumented immigrants working on farms. Judiciary ranking member Doug Collins (R-Ga.) agreed there needs to be a solution to the agricultural labor shortage, but he railed against the bill’s contents.

“We’re dealing more with status than the worker situation,” said Collins, who noted repeatedly that the American Farm Bureau Federation does not support the legislation. (More than 300 other agricultural groups back the bill, however.)

### **The Midwest’s Propane Problem**

House Agriculture Chairman [Collin Peterson](#) (D-Minn.) and other Midwestern lawmakers are warning energy regulators that the region’s propane supply is running short just as the fuel is needed to dry the annual corn harvest.

Peterson and a bipartisan group of 30 other House members sent a letter to Neil Chatterjee, chairman of the Federal Energy Regulatory Commission, warning of a potential “disastrous situation” if forecasted cold temperatures lead to a spike in residential demand for propane — leaving little fuel to heat livestock shelters or to process corn. (Two gallons of propane are typically needed to dry 100 bushels of corn, [according to an Iowa State study](#).)

“Those who are lucky enough to have crops to harvest this year are now struggling to dry a wet corn crop,” Peterson and co. wrote. “There are also reports that grain elevators are having to stop the delivery of corn from farmers and storing corn on the ground because they’re running short of propane as well.”

Chatterjee [responded on Twitter](#), writing that FERC is “monitoring this critical situation closely as we know how important these harvested crops and livestock are for the local economy.” If the situation worsens, FERC could order pipelines in the region to prioritize shipments of propane, as the agency did in 2014 during another propane shortage.

### **USDA’S Top Civil Rights Official Gets Grilled**

Rep. [Marcia Fudge](#) (D-Ohio) on Tuesday accused the department of not taking employees’ civil rights complaints seriously. Her criticism was based on USDA data showing there were findings of wrongdoing in only two of 300 cases in fiscal 2019, as well as letters her office received from primarily African American employees who alleged they’re being targeted for removal.

Naomi Earp, USDA’s deputy assistant secretary for civil rights, testified during a House Agriculture subcommittee hearing that she’s focused on improving accountability and preventing discrimination since her arrival in January. She cited efforts to make the department’s system for managing civil rights complaint more efficient, advising USDA state directs on how to provide minority and under-resourced farmers equal access to programs, and working with the U.S. Forest Service as it tries to change what [whistleblowers have described](#) as a culture of sexual harassment, assault and retaliation against those who complain.

By law, federal agencies have 180 days from the time a complaint is filed to finish an investigation. Earp said that less than a year ago, it took USDA's civil rights office an average of 595 days to investigate a complaint. Now the average processing time is 420 days.

USDA [told POLITICO](#) last year that by the end of fiscal 2017, the civil rights office had reduced its average processing time to 177 days.

A department spokesperson clarified that Earp was referring to civil rights complaints filed against how USDA programs are administered, while the data provided to POLITICO last year was specific to employee complaints. The spokesperson did not provide an up-to-date average processing time for employee complaints.

Fudge also took issue with Earp's comments about employees who use civil rights complaints as a tool to punish managers and supervisors. Fudge, in a [statement](#) following the hearing, said Earp's comments enable a culture of victim-blaming at USDA.

### **House Members to Talk China Trade War**

It's not an official congressional hearing, but Rep. [Stephanie Murphy](#)'s (D-Fla.) "briefing" today on the U.S.-China trade war has most of the trappings of one: lawmakers, witnesses and questions.

Murphy, a member of the House Ways and Means trade subcommittee, has invited former chief U.S. Agricultural Negotiator Darci Vetter, who served in the Obama administration, and other experts to share their views on whether the Trump administration's tactics are likely to force Beijing to make meaningful changes.

The inaugural session of Murphy's "Congressional Trade Series" will also focus on "the precise impact that U.S. tariffs on Chinese imports — and China's carefully calibrated retaliatory tariffs on U.S. exports — are causing to American companies and farmers, consumers and economic growth," her office said.

### **FDA Pick Pledges 'Clear, Transparent' Dairy Labeling**

Hahn had a smooth Senate confirmation hearing Wednesday that was short on questions about the food side of the agency. Hahn, who lacks any kind of track record on nutrition or food safety policy, hesitated to make commitments on how he'd handle certain food issues.

Dairy labeling crackdown? Sen. Tammy Baldwin (D-Wis.) at one point asked Hahn if he'd try to limit the use of dairy terms on plant-based products (think almond milk or cashew cheese).

"I'm in favor of clear, transparent and understandable labeling for the American people," he replied. "The American people need this so they can make the appropriate decisions for their health and nutrition." He didn't elaborate on where the agency would land on the issue. (FDA is currently mulling how to update standards of identity for many different products.)

Sen. Lisa Murkowski (R-Alaska) asked Hahn to be more clear on the FDA's advice to pregnant women about seafood consumption, and specifically about the agency's own advice instead of leaning on EPA's advice, which is based primarily on mercury concerns (and not the nutritional benefits that seafood can provide). Hahn committed only to giving "focus and energy" to the topic, but he also noted that he had "a very great discussion with my pregnant daughter about the brain food associated with seafood."

Senate HELP Chairman Lamar Alexander (R-Tenn.) said Wednesday he hoped to confirm Hahn by the end of the year, with a committee vote on his nomination as early as Dec. 3, when lawmakers return from Thanksgiving recess.

### **Decline in Childhood Obesity Rates Offers Hope**

Diet-related diseases like obesity remain intractable problems in the U.S. (nearly 40 percent of adults are obese), but [a new study](#) released by the CDC on Thursday offers a sliver of good news, at least for very young children.

The agency found that 41 U.S. states and territories saw significant declines in obesity among children (2-4 years of age) whose families participated in WIC between 2010-2016. The latest data, published in the CDC's Morbidity and Mortality Weekly Report, also found that obesity ticked upward in this population in three states: Alabama, North Carolina and West Virginia. "Improvements in national, state, and caregiver guidance around nutrition and physical activity may be contributing to this decline in childhood obesity," CDC Director Robert Redfield said in a statement. "We are moving in the right direction."

The obesity rate among 2- to 4-year-olds enrolled in WIC nationally declined over this same period, from 15.9 percent to 13.9 percent. The CDC found that the decline was statistically significant across all racial and ethnic groups studied.

The study noted that in 2009 WIC state agencies were required to update their food packages to better align with the Dietary Guidelines for Americans and infant feeding practice guidelines of the American Academy of Pediatrics. "This change led to increased availability of healthier foods and beverages in authorized WIC stores and improved dietary quality among families who enrolled in WIC," the study said.

"Despite these recent decreases in obesity among children enrolled in WIC, obesity prevalence remained high in most states in 2016," the study noted. The CDC cited recommendations made by other groups ranging from improving physical activity and food and beverage environments, better nutrition standards and more walkable neighborhoods.