

News from Washington: July 8-12

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FDA Resists Livestock Lobby's Push on GE Animals

FDA is defending its regulatory turf in a battle over genetically engineered animals amid the farm lobby's push for USDA to take control of the burgeoning technology. At stake is the oversight of innovations like pigs that are resistant to certain diseases or dairy cows that are more productive. To date, FDA has only approved one biotech animal after two decades of review: AquAdvantage salmon, which has been genetically modified to grow faster.

Factions of the farm lobby, led by the National Pork Producers Council, argue that transferring oversight can be done by amending an inter-agency agreement outlining the government's responsibilities over biotechnology — known as the Coordinated Framework. FDA disagrees, however, contending that its authority stems from a law passed by Congress, which supersedes any changes to the Coordinated Framework.

Steve Solomon, director of FDA's Center for Veterinary Medicine, said the agency has the right framework and expertise after decades of reviewing biotech applications and building teams that are steeped in the science.

NPPC and its allies — including the National Cattlemen's Beef Association, American Farm Bureau Federation and National Association of State Departments of Agriculture — say FDA's process is too cumbersome and slow.

Their public campaign to build support for USDA obtaining jurisdiction over biotech animals comes as African swine fever decimates China's massive hog herd. U.S. producers point to the expectation that within a few years gene-editing technology will enable breeding of hogs that are resistant to diseases that threaten to wipe out entire herds.

FDA leaders said they're taking steps to update guidelines so innovations in GE animals are balanced with its overarching goal of protecting public health and safety. For example, FDA has started to identify animals with altered DNA that would be low-risk, and therefore be exempt from a safety review.

States to FDA: Get Moving on Hemp Products

The National Association of State Departments of Agriculture wants FDA to move quickly to make sure American growers don't miss out on the booming cannabidiol, or CBD, market in the U.S.

"Hemp will only become economically viable to American farmers and ranchers in the United States if a well-defined regulatory framework for its products is developed," the group said in a comment to an [FDA docket](#). "Consistency will be a key factor for the development of a market for this emerging industry."

NASDA noted that as the market for hemp-derived products has taken off, consumers could be confused about what certain terms mean. What is hemp oil and is it the same as hemp extract? CBD extract? The group encouraged the agency to develop "standards and definitions for these products, so consumers can better understand what they are purchasing."

"If no federal action is taken, states will be forced to develop regulatory structures for the products, and the result will be a patchwork and an inability to potentially sell across state lines," the group said.

China Ag Purchases Still MIA

Where oh where are the "tremendous" purchases of agricultural goods that Trump said Chinese officials had promised? The president on Thursday appeared to grow impatient over China's lack of big buys — a possible sign that the most recent truce in the trade war between the two countries could collapse.

"China is letting us down in that they have not been buying the agricultural products from our great Farmers that they said they would," Trump [wrote on Twitter](#) nearly two weeks after his meeting with Chinese President Xi Jinping in Osaka, Japan. "Hopefully they will start soon!"

Trump told reporters he would delay plans to impose duties on an additional \$300 billion worth of Chinese goods, but he also expected Beijing to "almost immediately" begin big purchases of U.S. agricultural and food products. A Chinese government spokesperson said Wednesday that any plan to buy more U.S. farm goods still must be agreed on by both sides.

U.S. exports of those items to China plummeted to about \$9.8 billion last year, from \$20.3 billion in 2017, as a result of Beijing's retaliation to Trump's tariffs on Chinese goods.

While we're here, agribusiness giant Cargill said Thursday that trade disputes and springtime flooding factored into a 67 percent drop in its fiscal fourth-quarter profit. The Wall Street Journal has [more](#).

Fed Looks Set to Cut Rates

The Federal Reserve appears even more likely to lower interest rates when officials meet July 30-31 amid signs of slowing economic growth. The central bank on Wednesday released the minutes from its June meeting, when many officials made the case for cutting rates soon.

Fed officials pointed to weakening business confidence and manufacturing activity, arguing that a rate cut "would be warranted in the near term should these recent developments prove to be sustained," according to the minutes.

Chairman Jerome Powell also hinted at the likelihood of a rate cut at a House Financial Services Committee hearing on Wednesday, sending stocks to new highs. That could spell good news for producers reliant on certain types of loans to finance their operations, since higher rates can make business more expensive for farmers and ranchers who are already facing financial headwinds.

At the June meeting, members of the Fed's rate-setting committee said they're keeping an eye on economic risks including additional tariffs, which could lead to lower consumer spending, and the approaching deadlines for Congress to lift the debt ceiling and fund the government beyond September.

White House budget officials [met with Republican leaders](#) on Wednesday to discuss a plan to advance negotiations with Democrats over the debt ceiling and annual spending limits. Treasury Secretary Steven Mnuchin also held a phone call with Speaker Nancy Pelosi to talk about a potential budget deal.

Dems Back D.C. Landlord in USDA Relocation Fight

House Democrats, including Majority Leader Steny Hoyer, are siding with a real estate management company that claims the department broke the law in its effort to uproot two ag research agencies out of the Beltway.

NBL Associates, the landlord of the National Institute of Food and Agriculture's current location in Southwest D.C., has formally protested how the department carried out its search for a new headquarters. USDA's internal watchdog is already investigating whether proper procedures were followed.

"This formal protest further demonstrates that serious questions remain unanswered about the Trump administration's decision-making process," said Rep. Dina Titus (D-Nev.), chairwoman of the House Transportation subcommittee with jurisdiction over government buildings.

Titus vowed in May to hold up USDA leasing proposals until she gets more information about the motivations behind the move. Agriculture Secretary Sonny Perdue has said the relocation will save taxpayer money and bring the agencies closer to major farm states.

Hoyer said NBL's complaint is further proof that the relocation has been mishandled: "This is yet another reason that USDA ought to halt this hasty relocation process," he told POLITICO in a statement.

2020 Race Looms Large For USMCA

The likelihood that the U.S.-Mexico-Canada Agreement, which has already been stalled for months, will clear Congress is only diminishing as the Democratic primary heats up and Democrats on Capitol Hill hold their ground.

The Trump administration initially hoped to see Congress take up the trade deal before the August recess, but any vote is now likely to wait until at least September. The delay is a big worry for GOP leaders who want to give Trump a domestic policy victory in divided government and before the presidential campaign completely takes over.

Nine House Democrats tapped to serve on a trade working group held their latest meeting with U.S. Trade Representative Robert Lighthizer on Thursday, and they emerged acknowledging that nothing was resolved though talks were headed in a positive direction. The lawmakers said they did not discuss a timetable to get the deal through the House.

U.S. Probe of French Tax Could Bring New Tariffs

U.S. Trade Representative Robert Lighthizer announced Wednesday that his office is investigating France's plan to impose a 3 percent digital services tax on the revenue of big tech companies like Apple, Amazon and Facebook. France's Senate is expected to pass the measure this week.

The Trump administration launched its probe under Section 301 of the 1974 Trade Act — the same route USTR used to slap tariffs on more than \$250 billion in Chinese goods. It could similarly result in retaliatory duties on French goods, potentially including wine.

Trump has repeatedly [griped](#) about wine trade between the two nations and [vowed to "do something"](#) about what he considers an unfair imbalance when it comes to *le vin*. Now the White House is weighing whether to raise duties on French wine and cars, according to one official briefed on the plans, the Financial Times [reports](#).

The tech tax tiff isn't the first dust-up between the U.S. and France. The latter has been pushing hard to keep agriculture out of U.S.-EU trade negotiations, which has long been the biggest sticking point holding up talks.

German Economy Minister Peter Altmaier said Wednesday that Washington and Brussels could still reach a deal on industrial goods in 2019 if there's enough political will on both sides. But any escalation between the U.S. and France could further cement Paris' position and hamper broader negotiations with the bloc.

The Next Decade of Agriculture

The Organization for Economic Cooperation and Development and the FAO released a 10-year [ag outlook](#) on Monday, projecting commodity prices to remain at or below current levels over the next decade as increasing productivity slightly outpaces demand growth. That means continued pressure on farm income is likely, according to the report.

The OECD and FAO highlighted a number of question marks that “add to the traditionally high risks facing agriculture,” including trade tensions, antimicrobial resistance, regulations on new agricultural biotech and management of increasingly severe weather.

Another potential threat is African swine fever, which is decimating Chinese pig herds and weighing on demand for soybeans and [dairy byproducts](#) used in animal feed. USDA has also said the deadly pig disease will be a “[game changer](#)” for soybean growers around the globe for years to come.

Greenhouse gas emissions from agriculture (largely from livestock) are projected to grow by 0.5 percent each year, less than the 0.7 percent annual increase over the last decade.

Biofuels, which spurred growth in crop demand from 2000 to 2015, aren't expected to expand as rapidly over the next decade. The report projects global ethanol use will grow by about 18 percent by 2028.

Reviewing Trump's Climate Record

In a speech at the White House on Monday, the president sought to blunt the steady stream of attacks on his environmental record by many of the Democrats looking to replace him in the Oval Office. Trump praised his own environmental work and said maintaining clean air and water was a “top priority” for his administration.

But Trump appeared to take credit for reductions in pollution that actually occurred under previous presidents, who fact-checked three of his most pointed pronouncements.

Trump noted that energy-related carbon emissions in the U.S. have declined more than any other nation since 2000. But he didn't mention that the downward trend reversed itself in 2018, when greenhouse gases began rising after reaching a 25-year low in 2017.

He also said the Green New Deal climate resolution, backed by many progressive Democrats, would cost the U.S. economy “nearly \$100 trillion, a number unthinkable,” even though the frequently cited price tag of \$93 trillion was essentially [made up](#).

Rep. Alexandria Ocasio-Cortez (D-N.Y.), one of the main forces behind the climate plan, is introducing another resolution that would declare climate change to be a national emergency

and call for a “massive-scale mobilization to halt, reverse, and address its consequences and causes.”

She’s set to unveil the proposal along with Sen. Bernie Sanders (I-Vt.) and Rep. Earl Blumenauer (D-Ore.).

EU Pesticide Rules Under Fire

More than 100 countries, including the U.S., Australia and Brazil, are blasting Europe’s strict regulations surrounding pesticides as a threat to the livelihood of farmers around the globe. The nations presented their complaint at a WTO meeting this week in Geneva, claiming that farm exports to the EU including wheat, coffee, bananas and sweet potatoes are being hampered by the bloc’s decision to lower legal limits for pesticide residues.

Dennis Shea, the U.S. ambassador to the WTO, leveled especially sharp criticism at the EU.

Welcome to the 2020 Diet Wars

The Dietary Guidelines Advisory Committee on Thursday got to hear firsthand just how intense the diet wars have become. For about three hours, a steady stream of commenters stood up and told the committee it should encourage more consumption of whatever they happened to be selling, but they were nearly drowned out by fight between plant-based and low-carb advocates. The committee heard from more than 75 voices and about a third of them were entangled in the intense debate about which diet is healthier — and whether or not the Dietary Guidelines are ultimately helping or harming the American public.

The committee, known as DGAC in Washington parlance, has the big job of sifting through the wild world of nutrition science and then making recommendations to USDA and HHS on how the government should update the next round of the Dietary Guidelines for Americans, for 2020-2025.

About a dozen voices implored the committee to include a low-carb diet in the updated guidelines or offered a blistering criticism of the existing ones, arguing that following them has made their patients fatter and sicker.

Several doctors testified at the meeting, many of whom were there to tout the benefits of a low-carb approach that they’ve seen in their own practice. Several others, however, urged a completely different outlook. One doctor who touted the benefits of a whole-foods plant-based diet lamented that many of his patients are scared of carbohydrates.

“You could hold up a bank with bread people are so afraid of carbs,” the doctor said.

A handful of plant-based diet advocates, including a new group founded by dairy-free athletes, came out swinging against the dairy recommendations in the guidelines, including a few who alleged that promoting dairy is racist because some racial groups have trouble digesting it.

The next DGAC meeting is scheduled for Oct. 24-25, and the next one with a public comment segment will be in January 2020. Follow the process [here](#).

Powell Positive on Ag Lending

Banks remain in good shape to continue lending to farmers and ranchers despite deteriorating conditions in the agricultural economy, Federal Reserve Chairman Jerome Powell told senators on Thursday.

“Our farm belt banks have had a lot of experience in dealing with the issues that farmers are confronting right now,” Powell said at a Banking Committee hearing. “As a whole, the agricultural sector is in a difficult place. It’s a tough time. I know that banks are trying to work through those difficulties with farmers.”

Farm income has dropped about 50 percent since 2013, and the default rate for farm loans hit its highest level in seven years in the first quarter of 2019, as President Donald Trump’s trade war has [put extra stress on producers and lenders](#). But Powell said ag banks are well versed in managing financial challenges in the farm sector.

Meanwhile, big banks like JPMorgan Chase are scaling back their ag lending activity as farm income falls and the trade war drags on, Reuters [reports](#).