

News from Washington: January 6 - 10

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

U.S., China to Sign 'Phase One' Deal Next Week

Chinese Vice Premier Liu He is leading a delegation to Washington to participate in a signing ceremony on Wednesday for a partial trade agreement that would boost [U.S. agricultural exports](#) in exchange for the Trump administration scaling back some of its existing tariffs on Chinese products.

President Donald Trump has touted that China committed to buying as much as \$50 billion worth of U.S. farm goods annually within two years, but Beijing has not confirmed any specific numbers. Han Jun, a key member in China's negotiation team and a deputy agriculture minister, was quoted by a Chinese magazine this week saying the country has no intention of changing its grain import quota system. Analysts say that decision could make it hard for Beijing to meet U.S. demands.

American economists are also skeptical those exports could materialize, in part because the most U.S. agricultural products that China has ever purchased was nearly \$26 billion in 2012.

A spokesperson for China's Ministry of Commerce on Thursday did not provide details of a proposed [phase two part of the trade deal](#), despite Trump tweeting that "At a later date I will be going to Beijing where talks will begin on Phase Two!"

What's Next for The New NAFTA

Now that the Senate Finance Committee has approved the USMCA implementation measure, six other panels will get a chance to scrub the three-way trade deal. The Budget and Environment and Public Works committees are expected to vote Tuesday, followed by Commerce and HELP on Wednesday. The Appropriations and Foreign Relations panels will also need to offer some form of approval before it hits the Senate floor.

Finance Chairman Chuck Grassley said he expects all the committees will wrap up their work next week. But there's still no indication when USMCA will get a floor vote, especially as the timeline for Trump's impeachment trial remains unclear.

Grassley's 2020 trade plans? One word: oversight. The Iowa Republican said he'll focus on overseeing the implementation of USMCA and the "phase one" deal with China, along with continuing his work on limiting presidential tariff powers.

USDA WASDE Report: Corn Neutral, Soybeans Bearish

Corn and soybean production and yield both increased. That was a surprise. Corn and soybeans did not fall apart. Corn ending stocks were lower than expected which helped offset the higher corn production. Soybean ending stocks were unchanged, that was a surprise. Soybean stocks larger than expected, also a surprise.

Shortly after the USDA report was released, corn was unchanged, soybeans down cents, and wheat down 1 cent. Shortly before the noon report, corn was down 3 cents, soybeans down 2 cents, and wheat down 2 cents.

The report today has long been awaited. Two numbers were heavily watched for this report, US corn production, and US stocks of soybeans on December 1, 2019.

There are a bunch of numbers for the US and world grain production. Corn supply bulls were hoping for major reductions in corn production and yields. Corn demand bears were quick to highlight the declining export demand since last May, which was 425 million bushels along with shrinking corn used for ethanol at 125 million bushels. Record hog production last year along with high cattle numbers could help push corn fed to livestock higher.

Today's report had the US corn production at 13.692 billion bushels, a corn yield of 168.0 bushels, and ending stocks of 1.892 billion bushels.

The average trade estimates for corn had production at 13.513 billion bushels, a US yield of 166.2, and ending stocks of 1.757 billion bushels. Last month corn production was 13.661 billion bushels, the US corn yield at 167, and ending stocks of 1.910 billion bushels.

For soybeans, the US production was 3.558 billion bushels, yield of 47.4 bushels, and ending stocks of 475 million bushels.

The average trade estimates for soybean production was 3.512 billion bushels, US yield of 46.6 bushels, and ending stocks of 424 million bushels. In December, US soybean production was 3.550 billion bushels, yield at 46.9 bushels, and ending stocks of 475 million bushels.

US grain stocks as of December 1, 2019, had corn at 11.388 billion bushels, and soybeans of 3.251 billion bushels. It has been known for weeks that the unharvested corn acres in the Dakotas would be counted as on farm bushels. The last weekly crop progress report had the North Dakota corn harvest at just 43%. With several snowstorms since October, those corn bushels are not yet in the bin. Crop insurance companies indicate adjusters cannot complete the loss process at this date. It will be weeks or even months from now when the snow has melted and is no longer there.

US wheat acres were expected to continue the trend of declining. Last year those acres reached a 125-year low.

Lost today at noon but not forgotten is the expected signing next week on January 15 when the US and China sign the Phase 1 trade deal. Their Vice Premier and others will be coming to the US for this long-expected signing.

Source: Ohio Ag Net/Ohio's Country Journal

Bad News Abroad For Biofuel Makers

China is hitting pause on its plans to implement a national 10 percent ethanol mandate as the country's corn supply has dwindled and biofuel production remains limited, [Reuters reports](#). It's a big blow to Chinese ethanol producers — but it's also a setback for U.S. exporters who were hoping to tap into rising Chinese demand for the fuel.

“This is definitely a step in the wrong direction, but it was not completely unexpected,” said Geoff Cooper, president of the Renewable Fuels Association. “But even if implementation of the E10 target is delayed, we believe ethanol consumption will continue to grow in China as the government looks for low-cost ways to reduce air pollution in urban areas.”

The U.S. exported about 20 percent of its fuel ethanol to China in 2016, worth \$300 million in sales. But those exports have dried up amid President Donald Trump's trade war with Beijing, which retaliated with steep duties on the U.S. biofuel. China was expected to increase its U.S.

ethanol exports under the “phase one” trade agreement that Trump and Chinese officials are aiming to sign next week.

The corn and ethanol sectors are still unhappy about the Trump administration’s biofuel policies, namely its extensive use of blending waivers for oil refiners, which have depressed the domestic market.

What’s in Store for Agriculture In 2020

The presidential campaign is likely to dominate much of the attention, starting off with a bright spotlight on the Democratic primary contest in Iowa — one of the states most affected by Trump’s farm, trade and biofuel policies. This will also be a pivotal year for the ag industry after a challenging 2019 ended with several positive developments. Here are some of the top issues on our radar as the new decade (!) gets rolling:

The biggest weight on farmers and ranchers since early 2018 — Trump’s tariff war with key trading partners — appears to be winding down. The president said he’ll [sign a “phase one” deal with China on Jan. 15](#), including promises by Beijing to import more U.S. farm goods over the next two years, before visiting China later this year for “phase two” negotiations.

An uptick in exports to China would be a big relief for producers who have seen sales plummet to one of their largest markets for soybeans, pork and other goods. But Chinese officials still haven’t publicly committed to a specific monetary value of U.S. ag imports, and some farmers are [wary of getting their hopes up again](#).

The ag-trade picture could also improve in 2020 following several other recent wins: a partial trade agreement with Japan offering similar gains as the original Trans-Pacific Partnership, which Trump exited in 2017, and the new USMCA framework that’s on the path to ratification in Congress after the House finally signed off in December. On the other hand, Trump’s trade plans could still bring plenty of disruption.

Despite positive trade news of late, USDA could soon announce another tranche of tariff relief payments to reimburse producers for last year’s financial losses. The department has promised up to \$14.5 billion in direct aid for 2019 production (on top of \$8.6 billion provided for 2018 losses), and officials haven’t ruled out an entirely new program for 2020.

Trade aid and other government payments were largely responsible for keeping net farm income afloat in 2019. The bailout has faced [growing scrutiny from ag economists and lawmakers](#) who have questioned the fairness of how the money is distributed across the industry. But there’s been little effort by Congress to interfere with the program, widely seen as a lifeline for farmers amid Trump’s trade storm.

Watch the weather forecast: One of the biggest stories of 2019 was extreme weather that caused historic planting delays and other headaches for farmers and ranchers. There’s no telling what Mother Nature will bring in 2020, but the trend of increasingly severe weather is undoubtedly a growing problem for agriculture, and the industry is starting to pay more attention to climate change.

More biofuels backlash? Trump’s ethanol policies have struck a nerve with farmers even more than his trade war, and the administration has struggled to find a compromise between agriculture and the oil industry. The EPA recently reaffirmed final biofuel blending volumes for

2020 that are seen by corn and ethanol producers as inadequate, so the agency will remain under the microscope in the months ahead.

Dietary guidelines on deck: USDA and HHS this year will publish the latest edition of the government's official advice for eating healthy, updated every five years. Among the issues to watch: A new coalition of low-carb advocates is pushing for the 2020 guidelines to highlight the benefits of cutting back on foods like pasta and bread.

Bayer's Outlook For 2020

Bayer AG may be planning to spend \$6.7 billion over the next decade researching and developing alternatives to glyphosate, but that doesn't mean the company is backing away from the herbicide, said Lisa Safarian, who heads commercial operations for the company's Crop Science division in North America.

"We stand behind the safety of our product, and farmers continue to rely on it," Safarian said of the most widely used herbicide in the U.S. during an interview with MA. "But we are very interested in innovation and providing additional choices on weed control."

Glyphosate, the active ingredient in Roundup, is tied up in an avalanche of lawsuits alleging that it causes cancer. Bayer acquired the product as part of its purchase of Monsanto. Safarian said the takeover will allow the company to create new tools faster because of the combined expertise on crop protection, like weed killers or fungicides, with genetically engineered seeds during the earliest stages of research and development.

Court status: Bayer estimated that, as of October, more than 42,000 people had filed lawsuits alleging glyphosate-based weed killers cause cancer. Three U.S. juries have ruled against the company, which Bayer is appealing on grounds that the EPA and other regulatory agencies have signed off on glyphosate's safety. Bloomberg [reported](#) the company has proposed paying as much as \$8 billion as part of a settlement agreement. Safarian told MA that it would be inappropriate for her to comment on any litigation.

Bayer Crop Science is testing new ways to use the enormous amount of data generated by farmers every year, including a pilot called outcome-based pricing, Safarian said. Launched in 2019 for corn growers and expanding to seven states this year, Bayer guarantees a certain yield as long as farmers follow the company's prescribed growing practices. Farmers will get a refund if the prearranged outcome isn't realized, but if it surpasses expectations, Bayer would share in the profit. It is a way for the company to test its data-driven predictions for a growing season and whether farmers are interested in sharing risks, Safarian said.

Record flooding in the Midwest prevented millions of acres from being planted last spring, following a slew of other natural disasters like hurricanes and wildfires since 2017. Asked how Bayer is accounting for these risks, Safarian said new seed hybrids can be developed for specific regions of the country as growing conditions change. She also cited the company's goal, [announced this summer](#), to slash greenhouse gas emissions by 30 percent by 2030, in part by using data to help farmers apply pesticides more precisely.

The Biggest Trade Aid Beneficiary

Alternative farm lender Agrifund LLC, which operates as Ag Resource Management, or ARM, has received about \$75 million under the Trump administration's tariff relief program for farmers.

Direct payments from the Agriculture Department are intended to reimburse producers whose ag exports have plummeted since President Donald Trump picked a trade fight with China in 2018. But USDA rules allow recipients to reroute their payments to third parties, and farmers indebted to ARM are required to do so under their contract with the firm, according to a company spokesperson.

That has allowed the Texas-based firm to receive \$35 million through the 2018 program and another \$40 million so far under the 2019 iteration. The next highest recipient is AgCountry Farm Credit Services, a Midwestern lender that has received \$37 million in tariff relief payments, according to the Midwest Center.

So-called alternative lenders like ARM are more lightly regulated and generally charge higher interest rates than traditional farm banks. They can offer a lifeline to farmers who have a hard time getting loans from more strictly regulated firms during the current ag economy downturn — but those same loans can prove treacherous for producers who fall behind.

USDA has paid farmers \$10.75 billion so far for 2019 production, sending checks to some 644,000 producers, a spokesperson told MA. That's in addition to \$8.6 billion paid out for 2018 trade losses. Farmers in Iowa, Illinois, Texas, Minnesota and Kansas have received the most funds for 2019.

A Game of Chicken in U.S.-U.K. Trade Talks

Trump's promise of a "massive" trade pact with London could all come down to meat and poultry. As the U.K. prepares to leave the EU at the end of January, British officials will need to determine their own food safety standards — like whether to allow U.S. imports of so-called chlorine chicken or hormone-treated beef that are banned by the EU.

"European and U.K. consumers have been kind of brainwashed by their politicians and their media on such things as some of the food safety issues, the use of chlorine and other antimicrobial treatments," said Jim Sumner, president of the USA Poultry and Egg Export Council.

Clearing the Path for Hemp Growers

Just over a year since Congress removed hemp from the federal list of highly restricted drugs in the 2018 farm bill, the pieces for nationwide hemp production are now falling into place. USDA last week signed off on half-a-dozen state and tribal plans for regulating hemp, the first approvals since the department proposed a broad framework in October.

USDA approved plans for Louisiana, New Jersey, Ohio and three tribes, and federal regulators are reviewing proposals from 17 other states. Eight more states are still drafting plans.

The three state plans that were approved include relatively strict language on hemp testing that hews closely to USDA's interim rule. Namely, they each mandate that hemp crops are tested by DEA-registered labs — sometimes putting the onus on farmers to find such a lab. The rigid USDA framework for testing and sampling has been a point of contention for some hemp advocates.

USDA also announced a new crop insurance program for hemp growers in select counties across 21 states. Coverage will be available in 2020 to farmers growing hemp for fiber, grain or cannabidiol, with certain requirements (like at least one year of experience growing hemp and a contract for selling the insured crop).

Reminder: The public comment period for USDA's hemp rules ends on Jan. 29.

Another Big Dairy Firm Goes Bankrupt

Borden Dairy Co. became the second major milk producer to file for Chapter 11 bankruptcy in the last two months, following Dean Foods, the largest U.S. dairy company. Borden's debt pile became "unsustainable" amid heavy competition in the industry and higher raw milk costs, [the company said in a statement](#).

Borden "must achieve a more viable capital structure," CEO Tony Sarsam said. "This reorganization will strengthen our position for future prosperity. ... We will continue serving our customers, employers and other stakeholders and operating business as usual throughout this process." The Dallas-based dairy, founded in 1857, operates 13 milk processing plants across the US and is well known in part for its "Elsie the Cow" mascot.

The sector has been under pressure as U.S. milk consumption shrinks, in part because of the booming popularity of dairy alternatives like soy and nut-based products. Meanwhile, the number of dairy suppliers is falling as many small farmers go bankrupt, pushing up the cost of raw milk for big buyers.

While Borden aims to stay in business and reposition for "long-term success," Dean Foods intends to sell its assets — potentially to the Dairy Farmers of America co-op.

Pork Industry Pans New Plant-Based Alternative

Impossible Foods this week unveiled its Impossible Pork, prompting a flurry of [positive reviews and headlines](#) touting its similarity to pork in taste and texture. The pig sector was less enthused — and took issue with the product's name, calling it a "brazen violation" of food labeling rules. ["What's impossible is to make pork from plants,"](#) said Dan Kovich, science and technology director of the National Pork Producers Council. "Any adjective placed in front of the word pork can only refine it, not redefine it. It's not pork. It's not pork sausage. It can't be labelled as such." Impossible Foods hasn't revealed when its alternative pork products will hit store shelves, though six Burger King locations this month will begin [offering the "Impossible Croissan'wich"](#) with a pre-seasoned Impossible Sausage.

The company dropped its bid to supply plant-based burgers to McDonald's, citing production constraints the news boosted shares of Beyond Meat — a top rival of Impossible Foods in the burgeoning plant-based meat sector — by more than 12 percent on Tuesday.

Canada Boosts Swine Fever Safeguards

A Canadian vaccine center will soon launch work on African swine fever, the latest step in Ottawa's efforts to ratchet up defenses against the deadly pig disease, which could devastate North American pork producers if it reaches the continent.

The Canadian Food Inspection Agency is collaborating with the University of Saskatchewan's Vaccine and Infectious Disease Organization-International Vaccine Centre (or VIDO-InterVac) to test antivirals for African swine fever. The center will start studying ASF in its Containment Level 3-Agriculture facility in Saskatoon this month, [the government announced on Wednesday](#).

There are still no approved vaccines or treatments for ASF, which is highly contagious among hogs but is not dangerous to humans. The virus has wiped out pig herds in China and Southeast Asia, and it's also present in parts of Europe.

The U.S. and Canadian governments have been working closely for months to keep ASF at bay. “We have both live animals and pork products that go back and forth across the border between us each and every day,” USDA Undersecretary Greg Ibach told POLITICO last year. “So we want to be able to maintain that relationship as we also are vigilant for African swine fever.”

The \$8B Climate Roadmap for Farmers

The Center for American Progress in a new [report](#) today outlined policies that could generate additional revenue for farmers who adopt climate-friendly practices, like storing more carbon in soils, installing energy-efficient technology and protecting land from development. The left-leaning think tank estimated the proposals could eventually help farmers and other landowners earn an additional \$8 billion a year through federal investments and their own cost savings.

“It’s a false choice that rural communities can either have economic prosperity or take climate action,” said Bidisha Bhattacharyya, deputy director for climate and energy progress at CAP and co-author of the report. “Climate policy can be a win-win.”

The largest investment involves doubling funding for the Agriculture Department’s conservation programs for working lands to nearly \$3.5 billion each year, in order to enroll an extra 100 million acres by 2030. The focus should be on paying farmers to plant cover crops, CAP said, which are only used on about 4 percent of farmland.

The report cited a USDA research [project](#) in June that found corn and soybean growers, after five years of planting cover crops, could have a net return of \$18 an acre and \$10 an acre, respectively, due to boosted crop yields and lower input costs like fertilizer. Using the practice on an additional 100 million acres could save farmers \$1.4 billion, CAP said.

CAP called for doubling funding for a USDA rural energy program to \$800 million to offer more loans and grants to farmers who install solar, wind and other efficiency equipment on their operations. The program also could help thousands of dairy and swine operations install methane digesters, which the EPA estimates could save \$1.7 billion a year in electricity costs. CAP said 254 digesters are already in use.

Some of CAP’s proposals are similar to Democratic presidential candidates like Sens. Elizabeth Warren (Mass.) and Cory Booker (N.J.), who want to pour billions into USDA conservation programs as part of their climate agendas.