

News from Washington: December 2-6

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2020 Democrats Struggle with Rural Voters

The sweeping rural policy proposals unveiled by presidential contenders marks a change from past Democratic campaigns. But they're still lacking a consistent and clear message, which may once again mean the party loses large swaths of rural communities to President Donald Trump, local party officials said.

Wayde Lawler, Democratic chairman of Vernon County, a rural area in Wisconsin that was red in 2016, said candidates need to hit harder on what they would do for farmers. Wisconsin is the country's second-largest dairy producer after California, and has lost thousands of dairy operations following a five-year slump in milk prices — exacerbated by Trump's trade disputes. The state currently has the highest [rate of farm bankruptcies in the U.S.](#)

Easy issues for Democrats to use as an attack on Trump are trade and his biofuels policy, which the ethanol and corn sectors have blasted for slashing demand for their products. Biden has been the most aggressive in [hammering Trump on his fights with China and other trading partners](#). For other front-runners like Sens. Elizabeth Warren and Bernie Sanders, distancing themselves from Trump on trade is more challenging because they tout similarly protectionist rhetoric.

Zach Simonson, Democratic Party chairman of Iowa's Wapello County, which backed Trump in 2016, said the fight for the farm vote likely won't be decided over policy differences. To gain trust, candidates must have a "really good way of telling farmers that this president doesn't give a damn about them," Simonson said.

Last-Minute Demands Complicate USMCA Deal

House Speaker Nancy Pelosi and an unlikely ally, Sen. Ted Cruz (R-Texas), are championing a last-minute push to strip the new North American trade pact of language shielding internet companies from liability over user-generated content. That protection has faced scrutiny in Washington as companies such as Facebook, YouTube and Twitter come under fire for the harmful content and political disinformation on their platforms.

Critics argue that enshrining those protections in trade pacts will limit Congress' ability to reconsider them domestically, but GOP lawmakers said they see the push to scrub the language as a last-ditch effort to delay the trade deal. Adding in a new and controversial request could significantly extend a negotiating process that all parties involved have repeatedly insisted was close to wrapping up.

Meanwhile, Rep. Henry Cuellar (D-Texas) told reporters Thursday that the U.S. put a new demand on the table — separate from the tech liability language — that Mexico does not want to touch. Cuellar did not specify what exactly it was, only saying the demand came as Mexico was "pretty much almost ready to go."

USDA Opens Conservation Program Signups

Farmers and landowners can start enrolling land in the Conservation Reserve Program on Monday, USDA announced Thursday. CRP, which pays farmers to take environmentally sensitive land out of production under 10 to 15 year contracts, is aimed at controlling soil erosion, improving water quality and protecting wildlife habitat.

About 7 million new acres will be eligible for the program after the 2018 farm bill increased CRP's allowable acreage cap to 27 million. This could be the largest sign-up in more than a decade, said Bradley Karmen, FSA assistant deputy administrator for farm programs, on a call with reporters.

Ducks Unlimited and the Theodore Roosevelt Conservation Partnership, which advocate for protecting wildlife habitat and access for hunters and fishers, called on USDA to offer the maximum Practice Incentive Payments under the program. These one-time payments are used to encourage farmers and landowners to adopt certain "continuous" practices. The 2018 farm bill allowed USDA to offer payments up to 50 percent of a project's cost.

USDA's conservation initiatives, such as CRP and the Conservation Stewardship Program, have been highlighted by Democratic presidential candidates as a potential way to combat climate change.

Biden was recently joined by Tom Vilsack, the former Agriculture secretary and Iowa governor, during an eight-day tour through the Hawkeye State where the main talking point was regenerative agriculture's role in climate solutions.

"It is no small thing to see the Vilsacks stand by the Bidens at this late stage," Art Cullen wrote in [an editorial](#) for The Storm Lake Times. "Vilsack is among the leaders of an unorganized cadre ... pushing for a different approach from 50 years of rural decline. They're getting across the idea of paying farmers for environmental services to all the campaigns."

Taking Stock of Trump's Trade Aid

The Trump administration has doled out \$10.3 billion to farmers and ranchers stung by retaliatory tariffs in 2019, on top of \$8.6 billion for last year's production, a USDA spokesperson told MA. The bailout program has helped many producers stay afloat: Direct government payments are soaring by 64 percent this year compared with 2018, driven largely by trade aid, which has helped overall farm sector income move modestly higher this year.

But there are signs that taxpayers might be overpaying some farmers. Six academic studies found that USDA overestimated the trade war's impact on soybean prices, [Bloomberg reports](#), along with other commodities. Of course, that doesn't mean farmers are suddenly raking it in — especially amid other market and weather challenges. But disparity among commodity groups, geographic regions and farms of different sizes has fueled criticism about the economic calculations USDA used for the program.

Other producers, like wild blueberry growers in Maine, say USDA failed to account for [the financial losses they've suffered](#) under Trump's tariff brawl with China. Sen. Angus King (I-Maine) sent a letter to Secretary Sonny Perdue asking him to "immediately" make wild blueberry producers eligible for direct aid.

"The president's trade war will lead to a 96.75 percent decrease in the value of my state's wild blueberry exports to China since 2017," King wrote. (Blueberry producers were included in a separate and much smaller trade relief program involving commodity purchases and redistribution.)

The department is considering a third and final batch of 2019 payments starting in January, depending on trade and market conditions — and officials haven't ruled out a whole new round

for 2020 production. [Perdue told CNBC on Wednesday](#) that USDA is in wait-and-see mode as Trump's trade team works to finalize a partial agreement with China.

Trump has claimed China will buy as much as \$50 billion in U.S. farm goods under the agreement — but it's unclear if such huge purchases are feasible, given supply and demand limitations. Perdue acknowledged it will ["take a while to ramp up to that."](#)

SNAP Crackdown Could Tear A Hole In Recession Safety Net

The [final rule](#) released by USDA on Wednesday to make work requirements stricter for millions of SNAP beneficiaries largely follows what the administration initially proposed earlier this year. As expected, it tightens the criteria that states must meet to get a waiver from existing work requirements for able-bodied adults without dependents, or ABAWDs.

But the department also made another significant, little-noticed change: It eliminated one of the key ways states get waivers from work requirements when unemployment is rapidly rising — a change that has anti-hunger advocates even more concerned.

What about the next recession? The changes in the final rule, which will begin to take effect April 1 barring court action, would make SNAP less responsive to an economic downturn, according to the Center for Budget and Policy Priorities, a liberal group that analyzes and defends safety-net programs.

About 688,000 adults would be ineligible for the program under the changes, USDA estimated. The plan would save nearly \$5.5 billion over five years.

Conservatives had long sought a major crackdown on waivers, arguing that USDA needs to rein in the social safety net and promote self sufficiency during a time of low unemployment. "Work requirements work," said Kristina Rasmussen, a senior fellow at the conservative Foundation for Government Accountability.

Democrats on Capitol Hill, meanwhile, issued a flurry of furious statements. Ohio Rep. Marcia Fudge, chairwoman of the House Agriculture Committee's nutrition panel, accused USDA of having "callous and cruel intentions," and called the department "the Grinch that stole Christmas."

WTO Averts Budget Crisis, But Still Headed For Paralysis

The Geneva-based trade body on Thursday approved a preliminary 2020 budget. It staves off a potential shutdown after the U.S. threatened to block WTO's budget over complaints about its highest court, the Appellate Body. Washington dropped its opposition only after the dispute-resolution panel drastically cut pay for members, [Bloomberg first reported](#).

But members' pay isn't the crux of U.S. objections to the Appellate Body, which has the final authority in trade disputes between countries. The Trump administration argues the body has overstepped its mandate and the U.S. is refusing to consider any nominees to replace vacancies on the seven-member panel. Right now it has three judges — the minimum needed to sign off on rulings, but two are stepping down Dec. 10. After that date, no new appeals can be reviewed, leaving 13 ongoing cases in legal limbo.

What does this mean for global trade? Without a working appeals system, international trade disputes may never see resolution and could quickly evolve into tit-for-tat tariff wars that spiral out of control, analysts recently said.

Supporters of Trump's tactics say the negative consequences are overblown, because even if countries cannot appeal decisions, trade complaints can still be raised and potentially resolved at lower levels of the WTO.

The Year-End Agenda for Ag And Trade

There are 30 days left in 2019, but the next few weeks could bring significant developments on government funding, agricultural trade, tax extenders and maybe a bipartisan farm labor overhaul. First and foremost, Congress will have to approve final appropriations for fiscal 2020 (or another short-term extension) before the current stopgap expires Dec. 20.

Appropriators last week agreed on how to divvy up defense and domestic spending among the 12 individual bills, but there are still major obstacles to a final deal — including the dispute over funds for Trump's border wall, which triggered the historic government shutdown one year ago. USDA and the FDA were shuttered during that record-long funding lapse, throwing a wrench into food safety efforts, trade aid and other farm programs.

Nearing the USMCA finish line: House Democrats and the Trump administration are on the verge of an agreement on changes to the new NAFTA deal, pending a final review of the details. That could facilitate a House vote on Trump's biggest trade achievement so far. Mexico's top trade official said on Friday that the proposed changes could be approved by Mexican officials this week. He also predicted that U.S. ratification of the three-way deal is still possible in 2019.

Trump's trade negotiators are also closing in on a partial trade pact with Beijing, which would include a boost in U.S. farm exports to China. One trade official last week [said the two sides are "millimeters" from a deal](#), which fueled optimism that an agreement might be announced this week.

Lawmakers could also take action on a pair of priorities for ag groups: a farm labor overhaul and an extension of tax incentives for renewable energy, including biofuels. The House Judiciary Committee last month advanced a bipartisan bill that would expand the H-2A guestworker program and establish a mandatory E-Verify system for farm employers nationwide.

House Democrats also rolled out a draft bill to renew a crop of expired tax breaks, [including the biodiesel blenders tax credit](#), a critical subsidy for the industry.

This is all happening [as the House impeachment process steams ahead](#), which could threaten any significant bipartisan action in the coming weeks.

Japan Trade Deal Cleared FOR 2020 Launch

The Japanese legislature has formally ratified the mini-agreement signed by Trump and Prime Minister Shinzo Abe in October, so the deal is set to take effect on Jan. 1.

The partial trade pact will bring greater export opportunities for farmers and ranchers, who have been losing ground in Japan to competitors like Canada and New Zealand since the 11-nation TPP went into effect this year without the U.S.

But the new mini-deal doesn't offer more for U.S. agriculture than the original TPP, which Trump exited in 2017 — and some farm sectors still won't have as much market access as their

competitors in countries included in the 11-nation Pacific Rim pact or a separate Japan-EU trade agreement.

Still, it's a sorely needed win for ag producers who have borne the brunt of Trump's trade wars since early 2018. Meat industry groups in particular celebrated Japan's ratification of the deal. Dan Halstrom, president of the U.S. Meat Export Federation, called it "one of the biggest developments in the history of red meat trade."

Trade Aid Keeping Farm Income Afloat

USDA last week released its updated report on the farm economy, forecasting a 10 percent bump in agricultural income this year compared with 2018. But the projected \$8.5 billion increase is fueled largely by a huge jump in government payments, like Trump's trade aid program, your host reports.

Direct farm payments are expected to total \$22.4 billion, an increase of \$8.8 billion or 64 percent from 2018. That means government payments would account for about 24 percent of all farm income — the largest share in more than a decade.

USDA has already paid more than \$9 billion to farmers and ranchers for their 2019 production, with another tranche of payments now underway (and potentially a third round coming in January).

Farm debt is on track to grow by \$13.5 billion this year, or 3.4 percent. And the debt-to-asset ratio, a key measure of financial stability in the sector, also continues to tick up — but it's nowhere close to the levels of the 1980s farm crisis. [Read the full economic report.](#)

Sneak Preview of U.S.-U.K. Trade Talks?

The Trump administration envisions fast-paced trade negotiations with London once the U.K. formally exits the EU, according to leaked reports from a working group laying the groundwork for a post-Brexit.

"They envisage a high cadence negotiation — with rounds every six weeks," the U.K. said after a July working group meeting. The documents noted that even if the chances for a U.S.-U.K. deal during Trump's first term were low, making progress in negotiations was seen as a political winner for the president in 2020.

The papers also lay out priorities related to agriculture, including discussions on chlorine-washed chicken. U.S. officials suggested that the U.K. could water down its food labeling standards, which require manufacturers to clarify whether their products are high in sugar or fat. The documents note U.S. concern that "labelling food with high sugar content (as has been done with tobacco) is not particularly useful in changing consumer behavior."

U.S. officials also suggested that provisions in the new North American trade pact could be a potential baseline for a transatlantic deal. They also warned that the U.K.'s post-Brexit trade framework with the EU will have major sway over a potential deal with the U.S.

How Pork Could Cut the Trade Deficit With China

A trade agreement that eliminates China's 72 percent tariff on U.S. pork could reduce the bilateral trade deficit by nearly 6 percent and generate 184,000 new American jobs over the next decade, according to new analysis conducted by Iowa State University economist Dermot Hayes for the National Pork Producers Council.

China's pork tariff is only 12 percent for other major suppliers, such as Canada, the EU and Brazil. But U.S. exporters face steeper duties because of Beijing's retaliation for Trump's tariffs on more than \$350 billion worth of Chinese goods. China also places other barriers on the protein, including custom clearance delays, that impede imports.

Unrestricted access to the Chinese market would generate \$24 billion in U.S. pork sales over the next 10 years, or twice the current projections, Hayes said. Pork is a staple of the Chinese diet and a major element of the country's consumer price index. But China's massive swine herd has been decimated by African swine fever, reducing domestic production by more than 50 percent.

Biofuels Rule on Ice Until Winter

Those in the biofuels industry probably won't have to worry about a sudden work day ruining their leftover turkey this year. The EPA typically releases its final rule for annual biofuel blending mandates under the Renewable Fuel Standard the day before or after Thanksgiving — but the agency said Tuesday that it won't complete this year's final rule until the winter.

The agency issued a supplemental RFS rule this year, throwing a wrench into the usual timeline. "The comment period on EPA's October 15th supplemental proposal will close on Friday, November 29th, after which the agency will review and respond to all comments and hopes to finalize the rule this winter," EPA spokesperson Michael Abboud said in a statement.

Administration stressing? The White House is still getting an earful from biofuel advocates over the proposal. Sources said longtime Iowa governor and current Ambassador to China Terry Branstad met with President Donald Trump last week to lay out the industry's concerns, and the White House asked Sen. Chuck Grassley (R-Iowa) in for a meeting as well, as Reuters first reported.

Organic Hemp Production on The Rise

Farmers are looking to differentiate themselves in a crowded hemp market by selling organically grown hemp. Right now, the population of organic hemp farmers is tiny — just 356 operations across the country. But the organic industry predicts those numbers will grow as the demand for top-tier hemp products is anticipated to rise.

"There's increasing interest and increasing demand" in organic hemp, said Gwendolyn Wyard, vice president of regulatory and technical affairs for the Organic Trade Association. "There's so much hemp coming onto the market — we're looking at a flooded marketplace. Retailers are figuring out who to buy from and looking at how brands are distinguishing themselves."

For many crops, producers see several benefits from going organic: Such products sell at a premium and using sustainable practices is good for the environment. That's especially true for hemp, which has an extensive root network that can break up soil compaction and extract toxins and pollutants. (The more you know: Hemp was planted after the Chernobyl nuclear disaster to decontaminate radioactive soil.)

The lack of an adequate supply chain infrastructure is a major problem for all hemp producers, but it poses additional challenges for organic growers because all steps of the supply chain that interact with a hemp harvest must be certified organic, including processing facilities.