

News from Washington: June 29 – July 2

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

Welcome to the USMCA Era

After two years of negotiations and another year of wrangling votes on Capitol Hill, the three-way pact entered into force today, replacing the 26-year-old NAFTA and sealing one of Trump's top campaign promises.

Still, there are plenty of disputes to resolve with Canada and Mexico. For one, dairy producers are already [raising concerns](#) about Canada's proposed tariff rate quotas on milk products, which the International Dairy Foods Association said don't comply with the terms of USMCA's chapter on agriculture.

Also, Mexico has been slow to approve import permits for agricultural biotech products like GMOs, effectively boxing out U.S. producers — even though Mexican law allows such farm goods to be sold within the country.

As for the broader economic payoff, the benefits could be years away. The new deal isn't projected to boost trade within the continent by a lot, and the pandemic could further delay any major gains from the agreement.

House Bill Would Create Climate Fund for Farmers

Rep. Josh Harder (D-Calif.) will introduce a bill that would set up a \$2.5 billion grant fund to help farmers invest in more fuel efficient vehicles, sequester carbon in their soil, and make other changes aimed at cutting greenhouse gas emissions.

The legislation is modeled after a similar 'climate smart' effort in California that doles out money from the state's cap-and-trade proceeds to help producers do things like install methane digesters or plant cover crops. The bill would also set up a \$10 million pilot program to work on converting tree nut byproducts (think almond hulls) into "climate friendly biocarbon products."

The bill is backed by a mix of ag and environmental groups, including the National Milk Producers Federation, Almond Alliance, Citizens Climate Lobby and League of Conservation Voters. Co-sponsors include California Reps. T.J. Cox and Jim Costa, both House Ag members.

The legislation from Harder, who represents a major almond growing area, is part of a growing list of marker bills related to climate that are likely to drop from a wide range of lawmakers before discussions kick up about the next farm bill.

Secretary Perdue: President Trump Delivers USMCA, a Huge Win for U.S. Agriculture

The United States-Mexico-Canada Agreement (USMCA) enters into force, replacing the decades-old NAFTA. USMCA is a better deal for America's farmers, consumers and workers that will set them up for success for decades to come. U.S. Secretary of Agriculture Sonny Perdue penned an [oped in the North Carolina Fayetteville Observer](#) saying, "USMCA creates more market access for farmers from across our nation to sell their wholesome and nutritious products to our closest neighbors. This is a better deal for America that will grow our economy and put more money in the pockets of American families."

More here from [Secretary Perdue's oped](#):

“On my first day as Secretary of Agriculture, President Trump promised he’d fight for better deals for American farmers. That is why the president renegotiated the decades-old NAFTA and modernized it into a better deal for America’s farmers, consumers and workers that will set them up for success for decades to come...

“We are shown once again that President Trump has the backs of America’s farmers and thank him on the delivery of this much better deal...

“USMCA helps all of America’s diverse agricultural industries. This new and improved deal secures greater access to markets and lowers barriers for our agricultural products...

“USMCA eliminates Canada’s unfair Class 7 milk pricing scheme that was creatively developed to allow unfairly low-priced Canadian dairy products to undersell U.S. products in Canada and in third-country markets. United States poultry and egg producers will also see expanded access to Canada’s market, directly benefiting American producers in states like Iowa, Georgia, Arkansas and California...

“It includes rules to address all agricultural biotechnology, including gene editing, in support of 21st century innovations in agriculture. The agreement also improves the flow of trade with new and enforceable rules to ensure that sanitary and phytosanitary measures to protect human, animal, or plant life or health are science-based and transparent...

“USMCA also updates the rules of origin for processed fruits to ensure preferences benefit U.S. producers. Most importantly, the new agreement maintains the tariff-free access for nearly all U.S. agricultural commodities shipped into Mexico and Canada, providing America’s farmers and ranchers continued market access...

“The implementation of this deal sends a strong signal to other important export markets such as the United Kingdom and the European Union that President Trump and Congress are serious about pursuing and enacting future agreements that create better economic opportunities for all parties involved. The United States is open for business, and our farmers are ready to export more of their wholesome and nutritious products to consumers around the world...”

[Source: USDA](#)

Democrats Detail Plans for Climate-Friendly Farming

The climate change committee on Tuesday unveiled an ambitious framework for slashing greenhouse gas emissions to net-zero by the century’s halfway point. That would be achieved, in part, by ramping up conservation programs for ag producers that are consistently oversubscribed and cover just a fraction of the country’s farmlands.

Pouring far more money into “climate-smart” ag practices; making climate adaptation and mitigation a specific goal of federal farm policy; creating a “Climate-Based Producer” certification for farmers; and developing feed additives that can lower methane emissions.

Our inboxes were somewhat quiet as many food and farm groups did not immediately react to the lengthy proposal. But industry groups that did weigh in were not especially enthusiastic.

The National Cattlemen's Beef Association, for example, didn't come out swinging against the report, but it said the plan was "unfortunately the product of partisan discussions that failed to encompass important constituent communities across the country."

Three House Agriculture subcommittee chairs — Abigail Spanberger, David Scott and Stacey Plaskett — praised the report, saying it was encouraging to see the committee and the Democratic caucus recognize that agriculture can be "a collaborative part of the solution to the climate crisis."

Most pieces of the climate blueprint aren't likely to go anywhere during this Congress, considering Republicans widely oppose the plan and lawmakers are more focused on managing the pandemic and recession. But there's some bipartisan interest in advancing climate-friendly farm policies.

Just last week, the Senate Ag Committee held its first hearing since March on a bipartisan carbon credits bill. And there are signs that the industry itself is [starting to take climate issues more seriously](#).

Dicamba Drama Continues with Bayer Settlement

Bayer's \$400 million dicamba settlement announced last week could extend a lifeline to row crop farmers in the Midwest facing several years of losses allegedly due to dicamba drift.

The multimillion-dollar agreement was part of a larger deal involving Bayer's popular Roundup weedkiller, which got far more attention. But for some farms, the dicamba compensation could be the difference between staying in business or going bankrupt — and it's one more twist in another frantic growing season for row crop farmers who rely on the herbicide.

Claims from the 2015 to 2020 growing seasons will be covered by the settlement, and farmers not involved in the litigation are still able to submit claims if they provide proof of damage to crop yields and evidence that it was due to dicamba, according to a Bayer spokesperson.

The Court of Appeals for the 9th Circuit [ordered that the product be pulled from the market](#), saying that the EPA didn't fully consider the risks posed by the chemical. The agency later clarified that producers can spray dicamba purchased before the court's ruling through July 31.

Despite the one-two punch of the 9th Circuit ruling and the settlement, Bayer isn't backing off from its lucrative dicamba product portfolio. The company has "several dicamba formulations in our pipeline," some of which have been submitted to the EPA and others that remain in development, according to the spokesperson.

Farmers Fear Cash Crunch for Ag Inspectors

As Congress prepares to start working on fiscal 2021 spending bills in the coming weeks, farm industry groups are asking appropriators to include a funding patch for ag inspection efforts that are facing a potential \$630 million shortfall because of the pandemic.

["It is inconceivable that Congress would risk widespread damage](#) to U.S. agriculture and the overall economy by not funding these inspections," wrote the National Pork Producers Council and more than 150 other ag groups in a letter to lawmakers.

The Agricultural Quarantine Inspection program, carried out by Customs and Border Patrol, is meant to prevent animal and plant diseases from entering the country and potentially wreaking havoc on crops and livestock. The program is funded by fees collected by the Agriculture Department — but the revenue has dried up because of the steep drop in travel and trade.

Even a reserve fund for the effort is expected to run dry before the end of the current fiscal year on Sept. 30, the groups warned.

House appropriators are [planning](#) to mark up the new Agriculture-FDA spending bill in subcommittee on July 6 and full committee on July 9. But first, the legislative text is expected to be released on Sunday.

U.K. Commission to Shield Farmers in Trade Talks

London is launching an advisory group focused on protecting the interests of British farmers in trade negotiations, as the U.K. engages in high-stakes talks with the U.S. and EU.

Liz Truss, the U.K.'s international trade secretary, said trade pacts with other nations must be "fair and reciprocal to our farmers, and must not compromise on our high standards of food safety and animal welfare."

Those issues are among the most controversial sticking points in negotiations with the Trump administration, which wants the U.K. to ease restrictions on certain ag practices and products like so-called chlorine chicken, effectively giving U.S. farmers more access to the British market.

Ottawa Shrugs Off Trump's Tariff Talk

Canadian Prime Minister Justin Trudeau panned Trump's recent "musings and proposals" about bringing back U.S. duties on Canadian aluminum.

Trump is threatening to slap a 10 percent tariff on the metal unless Canada sets quotas on its aluminum exports. But most of the U.S. aluminum industry opposes tariffs, arguing that current import levels are in line with long-term trends.

Raining on the USMCA parade? The tariff talk comes just ahead of the NAFTA replacement deal's entry into force on Wednesday. Mexican President Andrés Manuel López Obrador is scheduled to [visit Trump in Washington](#) in early July to mark the occasion, and it's unclear if Trudeau will join them.

Fed to Buy Bonds from Food, Ag Firms

The New York Federal Reserve on Sunday detailed its nearly \$7 billion shopping list for individual corporate bonds and exchange traded funds.

Among the nearly 800 companies were dozens of food and farm businesses, including Anheuser-Busch InBev, Archer-Daniels-Midland, Bayer U.S. Finance, Bunge Ltd., Campbell Soup, Cargill, Coca-Cola, Conagra, Costco, Flowers Foods, Hershey, Hormel Foods, J.M. Smucker, Kellogg, Kroger, McDonald's, Monsanto, PepsiCo, Quaker Oats, Smithfield Foods, Starbucks, Sysco, Tyson Foods and Unilever.

The program is part of the central bank's unprecedented efforts to pump money into the economy and keep cash moving through financial markets. The Fed is buying bonds on the open market from companies that meet its eligibility standards. The purchases will lower borrowing costs for those firms should they seek more credit.

House Infrastructure Bill Draws Ag Critics

A coalition of farm and fuel groups on Monday took issue with provisions in the sweeping legislation that would boost tax incentives for electric vehicle owners, whom they called a “small and affluent segment of the driving public.” The House is expected to start debating the measure today.

In a letter to top lawmakers, industry groups including the American Farm Bureau Federation, Agricultural Retailers Association and American Petroleum Institute took issue with provisions to increase limits on the electric vehicle credits and expand infrastructure like charging stations, among others. They argued that Congress should “maximize investment dollars in infrastructure that benefit all Americans, not a small subset of the automobile fleet.”

President Donald Trump’s advisors recommended that he veto the infrastructure package if it lands on his desk, according to a statement of administration policy released on Monday. It’s not popular with Republicans on the Hill, either.

The package is “heavily biased against rural America,” the White House said, although the legislation includes language requiring a portion of the funds to go to communities with fewer than 10,000 people.

Biofuels Fight Bites EPA Nominee

Ernst said on Friday that she’ll hold up Trump’s nomination of Doug Benevento for EPA deputy administrator as she tries to squeeze more info out of the agency about its plans for handling a flood of new oil industry requests for blending waivers.

A federal court earlier this year ruled that the EPA could only issue waivers to refiners who had continuously been exempt since the program launched nearly a decade ago — a decision that threatened to wipe out the majority of the existing refinery waivers if it was applied nationally.

Dozens of oil refiners tried to sidestep the new hurdle by petitioning the EPA for economic hardship status dating back years, which would allow them to meet the court’s standard going forward.

The Iowa Republican said that until the EPA “tells us exactly what they plan to do with the ‘gap year’ waivers, Mr. Benevento does not have my vote,” adding that ethanol and biodiesel producers in Iowa “are sick of being yanked around by [Administrator] Andrew Wheeler and the EPA.”

The Senate Environment Committee has just one more Republican than Democrat, so Ernst alone could prevent the nomination from advancing to the floor if Democrats unify against Benevento. Her opposition prompted Chair John Barrasso (R-Wyo.) to freeze action on the confirmation.

Ernst is up for reelection in November against Democratic businesswoman Theresa Greenfield, who’s slammed Ernst for voting to confirm Wheeler and former Administrator Scott Pruitt — both of whom have expanded the number of blending exemptions handed out to refiners.

Ethanol producers, a key industry in Iowa, have long complained that the EPA waivers are crushing demand for their product; the stakes are even higher now as the collapse of fuel consumption amid the pandemic has hammered both oil refiners and biofuel makers.

Democrats Aim to Clamp Down on Agency Moves

A group of House and Senate Democrats on Wednesday introduced [legislation](#) that would require a detailed cost-benefit analysis that must be made public before the administration can move a federal agency from one location to another. The cost-benefit findings would also need to be reviewed by the agency's Inspector General before officials could move ahead with the relocation, along with other proposed restrictions.

The effort, led by Sen. Chris Van Hollen (Md.) and Rep. Jennifer Wexton (Va.), stems from Agriculture Secretary Sonny Perdue's controversial relocation of the Economic Research Service and National Institute of Food and Agriculture last summer. Agency staff saw the move [as retaliation for its scientific reports](#), some of which were unflattering to President Donald Trump's food, farm and trade policies.

[In a statement](#), Wexton said the new bill would "provide the transparency and accountability that was sorely missing when the Trump administration took a wrecking ball to ERS and NIFA." The move prompted an exodus of employees from the agencies and [caused significant delays](#) in their work. USDA said it would save taxpayer dollars and bring the agencies closer to major farming regions, [but independent economists disputed the alleged savings](#).

House Democrats also see the Interior Department's relocation of the Bureau of Land Management to Colorado as a way to gut the agency and shrink its environmental oversight of federal lands (though Western lawmakers have long called for such a move).

Only Democrats have signed on to the bill so far, and it's unclear whether it will gain any traction in the GOP-controlled Senate. Of course, proponents could also try to work the proposals into fiscal 2021 spending bills that are scheduled to start moving this month; lawmakers last year used the appropriations process to try to push back on the ERS and NIFA relocations.

COVID-19 Meets Wildfire Season

A worse-than-average wildfire season from the Southwest to the Pacific Northwest could exacerbate the spread of the virus this summer in states like Arizona and California, where cases have been rapidly climbing.

Smoke and pollutants from wildfires can lead to health problems like respiratory infections, inflammation and weaker immune functions, even for people in communities far away from the fire. Among the potential health risks is a higher susceptibility to Covid-19, which is associated with respiratory issues, [according to the CDC](#).

Fire activity has picked up within the past week, including large fires in California, Florida, Nevada, New Mexico, Oregon, South Dakota and Texas. Over the weekend, firefighters in Arizona were working to contain the state's fifth-largest fire in history.

Besides the conflux of respiratory challenges, the biggest concern as the wildfires and the pandemic converge is additional strain on health care systems that are already stretched thin. [Arizona reported a record number of new coronavirus cases on Wednesday](#), and other Sun Belt states like California and Texas have also become hotspots.

Keeping the virus from spreading among firefighters is yet another issue. "It is very apparent that gathering and supporting large numbers of firefighters into compact fire camps will not be practical for this fire year," said Kaari Carpenter, a spokesperson for the Forest Service.

Rep. Abigail Spanberger, who chairs the House Agriculture panel that oversees forestry, said on Wednesday that the Forest Service seems to be on top of the challenges, following a briefing from Chief Vicki Christiansen and regional foresters. The Virginia Democrat said she was ["impressed by the thoughtful preparation and policies"](#) to deal with wildfires and the coronavirus at the same time.

Western Rural Development, Post-COVID-19

The Western Governors' Association released its Reimagining the Rural West Initiative report with a dozen recommendations for retooling economic development efforts out West, as businesses and towns try to bounce back from the pandemic. The initiative, led by WGA Chair and North Dakota Gov. Doug Burgum, follows a series of workshops hosted by Republican and Democratic governors over the past year.

Rural communities on average were more vulnerable to the public health and economic crisis after a decade of slower recovery from the last recession, compared with more populated areas. They're also more reliant on industries like agriculture, mining and manufacturing that have faced financial headwinds for years.

The WGA suggests rethinking economic development efforts that have long focused on recruiting businesses to rural areas. "Opportunities for that kind of development are shrinking as companies outsource labor or concentrate in places with a high density of skilled workers," the report says.

Instead, it proposes focusing on advantages like better access to outdoor recreation and higher quality of life that "can serve to attract new residents, or entice young people to stay or return to their rural hometowns." That includes changing the metrics and requirements for federal programs that support rural development, including loans and grants from the Agriculture and Commerce departments.

The plan also focuses on improving food and water access in the West, citing the higher distribution costs and logistical hurdles in more spread out communities that can make it harder to supply fresh and healthy foods.

Expanding high-speed internet access is a key piece of the report. The so-called digital divide in rural areas remains a roadblock to innovations like remote learning, telework and telemedicine that have been critical during the pandemic.

Rural wireless carriers are complaining that they're caught in the crossfire as the Trump administration cracks down on Chinese tech companies like Huawei and ZTE. A trade group representing the carriers said it was "stunned" at how quickly the FCC cut off subsidies to U.S. companies that used gear from the blacklisted Chinese firms.