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Light at the end of the shutdown tunnel?

As the partial federal government shutdown entered its second month and 800,000 federal workers missed their second paycheck, the Senate this week rejected both GOP and Democrat legislation to end the closure, sending Senate Majority Leader Mitch McConnell (R, KY) and Minority Leader Charles Schumer (D, NY) immediately into a confab over options to end the stalemate.

“I’m tired of the shutdown and I’m tired of the political posturing,” said one unnamed Senator. Congressional support on both sides of the aisle for the shutdown is eroding, even among die-hard partisan lawmakers in both parties.

The legislation rejected in the Senate carried several programs important to members, including disaster relief funding for agriculture and general relief in the wake of hurricanes, wildfires and other natural disasters. The Democrat version carried increases in border security funding, but not monies dedicated to President Trump’s border wall. As an incentive for Democrats, the GOP version carried language allowing DACA/Dreamer immigrants – those brought to the U.S. as minor children – to remain in the country with three years’ protection, along with a path to legal status, a move which enraged congressional conservatives as a move to provide “amnesty” to illegal immigrants.

The McConnell-Schumer meeting comes a day after Senate Judiciary Committee Chair Lindsey Graham (R, SC), one of several moderate Republican Senators pushing for reopening of the government while border security is separately negotiated, said he met with President Trump to discuss a three-week continuing resolution to get the government open.

Trump, whose approval ratings have tanked as he shoulders most of the public blame for the government closure, rejected the three-week plan early in the shutdown, but this week said he’s willing to talk about it if the Democrats offer “some sort of pro-rated downpayment” on his demand for \$5.7 billion to build a southern border wall.

Speaker Nancy Pelosi (D, CA) rejected the president’s “downpayment” option,” and earlier in the week vehemently denied she’s offered the White House money for a high-tech “virtual wall” rather than a physical structure. Meanwhile, the chamber this week approved yet another bill to fund the nine shuttered federal departments and agencies, knowing the Senate will not consider it.

However, Pelosi is under increasing pressure as well as the moderate center of her party this week pushed her to allow “the appropriate committees” to consider Trump’s wall demand – “subject to amendments” – then give the president a vote on the funding by the end of February if he’s willing to reopen the government first.

Pelosi's Democrats continue to hash out what may be part of a Democrat offer. Pelosi set a press conference for January 25, and all eyes are on what may be put on the table at that time.

No State of the Union Speech Next Week

President Trump's plan to deliver as scheduled his State of the Union speech on January 29 before a joint session of Congress and the nation has been postponed because House Speaker Nancy Pelosi (D, CA) refused to bring to the floor for a vote the congressional joint resolution authorizing the annual speech.

Pelosi earlier this month asked Trump to defer the speech until the federal government reopens, citing security concerns as well as appearances. Trump responded it was his intent to give the speech as scheduled, saying the Speaker's security concerns were unfounded. Bottom line: Pelosi controls the chamber.

Trump said he would "honor" Pelosi's request, dismissing speculation he might give the speech at a different venue, citing the historic nature of the House chamber.

Shutdown Developments, Impacts, Inquiries

As the partial federal government shutdown continues, the negative impacts of the closure are spreading across the country and across the economy broadly. Below are a series of developments related to the shutdown reported this week:

USDA Reopens All FSA Offices – Agriculture Secretary Sonny Perdue this week reopened all Farm Service Agency (FSA) offices as of January 24, to provide more albeit still limited USDA services, to struggling producers. He also clarified the deadline for applying for tariff relief direct payments has been extended to February 14. Several of the new services being provided include new and/or improved Farm Bill programs, including Dairy Margin Protection program applications, Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) applications, livestock indemnity program and several other commodity and livestock assistance and loan programs. The department has recalled 9,700 workers who will work unpaid. From January 28-February 1 and February 4 through February 8, FSA offices will be open five days a week, but only three days – Tuesday-Thursday – a week thereafter. All services – and those not offered including new Conservation Reserve Program (CRP) contracts – can be found by going to www.usda.gov.

NRCS Planning Furloughs – USDA's Natural Resources Conservation Service (NRCS) is one of the few federal agencies that's managed to remain at full paid staff during the month-plus government shutdown, but this week NRCS said that come February 3, a magic formula of discretionary and mandatory funding will run out and it will have to furlough about 2,300 workers without pay. However, those employees with duties connected to Farm Bill programs including the Environmental Quality Incentives Program (EQIP), the Conservation Reserve Program (CRP) and

the Conservation Stewardship Program (CSP) will continue to work. No NRCS offices will be closed.

Stabenow Worried about CFTC – Senate Agriculture Committee ranking member Sen. Debbie Stabenow (D, MI), concerned the federal shutdown is impeding the Commodity Futures Trading Commission's (CFTC) ability to oversee and regulate futures markets, sent a letter to Commission Chair Chris Giancarlo asking him to explain how the government closure has impacted the commission's ability to coordinate with overseas regulators, as well as how it's affecting CFTC investigators and data collection, including the commission's action on complaints and other information it receives about market behavior.

Ross Comments Enrage – Secretary of Commerce Wilbur Ross, appearing on CNBC this week, fueled criticism that the Trump administration is insensitive to the impact of the federal closure on 800,000 unpaid federal workers, when he told the network "I don't really understand why" unpaid federal employees are taking advantage of food banks and other assistance when they could simply apply for no- or low-interest loans against their backpay – when it comes. Ross's personal net worth is estimated by *Forbes Magazine* at \$700 million.

Chamber, Industry Demand Shutdown End – Hundreds of business groups, including the U.S. Chamber of Commerce (CofC), agriculture, banking, manufacturing, energy, housing and retail, are demanding a quick end to the shutdown as it begins to retard U.S. economic growth. A letter to President Trump this week said, "there are numerous paths that would allow the government to be reopened that should be acceptable to all parties," and the ongoing stalemate over funding is causing "significant and in some cases, lasting damage to families, businesses and the economy as a whole."

FDA Facing "Watershed" Moment – FDA Commissioner Scott Gottlieb this week told an audience in Washington, DC, that the government shutdown has created a "watershed moment in the life of this agency," adding the "most significant operations challenges" will lead to "many hard decisions if the shutdown continues and user fee-funded programs run out of money. Gottlieb said earlier in the week he has 200 food investigators working, but "the road...will be marked by continued hardships for our people and continued impacts on our work." It's estimated about 95% of the employees of the FDA Center for Food Safety & Applied Nutrition (CFSAN) are furloughed.

House Committees Plan "Impact" Hearings – Just about every Trump administration cabinet department and independent agency will be called to Capitol Hill over the next month or so to explain the impact of the government shutdown on department services. This week, Treasury Secretary Steve Mnuchin declined an invitation from the House Ways & Means Committee to talk shutdown impact on his department. The House Energy & Commerce Committee Chair Frank Pallone (D, NJ) this week said he'll hold a January 31 hearing on the shutdown's impact on federal agencies within his jurisdiction, including EPA, FDA, the FCC and FTC.

AFIA Debunks "Study" Recommending Doubling Fruit, Veg, Slashing Meat, Sugar in Diet by 50%

The American Feed Industry Assn. (AFIA) has moved to debunk a "new" dietary study by a string of European nonprofit groups – the EAT-Lancet Commission – calling for "substantial dietary shifts

(including) global consumption of fruits, vegetables, nuts and legumes will have to double, and consumption of foods such as red meat and sugar will have to be reduced by more than 50%.”

“Let’s call the EAT-Lancet Commission’s report what it is – yet another organized attack on animal agriculture that is not reflective of current and accurate science on the industry’s substantial sustainability advances,” said AFIA President & CEO Joel Newman.

“We agree with the report’s authors that there is a need to continue producing sufficient food that both feeds our growing population and protects the planet,” Newman said. “Unfortunately, the commission made three critical and erroneous assumptions: There is consensus on the science behind their recommendations; the advance of new technologies will not contribute to further reducing the environmental impact of animal protein production, and all sources of protein provide equivalent nutritional value for human diets.

“Unfortunately, the report’s calls to return to primarily an ‘agrarian lifestyle’ will undo years of research and innovation, while likely keeping nutritious and high-quality protein and dairy products out of the hands of the people who need them the most,” Newman said. “The commission’s disingenuous claims, focused against animal agriculture, does the public a disservice by not discussing realistic, scientific solutions to addressing tomorrow’s food and environmental challenges.”

The EAT-Lancet Report was reportedly produced by 37 scientists from 16 nations, and it says on the group’s website: “The EAT-Lancet Commission report is an independent comprehensive assessment of existing science on health and sustainability. It was independently peer reviewed prior to publication in *The Lancet* medical journal. It was solely funded through the generous support of the Wellcome Trust...In total, 19 Commissioners led the preparation of this report, supported by 18 co-authors; some of whom are EAT employees. EAT is an independent, non-profit organization based in Oslo, Norway and founded by the Stordalen Foundation, Wellcome Trust and the Stockholm Resilience Centre.” To read the full report go to <https://eatforum.org/eat-lancet-commission/>.

Three New GOPers Join House Ag Committee, Committee at Full Strength

House Minority Leader Kevin McCarthy (R, CA) this week released the names of the three new Republican members of the House Agriculture Committee. The new members joining 18 other GOPers are Reps. Dusty Johnson (R, SD), a former Senate staffer; Jim Baird (R, IN), who holds a PhD in animal science, and Jim Hagedorn (R, MN), whose father, Tom, was a member of the House from 1975-83.

In a related development, the committee will lose former chair Rep. Frank Lucas (R, OK). Other departures include Reps. Steve King (R, IA), stripped last week of his membership; Jodey Arrington (R, TX); Mike Rogers (R, AL), and Bob Gibbs (R, OH).

Democrats named last week by Speaker Nancy Pelosi (D, CA) are Reps. Cindy Axne (D, IA), Anthony Brindisi (D, NY), Salud Carbajal (D, CA), T.J. Cox (D, CA), Angie Craig (D, MN), Antonio

Delgado (D, NY), Josh Harder (D, CA), Jahana Hayes (D, CT), Ann Kirkpatrick (D, AZ), Chellie Pingree (D, ME), Kim Schrier (D, WA), Angela Spanberger (D, VA) and Jeff Van Drew (D, NJ).

Trade Notes

Ag, Business Groups Assail Canada, Mexico Steel/Aluminum Tariffs – More than 45 agriculture, agribusiness and manufacturing groups this week sent a letter to U.S. Special Trade Representative (USTR) Robert Lighthizer and Commerce Secretary Wilbur Ross telling them any benefits accruing from the new U.S.-Mexico-Canada Agreement (USMCA) will be offset almost completely by the ongoing impact of steel and aluminum tariffs on Canada and Mexico. The groups also told the regulators that the longer the steel/aluminum tariffs remain in place – along with the \$15 billion in retaliatory tariffs they spawned – the tougher it will be to get Congress to approve the new trade treaty. The groups, including the National Corn Growers Assn. (NCGA) and the National Pork Producers Council (NPPC), wrote, “For many farmers, ranchers and manufacturers the damage from the reciprocal trade action (by Mexico and Canada) in the steel dispute far outweighs any benefit that may accrue to them from USMCA...Producers of agricultural and manufactured products that are highly dependent on the Canadian and Mexican markets are also suffering serious financial losses.”

China Bean Buys Fall Short, May Buy Wheat, Tariff Talks on Schedule – China’s purchase of about 1.5 million tons of U.S. soybeans since the U.S. and China agreed to a 90-day process to end their tariff wars, with more purchases likely to come, still haven’t come close to the 30 million metric tons a year China bought prior to the U.S. imposition of import tariffs. However, word this week is that China is “considering” buying at least 3 million and up to 7 million tons of U.S. wheat if the ongoing tariff talks show progress, according to a Bloomberg report. The wheat purchase, along with soybean buys and some corn purchases, are part of China’s move to reduce the nearly \$400-million U.S.-China trade deficit to make President Trump happy. Trump said this week, “China very much wants to make a deal...I like where we are right now.” Meanwhile, head of the White House National Economic Council Larry Kudlow this week said the trade talks with China are broader and deeper than previous talks, going out of his way to kill off rumors the U.S. had cancelled preparatory talks with Beijing. While there is no meeting set for this week – and the U.S. did not send a delegation to China as expected to help prep for the upcoming meeting – Vice Premier Liu He, Chinese President Xi Jinping’s closest economic advisor, will be in Washington, DC, at the end of the month, Kudlow said. The U.S. is pushing, Kudlow said, for a “comprehensive deal” including significant reforms on technology transfer, intellectual property theft, U.S. ownership of operations in China, cyber interference, as well as tariffs and non-tariff trade barriers.

China Trade Practices, WTO Overhaul Focus of June G20 Meeting – With the world acknowledging heavy handed and unfair trade practices by China, overhauling World Trade Organization (WTO) to stave off such tactics will be a major focus of the G20 economic ministers meeting set for June in Japan. Japanese Prime Minister Shinzo Abe told the World Economic Summit this week in Davos, Switzerland, “The U.S., Europe and Japan must join forces to facilitate changes within the WTO, especially in its rules for government subsidies.” European Trade Commissioner Cecilia Malmström, U.S. Special Trade Representative (USTR) Robert Lighthizer and Japanese Trade Minister Hiroshige Seko have met over the last several months to deal with long-time China trade complaints, including intellectual property theft and technology transfers.

Bill to Give Trump Greater Tariff Authority Gains Support – A House bill introduced by Rep. Sean Duffy (R, WI) to expand the president’s authority to impose tariffs in response to similar actions by trading partners picked up 18 cosponsors. Peter Navarro, advisor to President Trump, has reportedly been helping Duffy collect support for the measure. A similar measure that would do just the opposite – make it tougher to impose tariffs for national security reasons – is gaining support in the Senate.

Committee Sets Wheeler Nomination Vote

The Senate Environment & Public Works Committee (EPW) will vote on the confirmation of acting EPA Administrator Andrew Wheeler to be full-time administrator of the agency on February 5, according to reports. The committee has not confirmed the date.

Wheeler, who rose to acting administrator after the resignation of former administrator Scott Pruitt and who survived his own rancorous confirmation process to become deputy administrator because he once worked as a coal industry lobbyist, is expected to be confirmed by the panel and the full Senate, if only on straight party line votes.

Senate Considering Changing Rules to Clear Trump Nomination Backlog

Senate GOP leaders last week revisited using the so-called “nuclear option” for Senate floor procedure changes to clear the historic backlog of President Trump’s nominees who have not gotten floor votes by the full Senate. When the 115th Congress adjourned at the end of December, there were 270 Trump executive and judicial nominees unconfirmed.

Each president has the authority to nominate about 700 executive nominations requiring Senate confirmation after committee consideration. During his first two years in office, 61.5% of Trump’s nominees have been confirmed.

The rule changes being contemplated include limiting floor debate time and changing Senate consideration rules to approval by a simple majority, not the 60 votes such actions need now.

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