Idaho Barley Newsbrief

Vol. 12, Issue 1, April 12, 2018

Inside this edition... 2019 Farm Bill and Ag Trade Policy news

FARM BILL NEWS...House Ag Committee unveils 2019 Farm Bill – The House Agriculture Committee officially unveiled their new five-year 2019 farm bill on April 12. Due to federal budget constraints there is not likely to be any major changes according to the House blueprint, at least to major commodity and crop insurance provisions. Here are some key provisions:

- **Title 1 Commodity Support Programs –**
  - Reference prices remain the same, except that there will be language added stating they will be <u>the higher of</u> the current reference or 85% of the previous 5 year Olympic Average of season average prices.
  - ARC-County will receive minor adjustments, including prioritizing RMA yields over NASS yields and payments would be determined by the farm's physical location rather than an administrative county.
  - ARC-Individual farm program is eliminated.

- **Export Promotion Programs –**
  - The Foreign Market Development or FMD and Market Access Programs or MAP budget spending will be preserved by combining the two separate programs into a single trade promotion program with clear delineations of their respective missions. The FMD portion receives a a modest boost of $1.5 million to $36 million annually while MAP spending authority remains steady at $200 million. This approach will bypass an OMB rule that zeroes out spending authority for all programs costing less than $50 million annually.
- **Conservation -**
  - CRP cap is increased to 29 million acres

        - 3 million acres are targeted towards “grazing”
        - A rental rate cap of 80% of local rental values.
    - CSP and EQIP are combined into a single working lands conservation program.
        - CSP enhancement practices will be individually contracted via EQIP
        - Existing CSP contracts allowed to continue to expiration
        - savings from CSP elimination put back into the combined program
- **Crop Insurance program is left more or less intact.**

Most farm groups believe the new farm bill won’t be finished until next year due to the shrinking congressional work calendar. **Link to House 2019 Farm Bill…** https://agriculture.house.gov/uploadedfiles/agriculture_and_nutrition_act_of_2018.pdf

TRADE POLICY NEWS…Trump agrees to consider rejoining the Trans-Pacific Partnership – On April 12 President Trump met with key farm state senators to address their concerns about potential impacts of the Administration’s trade policies on farm exports. President Trump reportedly agreed in this meeting to direct US Trade Representative Robert Lighthizer and National Economic Advisor Larry Kudlow to investigate rejoining the Trans-Pacific Partnership, or TPP, as a possible way to mitigate negative impacts on U.S. ag exports from threatened Chinese tariffs.

TPP is a multilateral trade pact that originally involved 12 Pacific Rim countries signed on February 4, 2016. Before Congress could ratify the free trade agreement that enjoyed broad support from the U.S. ag and business community, President Trump announced on January 23, 2017 that he was withdrawing from the trade pact. The remaining 11 countries vowed last November they were committed to resurrecting the sweeping trade agreement without the U.S., now estimated to cover one-sixth of all world trade. Led by Japan, these countries finalized a new version of TPP-11 on March 8, now called a Comprehensive and Progressive Agreement for a Trans-Pacific Partnership, with the goal of taking effect by the end of 2018 after ratification by at least six member states who represent at least 85% of the GDP of all signatory countries.

Most U.S. farm organizations have vigorously urged the Administration to rejoin the TPP as it promises to open sizeable foreign markets to our products and spur ag exports at a time many commodity prices are slumping. The U.S. wheat and meat industries, in particular, have argued the importance of protecting their exports to Japan, where competitors like Canada and Australia could enjoy a sizeable import tariff advantage if TPP-11 is enacted without the U.S.

NAFTA re-negotiations coming down to the wire - The U.S. grains industry has benefited greatly from the North American Free Trade Agreement enacted in 1994. Prior to this regional trade agreement, Mexico maintained strict controls on grain imports from the U.S. through licensing requirements and provided guaranteed prices to domestic producers of many crops, including corn. Under NAFTA, Mexico transitioned to duty-free grain trade with the U.S. and Canada, which has driven a substantial increase in grain imports. **Last year, Mexico was the largest buyer of U.S. malt, wheat and corn.**

Over the past 20 years, U.S. agricultural exports tripled to Canada and quintupled to Mexico. <u>One in 10 of U.S. acres are now planted to crops sold to these two trading partners.</u> Between 1993 and 2013, the total value of trade among the U.S., Canada and Mexico expanded from $16.7 billion to $82 billion. Ag exports have grown from $8.9 billion to $38.6 billion in 2015, an increase of nearly 340%.

After taking office last year President Trump threatened to withdraw the U.S. from NAFTA, but he was persuaded it would be better for the U.S. economy to renegotiate rather than cancel the trade pact. The first round of talks began in mid-August 2017 in Washington, D.C. and were fast tracked for completion by the end of December. However, the talks have been drawn out due to several disagreements over issues raised by the U.S., including U.S. Trade Representative Lighthizer's lazer focus on trade deficits. The 7th round of talks were concluded in Mexico last month, and while some progress was reported, the three parties agreed to extend their negotiations beyond March. U.S. negotiators have recently appeared eager to wrap up their negotiations in time to announce a NAFTA deal during this weekend's Summit of the Americas meeting in Peru. At the last minute, President Trump decided not to attend this Latin American Summit and a NAFTA deal remains elusive.

If a deal is not in hand soon, NAFTA negotiators are likely to have to punt until after the Mexican president election in July, in which an anti-trade candidate is leading in the polls. Meanwhile, U.S. agricultural grain exports remain highly vulnerable to potential new trade disruptions and lost markets.

Contentious issues raised by the U.S. include:

1. Change to existing NAFTA trade remedies that would redefine domestic industries on a regional or seasonal basis that would enable seasonal produce growers (fruits and vegetables) to seek antidumping and countervailing duties.
2. Remove NAFTA's dispute settlement process for trade remedy cases and send disputes to domestic courts with the idea that American companies could expect a more favorable outcome in U.S. courts than at a NAFTA panel. But this also means that potential Canadian and Mexican antidumping duties would have to be adjudicated in Canadian and Mexican courts.
3. New rules of origin aimed primarily at the automotive and car parts industries.
4. 5-year sunset clause that would tie a new deal's potential termination to trade deficits.
5. U.S. has challenged Canadian dairy import restrictions.