Idaho Barley Newsbrief

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National Barley Growers Association coming to Idaho Falls next week...

NBGA, the national barley producer lobbying organization based in Washington, D.C., will hold its summer board meeting in Idaho Falls on June 19-20. NBGA President Dwight Little, Teton, ID barley producer, invited his peers from several barley states, national beer companies and partner organizations to visit Idaho - the number one barley producing state - to deliberate on federal policy priorities, including the 2018 Farm Bill, trade policy, tax policy and federal support for barley research. In addition, the group will discuss cost effective approaches to sustainable barley production and tour Anheuser Busch research demonstrations and Low Elevation Sprinkler Applications (LESA) which deliver substantial water efficiencies.

Temporary beer excise tax relief achieved

- Last fall's federal tax relief bill contained a two year reduction in beer excise taxes, cutting taxes from $7 to $3.50 per barrel on the first 60,000 barrels produced and cutting taxes from $18 to $16 per barrel on production over 60,000 barrels up to 6 million barrels. These tax cuts are expected to pump more than $73 million back into the beer industry to support long-term investments that will create jobs and more barley demand. **NBGA and its beer partners will continue to lobby Congress to make these tax cuts permanent.**

FARM BILL NEWS...

Senate – Agriculture Improvement Act of 2018 – scheduled for mark-up in Senate Agriculture Committee on Wednesday, June 13, with anticipated Senate floor vote before the July 4 week-long recess.

House – H.R. 2, Agriculture & Nutrition Act of 2018 failed to pass the House on May 18, defeated by Democratic opposition to SNAP or food stamp provisions and House Freedom Caucus who used their "no" vote on the farm bill vote as leverage to force a vote on a conservative immigration reform package. Under the vote to reconsider the Farm Bill, the House has a deadline of June 22 to reconsider H.R. 2.

FARM SAFETY NET

House Bill

Price Loss Coverage (PLC) – Adds escalator provision that raises reference prices whenever the moving 5-year Olympic average commodity price rises 15% above the reference price. Producers who experienced severe drought from 2009-13 would be allowed to update their PLC yields. **Barley reference price remains at $4.95/bu and wheat at $5.50/bu.**

Agriculture Risk Coverage (ARC) – ARC-County coverage would be based on RMA yield data, rather than NASS data. Commodity revenue would be separately calculated for dryland and irrigated acreage. Coverage based on the county where the farm is physically located.

Dairy – Reworks Margin Protection Program, adding higher coverage levels - $8.50 and $9.00/Cwt. – for the first 5 million pounds of production.

Payment Limits – Allows members of LLCs and S corporations to individually qualify for up to $125,000 of payments annually. Under current law, the entire entity is limited to $125,000/year.

Senate Bill

Agricultural Risk Coverage (County) – ARC –County coverage based on the county where the farm is physically located. Assigns an actual county yield for the covered commodity by giving priority to the use of actual yields from a single source that provides the greatest national coverage of county-level data.

Dairy – Replaces Margin Protection Program with Dairy Risk Coverage, adding coverage levels of $8.50 and $9.00/Cwt. Eliminates 25% coverage requirement.

Payment Limits – Lowers Adjusted Gross Income limitation from $900,000 to $700,000.

CONSERVATION

House Bill

CSP – Eliminated, with $7.7 billion reallocated to EQIP.

EQIP – Would begin offering CSP-like long-term incentive payments, with more narrow list of resource concerns to be addressed. CAFO infrastructure projects would qualify.

CRP – Acreage limit increased from 24 million to 29 million, capping payments at 80% of local rental rates.

ACEP – Increase funding for Agricultural Conservation Easement Program to $500 million annually.

Senate Bill

CSP – Extended through 2023 with no major changes.

EQIP – Extended through 2023 with no major changes.

CRP – Acreage limit increase from 24 million to 25 million.

CRE – Authorizes Conservation Research Easements as way to permanently protect certain land enrolled in conservation research program covered contract.

CROP INSURANCE

House Bill

No major changes. Leaves in place conservation compliance.

ARC-county restriction – If farmer elects ARC county coverage they are restricted from carrying area loss, yield policies or Supplemental Coverage Option.

Beginning Farmers – Loosens definition allowing farmer who has been in business for up to 10 years to qualify for premium discount for whole farm revenue insurance.

Senate Bill

No major changes. Leaves in place conservation compliance.

NUTRITION

House Bill

Adds new work requirements to Supplemental Nutrition Program or SNAP (food stamps) – Requires all able-bodied adults under age 60, including parents of children older than 6, to work or be in approved training programs at least 20 hours a week. Under current law, the work requirement applies to able-bodied adults without dependents.

Senate Bill

No major changes to SNAP.

TRADE POLICY UNCERTAINTIES…

Trading partners are pushing back against U.S. tariffs, escalating trade tensions and creating uncertainties for future ag trade

Earlier this year, the Trump Administration announced new tariffs against steel (25%) and aluminum (10%) imports under a Section 232 trade case justified on the basis of national security. At the time, President Trump signaled these tariffs were primarily aimed at metal imports from China and temporarily exempted the EU, Mexico and Canada until June 1. China immediately announced they would retaliate against these new U.S. duties by imposing their own tariffs on $3 billion worth of US imports affecting 128 products, including pork, wine and dried fruit.

The steel/aluminum trade case was quickly followed by a Section 301 investigation, which found China guilty of intellectual property theft, prompting the Trump Administration to announce on April 3 additional 25% tariffs on $60 billion worth of Chinese imports to compensate for economic harm. These proposed duties quickly triggered threats by China to impose additional 25% tariffs on $50 billion worth of U.S. exports to China, targeting soybeans, corn, sorghum, wheat, cotton and beef. Soybeans account for 66% of the roughly $24 billion worth of U.S. ag trade to China. Under this Section 301 case, the U.S. Trade Representative was required to hold a public hearing which it held May 15, followed by a 180-day period to decide whether to impose tariffs. In an attempt to head off a trade war, officials from both countries have been meeting to find ways to defuse this rapidly escalating conflict. For its part, China pledged to buy an additional $70 billion worth of U.S. agricultural products in the next year and immediately dropped the sorghum import tariffs they imposed in April. For now, U.S. steel and aluminum tariffs remain in place and additional Section 301 tariffs are likely coming.

Meanwhile, President Trump decided to move ahead with tariffs against the EU, Mexico and Canadian steel and aluminum imports, which had been temporarily suspended until June 1. This decision prompted retaliation by all three. Mexico quickly announced they would immediately impose tariffs on $3 billion worth of American steel, pork, cheese, potatoes and other goods, tailoring their tariffs to hit products produced by states represented by senior Republicans. Canada announced they would impose their own tariffs on July 1, calling the U.S. tariffs “insulting.” The EU also announced they would impose equivalent counter-measures against the U.S.

So where do these tit-for-tat tariff threats leave the ongoing NAFTA 2.0 negotiations? Talks to modernize or renegotiate the 25-year North American Free Trade Agreement (NAFTA) started last August. US negotiators thought these talks would be concluded by the end of 2017, but several “poison pill” demands by the U.S. to rebalance trade between the three countries have slowed progress. These demands include a 5-year sunset provision; new auto rules of origin (half of the value of North American cars originate in the U.S.); elimination of the NAFTA dispute settlement process that would require future trade cases to be brought in the affected country’s courts; new seasonal and regional considerations in future anti-dumping (AD) and countervailing duty (CV) cases brought against agricultural imports; and total access to the Canadian dairy market.

For sure, a difficult G-7 summit in Canada last week and several tweets insulting Canadian Prime Minister Trudeau will not help to move these negotiations along. Mexico faces a presidential election on July 1, in which an anti-trade outsider is expected to win. U.S. House Speaker Paul Ryan notified the Trump Administration last month that the clock was quickly running out for Congress to consider a new NAFTA trade deal this year under trade promotion rules that allow for an up-or-down vote without amendments. **To top it all off, President Trump signaled last week that he wants to split NAFTA into separate bilateral agreements.**

The bottom-line is uncertainty remains high about the outcome of these escalating trade conflicts, leaving agricultural exports hanging in the balance. Last year, 1 in 10 acres of U.S. farmland were planted to crops shipped to Canada and Mexico. **Last year, Mexico was the largest buyer of U.S. malt, wheat and corn. These trade deals and unfolding trade conflicts are a big deal for U.S. agricultural markets.**