Washington Corner

from National Farmers Union

October 2015

The U.S. Trade Representative filed a brief to the World Trade Organization (WTO) in August, arguing that Canada and Mexico's claims of $3.8 billion in damages due to Country-of-Origin Labeling (COOL) were incredibly inflated and actual damages were closer to $90 million. A WTO arbitration decision on COOL is expected in October. Last month, roughly 270 Farmers Union members traveled from across the country for the NFU 2015 Legislative Fly-In, lobbying Congress on COOL, the Renewable Fuel Standard and several trade issues. Farmers are experiencing increased financial distress due to dropping crop prices and economic instability. American chemical superpower Monsanto withdrew its bid to buy Syngenta, preventing the two agricultural giants from monopolizing the seed and pesticide industries. NFU debuted a new online Action Center in August to help keep members informed on top issues and make it easier to engage with the federal government.

Canada and Mexico's COOL Damage Estimates 'Flawed'

Earlier this year, Canada and Mexico claimed that the U.S. Country-of-Origin Labeling (COOL) law has caused $3.8 billion in damages

to their beef exports. The two countries also claimed they could issue retaliatory tariffs on the U.S. for that same amount if the U.S. did not repeal COOL because of a World Trade Organization (WTO) decision that COOL violated WTO obligations. These proposed penalties startled some congressional members, and the U.S. House of Representatives passed a bill to repeal COOL in its entirety just days later.

However, the U.S. calculated that COOL damages could, at most, be attributed to $91 million in cattle and hog exports. With $43.22 million determined for Canada and $47.55 million for Mexico, this calculation represents just 2.4 percent of Canada and Mexico's proposed $3.8 billion. A WTO arbitration panel met September 15 and 16 to hear all parties' cases and make a determination on whether or not Canada and Mexico can issue tariffs. A final decision is expected in October.

NFU, a champion for COOL for decades, is advocating for the Hoeven-Stabenow solution to the WTO issue, which would create a voluntary system for COOL. This solution enables the U.S. to comply with WTO stipulations and maintains the integrity of country-of-origin labeling. The only other amendment, one proposed by Sen. Pat Roberts, R-Kansas, calls for full repeal of COOL.

NFU Fall Fly-In

In September, 270 Farmers Union members from 33 states met in Washington, D.C., to participate in the 2015 National Farmers Union Legislative Fly-In, an event that dates back many decades. Participants met with members of Congress to discuss top issues for family farmers and rural America. Farmers Union, as a grassroots organization, is driven by its members and forms national policies through their participation.

During the fly-in, members participated in numerous legislative meetings where they advocated for: the Hoeven-Stabenow solution for COOL; support for the Renewable Fuel Standard; prohibition of currency manipulation in trade agreements; elimination of the Cuban trade embargo; and a stop to imports of beef from countries with a history of Foot-and-Mouth Disease.

Members discouraged Congress from supporting the Trans-Pacific Partnership (TPP) due to currency manipulation and the $505 billion

U.S. trade deficit in 2014. They recommended the repeal of the U.S.-Cuba self-imposed trade embargo, which has been unsuccessful for more than 50 years, and advocated for the Freedom to Export to Cuba Act of 2015. Farmers Union members also promoted an amendment to a Senate Appropriations bill that calls for a delay to importation of beef from countries with a recent history of foot-and-mouth disease. This delay requires the U.S. Department of Agriculture (USDA) to further assess the risks and take preventive measures against importation of beef from areas where this devastating, contagious disease can have major detrimental effects on ranchers.

Financial Distress in Farm Country

In August the U.S. Department of Agriculture (USDA) released the World Supply and Demand (WASDE) report, causing already low crop prices to drop even lower. An unexpectedly wet spring allowed for higher production than anticipated, contributing to over 12 months of price declines for soybeans, wheat and corn. Record-high net farm incomes of several years ago correlated with increased production costs; however, these costs have not fallen as crop prices continue to dive.

NFU encouraged the USDA to prepare the USDA Certified Agricultural Mediation Program to help with increased financial distress for family farmers and ranchers. The Farm Crisis Council hotline has received a high volume of calls, with the majority citing financial distress. This impending crisis troubles lenders and farmers alike, as financial need is only expected to increase over the next few years.

Monsanto Withdraws Syngenta Bid

After months of negotiations and proposals, American agricultural business Monsanto withdrew its bid to purchase its Swiss rival, Syngenta. Plans for the merger of the two companies, made public in May, would have allowed for the formation of a colossal agricultural input monopoly. Combined, these companies employ over 50,000 people and had net sales of over $30 billion in 2014. Monsanto planned to sell Syngenta's seed business to comply with regulators and was also prepared to pay $3 billion as a breakup fee if the regulators did not approve of the plan.

Syngenta rejected Monsanto's offers, arguing the offers were all too low and did not properly mitigate the risk of rejection by regulators. NFU's Board of Directors adopted a resolution in June objecting to the potential merger and citing NFU's long history of advocating for enforcement of antitrust laws and competitive marketplaces for farmers. The proposed merger would have been detrimental for family farmers, inhibiting competition in the market place and further escalating input costs.

Positive Train Control Deadline Approaching

Positive Train Control (PTC) is a system that is designed to prevent train-to-train collisions and derailments and by automatically applying a train's brakes if it fails to operate within specific safety parameters. In 2008, President George Bush signed the Rail Safety Improvement Act into law, requiring PTC to be installed on Class I railroads by December 31, 2015. It is now apparent that railroads will not be compliant by the deadline, and the Federal Railroad Administration has stated it intends to take enforcement action on January 1, 2016.

In the face of penalties and potential liability issues, railroads and rail shippers have begun to draw up contingency plans including suspension of service. This option could have very negative consequences for producers who rely on rail to transport their commodities. If this is not solved by mid to late October, disruptions will begin to surface. NFU, along with other rail customers, is currently lobbying Congress to pass an extension on the compliance deadline within the Rail Safety Improvement Act in order to give railroads more time to become compliant. An extension will ensure that the U.S. economy is not harmed as a result of a freight rail shutdown.

The Washington Corner can also be found at www.nfu.org/corner.