



California Association of Wheat Growers

Newsletter

February 3, 2017

**Thank you for your commitment to
the future of agriculture and our membership.**

Topdress of nitrogen at tillering stage is something to seriously consider over the coming weeks

By Mark Lundy and Steve Orloff

Over the past 4+ seasons, a UCCE team (Lundy, Orloff, Wright and Hutmacher) has revisited nitrogen (N) fertilization recommendations for hard spring wheat specific to California conditions. We have grown wheat under a wide range of conditions and soil types, while varying the timing and quantity of N fertilizer to create conditions of N deficiency and sufficiency at the various times in the season when a grower might consider a N topdress.

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California Legislative Update

By Dennis Albani, Legislative Advocate

Transportation Leaders Introduce Comprehensive Funding Package



Senator Jim Beall and Assembly member Jim Frazier, each Transportation Committee chairs in their respective houses, introduced comprehensive transportation packages to enhance funding for local and statewide roads, highways, transit and local rail. The bills SB 1 and AB 1 are nearly identical except for some very specific issues - one is how unclaimed gas tax for ag is treated. The six billion dollar transportation funding package proposes a series of new revenue enhancements and adjustments to fix our roads and improve mobility throughout the state. Specifically, the proposals eliminate the Board of Equalization's annual adjustment of the gas excise tax, restores the price-based gas excise tax rate to 17.3 cents, plus enhances and indexes the base gas excise tax by an additional 12 cents to raise approximately \$2.9 billion annually at the end of the phase-in period. The base gas tax would be increased gradually over three years; increasing by 6 cents in the first fiscal year, to 9 cents in year two, ultimately to 12 cents in year three. The proposal also increases the diesel excise tax by 20 cents and sales tax by 4% to generate an estimated \$853 million

annually and, specifically, approximately \$300 for transit. Additional revenue enhancements include an annual \$100 fee for zero-emission vehicles, and a vehicle registration adjustment of \$38 per vehicle.

In addition to the additional fees, the proposal reallocates some existing funds. In a controversial action, back in 2011 vehicle weight fees which generate approximately \$1 billion annually were redirected to pay down transportation debt service. The package will progressively shift a portion of these revenues back to transportation by annually redirecting a portion of weight fee revenues in gradual amounts (\$100 million increments) over a five year period (i.e. \$100 million - year one, \$200 million - year two, etc) until \$500 million in weight fees are restored and used for transportation purposes. The package increases the cap and trade Transit and Intercity Rail Capital Program from the current 10% allocation to 20% and the Low Carbon Transit Operations Program from the current 5% to 10% in order to increase transit services that reduce greenhouse gas emissions throughout the state.

One of the differences in the proposals is how unclaimed gas tax is handled. Gasoline that is purchased for agriculture and horticulture equipment that does not claim a gas tax refund is transferred from CalTrans to CDFA. CDFA apportions that money consistent with state law to county ag commissioners to implement pest exclusion and trapping programs and to Department of Pesticide Regulation for pesticide use enforcement. AB 1 maintains the existing program and allows the growth in the unclaimed gas tax to continue for existing purposes; SB 1, maintains the current funding level but caps growth. The association members met with Senator Beall, the author of SB 1 to explain the money is generated by sales of gasoline not used on roads and should be either returned to the consumer or used for these valuable statewide programs. The Senator agreed to consider our position and we will be testifying in committee.

Senate Schedules Three Oversight Hearings Important to Ag

The Senate Natural Resources and Water Committee has scheduled two oversight hearings on the California Water Fix. On February 7th, the Committee has asked mostly state and federal representatives to come and give a status report on the progress of the project. On February 28th the committee will collect stakeholder perspectives on the plan. The Senate Environmental Quality Committee will be reviewing pesticide regulations at their oversight hearing on March 1. Specifically they will consider "Are Proposed Pesticide Regulations Protective of Children's Health?"

Federal Policy Update

Perdue Confirmation Looks to Be Slam Dunk

In testament this week to the bipartisan nature of Washington, DC, agriculture, nearly all of organized ag and two former Democrat secretaries agriculture called for the confirmation of former Georgia Gov. Sonny Perdue, President Donald Trump's pick to

head USDA. The outpouring of industry support indicates Perdue is destined for ag committee and full Senate approval with relative ease.

Nearly 670 state, national and local agriculture and agribusiness groups - including the American Feed Industry Assn. (AFIA) and the National Grain & Feed Assn. (NGFA) - as well as private companies, banks, insurance companies and some conservation organizations, signed a letter to Senate Agriculture Committee Chair Pat Roberts (R, KS) and committee ranking member Sen. Debbie Stabenow (D, MI) calling for Perdue's "expeditious confirmation" to be secretary of agriculture. The groups pointed out that of the 30 ag secretaries who have served since 1889, "only two actually lived and worked in agriculture as adults. If confirmed, Sonny Perdue will be number three."

Former Secretary of Agriculture Tom Vilsack, speaking as the newly installed president and CEO of the U.S. Dairy Export Council (USDEC), endorsed Perdue's nomination, making the Georgia agribusinessman the only Trump nominee to get the public backing of his Democrat predecessor. In a Trump transition team release, Vilsack said, "I have had the opportunity to work with Gov. Perdue and know how committed he is to all of our farmers, ranchers and producers regardless of size or production method." Also endorsing Perdue this week was former ag secretary and House member Dan Glickman. Glickman, who was secretary under President Clinton, said Perdue was a "good choice."

Perdue spent the week walking the halls of the Senate, visiting with Senators both on and off the agriculture committee. Among those with whom he met was Senate Majority Leader Mitch McConnell (R, KY), who no doubt is looking forward to a relatively noncontroversial confirmation process. He also met with Sen. Ben Sasse (R, NE), who had in his office several Nebraska agricultural leaders. Sasse said the visit included explaining to the southern lawmaker "the unique interests of Midwest agriculture."

The only seriously dicey moments expected in Perdue's confirmation journey will be when committee members quiz him about his handling while governor of the Peanut Corporation of America food safety scandal. Nine people died from salmonella contamination of Peanut Corp.'s products, with 700 becoming ill and 3,900 products recalled. Three company executives were sent to prison in what's been called the worst food-borne illness outbreak in history. *Politico* reports Perdue was "at best a passive participant" in the push for food safety reforms that followed the Peanut Corp. case.

Roberts hasn't set a date for Perdue's confirmation hearing, with staff indicating they're awaiting Perdue's full paperwork package. That hearing is expected to be held within 30 days, with a full floor vote a week to 10 days later, putting Perdue in the secretary's office by mid to late March.

White House Issues New Executive Order on Regulations

While critics continue to beat drums and tear up universities over previous executive orders issued by President Trump since January 20, this week the White House issued what it called "the most significant action against overregulation since 1981."

The new order requires federal department and agencies to rescind "at least" two standing regulations for every new regulation promulgated, and bars the administration from finalizing any new rules during FY2017 if they add cost to the economy.

"It is essential to manage the costs associated with the governmental imposition of private expenditures required to comply with federal regulations," the presidential order says. "Toward that end, it is important that for every new regulation issued, at least two prior regulations be identified for elimination, and that the cost of planned regulations be prudently managed and controlled through the budgeting process." That last phrase referencing "prudently managed and controlled" is explained as "the total incremental cost of all new regulations, including repealed regulations, to be finalized this year shall be no greater than zero."

The order, while greeted effusively by anti-regulation camps, sets up a legal tug-of-war over which rules are affected and whether the 1-for-2 declaration is achievable. Already agency heads and department lawyers are being asked whether specific rules are affected. Most of the bureaucrats hedge their responses by saying "it's too early to tell" as they await guidance from the White House on how to proceed.

Ag Endorsements of Gorsuch as Supreme Court Justice Emerge

With President Donald Trump's nomination this week of Judge Neil Gorsuch of the 10th Federal Appeals Court in Colorado to replace the late Justice Antonin Scalia on the U.S. Supreme Court, agriculture voices on and off Capitol Hill favoring the Gorsuch nomination are beginning to be heard.

Senate Agriculture Committee Chair Pat Roberts (R, KS) released a statement calling Gorsuch a "mainstream, respected judge," citing the jurist's "non-controversial and impeccable" credentials. Roberts said Gorsuch deserves quick confirmation.

American Farm Bureau Federation (AFBF) President Zippy Duvall said this week, "Any Senator voting against a legal scholar like Gorsuch will have to produce a serious justification of a 'no' vote. America's farmers and ranchers will be watching closely." AFBF cares about the Gorsuch nomination because the Coloradan argues against current law that holds courts must defer to federal agencies when interpreting

laws and challenging agency actions. "We are encouraged by his past positions that courts should not blindly defer to regulating agencies..." Duvall said.

Senate Judiciary Committee Chair Charles Grassley (R, IA) said he wants to get Gorsuch confirmed within six weeks, though he's willing to accommodate Democrat time extensions "as long as they're reasonable." He's planning three days of confirmation hearings, with one day in front of TV cameras. The first day will be speeches by members; the second day will be questions of Gorsuch, and the third day will be testimony of outside witnesses.

Gorsuch is currently making his Senate rounds of judiciary committee members, and will likely visit up to 50 more Senators prior to his confirmation hearings. He's being guided on this trek by former Sen. Kelley Ayotte (R, NH), who lost reelection last November.

House Speaker Paul Ryan (R, WI) said with the Gorsuch nomination, "President Trump has fulfilled his pledge to nominate a judge who has a demonstrated loyalty to the Constitution...He is a phenomenal nominee for the Supreme Court."

Gorsuch holds an undergraduate degree with honors from New York's Columbia University, a law degree from Harvard University with honors, and he earned a doctor of philosophy in law from University College, Oxford, in the United Kingdom. He worked at the Department of Justice as an assistant U.S. attorney, and clerked for both Supreme Court Justices Byron White, a Democrat, and Anthony Kennedy, a Republican. His mother, Anne Burford Gorsuch, was EPA Administrator under President Reagan.

Trump Wants to Speed Up Talks; Hill, Industry Attention Turning to NAFTA Rewrite

Concerns are mounting with the agriculture and agribusiness communities that President Donald Trump's "renegotiation" of the North American Free Trade Agreement (NAFTA) could go too far and cost U.S. agriculture hard-won benefits in trading with Canada and Mexico at a time when the U.S. ag economy is less than stellar.

The president this week said he wants to "kick start" talks, accelerating the legal timelines for reworking the North America trade treaty. However, trade promotion authority (TPA) requires the president to give Congress 90 days' notice if the White House intends to begin trade treaty negotiations. Congressional insiders said Trump may wish to speed up that timeline, but likely lacks the authority to do so.

The U.S. team will be led by Wilbur Ross, nominee to be secretary of commerce, previously announced by the White House as the man who will "steer" U.S. trade initiatives. This week Trump invited the leadership of the House Ways & Means Committee and the Senate Finance Committee to the White House. These committees must ratify trade deals. He told the committee leaders he wants to add another "F" to

the title of the deal, calling the new treaty the "North American Free & Fair Trade Agreement (NAFFTA), adding he's not wedded to reworking the existing treaty or writing a new deal "as long as it's fair."

Last week more than 130 national groups sent Trump a letter offering to help renegotiate NAFTA, meaning they want a seat at the table when changes are discussed. The groups representing grain, feed, dairy, produce, meat, processed food and alcohol, said they want Trump to preserve the best parts of NAFTA while "modernizing" the treaty.

The National Association of State Departments of Agriculture (NASDA) has a "wish list" for NAFTA improvements. "We know NAFTA is probably going to be renegotiated and we want to be at the table when that happens," NASDA said in late January. At the top of that list is a desire that the administration address Canadian actions that limit imports of U.S. milk and wheat, while addressing the Mexican industry's "flooding" of the U.S. with produce.

This week Cargill Chair and CEO David MacLennan, in Washington, DC, testifying before a House committee on infrastructure investment, told one Capitol Hill news service his company doesn't see a lot of things that need fixing in NAFTA. "I think it's in a pretty good place right now," MacLennan said, explaining drastic moves by the Trump White House to dump the treaty would have a "chilling effect" on an already foundering ag economy and cause markets to react "very negatively." He also said new bilateral trade deals must fill the void left by the Trump pull-out from the Trans-Pacific Partnership (TPP).

Mexican officials say official NAFTA talks could begin as early as May, with industry consultations beginning this month. It's these industry consultations, that will continue after formal negotiations begin, that will set a late spring/early summer schedule on NAFTA talks.

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