California Association of Wheat Growers

April 21, 2017

In this Issue:

California Legislative Report

by Dennis Albiani, Legislative Advocate

Senator Brings Back California Death Tax

Senator Scott Wiener from San Francisco introduced SB 726 that would place a measure on next year's ballot to overturn two 1982 initiatives that abolished California' inheritance tax and impose a 40 percent death tax on California's families. That would generate an estimated $4.5 billion a year for Sacramento politicians to spend, and would put California family farms at a huge disadvantage compared to the rest of the nation. The association is leading a coalition of agriculture and business entities opposed to this measure.

many farms have physical assets and property, many are cash poor.
With the high value of land in California and the proportion of farms with permanent crops, the total value of assets can easily exceed the applicable exclusion amount. The federal estate tax is based on the total value of the decedent's estate, regardless of how many beneficiaries there are and the need for the state estate tax to be paid in cash is particularly troubling for middle income Californians who are left with no other option but to sell homes, family farms and businesses. In a time of grief, families will be required to dissolve companies, lay off employees, and sell land in order to pay the 40% estate tax. These are funds that could have otherwise been used as working capital to create jobs and allow business expansion.

726 contains several other technical issues as well. While the author states the intention for the statute is to be enacted only if the federal tax is repealed, the bill does not contain such a clause. Additionally, the bill refuses to address the very real issue of what would occur if the federal estate tax is reenacted by a future Congress. If reinstated at the same rate, it could result in Californian's estates being taxed at a rate of 80%. This would result in the extinction of many family businesses, loss of countless jobs, and dissolution of farms that have been in California for generations.

The bill is scheduled to be heard in Senate Governance and Finance Committee on Wednesday. April 26th. The association will be testifying in opposition.

Mandated Additional Hours for Employees Bill Passes Committee

AB 5 (Gonzalez-Fletcher) was heard and passed the Assembly Labor Committee on a party line vote this week. It mandates small employers with as few as 10 employees to offer all employees who have the skills and experience to perform additional hours of work that become available, prior to hiring a new employee, temporary employee or contractor. This mandate creates a host of complications and concerns, including:

- It is not site specific, meaning employers with multiple locations may have to offer employees off site additional hours.
- AB 5 mandates an employer to contact each employee who has the skills and responsibilities to perform the work required, even for employees that specifically request to be "part time."
- AB 5 fails to indicate what an employer actually has to do to satisfy the "offer" requirement of additional hours.

AB 5 Limits Opportunities for Other Workers:

AB 5 mandates an employer to offer existing employees additional hours of work, rather than offering those hours to unemployed individuals, favoring one employee over another and potentially prolonging an individual's unemployment status. Moreover, AB 5 may discourage employers from offering part-time employment opportunities at all due to this mandate and will encourage those employers to simply supplement a full-time workforce with contract employees when needed.

The Association joined a large coalition in opposition and testified in Committee.

Association Takes Lead Legalizing Utility Beds for Pick Ups

In possibly the most violated section of the vehicle law except speeding, California law requires pickup trucks that have a "utility" bed on them to be registered as "commercial vehicles.

AB 1152 will define a pickup truck as a vehicle with a gross vehicle rating of less than 16,000 pounds that is equipped with an open box-type bed not exceeding 9 feet with a utility body with storage compartments. By doing this it will exempt these pickup trucks from the Motor Carrier and

BIT (Basic Inspection of Terminals) programs. This will lessen the burden on these vehicle owners and allow them to be able to transport their tools in order to do their work. It will also afford them the ability to travel to and from the job without having to worry about hours of service overages.

There are many mechanics, farm service employees, veterinarians and contractors that need to carry tools to their jobs. They use their light duty pickup trucks to handle these tools by adding utility compartments. Currently any pickup truck weighing more than 10,000 pounds with utility compartments is subject to the Motor Carrier of Property Act. This means they need to keep record books of miles driven, service to the truck, and hours in service. They are also subject to vehicle inspection and drug testing and increased insurance. Most of these vehicle owners don't even know that they need to comply. These are your every-day working people carrying tools to do their job in their truck versus towing an overloaded trailer which could be unsafe. By being thrown into a category with "for hire" vehicles and "for-hire carrier of property" these vehicle owners will need to comply with the motor carrier requirements just like the large trucks.

AB 1152 (Dahle) will be heard Monday in Assembly Transportation Committee. The association is leading a coalition of business and agricultural groups and will be testifying in support.

National Association of Wheat Growers

Busy Congressional Schedule Next Week

Congress is wrapping up a two-week recess and will be back in session next week with a busy schedule on tap. The Senate is expected to kick it off on Monday with a confirmation vote on Governor Sonny Perdue to be the Secretary of Agriculture. This long-awaited vote is welcome news to wheat farmers across the country who have been waiting months for a top leader to be installed at the Department. NAWG urges all Senators to vote yes on his nomination.

Congress also must act this week on an FY 2017 funding bill before the end of the week in order to avoid a government shutdown. The federal government is currently operating under a continuing resolution which lasts through April 28, 2017. Possible options could be passage of another short-term CR in order to allow for more time for negotiations on a longer-term spending bill, passage of a CR that lasts through the remainder of FY 2017, or passage of a new omnibus appropriations bill.

As of this writing, no proposal had yet been publicly announced for the path forward on appropriations. NAWG strongly urges Congress to act on an appropriations bill prior to April 28 in order to avoid a government shutdown. Particularly given the state of the agriculture economy, a government shutdown would have terrible effects on producers throughout the country. The shuttering of USDA service centers would delay producers' ability to access FSA credit programs, their ability to enroll in FSA's title 1 programs, and delay sign-up for and delivery of USDA conservation programs. Producers rely on their USDA offices for a number of different services, and a government shutdown would have a ripple effect throughout rural America.

Aside from FY 2017 appropriations, efforts are also underway for drafting FY 2018 appropriations bills. As part of the appropriations process, President Trump has previously released a budget proposal that is focused on discretionary spending. In that proposal is included a 21 percent reduction to USDA's discretionary budget. President Trump is also expected to release in the coming weeks a more detailed budget proposal that could include changes to mandatory program spending.

NAWG Board Officer Attends Canadian Global Crops Symposium

From April 10-12, 2017, NAWG Board Treasurer Ben Scholz attended the Canadian Global Crops Symposium in Calgary, AB, Canada. The Canadian Global Crops Symposium gathers representatives from Canada's largest agribusiness corporations. Scholz noted that the program covered several topics of importance to the wheat industry including agri-finance, trade/policy, rail, communicating in today's non-Ag world, and consolidation of the major suppliers. Specifically Scholz discussed how suppliers are recognizing the importance of educating the public on how our food is grown and where it comes from. He also stated that Canadians are willing to consider updates to NAFTA and are concerned about the value of the Canadian dollar and its impact on exports. Canadian farmers share similar concerns with U.S. famers over the concept of a carbon tax. Lastly, Scholz concluded by noting that changes to the Canadian rail infrastructure are coming soon.

Senator to Introduce Resolution to Fix Canadian Wheat Grading

After the spring break when Senate returns to Session, Senator John Tester (D-Montana) plans on introducing a Resolution urging Canada to change its wheat grading procedure to be equivalent and fair to U.S. and Montana's farmers. Tester's Senate Resolution also urges the Trump Administration to examine whether Canada's wheat grading laws adhere to existing trade agreements. Tester has raised specific concerns regarding unfair Canadian trade practices with the Canadian Minister of Agriculture, and he urged the former U.S. Trade Representative to take action on this issue last year. The U.S. and Canada traded $575 billion in goods in 2015, including the export of $280 billion in U.S. made products. Tester's Senate Resolution text is available HERE. NAWG has supported efforts in Canada to revise the country's grain grading system to ensure that U.S. wheat moving across the border is graded fairly.

Countdown to 2017 Census of Agriculture!

America's farmers and ranchers will soon have the opportunity to strongly represent agriculture in their communities and industry by taking part in the 2017 Census of Agriculture. Conducted every five years by the U.S. Department of Agriculture's (USDA) National Agricultural Statistics Service (NASS), the census, to be mailed at the end of this year, is a complete count of all U.S. farms, ranches, and those who operate them. Producers who are new to farming or did not receive a Census of Agriculture in 2012 still have time to sign up to receive the 2017 Census of Agriculture report form by visiting www.agcensus.usda.gov and clicking on the 'Make Sure You

Are Counted' button through June. NASS defines a farm as any place from which $1,000 or more of agricultural products were produced and sold, or normally would have been sold, during the census year (2017). For more information about the 2017 Census of Agriculture and to see how census data are used, visit www.agcensus.usda.gov or call (800) 727-9540.

Trump Returns to Tough Talk on NAFTA at Wisconsin Speech

Speaking to a Wisconsin audience this week gathered to hear his "hire American, buy American" message, President Trump made the dairy producers in the audience happy when he talked tough on the renegotiation of the North American Free Trade Agreement (NAFTA), at one point suggesting if the talks are not fruitful, "we might get rid of it."

Returning to his campaign rhetoric that NAFTA is "a disaster for the U.S., a complete and total disaster," he departed from comments made in February that talks with Canada may result in just "tweaks" to the existing trade deal. He said he wanted to see "big changes, or we're going to get rid of NAFTA for once and for all."

The deal is particularly thorny for dairy, which has argued since the treaty was signed 22 years ago it favors Canadian access to U.S. markets. And with Canada recently reimplementing its new classification system on dairy imports under its National Ingredient Strategy, a move that has allowed domestic dairy producers to undercut import prices, it's effectively locked high-filtered U.S. milk for cheese processing out of the market.

This week, Canadian Ambassador David MacNaughton sent letters to the governors of New York and Wisconsin telling them recent complaints over the Canadian reclassification system and its impact on U.S. producers are misplaced. Instead, he shared with them USDA statistics that he said demonstrate U.S. and global dairy overproduction are responsible for depressed U.S. producer incomes.

However, the tough NAFTA talk makes those who export to Mexico nervous. A bad situation between the two NAFTA partners could worsen if the U.S. tries to renegotiate the tariff suspension sections of the treaty. At stake is $18.3 billion in annual exports, including corn, soybeans, wheat, dairy, pork, beef and rice.

EPA Moving Ahead on WOTUS Reinvention; No Plans to "Outsource" Reg Writing

EPA continues its plan to rescind EPA's controversial "waters of the U.S." (WOTUS) rulemaking and in separate action repropose the rulemaking in its image, and regulators went out of their way this week to make sure it's understood EPA will not "outsource" the new rule to private attorneys.

Talk began circulating in Washington, DC, earlier this week when reports surfaced alleging EPA had begun discussions with the Water Advocacy Coalition (ADC), to use its attorneys to draft the reproposed rule dealing with agency jurisdiction under the Clean Water Act (CWA). The private attorney option is reportedly to speed up the reproposal process.

But when contacted by the media, the American Farm Bureau Federation (AFBF), which chairs the coalition, stressed the notion of outsourcing is “something that our coalition has not talked about nor would we take a position on.”

However, even if Administrator Scott Pruitt was on board with such a strategy – it’s unclear if he’s been approached or even if the agency per se has been contacted – the action would effectively privatize the federal regulatory process, raising not only serious legal questions, but heavy ethical concerns as well, not the least of which would be transparency on EPA’s part as the redrafted rulemaking evolves.

Ethanol Exceeds 10% Blend Rate for First Time

Gasoline refiners used enough ethanol in the last year to exceed the federal 10% maximum blend rate, according to Federal Energy Information Agency (FEIA) data, hitting 10.4%, a first, and demonstrating the “blend wall” warnings of petroleum refiners are a myth, says the ethanol industry.

The blend wall warnings “mislead consumers and undermine the Renewable Fuel Standard (RFS),” said the Renewable Fuels Assn. (RFA).

The “blend wall” is that point at which the inclusion of ethanol at higher than 10% is unsafe in older engines, and that point at which gasoline makers are forced to use what they consider to be excessive biofuels to hit mandated blend rates. Ethanol makers want blend rates at 15% and higher. The oil and gas industry opposes such a move.

FEIA says total gas use in the last reporting periods was 143.6 billion gallons, of which 14.4 billion gallons was blended ethanol.