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Congressional & Administration News

What to Know in Washington: Hurdles Remain to Debt Limit Solution

By Zachary Sherwood and Brandon Lee | July 12, 2019 7:01AM ET

Speaker Nancy Pelosi said Congress should act this month to raise the debt ceiling, but it's not clear that lawmakers and the White House will strike a deal before the House is set to leave town on July 26 for a six-week recess.

Congressional leaders have increasingly acknowledged that waiting until September to allow the U.S. to borrow more money would raise the prospects of a payment default if new unofficial estimates are correct.

Republicans, Democrats and Trump administration officials have intensified their negotiations this week, and all sides say a deal will get done. The Treasury Department hasn't provided lawmakers with an updated official estimate for how much time they have to act before a default. Lawmakers are not scheduled to be back in Washington until Sept. 9.

After speaking with Treasury Secretary Steven Mnuchin yesterday, Pelosi told reporters she's now "convinced" that Congress should raise the U.S. debt ceiling this month. They spoke twice yesterday and agreed to speak again today, according to Pelosi's office.

The Treasury has been using accounting measures to avoid a payments default since the borrowing limit snapped back into place on March 2. The department's room to maneuver depends on tax revenue, and the Bipartisan Policy Center, an independent think tank, this week adjusted its estimate to say there is a "significant risk" of defaulting on a key payment in early September.

Lawmakers this week asked Mnuchin to provide a new official estimate backing up the independent analysis.



Whether a debt limit deal will be part of a broader budget negotiation is unclear.

House Democrats have been trying to leverage the debt ceiling bill to increase federal spending caps, and they were looking to negotiate those caps after their August recess.

That budget deal, which would cover two fiscal years, aims to avoid an automatic \$126 billion cut at the end of the calendar year and -- if Democrats prevail -- add additional domestic spending above fiscal 2019 levels. Such an agreement would help the government avoid another shutdown when funding runs out Oct. 1.

Democrats and Republicans are also talking openly of a short term debt ceiling increase this month while budget talks continue.

Tensions Rise Over Who Questions Mueller: Simmering political tensions over next Wednesday's high-stakes testimony by former Special Counsel Robert Mueller have only escalated with the realization that little more than half the 41 members on the House Judiciary Committee will get to question the star witness on live TV. With two hours allotted for testimony by the reluctant witness, each party will get an hour for questioning under a schedule released yesterday.

Chairman Jerrold Nadler (D-N.Y.) anticipates 22 members will get five minutes each to pose questions starting at 9 a.m. But ranking member Doug Collins (R-Ga.) said the committee "got rolled," adding that "our members need to be able to talk to Robert Mueller, if he actually is going to come."

Acosta's Handling of Epstein Case: Nadler also said yesterday he's sending a letter to the Justice Department requesting a briefing and documents related to Labor Secretary Alex Acosta's handling of the sex crimes prosecution of Jeffrey Epstein, according to a person familiar with Nadler's plans. Earlier in the week, Nadler had told reporters he would have to weigh carefully whether to open a probe, given what he said was a crunch of other issues still pending.

Conservative Group Should ID Donors, Democrats Say: More than two dozen Senate Democrats are calling on an activist nonprofit that backs conservative judicial nominees to disclose its funding sources, questioning its transparency and connections to donors who they say have spent millions on advertising. Senate Minority Leader Chuck Schumer (D-N.Y.) and Senate Judiciary Committee member Sheldon Whitehouse (D-R.I.) said the Judicial Crisis Network is a "dark money group."

- Meanwhile, another group of Senate Democrats is asking why the IRS criminal investigation division wasn't consulted on the agency's decision to eliminate donor disclosure requirements for tax-exempt organizations that may be involved in political activity.

Getting Trump's N.Y. State Tax Returns: Lawyers for House Democrats are looking at a New York law that would give them a route to access Trump's state tax returns. "The House counsel is reviewing all of that right now," House Ways and Means Chairman Richard Neal (D-Mass.) said yesterday. "They still have some legitimate concerns about it. That comes from House counsel, not me."

Subpoenas for Trump's Deutsche Bank Records: Two House committees are defending subpoenas to Deutsche Bank and Capital One for Trump's personal financial records. The House Financial Services and Intelligence committees urged the federal appeals court in New York to reject Trump's attempt to block the subpoenas, arguing that Congress has broad authority to investigate and that demands for Trump's records are proper.

Brown Attacks Trump Capital Gains Cut: Senate Banking Committee ranking member Sherrod Brown (D-Ohio) is pushing back against the Trump administration's plans to cut taxes by indexing capital gains to inflation, a move that he says would only help the wealthy and be illegal. "We urge you to reject reported plans to use questionable authority to -- yet again -- lavish tax cuts upon our country's wealthiest, while middle class families and working people continue to see costs rise and wages stagnate," Brown wrote to Mnuchin in a letter dated Thursday. Nearly a dozen Democratic senators signed it. The letter cited data from the Penn Wharton Budget Model, which showed that a reduction in capital gains tax would amount to a \$102 billion tax cut, 86 percent of which would flow to the top 1 percent of taxpayers.

The White House is developing a plan to cut taxes by indexing capital gains to inflation. The move may be done in a way that bypasses Congress.



Also Happening on the Hill

Chamber Urges House to Oppose \$15 Wage Bill: A week before the House is set to vote on a \$15-per-hour minimum wage bill, the world's largest business organization is urging lawmakers to oppose it. "While the U.S. Chamber of Commerce is willing to work with members of Congress to develop a legislative package that includes an increase guided by economic conditions, \$15 per hour is not that number, and the Raise the Wage Act is not that legislation," the Chamber said in a letter sent to members of the House yesterday.

Rubio Seeks Delay of Pentagon Cloud Bid: Sen. Marco Rubio (R-Fla.) is calling for the Defense Department to delay awarding its \$10 billion cloud contract to ensure "a fair and open" contest. Rubio wrote a letter to National Security Adviser John Bolton asking him to direct the Pentagon to hold off on choosing a winner for the controversial project. In his letter, dated yesterday, Rubio said the project, known as the Joint Enterprise Defense Infrastructure cloud, "suffers from a lack of competition" and "will result in wasted taxpayer dollars."

What Else to Know

Trump Surrender May Not End Census Battle: Trump's surrender in his fight to put a citizenship question on the 2020 census may not be the end of the legal war. One of the groups that mounted a successful challenge to the question plans to continue pursuing its claim that two government witnesses testified falsely in a trial. The New York Immigration Coalition plans to file a motion Friday seeking court sanctions against the government, according to Sarah Brannon, a lawyer with the American Civil Liberties Union who represents the group.

Trump's Social Media Summit: Trump said yesterday that he'd summon social media firms for a meeting at the White House to discuss conservative grievances about alleged political bias on their platforms, and that he directed his administration to explore methods to protect online speech.

"We will ask representatives of the major social media platforms to join me at the White House over the next month," Trump told his audience at an event the White House billed as a "social media summit." Trump added he'd direct the administration to "explore all regulatory and legislative solutions to protect free speech and the free speech rights of all Americans."

Trump Warns Facebook Over Crypto Plan: Trump last night warned Facebook over its plan to create a digital currency, a move that poses a new obstacle to the company's cryptocurrency ambitions. "Facebook Libra's 'virtual currency' will have little standing or dependability. If Facebook and other companies want to become a bank, they must seek a new Banking Charter and become subject to all Banking Regulations, just like other Banks," Trump said in a series of posts on Twitter.

In the tweets, the president also expressed skepticism of digital currencies in general. "I am not a fan of Bitcoin and other Cryptocurrencies, which are not money, and whose value is highly volatile and based on thin air," Trump wrote.

"Unregulated Crypto Assets can facilitate unlawful behavior, including drug trade and other illegal activity."

- Federal Reserve Chairman Jerome Powell said he's unsure how regulators would handle Facebook's plan for Libra. He made that clear at a Senate hearing yesterday where he reiterated his concerns about the cryptocurrency's potential for fomenting money laundering and financial instability problems. And he expressed specific worries over customers' privacy.

Trump's Top SCOTUS Lawyers Post Winning Term: The federal government's top lawyers at the U.S. Supreme Court posted a better record than last term in cases in which it was a party—but it still barely passed the 50-50 mark. It's part of a decades-long slide, which may be explained by the emergence of a group of Supreme Court specialists to counter the government's legal team.

Last term, the office of Trump's Solicitor General Noel Francisco lost 12 cases and won just 11 such cases. This term the SG's office had 12 victories and 10 defeats. That's in stark contrast to its 22 and 6 record when participating as a friend-of-the-court, where the government takes a position in a dispute despite not being a party.

White House Wary of Fannie-Freddie Fix: The Trump administration is growing wary of taking bold steps toward freeing Fannie Mae and Freddie Mac from federal control before the 2020 election, said people familiar with the matter, in part because of the political risk of potentially upending the U.S. mortgage market. While White House and Treasury



Department officials are eager to end the companies' decade long conservatorships, they see the task as arduous, slow-moving and extremely complicated, said the people who asked not to be named in discussing internal deliberations.

U.S. Weighing Iran Sanctions 'Snapback': Iran's decision to ramp up uranium enrichment is prompting debate over whether the U.S. should -- or even can -- invoke a threat that negotiators built into the 2015 nuclear agreement but hoped would never be used: a "snapback" of international sanctions. Although Trump withdrew from the accord last year, the administration is being pressured by some American hard-liners to invoke a mechanism that ultimately would trigger a return to United Nations Security Council sanctions beyond those the U.S. is already imposing unilaterally.

Such a move, if successful, would shred what's left of European-led efforts to keep the multinational accord alive, and analysts and diplomats say it would be galling coming from the nation that was first to quit the deal.

U.S.-China Trade: When it comes to Chinese purchases of U.S. agricultural goods, signs are growing that Trump won't get what he wants anytime soon. Trump complained yesterday that China hasn't boosted its purchases of U.S. farm products, a promise he claims he secured in a meeting with his counterpart Xi Jinping in June. But according to officials in Beijing familiar with the talks, no such agreement was made. China's Commerce Ministry yesterday also indicated that in their view, substantial discussions have yet to restart even though both sides spoke on the phone.

Loan Access for Disadvantaged Farmers: More information on how much and what types of agricultural loans socially disadvantaged farmers get is needed, the Government Accountability Office found. Farmers and ranchers of a certain racial or ethnic minority group and women are considered "socially disadvantaged" by the Agriculture Department. Rules that "generally prohibit lenders from collecting data on the personal characteristics of applicants for loans" make information about socially disadvantaged farmers and ranchers unavailable, said the report.

A Consumer Financial Protection Bureau rulemaking requires collection of such data, however the bureau delayed the rulemaking in 2018 due to "stated resource constraints and other priorities," said GAO. The bureau plans to resume work on the rule later this year. USDA's annual surveys between 2015 and 2017 showed that an average of 17% of primary producers were socially disadvantaged and accounted for 8% of outstanding total agricultural debt.

Border Crossing Audits: Land border crossings need a better auditing plan to help ensure their infrastructure budget requests are keeping up with the rising number of travelers and cargo crossing, a report from the GAO found. The GAO said Customs and Border Protection and the General Services Administration, which own or lease the nation's 167 land border entry points, should develop a strategy to ensure they assesses the conditions of the ports, some of which lag in their inspection capacity and use of tech for screening.

Nike Moves Ahead After Flag Flap: Nike is proceeding with a new factory in Arizona after a flap with Gov. Doug Ducey (R) led to speculation that the project was up in the air. The athletic-apparel company announced the plans yesterday, saying the new plant -- located outside of Phoenix in the suburb of Goodyear -- will generate more than 500 full-time jobs and an investment of at least \$184 million. The Arizona Commerce Authority also shared the decision in a tweet.

Plans for the factory were put in doubt after Ducey moved to rescind up to \$1 million in incentives offered to the company. He criticized Nike's decision to recall shoes with a Revolutionary War-era flag called the Betsy Ross

Agriculture News

Massive Gamble on Soy Hoarding Pays Off for America's Farmers

By Shruti Date Singh and Michael Hirtzer | July 12, 2019 5:00AM ET

In the grips of the demand-killing U.S.-China trade war, American farmers took an unprecedented gamble last year and stored huge amounts of soybeans after the harvest, hoping they'd eventually find better prices.

The bet paid off.



Matt Gast stashed three-quarters of his crop -- way more than ever before. Most years, he stored maybe 15%, but selling last season, would've meant accepting loss-making prices while the biggest customer was out of the market. So he hoarded those beans in silos and bins on his North Dakota farm.

A short rally earlier this year meant he was able to lock in prices at about \$9.50 a bushel, roughly 70 cents higher than he would have gotten at harvest time -- certainly not a killing, but better than rock bottom. The beans are coming out of storage this month and finally moving for delivery.

"It was definitely worth keeping them," Gast said.

Long-Term Shift

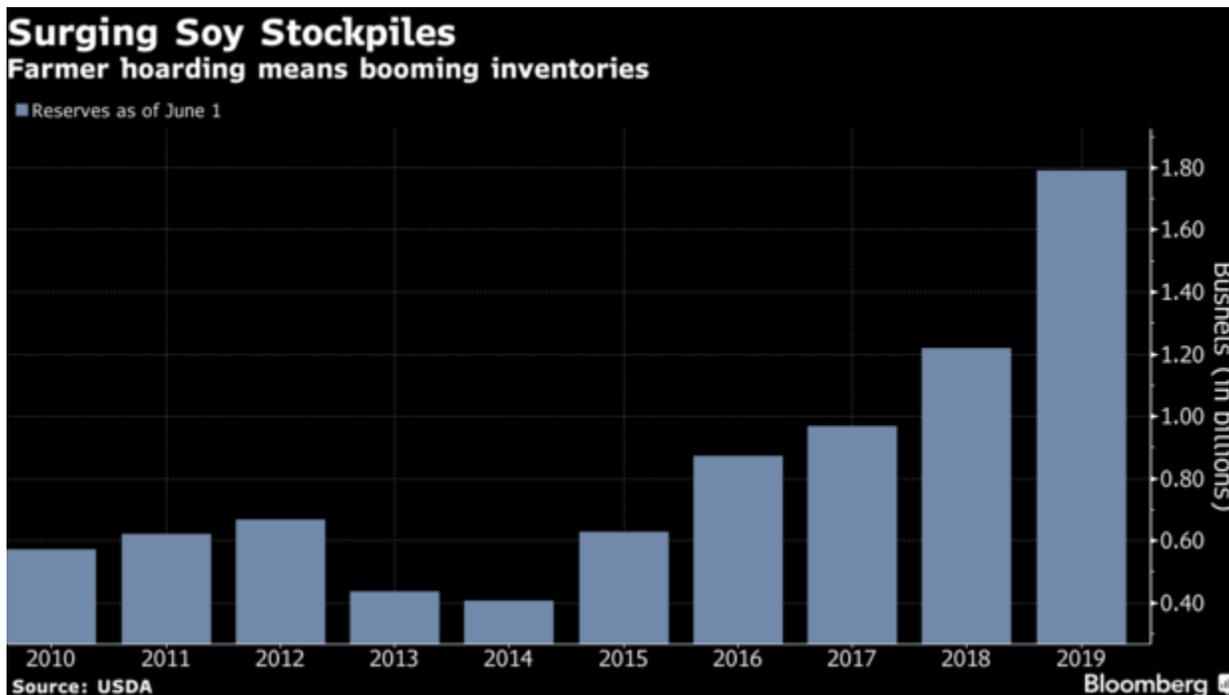
For decades, American farmers were in the habit of selling almost all their soy as soon as it came off fields. China, the world's top soy importer, had such a voracious appetite that there was plenty of demand for the crop. That all changed with the trade war, and it could end up being a long-term shift.

The storage strategy is one of last resort for cash-strapped farmers battling low prices amid dismal demand. If the market stays similar to how it is now, soy will go into storage again this year and corn will get sold, farmer Jeff Jorgenson predicts.

"It's backwards -- it absolutely is," said Jorgenson, who's also a director of the Iowa Soybean Association.

Even if Donald Trump and Xi Jinping strike a deal tomorrow, a year of Chinese tariffs will have long-running effects on global soybean flows. Brazil has stepped up to meet demand and tightened its grip on the title of world's top exporter. Farmers in Argentina are producing more, and plantings are even going up in China.

The hoarding puts American producers in the company of growers from places like Argentina, where soybeans are often stored as a sort-of insurance policy against currency swings, government intervention and general market volatility.



U.S. soybean stockpiles as of June 1 totaled a record 1.79 billion bushels, up 47% from 2018, the Department of Agriculture said June 28. That number jumped largely because supplies stored on farms almost doubled. It could start to decline as beans now move out of silos.

Jorgenson's sales nearly halted around harvest when cash prices plunged as low as \$7.25 at the processing plant in western Iowa where he hauls most of his supplies. He started boosting sales early in 2019 as prices recovered and was



able to sell for around \$8.40. He's still got about 10% of the crop, and like many farmers, he needs to finish selling to cover loans taken out in 2018.

Coupled with big yields and government aid, "I had price satisfaction," he said. "But it wasn't a home-run year by any stretch."



The rallies have been short-lived for the most part, so the hoarding gamble only paid off for farmers who could be nimble.

When Trump met Xi in December, the market got a boost on hopes of a deal. As the optimism fizzled, futures in Chicago tumbled back to a decade low by mid-May. Recently, prices have been on the upswing again as incessant Midwest rains raised concerns over this year's plantings.

"It's great for those who had that opportunity" to sell on rallies, said Sam Funk, director of agriculture analytics and research for the Iowa Farm Bureau. "For the entire system to be able to find those profitable marketing opportunities, it's going to take a reopening of those markets."

Nasty Smells

The spring deluge that helped send prices higher also created problems for farmers whose storage facilities were vulnerable to flooding. Even the slightest increase in moisture can result in mold and nasty smells that lower the crop grade or make the soy unmarketable.

"We get nervous about holding soybeans. They can go bad in bins pretty quick," said Sarah Lovas, a farmer in Hillsboro, North Dakota.

This year's crop is now underway. Production is forecast 15% lower compared with last year's all-time high, the USDA said Thursday. Even with the decline, it could be one of the biggest crops on record. Farmers need to make space in silos now, so they can store again.

"This year's crop we have zero percent sold," Gast of North Dakota said. "We will take our chances."



Interior Proposes Major Changes to California Water Projects

By Bobby Magill | July 11, 2019 6:28PM ET

The U.S. Bureau of Reclamation released a proposal July 11 that would affect the fate of the threatened Delta smelt fish and change how two of California's largest water projects operate.

The bureau, part of the Interior Department, wants to change how California's State Water Project and Central Valley Project are managed and released a draft environmental impact statement outlining the impacts of five alternatives, which address endangered and threatened species in the region.

The water projects are perhaps the two largest and most important such projects in the country, supplying more than 20 million agricultural and domestic consumers in central and southern California.

The proposal affects water diversions from Area Rivers, water temperature management at Shasta Dam, wildlife habitat and salinity in the Sacramento and San Joaquin Delta estuary, and management of fish losses related to water exports from the area.

"This is a huge undertaking that affects water operations throughout California. It is important we listen to as many voices as we can," bureau Mid-Pacific Regional Director Ernest Conant said in a statement.

The proposal is open for a 45-day public comment period that ends August 26.

The Interior Department under the Obama administration concluded in 2016 that endangered species in the delta would need greater protection, possibly by reducing diversions of water for other uses such as agriculture.

No Preference?

Russ Callejo, Bureau of Reclamation deputy regional director, said July 11 that the bureau had not chosen which of the five alternatives it prefers.

But the draft indicates the bureau's preference for Alternative 1, which aims to raise spring river flows to help Chinook salmon, implement a tiered strategy for managing cold water in Shasta Reservoir, increase water flows in some areas to protect fish, and leave seasonal operations of Trinity Reservoir unchanged, among other provisions.

The California Natural Resources Agency and the California Department of Water Resources did not immediately respond to requests for comment.

Environmental groups immediately criticized the plan.

Doug Obegi, director of California river restoration at the Natural Resources Defense Council, said July 11 that he had not yet reviewed the proposal but added that it "is part of the Trump administration's efforts to gut protections for salmon and other endangered species in California's Bay-Delta."

"Even as state and federal scientists have found that greater protections are needed to avoid driving our native fish and wildlife extinct, the Trump administration is weakening protections for endangered species so that they can increase water diversions," he said.

Federal Employee News

Paid Parental Leave Issue before House

Fedweek | July 10, 2019

The House could vote this week on a proposal to turn the 12 weeks of parental leave available to federal employees under the Family and Medical Leave Act from unpaid time to paid time.



An amendment offered to the House DoD authorization bill (HR-2500) that is now up for floor voting represents the most significant effort in more than a decade to provide paid parental leave, without charge to any other form of paid leave. Under current law, commonly substitute sick leave and/or annual leave for part or all of the unpaid leave entitlement, if they have such leave time available.

Under the measure, the same employees who are now eligible for the unpaid leave—generally meaning those with at least one year of service—could take the paid time for the same purposes for which they now may use unpaid time, including for both birth and adoption purposes. The changes would take effect in October of next year. Any leave not used within 12 months would expire.

Also, OPM would have the flexibility to increase the amount, to up to 16 weeks.

Separately, the House Intelligence Committee has approved a bill (HR-3494) that would provide 12 weeks of paid parental leave at intelligence community agencies.

Focus Shifts to Senate on Raise, OPM Breakup

Fedweek | July 3, 2019

The focus is now shifting from the House to the Senate on issues including a federal raise in January, the potential breakup of OPM and other decisions tied into the budget process.

The House last week passed the general government appropriations bill (HR-3351) that would among other things provide an average 3.1 percent raise and to bar OPM from spending money to shift operations into the GSA or to achieve much the same result by subcontracting them to GSA.

During House voting, an amendment was accepted to further prevent OPM from furloughing or laying off employees by citing the loss of revenue from one part of the breakup already in progress: moving background investigations—for which requesting agencies pay a fee—to the Defense Department. OPM recently had raised the prospect of layoffs and furloughs in the fall of about 150 employees but more recently stepped back from that threat. The bill adds money to help make up for that shortfall, although the amount would not cover all of it.

The administration's statement on the bill opposed both the raise and the restrictions on OPM, although it didn't specifically threaten a veto over those issues.

With passage of that measure, the House has now approved 10 of the regular 12 annual spending bills—four were passed as one package and another five were passed as another—leaving only those covering DHS and Congress and itself. The White House however has threatened to veto all 10. Those bills also would either restrict or block plans to reorganize at other agencies including Interior, which wants to consolidate regional offices, and Agriculture, which intends to move two sub agencies out of the Washington area to the Kansas City area effective October 1.

The Senate Appropriations Committee is expected to start moving its own versions in the weeks ahead before taking a long recess through Labor Day. With current spending authority ending September 30, it's already expected that temporary extensions would be needed for most if not all agencies to prevent another partial government shutdown.

VA Revises Policy on Religious Items in the Workplace

Fedweek | July 10, 2019

The VA has revised its policies on religious symbols and displays and the distribution of religious literature in its facilities, in a reaction to what it called "unfortunate incidents" of disputes over what was allowable under its traditional policies.

The new policies: allow the inclusion of religious content in publicly accessible displays at VA facilities in certain circumstances; allow patients and their guests to request and be provided religious literature, symbols and texts during visits to VA chapels and during treatment; and allow VA chaplains to accept donations of religious literature, cards and symbols and distribute them to VA patients and guests who request them.



For example, it states that religious symbols “may be included in a passive display, including a holiday display, in public areas of VA facilities, if the display is of the type that follows in the longstanding tradition of monuments, symbols, and practices that simply recognize the important role that religion plays in the lives of many Americans. Such displays should respect and tolerate differing views and should not elevate one belief system over others.”

A separate policy says that chaplains further should review donated holiday cards and gifts and “distribute them in accordance with the individually expressed preferences of patients and residents. When religious literature is distributed, recipients will be informed of the name of the donor, author, and/or publisher; and will be informed that the views expressed are those of the donor, author and/or publisher, not of the Department of Veterans Affairs.”

The policies “will help ensure that patrons within VA have access to religious literature and symbols at chapels as requested and protect representations of faith in publicly accessible displays at facilities throughout the department,” an announcement said.

At Mid-Year, All's Quiet on the Benefits Front

Fedweek | July 3, 2019

At the mid-year point, few of the Trump administration’s initiatives regarding federal compensation policies have advanced, but the same also is true of the largely opposite proposals of employee organizations and their allies in Congress.

Congress has not actively considered administration proposals such as requiring most employees to pay about 6 percent more of salary toward retirement; to reduce the value of benefits to future retirees—through adopting a “high-five” formula and generally eliminating the FERS supplement—and to reduce the value of COLAs for both current and future retirees. Senate Republicans at one time considered pushing a budget blueprint that could have created a path to such changes but quickly dropped the idea.

However, neither has there been movement on initiatives generally backed by Democrats to repeal the higher retirement contributions already required of more recently hired employees; and to boost the value of COLAs for FERS retirees to the level under the CSRS system.

Also continuing to lie dormant are the administration’s proposals to vary the government’s contributions toward FEHB premiums according to a plan’s rating on a quality measure the OPM uses; and to increase the buyout maximum to \$40,000 government-wide from \$25,000 in order to match the maximum already available at DoD.

