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Gov. Newsom urged to 'commence with urgency' on broadband

In November, Gov. Gavin Newsom unveiled plans for a new Broadband for All initiative, with his administration immediately gathering stakeholder input. Now a workgroup organized by California Forward has released its recommendations to the administration, which builds on decades of local, state and federal efforts to close "the digital divide." **Topping their list: "Commence with urgency and treat the situation like the true emergency that it is."**

Lenny Mendonca, the governor's chief economic and business advisor and director of the Office of Business and Economic Development, will be heading the effort, which he described as "advancing digital equity." Newsom indicated that connecting schools with broadband will be a centerpiece of the plan.

Yet before the governor's announcement, Newsom was already stepping into the broadband debate. Notably, in October, he vetoed Assembly Bill 417. That measure would have provided CDFA with an economist to study rural broadband issues, among other areas, and deliver policy recommendations. In his veto message, Newsom suggested he would take up the issue in future budget talks. Calling it unnecessary, Newsom also vetoed AB 1212, which would have encouraged state pension funds to invest in infrastructure projects for broadband. A bill that did pass, AB 488, adds the CDFA secretary to the California Broadband Council, providing a voice for the rural community in the advisory group.

In a blog post for California Forward, meanwhile, Senior Policy Advisor Deb Kollars writes that, in meetings with the administration, it has frequently cited broadband access as the greatest barrier to unlocking economic growth.

Studies have supported this. In California, an estimated 1.4 million individuals lack access to wired broadband internet at any speed. One in eight homes lack access to high-speed broadband, including through a smartphone. One farming community near Sacramento is reported to have the slowest internet speed in the country.

Nationwide, a Federal Communications Commission report indicates more than 24 million Americans lack access to fixed high-speed internet. One USDA study found 29% of farmers lack access, while another study found closing that gap could open up $65 billion in economic growth.

"Somehow the rural economy has been left out of the picture," said Don Cameron, president of the California State Board of Food and Agriculture, in his testimony on the issue during a congressional subcommittee hearing on precision agriculture in October.

On the national level, USDA is piloting the ReConnect program, which has now offered nearly half of its $600 million in funds to rural businesses for investing in high-speed internet. So far, however, none of that has reached California.

While touring the state in June, USDA Secretary Sonny Purdue called broadband "a transformational opportunity" and said, "We're all for it."

Outside of the precision technologies of tomorrow, enhancing internet connection – as well as cellular bandwidth – would enable a farmer to access more markets, control irrigation systems, monitor soil sensors and "to just build an adequate website," according to Greg Norton, CEO of the Rural County Representatives of California.

As the Sustainable Groundwater Management Act begins to be implemented in January, being able to monitor water use and manage water trading through digital platforms could be critical to farmers in surviving the next drought.

During a press event in March, CDFA Secretary Karen Ross also noted that connecting socially isolated communities to the digital world is a critical tool in tackling mental health issues in rural regions, where services are already in short supply.

Joy Sterling, CEO of Iron Horse Vineyards, pointed out in a Food and Ag Board meeting Tuesday that improving broadband connections to state fairgrounds would also help emergency response teams coordinate operations during wildfires, as well as other disasters when fairs serve as staging grounds.

Yet bridging the digital divide has been elusive. The financial cost is immense, while regulatory policies and local jurisdictions often serve as inadvertent roadblocks. California's diverse geography is one of the steepest barriers. Once the infrastructure is established, it takes a few years for the economic benefits to follow, like planting an orchard, as Norton said.

Leading up to its annual California Economic Summit in November, California Forward worked with the administration to assemble a workgroup tackling the issue. The group, composed of dozens of stakeholder organizations, issued its policy statement last week.

Among its many recommendations, the group suggests the administration align its activities across all agencies to be more efficient with its resources. The administration is already undergoing a similar restructuring effort for water quality regulatory programs. The workgroup also suggests opening up more public-private partnerships, which Sec. Ross has recommended as well.

When it comes to agriculture, the group asks the governor to go beyond the current 98% deployment goal for 2022, established through AB 1665 in 2017. The administration should acknowledge additional resources are needed to "optimize precision agriculture" by extending wireless connectivity into the fields, the report notes.

In summary, the policy statement categorizes broadband access as both an economic and a social justice issue.

"Inclusivity is a cornerstone value for Californians," the group writes. "We take pride in raising expectations for acceptance, lowering barriers to opportunity and defining access as a fundamental right."

Seven questions for the Wine Institute's policy director

Tim Schmelzer is vice president for state relations at the Wine Institute, which represents exclusively wineries based in California. He spoke with *Agri-Pulse* recently on how the industry occupies a unique space in Sacramento.

Wine faces "a very busy regulatory agenda," due to it falling within both agricultural and manufacturing policymaking, intersecting with environmental, Alcohol Beverage Control (ABC), labor and many other areas of law.

Schmelzer has been lobbying for the institute since 2008, having previously worked for the California Energy Commission during the energy crisis years and then for public utility. His team tracks a whirlwind of both legislation and regulatory policies on the state and regional levels.

1. Can you give a snapshot of how alcohol is regulated?

The funny thing about alcohol is when prohibition ended, it wasn't a free-for-all. You need to have permission for virtually every aspect of your business. It makes for some odd legislation.

Bills we've sponsored seem like everyday things and not a big deal. In one of the first years I was here, the Wine Institute sponsored what we called the "Picnic Bill." It would allow you to enjoy drinking a glass of wine at a winery. Previously, you were only allowed to taste very small sips.

One piece of legislation we're currently working to get passed would extend wineries' ability to open tasting rooms. Under current law, you're allowed to have a tasting room at your winery and then one off-site. We've been working on legislation to allow for one additional tasting room. That's especially important for smaller wineries, who are much more likely to do business through their tasting room than deal with the expense of getting into retail channels.

2. What stands out from the legislative year as a whole?

California famously has a supermajority of Democrats in both the Assembly and the Senate, and then we had a new governor this year. An interesting observation was just to see the Legislature consciously testing the new governor. Jerry Brown, for example, took a relatively moderate approach on a lot of labor employment laws. Many bills that Gov. Brown vetoed, the legislature put right back on Gov. Newsom's desk to see what he'd do.

This year was more notable for us for the bills that didn't pass than did.

We supported legislation that extends a program run by CDFA to fight Pierce's disease and glassy-winged sharpshooter, SB 449. That was passed and signed and obviously of huge importance to the industry.

But then there were quite a number of bills in the alcohol space that didn't pass. Some barely moved. Some have had some interesting paths over the years. We worked with our friends in the beer industry to make sure a bill dealing with the definition of beer didn't accidentally impact wine, which it would have as originally introduced.

We thought it was notable that legislation to reduce the blood alcohol content for a DUI to .05 failed to get a hearing in the legislature.

Senator Scott Wiener from San Francisco has, for a few years in a row, tried to extend the hours of sale for alcohol beverages. He got a bill all the way to Gov. Brown last year, which Brown famously vetoed saying that “there was enough mayhem in the world without that bill.” This year, the bill didn't even make it to the governor.

On the environmental front, the Legislature got very serious about looking at reforming the state's recycling systems. We've had a bottle program focused on beverage containers. But the Legislature moved legislation (AB 1080 and SB 54) most of the way through this year to extend the program to all single-use packaging, with an especially acute focus on plastics. The bill covered virtually every product type you could imagine that was in a single-use container and included wine. We felt the bill was very rushed at the end and overly broad. We actually worked to stop that bill, and we are able to do so successfully at the end of the session.

We believe it's likely that this bill is going to move forward. We, as an industry, very much want to be part of any new recycling regime that we put together in California. So, we are working hard in trying to reimagine California’s recycling systems. Our focus will be on trying to improve the curbside collection of our products, for example.

3. How would you compare the Brown and Newsom administrations?

A governorship needs to be into their second or third year until you really get a feel for how it's going to operate. That being said, two of the high-level administrators within the Brown administration were able to continue over to Gov. Newsom’s administration, Jacob Applesmith, who’s the director of ABC, and Karen Ross, the secretary of CDFA. We were pleased both of them were able to continue in their roles.

It's been friendly so far. Obviously, we're aware Gov. Newsom has some history in our industry. (He is a partner in the Plumpjack winery corporation.)

4. With so many battles on so many fronts, do you feel legislators and the administration are aware of the cumulative challenges adding up for the industry?

I actually feel they are. Both the Assembly and Senate have select committees specifically dealing with the wine industry. They have taken a special interest on these international pressures, like the trade issues that have been challenges for us, for example. I think that is taken into account as legislation moves through.

A lot of legislators are proud of the wine industry and what it means for California. There's a certain amount of wanting to protect that at the Legislature.

5. What are you expecting to work on next year?

The recycling measure is going to be front and center.

The manner in which emissions from fermentation tanks is regulated has been a challenge to us. We are working to develop a solution to that. Our concern is that if certain controls are required to be put on our tanks, it could impact the quality of wine we're able to make, which we would obviously see as a bad outcome. There's a lot of work yet to do on that one.

On the regulatory front, the State Water Board has a draft Winery Order, which would regulate winery waste discharge emissions all throughout the state. It'd be very impactful regulation. We've been engaged with Water Board staff over what's now been a several-year effort to refine that regulation in a manner that gets them the environmental protections they are seeking and is manageable for our industry.

There's a lot of attention being paid to sedimentation issues in the North Coast area. In Napa and Sonoma, there was a Vineyard Order adopted by the regional water board a couple years ago. We're still heavily engaged in trying to ensure our members are able to comply with it in a cost-effective manner.

We've been supportive of the environmental goals and consider ourselves very environmentally forward as an industry. When you work through these issues, it's just a matter of making sure we get to that end goal in a way that's sustainable for the industry and still protective of the environment. We're able to achieve that 99 times out of 100, fortunately.

6. Can you explain the industry's efforts in staying ahead of the curve on sustainability when it comes to Sacramento policymaking?

Well, before I joined the Wine Institute, our incredible members had the foresight to develop a program called the California Sustainable Winegrowing Alliance. It's a partnership between the Wine Institute and the California Association of Winegrape Growers. They developed a great workbook that members can voluntarily choose to follow, and fortunately they have. It's a list of something on the order of 250 practices to improve your environmental footprint and even to engage your community and your employees.

Some of the regulatory programs coming down through the regional water districts, for example, have provided regulatory relief if you're participating in a sustainability program. When a regulator sees they're getting the environmental impact their regulation was searching for, it's a win-win situation.

7. Anything else to add?

Just drink California wine, please.

Will FDA warnings on CBD products clear the confusion?

Warning letters sent by the Food and Drug Administration to 15 producers and sellers of CBD products show the agency is serious about enforcing current prohibitions on the marketing of goods containing cannabidiol, the non-psychoactive chemical contained in hemp.

But while the letters will affect the businesses that received them, likely causing them and others to drop some products and remove health claims from others, they probably won't stem the flood of CBD products already on the market or stop others from entering it.

"They're trying to send a stronger message to industry," said Eric Steenstra, president of Vote Hemp. "It's necessary."

At the same time, the market has grown so fast, "It's hard to swing a cat without hitting a store selling CBD," Steenstra said. Employing another metaphor, he added, "I don't think they're going to be able to put the genie back in the bottle."

FDA said the companies were making unjustified claims about the health or curative properties of CBD, which has been touted as something of a medicinal marvel, capable of treating anxiety, aches and pains, and Alzheimer's — among many other maladies.

Kevin Boot, Faegre Baker Daniels

But CBD cannot be sold as a drug or dietary supplement under the Food, Drug & Cosmetic Act. In many of the cases, companies also were selling food containing CBD for humans and animals, which also is prohibited by the FDCA.

In the real world, "FDA can't go after every company," said Kevin Boot, an attorney at Faegre Baker Daniels in Des Moines. "Yet companies shouldn't be violating the law simply because they don't get caught."

The businesses that received the warning letters "need to be able to show safety and then sell products in a lawful way which doesn't include drug claims," said Boot, who counsels food, feed and dietary supplement makers.

The warning letters likely won't resolve the confusion in the marketplace about the legal status of CBD, which is derived from hemp, production of which was legalized in the 2018 farm bill subject to certain conditions, such as having less than 0.3% THC content.

"The only answer to the issue is FDA getting its regulations and guidance out there," Boot said.

The agency is working on that, but there's no clear indication when it might issue language to calm the concerns of consumer interest groups and the hemp/CBD industry. A high-ranking FDA official recently told a Food & Drug Law Institute conference that the agency hoped to issue a "comprehensive update in the near future," but the official also said data are seriously lacking on the effects of CBD on human and animal health.

For two of the business owners contacted by *Agri-Pulse,* the letters were a surprising, but not enough to stop them from selling CBD.

“This is nothing for us — we welcomed the FDA because we want things to be transparent with our customers,” said Lavetrice Raley, owner of Private I Salon in Charlotte, N.C.

Private I was cited for marketing CBD products as drugs and dietary supplements and for selling foods containing CBD. Raley said she is “very confident” she can get everything squared away with FDA. An “FDA Disclosure” now appears prominently on her website, asserting, “These products are not intended to diagnose, treat, cure or prevent any disease. All information presented here is not meant as a substitute for or alternative to information from health care practitioners.”

Raley said she isn’t sure why Private I was the subject of a government enforcement action — “How did they target this little teeny boutique?” — but said publicity about the FDA warning has benefited Private I.

“Since the news report, I’ve had more business,” she said. Customers are “super-shocked,” asking her why she was targeted.

Another business owner, JT Taylor of Apex Hemp Oil in Redmond, Ore., said, “I’m doing everything they tell me to.” Taylor was cited for selling unapproved new human and animal drugs, including livestock pellets made from organic molasses, hemp and hemp seeds.

Taylor expressed some puzzlement at being the subject of an enforcement action. “Everybody in the world is using pain relief” as a health claim, he said.

He said he’s no longer selling the pellets or dog treats that were advertised on his website, and is shifting sales to full-spectrum CBD oil. FDA has declared three hemp-derived products are Generally Recognized As Safe (GRAS) for human consumption: hulled hemp seed, hemp seed protein powder, and hemp seed oil.

Taylor questioned why, if FDA has deemed those products as safe for humans, it has not done so for animal foods or feed. The simple answer seems to be: No one has asked yet, though FDA will not say whether it’s received any such applications.

That may change in 2020, when a Kansas City company expects to apply to market hemp seed oil for dogs and cats. Steve McGarrah, CEO of High Plains Nutrition, said he is shooting to submit his application to FDA before the upcoming meeting of the Association of Feed Control Officials Jan. 21-23.

"We have been working on this project for several years," he said.

McGarrah said High Plains may try to get approval for horses, too, but he's not sure whether he has enough data.

For hemp to be approved as an animal food, data need to show how its high levels of essential fatty acids, fiber and protein benefit a particular species, said Bill Bookout, president of the National Animal Supplement Council.

But Bookout cautioned patience, saying it could take two to three years to gain approval.

Trump injects new uncertainty over a prolonged China trade war

President Donald Trump's latest claim that he might push back a trade pact with China until after the 2020 elections has unleashed a new wave of uncertainty for America's farmers who had been counting on promises that a resolution to the trade war was imminent.

"In some ways I like the idea of waiting until after the election for the China deal," President Donald Trump told reporters in London during a trip there Tuesday, "but they want to make a deal now and we'll see whether or not the deal's going to be right."

President Donald Trump and Chinese Vice Premiere Liu He meet in the Oval Office in April.

It was only a little more than a month ago that Trump invited Chinese Vice Premier Liu He into the Oval Office and then announced that a trade deal had been mostly agreed to and would be signed by mid-November.

But that was in October and the ground has shifted, even as U.S. Trade Representative Robert Lighthizer and Liu continue their talks to try to nail down a partial, Phase One, pact that was promised to provide a massive boost to U.S. agricultural exports.

China is making it clear that it won't agree to a deal until some of its demands are also met. The Global Times, a newspaper run by China's Communist Party, tweeted Saturday that the U.S. would have to first agree to cut its tariffs.

"Sources in Beijing informed the Global Times that China insists the tariffs must be rolled back as part of the first-phase trade deal," the paper warned. "A U.S. pledge to scrap tariffs scheduled for December 15 cannot replace the rollback of tariffs."

But Trump insisted Tuesday that it was all up to him.

"The China deal is dependent on one thing — do I want to make it," Trump said. "Because we're doing very well with China now … I have no deadline, no."

While the precise ramifications of suffering another year under trade war conditions are unclear, it's not a rosy scenario, says American Farm Bureau Federation Economist Veronica Nigh.

"It certainly does not bode well for prices going into 2020 unless there's some significant, unfortunate weather event," she said. "Another year of additional stocks and all that much longer to get out from underneath them."

Shifts in planting decisions, rising stockpiles, less exports and the need for billions more in subsidies are just some of the potential results of a trade war that persists for another year, say farm economists and leaders.

Veronica Nigh, AFBF

Nothing is clear except for the fact that the pain of a tough farm economy will continue.

"Certainly, what it does mean is there's a lot of uncertainty," says Joe Glauber, a senior research fellow at the International Food Policy Research Institute, former chief agriculture negotiator for the U.S. Trade Representative and former USDA chief economist.

Trump has threatened before that he might not agree to a deal before next year's elections, but this time his comments come as America's farmers were expecting a major turnaround on trade.
Just recently the U.S. approved China to export poultry to the U.S. and, in return, China lifted its ban on U.S. poultry. That came not long after Trump and White House officials promised that China would be buying $40 billion to 50 billion worth of U.S. agricultural products annually over the next couple of years.

Instead, the future is now looking bleak. As talks progressed over the past year, China has agreed intermittently to allow its importers to buy millions of tons of soybeans as demonstrations of good will.

That could be over, Glauber told *Agri-Pulse*.

"The amounts that were agreed upon to ship to China, the U.S. has already shipped and so there's no unfilled orders right now," he said. "To get new orders … China would have to agree to that. If this means no more soybean sales, then I think that would be a big blow to the U.S."

Grant Kimberley, senior director of market development for the Iowa Soybean Association, spoke to *Agri-Pulse* after the last time Trump warned he might not end the trade war until late 2020 and Kimberley's forecast was dire.

"On the demand side, the longer the trade war lasts, the more that our U.S. soybean export pace will continue to fall behind and ending stocks will grow," Kimberley said in an August interview. "If the trade war continues into next year, we could see an excessive shift of acres into other crops which would could crest burdensome supplies of other crops."

Whether it's the U.S. tariffs on Chinese products or the Chinese tariffs on U.S. products, America's farmers and businesses are feeling the pain. AFBF, the nation's largest producer group, issued a statement Tuesday afternoon calling on Trump to wrap up a deal with China.

"A trade agreement with a market as important as China's must be a priority. Further delay in reaching an agreement would make it hard for struggling farmers to hold on in the face of rising bankruptcy rates," AFBF President Zippy Duvall said. "The more time that passes, the more difficult it will be to win back this important export market, regardless of any trade agreement."

Zippy Duvall, AFBF

Trump continues to say that China is paying the U.S. tariffs — not U.S. companies that pay the import taxes — and the Chinese are bearing the brunt of the trade war, but U.S. businesses and farm groups are crying out.

"We want and need to see a deal as soon as possible," said National Retail Federation Senior Vice President David French. "The tariffs continue to hurt U.S. businesses, workers and consumers and are a substantial drag on the U.S. economy. Waiting another year to resolve the cost and uncertainty of the trade war is a bad deal not just for retailers and their customers but every segment of the economy from farmers who export their crops to small manufacturers who rely on imported parts and materials."

Japan's parliament approves trade deal

Japan's Upper House approved a new trade pact with the U.S. on Wednesday, paving the way for lower tariffs on U.S. beef, almonds, walnuts, sorghum and other agricultural products, according to NHK World Japan. It cleared the lower house a couple of weeks earlier. National Cattlemen's Beef Association CEO Colin Woodall tweeted that the final vote was a "Huge win for U.S. cattle producers."

President Donald Trump withdrew from the Trans-Pacific Partnership when he first came to office, but this "phase one" agreement, negotiated with Japanese Prime Minister Shinzo Abe earlier this year, provides much of the same market access for U.S. producers – with the exception of several U.S. dairy products and rice. According to the U.S. Trade Representative's office, once this agreement is implemented early next year, over 90 percent of U.S. food and agricultural products imported into Japan will either be duty free or receive preferential tariff access. For example, under the agreement, Japan will:

- Reduce tariffs on products such as fresh and frozen beef and pork.
- Provide a country-specific quota for wheat and wheat products.
- Reduce the mark-up on imported U.S. wheat and barley.
- Immediately eliminate tariffs for almonds, walnuts, blueberries, cranberries, sweet corn, grain sorghum, broccoli, and more.
- Provide staged tariff elimination for products such as cheeses, processed pork, poultry, beef offal, ethanol, wine, frozen potatoes, oranges, fresh cherries, egg products, and tomato paste.

The United States will provide tariff elimination or reduction on 42 tariff lines for agricultural imports from Japan valued at $40 million in 2018, including products such as certain perennial plants and cut flowers, persimmons, green tea, chewing gum, and soy sauce. This agreement also provides for the limited use of safeguards by Japan for surges in imports of beef, pork, whey, oranges, and race horses, which will be phased out over time.

U.S. total exports of agricultural products to Japan totaled $13 billion in 2018, our 3rd largest agricultural export market. Leading domestic export categories include: corn ($2.8 billion), beef & beef products ($2.1 billion), pork & pork products ($1.6 billion), soybeans ($927 million), and wheat ($717 million), according to USTR.

For some farmers, income could take hit without 2020 trade aid

The Trump administration's trade assistance payments have become so critical to farm profits that many growers could take a hit to their income if the program is discontinued in 2020 because of a trade deal with China.

In 2019, the $14.3 billion in Market Facilitation Program payments combined with other federal subsidies to account for nearly one-third of net farm income, according USDA's Economic Research Service.

MFP will amount to more than half of the $22.4 billion in direct government payments are expected to receive this year. In 2018, government payments, including MFP, totaled $13.7 billion.

For many farmers, the MFP payments were the difference in covering their costs. In Illinois, for example, MFP payments will account for 11% of total gross revenue on Illinois grain farmers this year, according to University of Illinois economists. Government payments haven't accounted for that large of a share of gross revenue in Illinois since the early 2000s, they said.

Jonathan Coppess, University of Illinois

"Without MFP payments, average farmer returns would be negative in 2019, and far below any level since consistent records began in 2000," the economists wrote.

So, what will happen if MFP isn't repeated in 2020? **After all, MFP payments this year are projected to push net farm income to $92.5 billion, well above levels before the trade war with China erupted in mid-2018. That's also above the inflation-adjusted $90 billion annual average net farm income since 2000.**

And net farm income hasn't exceeded $90 billion since 2014, when farm earnings last topped $100 billion.

"Commodity farmers are in for a tough year next year by all accounts, but tougher without more MFP and no return to normal with China," said Jonathan Coppess, a University of Illinois policy analyst who served as administrator of the Farm Service Agency under the Obama administration.

Dan Basse, president of AgResource Co., said "the outlook for U.S. farm income is rather grim" if Trump doesn't continue MFP.

Chinese import demand should keep the livestock sector stable, but U.S. corn, soybean and wheat prices "will all be lower on oversupply," he said. "The only hope is that yields are higher next year to counter some of the price losses."

Another concern, said Basse: The United States is heading into an extended period of large stocks "without a new demand driver or numerous weather problems that cannot be forecast at this time."

Patrick Westhoff, director of the University of Missouri-based Food and Agricultural Policy Research Institute, believes it would take a significant increase in soybean prices to make up for the impact of losing MFP payments.

In fact, the price increase would need to be about $2 a bushel to offset a loss of MFP payments, given the MFP rate for soybeans of $2.05 a bushel. FAPRI projected in August that net market returns for soybeans would dip in 2020 with increased production offset by lower market prices. (The projection assumes the trade war with China continues through next year.)

"It would take a big bump in sales, which would might be hard to do in the presence of ASF," he said, referring to the African swine fever epidemic that has devastated Chinese hog production and dropped that industry's demand for feed.

USDA's latest projections for 2020, released in November, estimate soybean net returns will rise in 2020 to $288 per acre, up from $264 an acre on higher yields and production but projects prices will slip from $9 to $8.85 per bushel.

Both the USDA and FAPRI forecasts assume that China continues its retaliatory tariffs through 2020.

Cotton growers also have been helped significantly by MFP, which was reflected in a payment rate of 26 cents per pound, a rate so high that farmers in many cotton-growing counties qualify for the maximum MFP payment this year of $150 per acre. (The county rates that were used to calculate MFP payments to individual farmers were based on rates for individual commodities.)

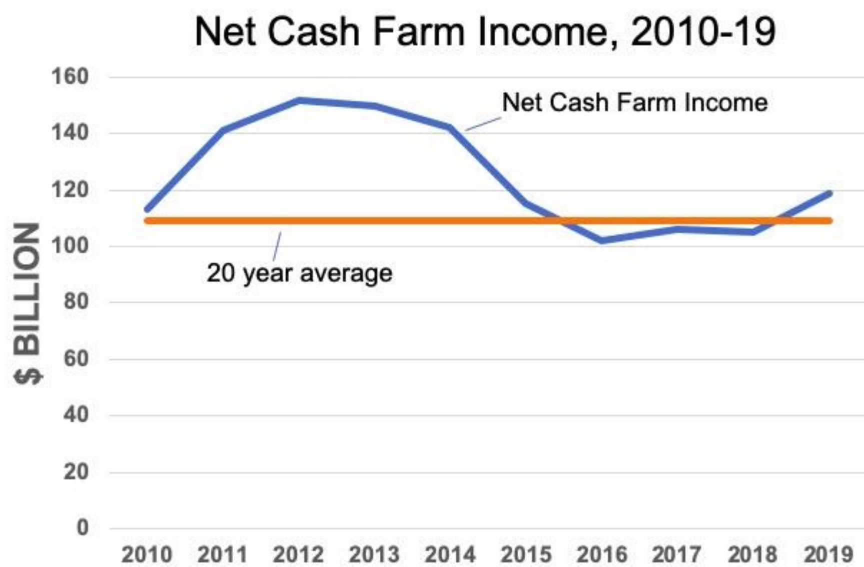
Since the first half of 2018, cotton prices have dropped sharply both because of the trade war as well as a global oversupply.

Returns are expected to rebound in 2020 because of a return to trend yields, according to FAPRI, so it would take a smaller increase in prices to offset the impact of losing MFP payments, Westhoff said. "Of course, the average MFP payment for cotton is quite large, thus the maximum MFP payment rates in many cotton counties," he said.

The latest monthly survey of farmer sentiment by Purdue University indicates that farmers are increasingly optimistic about a trade deal with China. In November, 57% of the survey respondents said they expected a resolution to the trade dispute soon, compared to 42% in October.

Purdue's August survey indicated 58% of farmers expected another MFP payment to be made to U.S. farmers for the 2020 crop year.

That confidence may be well placed, given that Trump is running for reelection in 2020 and control of Congress will be up for grabs. But Agriculture Secretary Sonny Perdue, when he announced in November that USDA would make a second tranche of 2019 MFP payments, said farmers shouldn't count on the program being continued in 2020. Perdue said "we're hopeful that trade would supplant any type of farm aid needed in 2020 in that regard."



Given the uncertainty about the trade war, the University of Illinois economists suggest landlords lower cash rents for 2020, "with contingencies for cases in which MFP payments occur. By doing this, base cash rent is set at a level that allows the farmer to generate profits and leaves open the option for both parties to benefit if MFP payments occur in 2020."

In 2019, cash rents on highly productive land in central Illinois averaged about $274 per acre, the same level as 2018, but returns to farmers plummeted from $355 to $273 per acre, the economists said.

Bump in milk prices applies bandage to American dairy farms

The increase in milk prices this year is providing some needed relief to U.S. dairy farmers after a least a couple of years of economic stress for most, but expanded production is dampening expectations for many producers in 2020.

USDA analysts project the national all-milk price, which has hung mostly in a band of $16 to $18 per hundredweight in recent years, will average more than $20 in the quarter ending Dec. 31 and average near $19 for all of 2020.

Just as crucial to producers, the national milk-feed ratio, which rates raw milk prices against feed and forage costs, has climbed to a friendly 2.4, up from around 2.0 and 2.1 through 2018 and much of 2019. Feed and forage costs are typically around 70% of total operating costs. Meanwhile, last week USDA projected a 13% bump for farmers' 2019 milk receipts, pushing them up $4.6 billion and to their highest in recent years.

Peter Vitaliano, NMPF

The milk prices uptick poses a cheery enough picture for dairy farms that Peter Vitaliano, economist for the National Milk Producers Federation, declares: "Basically, all operations are going to get some relief this year, and … it'll eliminate some of the pressure on the small producer."

If considering just short term dairy market and operating costs, "this year by itself should not be stressful for any dairy farmer," he said, "but the question is how weak of a financial position are you entering next year, based on the problems of that past five years?"

Looming over dairy's economic situation in 2020 is the persistent expansion in milk production. USDA projects the national herd will remain around 9.33 million milking cows, but continued increases in milk output per cow — 1.7% for 2020 over 2019 — will boost total production by a like percentage, to more than 222 billion pounds next year.

That expansion has come despite a reduction in U.S. milk cow numbers, owing to weak milk prices, severe weather disruptions, and dairies selling out. The national herd shrank month-to-month in 2018 and through last summer but began swelling slowly again this fall.

In early 2018, the national herd was about 100,000 cows smaller than a year earlier, Vitaliano said. But that gap shrank to 40,000 this fall, "and at the rate we're going now, the herd may start growing again on a year-over-year basis sometime early next year," accelerating production of milk, he said.

While export demand worldwide has been strong, U.S. production of milk solids per cow "has been going up so fast" there's increasing odds production could exceed demand, Vitaliano said.

Larger producers, who tend to have lower costs, are getting a break because of the higher milk prices and continued moderate feed prices, and "they're the ones who will be expanding," Vitaliano said.

According to a 2016 USDA Economic Research Service study, there is a large disparity in operating costs between large and small farms. Operating costs ranged from around $14.50 to $16.50 per hundredweight on average for farms with fewer than 200 cows, compared to about $10.50 to $11.50 for farms with more than 1,000 cows, according to their data from 2010.

Analysts say this year's higher milk prices may hold limited promise, if any, for the long-term strength of many dairy farms.

That includes California, home to huge dairies, and where a new federal milk marketing order, implemented just a year ago, has helped lift prices somewhat, said Rob Vandenheuvel, senior vice president for industry relations at California Dairies, Inc., the state's largest dairy co-op.

“Prices have been coming up,” in his state, he says, and the federal order “has been a net positive for California dairy families.” That’s true, even though California’s October all-milk price, at $18.90, still trailed the comparable U.S. price by a dollar, he said.

Rob Vandenheuvel, CDI

Yet the milk price uptick doesn’t portend a growing California dairy sector, he said. California milk production has slipped moderately in recent years while the number of dairy farms has plunged by 30% in the past decade: 570 of them closed or merged with others from 2008 through 2018.

Vandenheuvel said advantages of scale and other factors have encouraged the mergers into the huge California operations. His own co-op members average about 1,700 cows each. But many factors are eroding California dairy operations, and while some of the dairies have expanded, “we’re not seeing new dairies replacing old dairies," he said.

Some dairies are disappearing with the rapid expansion of California fruit orchards, which can earn a higher return per acre. But a bigger factor for the industry, he says, is increased regulatory costs in recent years, including new groundwater use permitting, plus increases in both minimum wages for farmworkers, and new overtime pay requirements, are all adding to the challenges to economic survival of dairy farms there.

So Vandenheuvel expects the number of California dairy farms will keep falling, even though the currently strengthening market is welcome.

Nationwide, the 2018 farm bill’s strengthened dairy support program, Dairy Margin Coverage, will pay out $309 million to farmers this year, owing to lower milk prices through most of 2019. DMC payments are calculated on a month-to-month basis. But USDA doesn’t expect DMC to provide any payments in 2020, and only about 11% of eligible production has been enrolled so far, ahead of a Dec. 13 signup deadline. That compares with 82% of milk enrolled this year. (Payments are based on the monthly estimate of the margin between raw milk prices and dairy farm feed costs.)

Looking ahead, some farmers may be hurt by limited supplies of good quality corn silage, hay, and haylage, the mainstays of many American dairy herd nutrition, and some pretty iffy supplies through the winter.

Wisconsin and other northern states received relentless rain in the spring, then through the fall as well, said University of Wisconsin economist Mark Stephenson. Rain and swamped conditions prevented corn plantings, hay and haylage harvests in the spring and summer, slowed corn crop progress, and then hampered corn harvests, he said.

He surveyed county extension staff in Wisconsin this fall to find hay supplies through winter will be short in places, “the quality (most often) below average … almost everybody was down by a least one cutting … and with corn silage … most folks were going to have pretty tight supply and quality … worse than average."

USDA livestock feed specialist Thomas Capehart said pasture conditions are "not a good picture" in many parts of the eastern, southern and Corn Belt states for farmers who graze dairy cows.

He's concerned about silage and haylage supplies, too, though USDA doesn't have specific estimates. He said silage is usually estimated nationally by the difference between the number of corn acres that are planted and the number that are harvested for grain. "Most of that differential is generally silage, but this year … there's so much corn still out there, and how much will be able to be harvested as silage, we don't know."

News Briefs:

New buzz about artificial pollination. Can you grow more fruits and nuts without bees? For several years, researchers have been trying to perfect the art of artificial pollination, providing an alternative to bees. Washington State University's Matt Whiting has even licensed his intellectual property for a pollen suspension that can be applied to budding trees. But now, an Israeli agritech startup plans to enter the California market, initially to pollinate almonds. Edete Precision Technologies for Agriculture says it has successfully completed field trials in almond orchards in Israel using its mechanical pollen harvesting and pollination system and also tested its technology in Australia. The company plans to begin a pilot program using the technology in 2022 in California, the world's largest almond growing region. "We are initially focusing our efforts on almonds, but our game-changing technology has huge potential for a wide range of other crops as well," said Eylam Ran, CEO and co-founder at Edete. The list of additional crops includes apples, cherries, pears, blueberries, plums, cotton, rapeseed, and sunflowers, to name a few. In a release, Edete says its system is based on the mechanical collection of flowers and extracting pure pollen out of them, which enables the maintaining of good germinability rates of pollen stored for over one year. The dry pollen is applied on the trees using the company's unique robotic pollination system which utilizes a combination of technologies to disperse an optimal dosage of pollen on the target flowers to achieve effective pollination. The application units can work during day or night and independent of ambient temperature.

Superior Farms moves to more renewable energy. A new state-of-the-art solar panel system, combined with a wind turbine, is now generating 95% of the energy needed to process American lamb at Superior Farms at its Dixon, Calif. facility. The company partners with over 1,000 American family ranchers to provide high-quality lamb with a strong commitment to animal wellbeing and sustainability, it noted in a release. "Our employee-owned company is proud to be making significant strides in our commitment to providing sustainably raised American lamb, though clean energy solutions and careful considerations regarding water use, transportation, packaging, and more," said Anders Hemphill, vice president of marketing and brand strategy at Superior Farms. "We lead the industry in our sustainability efforts while supporting local, rural communities and American farming families, and providing a homegrown alternative to imported lamb which must be shipped thousands of miles." In addition to its clean energy initiatives, Superior Farms' sustainability efforts have resulted in:

- A reduced use of water by 33% at its Dixon facility. That savings equals the amount of water used by more than 130 households annually.
- A reduced use of diesel fuel since 2015 by more than 140,000 gallons per year.

- Less food waste and less plastic packaging. Transitioning its case-ready packaging to a vacuum skin package reduced Superior Farms' use of plastics by a third. It also eliminates the need for retailers to repackage the product when it arrives in stores and keeps the lamb meat fresh for a longer period, reducing food waste.

USDA pressed to finalize organic rule. The Organic Trade Association and its allies in Congress are pushing to finalize an Obama-era rule that would help dairy producers to transition animals into organic production only once. The department announced in September that it was reopening the comment period on the 2015 rule. The deadline for comments was Monday. OTA said in its comments that it "continues to support the Origin of Livestock proposed rule, and urges USDA to move expeditiously to a final rule to clarify and narrow the allowance to transition dairy animals into organic milk production as a one-time event." The five co-chairs of the House Organic Caucus — Rep. Rodney Davis, R-Ill.; Rep. Peter DeFazio, D-Ore.; Rep. Ron Kind, D-Wis.; Rep. Dan Newhouse, R-Wash.; and Rep. Chellie Pingree, D-Maine — submitted a separate letter to USDA in support of the rule. They said the issue is "critical for thousands of organic dairy farmers around the country." The House and Senate both included provisions in their 2020 funding bills for USDA that direct the department to finish the rule.

Farm Hands West:

Pamela Marrone, company founder of Marrone Bio Innovations, Inc., announced she will retire from her position as CEO. Marrone will continue as CEO until the board of directors have named a successor. She will continue to serve on the company's board of directors as a non-executive member. Following her retirement, she will also serve as a consultant to Marrone Bio to advocate for the company and its mission. Marrone Bio is a sustainable bioprotection and plant health solutions company.

Secretary of Agriculture **Karen Ross** appointed four new board members to serve on the Dairy Council of California. The board members are: **Leanie Souza**, **Sherrie DeVries**, **Stacy Heaton**, and **Tyler Ribeiro**. Souza is the member relations manager for Land O' Lakes West region, overseeing milk quality and safety. DeVries is a dairywoman in Hinkley, Calif., who hosts school tours and field trips. She also leads nutrition groups and hosts at-home cooking sessions. Heaton is the director of communications for California Dairies Inc. Ribeiro is a fourth-generation dairy farmer at Rib-Arrow Dairy in Tulare, Calif.

Bobalu Berries, based in Oxnard, Calif., has selected **Anthony Gallino** to become the firm's first vice president of sales as the company works to bring sales and marketing in-house. Gallino entered the berry industry 25 years ago first connecting with Bob Jones, grandfather of **Bobby** and **RC Jones**. Gallino will work alongside **David Ollivier**, Bobby and RC Jones and the rest of the Western Veg sales group to boost berry sales for the 2020 and 2021 year.

American Agri-Women elected its new national officers at its 2019 national convention, including: **Karolyn Zurn** of Minnesota Agri-Women as AAW President; **Jane Marshall** of Ohio Agri-Women was elected to a two-year term as First Vice President of Vital Issues. **Carie Marshall-Moore** of North Dakota Agri-Women was elected to a two-term as Vice President of Communications. **Jeanette Lombardo** of California Women for Agriculture is now the current past president. Officers returning for their second year of a two-year term are: **Lesley Schmidt** of Kansas Agri-Women, Vice President of Education; **Katie Yost** of Montana Agri-Women, Treasurer; and **Natalina Sents** from Iowa Agri-Women, Secretary.

The Bureau of Reclamation selected **Richard Welsh** to assume the newly created position of principal deputy regional director. Welsh began working for Reclamation in 1985 and has overseen the region's Construction Office for the past 22 years. In this new role, Welsh will focus on building relationships and providing technical oversight for the California-Great Basin region's projects. Projects he has worked on in the past includes: The Red Bluff Pumping Plant and Fish Screen and serving as Reclamation's construction representative for the Battle Creek Restoration and Safety of Dam Programs.

Marvin Meyers passed away on November 19. After graduating from Fresno State University with a degree in animal science he joined the U.S. Army. With his animal science background, he was drafted by the Walter Reed Medical Center to work with the live chimps in the Space Program. After the Army, he worked for the Wilbur Ellis Fertilizer Co. he then created his own ag chemical business, Meyers Ag Chem. Through his career, he served as president of the San Luis Water District and was appointed by Governor Schwarzenegger to serve on the Governor's Agriculture Advisory Commission. While serving on the board of the San Luis Water District, Meyers created the first private water bank. The water bank Meyers created is also an educational program for children of all ages to come and learn about the importance of water and wildlife to the Central Valley. Meyers was awarded the Chamber of Commerce Agriculturist of the year in 2010.

Best Regards,

Sara Wyant

Editor