

AG ISSUES UPDATE
Edited by Brad Hollabaugh
September 2018

AMS Issues Pre-Solicitation Notice Announcement for Trade Mitigation Purchase of Apples and Apple Products

Beginning Oct. 1, USDA/AMS will begin a \$1.2 billion food purchase and distribution program in an attempt to counteract retaliatory tariffs on U.S. agricultural exports. USDA announced a pre-solicitation notice for apples and apple products under the Trade Mitigation Food Purchase and Distribution Program.

This is the new program intended to mitigate the impacts of the current retaliatory tariffs imposed on imports of U.S. apples. USDA intends to purchase \$93.395 million in apples and apple products between October 2018 and December 2019.

Note, USDA's solicitation includes these exceptions to the existing purchasing specifications:

1. Grade - WA Extra Fancy or Equivalent
2. Varieties - Red Delicious, Gala, Golden Delicious, Granny Smith

All other existing specification requirements apply.
(USAPPLE.ORG, Mark Seetin)

USApple Stresses Importance of Exports in White House Meeting

On September 5, while in the nation's capital for a day of advocating in Congress for free trade, USApple board chair Kaari Stannard also joined president & CEO Jim Bair in a small meeting in the White House to discuss the chaos currently impacting trade.

Kaari and Jim pressed the importance of resolving the trade disputes that are threatening apple exports to Mexico, India, Canada and China - the apple industry's number 1, 2, 3, and 6 largest export markets.

Trump Administration officials participating in the meeting were:

- Clete Willems, Director of International Policy, White House National Economic Council
- Ambassador Gregg Doud, Chief Agricultural Trade Negotiator, Office of the President
- Tim Pataki, Special Assistant to President Trump
- Bill Northey, USDA Under Secretary for Farm Production and Conservation

(Apple Bites - 9.12.18)

Passing of the Apple Gavel: New USApple Officers and Board Members Seated

The official apple gavel was passed from 2017-2018 chair Mark Boyer of Ridgetop Orchards, LLC, Fishertown, PA to newly-elected chair Kaari Stannard of New York Apples Sales, Inc., Glenmont, NY at the association's annual Apple Crop Outlook & Marketing Conference in Chicago, IL.

Other incoming officers joining Stannard are vice chairman Jeff Colombini, Lodi Farming Inc., Lodi, CA, secretary Mike Preacher, Domex Superfresh Growers, Yakima, WA and treasurer Craig Hinkle, Knouse Foods Cooperative, Inc., Peach Glen, PA. Mark Boyer will continue to serve as immediate past chairman.

Steve Clement, Sage Fruit Company, Yakima, WA and Steve Smith, Yakima Fresh, LLC, Yakima, WA join USApple's executive committee. Alisha Albinder, Hudson River Fruit Distributors, Milton, NY, Frank Davis, Washington Fruit & Produce Co., Yakima, WA, James Foreman, Foreman Fruit, Wenatchee, WA, Robin Hansen, Columbia Fruit Packers, Inc., Wenatchee, WA, Ryan Hess, Hess Brothers Fruit Co., Lancaster, PA, Tom Hurson, Tree Top, Inc., Selah, WA and Mark Stennes, Chelan Fruit Cooperative, Chelan, WA are now directors on the board.

Reappointed to the board were Chris Alpers, Mike Dietrich, and Phillip Glaize, III. After serving their terms Dave Benner, Jim Divis, John Graden, Ned O'Neill, Bob Price, Mike Wade and Jon Wyss have stepped down from the board.

Diane Smith, Michigan Apple Committee, Lansing, MI replaces Todd Fryhover, Washington Apple Commission, Wenatchee, WA as this year's state association board member. (*Apple Bites* - 9.12.18)

Congress Finalizing Farm Bill

Congress is moving closer to putting the 2018 Farm Bill to a final vote. Conferees from both the House and Senate met in early September to start developing a final draft of the critical agriculture legislation. Because each chamber passed separate versions of the farm bill, conferees must work out differences between the plans and come up with a combined bill to be voted on by both chambers.

Having a new farm bill in place before the current law expires at the end of September is critical to continuing key agriculture programs that help farmers manage their risk to stay viable in an unpredictable business and give certainty during a struggling farm economy. Some hurdles remain, chiefly reconciling differences between the House's and Senate's approaches to the nutrition title and conservation programs.

Congress May Consider Agricultural Labor Reform

There's a potential for Congress to consider meaningful agricultural labor reform this year. As of early September, congressional leaders were considering holding a vote on the AG and Legal Workforce Act, which would create a new, year-round agricultural guest worker program.

The proposal, sponsored by Rep. Bob Goodlatte (R-Va.) and supported by Farm Bureau, comes as many agricultural producers face a labor shortage, threatening their competitiveness with foreign farms, and crops have gone to waste due to delays in processing visas for guest workers under the current H-2A program. In addition, two key segments of Pennsylvania agriculture—dairy and mushrooms—have not been able to take advantage of the H-2A program because they have year-round, rather than seasonal, labor needs.

WOTUS Takes Effect in PA but Enforcement Uncertain

A recent court ruling has caused the controversial Waters of the U.S. rule to technically take effect in Pennsylvania and 25 other states. However, it's unclear what the ruling will mean for the federal Environmental Protection Agency's potential enforcement of the regulation, given that the agency is in the process of repealing and rewriting the rule.

"To avoid widespread uncertainty and potential enforcement against ordinary farming activities in these already-uncertain times, we call on the administration to take immediate steps to limit the impact of this dangerous court decision," American Farm Bureau Federation President Zippy Duvall said.

The federal district court ruling in South Carolina found that EPA did not follow proper procedures earlier this year when it issued a rule delaying the implementation of WOTUS in an effort to stop the 2015 regulation from taking effect while it developed a replacement.

Farm Bureau and other groups have asked that court to delay the order (thus stopping the rule from taking effect) while they appeal the decision. At the same time, Farm Bureau is asking a federal district court in Texas to block implementation of WOTUS nationwide.

The current version of WOTUS would subject an estimated 98 percent of Pennsylvania land to federal water regulations. Farm Bureau believes the 2015 rule attempts to regulate land areas well beyond what is allowed by federal law and has advocated for replacing it with one that protects water quality without trampling on landowners' rights.

Expanding Efforts to Combat the Spotted Lanternfly

Penn State is spearheading the effort to stop the spotted lanternfly, which includes multiple participants from more than 80 universities in collaboration with other regulatory and agricultural agencies.

The strategy to control and possibly eliminate the pest will include educating communities on identification and the life habit of the spotted lanternfly, destroying egg masses, understanding its feeding preferences, developing biological controls and recommending effective pesticide applications. Thirteen counties in Pennsylvania are under quarantine and the pest has also been identified in New Jersey, Delaware and Virginia.

Small Business Tax Fairness Package

Please urge your State Senator and House member to support the three-bill Small Business Tax Fairness Package, that will bring needed reforms to our state's tax system. The passage of these three bills would bring Pennsylvania's outdated state tax laws more in-line with federal standards.

Tax reforms at the federal level has helped reinvigorate the economy. Now is the time to remove barriers at the state level that discourage farmers and other small business owners from making further investments in their businesses.

BACKGROUND

Tax reforms at the federal level has been a boon for farmers and small business owners. However, Pennsylvania's tax laws do not allow farmers to take full advantage of these benefits at the state level. That's why Pennsylvania Farm Bureau and other organizations are pushing lawmakers to pass the Small Business Tax Fairness package. Lawmakers have introduced identical companion bills in the House and Senate. This three-bill package would accomplish the following reforms:

1. First, Senate Bill 201 and House Bill 331 would allow businesses to use like-kind exchanges at the state level. Pennsylvania is the only state in the nation that does not allow small businesses to use the tax savings offered through like-kind exchanges. Like-kind exchanges allow business to trade property and other assets for property and assets of a similar value without incurring a tax liability.
2. Second, Senate Bills 202 and House Bill 332 would allow small businesses to use net operating loss deduction for their state taxes. Under this provision, small businesses could deduct losses in one year against income in subsequent years. This benefit is particularly helpful for farmers because their income is subject to cyclical swings in the market. Net

operating losses is already allowed at the federal level, and cooperate taxpayers in Pennsylvania are afforded these types of tax benefits, however the state does not allow it for small business owners.

3. Lastly, Senate Bill 203 and House Bill 333 would allow small businesses to take the full tax deductions for qualifying equipment expenses under Section 179. These bills would allow small businesses owners to take up to \$1 million in deductions at the state level-brining Pennsylvania laws in line with federal standards. This deduction is important for farmers because it allows them to offset some of the cost of equipment. Pennsylvania's current \$25,000 cap for small businesses deduction puts farmers at a disadvantage.

Reach out to your House and Senate member and ask them to support these important tax reform bills. It's equally important that you ask your lawmaker to contact their leadership and tell them that farmers are urging small business tax reform to get accomplished in Pennsylvania this year.

DEP Offers the Small Business Advantage Grants to Agricultural Producers

The Pennsylvania Department of Environmental Protection's Small Business Advantage Grant offers agricultural producers and small businesses the opportunity to obtain a 50 percent matching grant of up to \$9,500 to prevent pollution and implement natural resource protection projects. Eligible projects include planting riparian buffers, installing stream bank fencing and other projects that manage storm water.

The Small Business Ombudsman Office began accepting applications for the 2018-2019 grant on July 20 and will continue to accept new applications until the \$1 million in funding is exhausted. The Small Business Ombudsman Office may be contacted at **717.772.5160** for more information.

New Conservation Practices Qualify in the Resource Enhancement & Protection Program

Applications for state tax credits through the 2018-2019 Resource Enhancement and Protection Program (REAP) are now being accepted by the State Conservation Commission. The REAP program offers tax credits for best management practices (BMPs) that improve farm production and protect natural resources.

Newly qualifying BMPs under the program will include up to three years of cover crop plantings and maintenance of riparian forested buffers including replanting, mowing and herbicide treatments, and legacy sediment remediation. Detailed maps depicting the location of crops will no longer be required.

Applications for REAP may be obtained from the State Conservation Commission by calling **717.705.4032**.

Free Legal Services for Farmers Available Through Penn State Law

Penn State Law is offering farmers the opportunity to obtain free legal services through its Rural Economic Development Clinic. The program gives law students a chance to gain practical legal experience working with clients under the supervision of faculty and licensed attorneys.

Through the clinic, student attorneys can work with clients to review or prepare legal documents, conduct research and provide advice. Students attorneys have helped clients with topics such as renting farmland and facilities, CSA membership agreements, farmers market rules, liability waivers and purchasing or establishing a business. Student attorneys cannot represent clients in litigation matters through the program.

Applications are now being accepted for work to be done during the fall 2018 semester. Clients will be selected on a first-come, first-served basis and should be able to travel to State College for client meetings. To apply or learn more, email Ross Pifer with a detailed explanation and background of the legal issue to be addressed at rpifer@psu.edu or call **814.865.3723**.

Tell the FDA Only Milk Should Be Labeled As “Milk”

Pennsylvania farmers have long called on the federal government to enforce food labeling rules that ensure only dairy-based beverages can be called milk. Now, there’s an opportunity to make that case directly to the U.S. Food and Drug Administration.

The agency wants to know if consumers are being misled on the nutritional quality of products that are labeled using dairy terminology and is accepting public comments and feedback to guide the decision-making process. This presents a critical opportunity for Farm Bureau members to stress the importance of accurate, consistent and legal labeling practices for dairy products, and not allow the existing standards to be broadened to allow other imitation products.

Farm Bureau believes that FDA should enforce its existing standards of identity rules, which clearly state that terms such as milk, cheese and yogurt apply only to products made from the milk of cows. While dairy products must follow strict labeling guidelines, plant-based, dairy-imitation products are not held to the same standards.

Please contact the FDA with your comments before **Oct. 11** by visiting www.pfb.com/actnow.

Help Tell Agriculture’s Story During Ag Literacy Week

The third annual Pennsylvania Ag Literacy Week will be held March 18 through 22, 2019. The Pennsylvania Friends of Agriculture Foundation is looking for volunteer readers to help connect students to agriculture and from where their food comes.

The effort needs individuals involved in Pennsylvania agriculture who will donate \$10 to provide this year’s book, “Right This Very Minute,” to a kindergarten through second-grade class, then spend 30 minutes in the classroom to read the book and lead a hands-on activity.

Online registration runs Sept. 15 through Dec. 15, 2018. Learn more and register at www.pfb.com/agliteracy.