



# Annual Report June 2017-July 2018

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# Letter from Chandler Goule CEO, NAWG

The FY17-18 included a variety of travel to member states. Toward the end of August, former NAWG President David Schemm traveled to Monsanto to visit 30-40 grain and oilseed producers from South Australia, where they discussed the economic conditions in wheat country and the importance of international trade.

Later that same month, David and I traveled to North Dakota, where we met with North Dakota Grain Growers Association's Board of Directors on John Weinand's farm. From there, we traveled to South Dakota to participate in a drought panel discussion and to meet with South Dakota Wheat's Board.

In September, David and I traveled to New Orleans for the NASDA Annual Meeting and later that month I attended the CropLife America Government Policy Weekend, where I met with a variety of Industry Partnership Council members.

We rounded out 2017 with our Fall Meeting in Charleston, SC, which was an enormous success! Moreover, NAWG VP of Policy and Communications Josh Tonsager and I participated in the Tri-State Grain Growers Convention in the beginning of November. Later that month, Past President Gordon Stoner and I attended the Montana Grain Growers Association Annual Convention.

Lastly, in December, NAWG leadership participated in a leadership training seminar, hosted by Monsanto, where NAWG leaders and Committee Chairs learned ways to improve their presentation skills.

2018 kicked off with a successful Winter Board Meeting! Catherine Hanaway and Natalie Holden from Husch Blackwell provided an update on Proposition 65 to the board which is turning out very well for NAWG and other plaintiffs.

Shortly after, NAWG leadership and staff ventured out to Anaheim, CA for the 2018 Commodity Classic! Here, NAWG voted in a new slate of officers for 2018-2019: Jimmie Musick, President; Ben Scholz, Vice President; Dave Milligan, Treasurer; and Nicole Berg, Secretary. Gordon Stoner will return to his previous position as Past President.

Throughout 2017 and 2018, NAWG leadership and staff have been diligently working with Administration and Congressional officials on NAWG priority issues, including the reauthorization of NAFTA and a new Farm Bill. In addition, NAWG staff has regularly held conference calls with the NAWG Board of Directors and State Executives to provide status updates on the latest Farm Bill progress.

Don't hesitate to reach out to me if NAWG can do anything to help!

*Chandler Goule*



# Regular Communications, Outreach, and Partnerships

Below are some communications, outreach, and partnership highlights from the June 2017-July 2018:

During the first quarter, former NAWG President David Schemm participated in a special agricultural forum with Senator Pat Roberts, Chairman of the U.S. Senate Agriculture Committee, and Dr. Roger Marshall (KS-01-R). The Forum was held at the Kansas State Fair and hosted by WIBW Radio and The Kansas Agriculture Network. David talked briefly on NAWG's priorities around the 2018 Farm Bill. In the same month, David also attended the 2017 Farm Progress Show in Decatur, IL where he did around 10 interviews in a day and a half and was widely commended by media for attending.

To kick off the 2017-2018 second quarter, NAWG's Director of Communications and Treasurer Ben Scholz, along with U.S. Wheat's Steve Mercer, Amanda Spoo, and Chairman Chris Kolstad, attended and sponsored a booth at the 74th Annual National Association of Farm Broadcasters (NAFB) Convention, held November 8-10th, at the Westin Crown Center in Kansas City, MO. The theme was "Focus On Influence" and NAWG submitted several discussion topics for the media: 1) NAWG's Priorities for the 2018 Farm Bill; 2) Political Climate Around the 2018 Farm Bill; 3) the Current Economic State of the U.S. Wheat Industry and Need for Crop Insurance; and 4) Defending Farm Bill Safety Net Programs from Fiscal Conservative Groups.

On November 15, 2017, NAWG joined a coalition of agriculture groups across the country as the lead plaintiff in a federal lawsuit against the State of California for its inaccurate classification of glyphosate under Proposition 65. The case was filed in the U.S. District Court for the Eastern District of California. FTI Consulting and Seen Read Heard are the two public relation firms coordinating communications and media around the lawsuit. NAWG has been overseeing both firms' work around the lawsuit and has provided regular updates to the states on their activities.

In special thanks to our strong partnership with Bayer, the National Wheat Foundation continues to hold the annual Jerry Minore Scholarship. Each year, four scholarships are given out to college freshmen to juniors who have shown great commitment to pursuing a career in agriculture. This year's winners were presented their awards at the 2018 Commodity Classic during a special Bayer event.

Additionally, because of the generous support of Monsanto, the National Wheat Foundation was able to hold the Wheat Industry Leaders of Tomorrow (WILOT) program this year.

Trade, specifically NAFTA and TPP, continues to be a popular topic in the media. On December 06, 2017, NAWG and several other commodity groups carried out a successful NAFTA Grassroots and Campaign Day to the White House and Administration. All of the groups disseminated materials to their growers to call, tweet, and Facebook at the President. Our message was that NAFTA has greatly benefited farmers, ranchers, and the agriculture industry and that the United States should remain in the trade agreement. The designated campaign hashtag was #farmers4NAFTA which continues to be included in NAWG's outreach to the Administration on trade.

This past fiscal year, the National Wheat Foundation was invited by WGST Productions to take part in a series called FoodQuest which aired Fall 2017. The series is hosted and co-hosted by Robin Leach, Alonzo Mourning and Kim Alexis and commenced on the Food Network Friday and Cooking Channel. Former NAWG President David Schemm represented wheat in the segment while IPC partner Ardent Mills contributed to the kitchen scene by providing an in-house chef who demonstrated recipes using a variety of wheat. The segment is a 4-minute feature as part of the programming series.

# Regular Communications, Outreach, and Partnerships

## NAWG ANNUAL REPORT SOCIAL MEDIA HIGHLIGHTS

### NATIONAL ASSOCIATION OF WHEAT GROWERS



End of FY16-17 Page Followers: **2,320**

End of FY17-18 Page Followers: **2,631**

*FY17-18 Demographics*

People Engaged: 51% women, between the ages of 45-54; and 48% men, between the ages of 35-44

City with Most Engagement: Washington, D.C.



Followers: **6,677 (69% Male and 31% Female)**. On average, NAWG earns around 2 follower per day.

Demographics: Majority based in Kansas, Texas, and Illinois and identify their occupation to be a professional/technical position as well as home maker.

### NATIONAL WHEAT FOUNDATION



End of FY16-17 Page Followers: **938**

End of FY17-18 Page Followers: **1,092**

*FY17-18 Demographics*

Follower Demographics : 37% Women, between the ages of 25-34; and 63% men between the ages of 25-34

City with Most Reach: Pendleton, Oregon



Followers: **910 (65% Male and 35% Female)**

Demographics: Majority are based in Kansas, Washington, and Minnesota. Majority identify their interests to focus on business and science news.

# Farm Bill, Ag Appropriations, Transportation, and Tax

The past year was a busy timeframe for NAWG with many significant pieces of legislation moving through Congress. There was a lot of work and focus on the Farm Bill through the past year including several fly-ins to DC, numerous committee and board calls, and regular interactions with and communications to Capitol Hill. Both the House and Senate passed versions of their Farm Bill at the end of June 2018 and a conference committee was expected to be formed to reconcile differences between the two bills.

In addition to the Farm Bill, NAWG was active in the process of reforming the tax code through the Tax Cuts and Jobs Act. Throughout October and November, several DTTC committee calls and NAWG Board of Director calls were held to provide input on the tax reform discussions. NAWG sent several letters and made other communications to Capitol Hill based on feedback prior to the Tax Cuts and Jobs Act being signed into law by the President in late December.

NAWG was active in the appropriations process over the past year as well. The FY 2018 process took months for completion before an omnibus was passed in March 2018 along with a disaster relief bill that had implications for agriculture. Both the House and Senate have begun work on the FY 2019 appropriations process and NAWG has been working to ensure that wheat priorities are met, including through a fly-in of the National Wheat Improvement Committee, as well as through written testimony to the Hill outlining our priorities.

The year ahead will continue to be busy. NAWG anticipates action on a Farm Bill conference report and more appropriations work prior to the midterm election season and then laying the groundwork with a new Congress come 2019.

## 2018 FARM BILL DEVELOPMENT

NAWG has continued to participate in an informal Farm Bill Coalition, which was comprised of the major agriculture organizations in Washington, DC. Meetings were held with the group to identify areas of common ground and to refine ideas about how to improve commodity programs, crop insurance, conservation programs, and more. The intent of these meetings was to enable organizations to discuss concerns about current programs, efforts the groups had been undertaking to develop priorities and laying the ground work for more collaboration moving forward.

In addition, NAWG continued to regularly meet with offices on Capitol Hill, working to improve programs critical to our farmers. In September of 2017, NAWG held a fly-in with state associations to discuss Farm Bill priorities of wheat farmers. This was followed up with a Hill Day at the Winter Conference in February. In early May, ahead of the Farm Bill deliberations in the House and Senate, NAWG officers came to DC to lobby members of Congress. They were joined by several state associations and able to talk directly about the needs of wheat just before the House and Senate began marking up their versions of the Farm Bill. As the House and Senate agriculture committees and full bodies deliberated the farm bill NAWG sent multiple communications on specific provisions of released legislation ([House Letter](#), [Senate Letter](#)) and commented on proposed amendments for floor consideration ([House Amendments](#), [Senate Amendments](#)).

# Farm Bill, Ag Appropriations, Transportation, and Tax

In addition, NAWG staff were present at both the House and Senate committee mark-ups of the Farm Bill in order to directly engage Hill staff, and we provided constant updates out the states throughout the markups and floor consideration.

The House moved first on their Farm Bill, H.R. 2 The Agriculture and Nutrition Act of 2018. The bill passed out of committee on partisan lines on April 18<sup>th</sup>. H.R. 2 moved to the full floor of the House of Representatives on May 18<sup>th</sup> and on it's first vote for final passage was defeated as Democrats, some moderate Republicans, and Freedom Caucus Republicans voted against it for varied reasons, including out of political positioning on immigration reform. A motion to reconsider the Farm Bill was made and it again was brought up for a vote on June 21<sup>st</sup>, 2018, this time narrowly passing on a partisan vote of 213-211.

The Senate took up their version of the Farm Bill in committee on June 13<sup>th</sup>, 2018, and the bill was passed out of committee on a vote of 21-1. The bill was brought up for full Senate consideration the final week of June and was passed on a vote of 86-11.

The next and final step for the Farm Bill is for a conference committee to reconcile differences between the House and Senate bills and for the conference report to be approved by the full bodies of the House and Senate. NAWG staff will convene conference calls of its policy committees and board of directors to identify priorities for conference negotiations and to adopt a letter outlining NAWG's positions that will be sent to conferees. Additionally, NAWG staff will be regularly engaged with conferees throughout the negotiating process and will actively press Congress to complete action on the Farm Bill before expiration of current programs on September 30, 2018.

## CROP INSURANCE COALITION ACTIVITIES

NAWG staff continue to participate in activities of a broad crop insurance coalition comprised of most of the national agricultural organizations as well as groups representing crop insurers. The coalition has been very active in targeting congressional offices that have no voting record on crop insurance. In meeting with these offices, the coalition has explained the importance of the current structure of crop insurance, attacks that will likely be brought against crop insurance, and offered to serve as a resource throughout the Farm Bill process.

In the House Farm Bill debate, NAWG joined a [letter](#) urging for no cuts to crop insurance. An amendment was brought forth by Rep. McClintock that would have phased out ARC, PLC, crop insurance federal cost-share, and sugar policy over 10 years but NAWG along with crop insurance coalition partners were able to successfully advocate for the defeat the amendment on a vote of 34-380. Other negative crop insurance amendments were not brought up for votes on the floor, partially a result of organizations' active efforts opposing amendments that would harm farmers.

In the Senate Farm Bill debate, NAWG again joined a [letter](#) with more than 638 signers. Numerous amendments attempting to undermine the crop insurance program were submitted but again the coalition worked actively to defeat these amendments both in the weeks leading up to Farm Bill consideration and through active communication while the bill was being debated on the Senate floor. Through the work of the coalition, no amendments were voted on that would have dramatically harmed crop insurance.



# Farm Bill, Ag Appropriations, Transportation, and Tax

## FY 2017/2018 AGRICULTURE APPROPRIATIONS/BUDGET

The FY 2018 budget process took much of the year to complete. On February 9, 2018, a disaster package bill was passed that provided new funding for the Farm Bill. The disaster bill provided \$2.4 billion in aid to farmers hurt by hurricanes and made additional improvements to existing USDA disaster programs for livestock producers, fruit growers and others. These changes were retroactive to the beginning of 2017. The Disaster Bill also made seed cotton eligible for Title 1 programs as well as changes to the dairy programs.

On February 12th, President Trump released his FY 2019 Budget proposal which reduced the budget for the U.S. Department of Agriculture by 16 percent from the 2017 enacted level. The proposal would also establish a \$500,000 AGI limitation for crop insurance eligibility, reduce the average premium discount in the crop insurance program by 14 percentage points, and establish a cap of 12 percent for underwriting gains for crop insurance companies. Combined, these policies would cut over \$24 billion from the crop insurance program over 10 years.

The President's budget is rarely acted upon but NAWG expressed disappointment in the budget. Additionally, the proposal called for reform to conservation programs which would cut \$13.042 billion over ten years. NAWG's message to lawmakers has emphasized the importance of the current structure of crop insurance and our conservation priorities.

Additionally, on March 23<sup>rd</sup> the FY 2018 Omnibus Appropriations Bill was passed which increased discretionary spending for the Agriculture Department programs by \$2.1 billion over the FY 2017 enacted level to \$23.3 billion. The agreement provided \$1.202 billion for the Agricultural Research Service and rejected the President's budget request regarding the termination of research programs, redirection of programs, and closure of research stations. Funding was provided for small grains genomics, falling numbers research, and the U.S. Wheat and Barley Scab Initiative.

FSA's farm ownership and operating loan programs were maintained at FY 2017 levels and is expected to meet demand for the remainder of this fiscal year. Language was also included in the bill to prohibit the use of funds to close FSA county offices and to help fill staffing needs at FSA. Many of these provisions were NAWG priorities, and their inclusion was in part the result of NAWG's successful efforts educating lawmakers.

Shortly after completion of the FY 2018 Omnibus Appropriations bill, the House Ag Appropriations subcommittee took up their FY 2019 bill on May 7<sup>th</sup>, 2018, and approved it. On May 16<sup>th</sup>, 2018 the full House Appropriations Committee took up and passed this appropriations bill which increased by \$14 million from last FY 2018 and provides a \$23.27 billion dollar discretionary budget which was higher than requested by the administration. In total the bill provides \$145.09 billion in discretionary and mandatory funding which is \$922 million below the FY 2018 enacted level. The House has begun to take up appropriations bills on the floor but has yet to take up the Agriculture Appropriations bill.

# Farm Bill, Ag Appropriations, Transportation, and Tax

The Senate Agriculture Appropriations Subcommittee took up their version of the FY 2019 Agriculture Appropriations bill on May 22<sup>nd</sup>. The bill was then passed in the full Senate Appropriations Committee on May 24<sup>th</sup>. The bill included \$224 million above the FY 2018 enacted level, but fell \$922 million short from the FY 2018 mandatory funding level.

The bill fully funds the commodity supplemental food program as well as the emergency food program all while investing \$425 million into rural broadband. The full Senate has also begun taking up appropriations bills however the Ag Appropriations bill had not been taken up by the full Senate as of the end of NAWG's fiscal year.

## TRANSPORTATION

NAWG continued to participate as part of the Rail Customer Coalition (RCC), Ag Transportation Working Group, Rebuild Rural Coalition, the Waterways Council Inc., and other independent efforts on several issues. NAWG has also continued to participate as part of BNSF's Ag Rail Business Council, which gathers twice a year and includes staff and farmer representatives from several agriculture organizations and farmer leaders from various regions of the country. BNSF has sought out input from the countryside about rate and service issues and conversely also communicates to the participants business updates.

## TAX REFORM

On October 26th, 2017, the House took final action on the FY 2018 Budget Resolution. The FY 2018 Budget resolution enabled a tax reform process to move forward by providing reconciliation instructions to the Senate Finance Committee and House Ways and Means Committee and enabled Republican leadership to move a tax reform package through the Senate with a simple majority vote rather than a 60 vote cloture requirement.

NAWG was active during the fast-moving process. The Domestic and Trade Policy Conference held 4 conference calls over tax reform as the process moved along. These conference calls were to provide feedback about proposals and versions of the bill as they were released. Staff also participated in an Aggie Tax Coalition to support elements of the tax code that are essential to agriculture.

Through this coalition, NAWG participated in meetings with House and Senate Leadership and vocalized concerns about the elimination of some important tax principles for agriculture. NAWG also sent multiple communications to both the [Senate](#), [House](#), and [conferees](#) based on feedback received from the conference calls and the coalition involvement.

The Tax Cuts and Jobs Act was passed out of the Senate on December 19th with a 51-48 vote and the House on December 20th with a 224-201 vote. President Trump then signed the bill into law on December 22nd. The new tax law began in 2018. For a full comparison of the new law compared to the old law, NAWG has prepared comparison table, which can be made available upon request.



# Farm Bill, Ag Appropriations, Transportation, and Tax

Multiple aspects of the bill are being reported as beneficial to agriculture including: the maintenance of cash accounting, 100 percent bonus depreciation, doubling of the section 179 allowance for new and used equipment, doubling of the estate tax with maintenance of stepped-up basis, full interest deductibility for farms reporting less than \$25 million in gross sales, as well as keeping 1031 like-kind exchanges for real property.

NAWG communicated concern with the how small C-corporations will likely see a tax increase with the elimination of a graduated corporate tax rate which had a 15% bracket that was removed in creating a flat 21% bracket. After reviewing the final package, the Domestic Trade and Policy Committee determined to remain neutral on the final bill.

An issue also arose concerning the new 199A deduction in the tax reform package which was structured in a way where it gave a competitive advantage to farmers who sold their grain to cooperatives. NAWG was actively engaged in making sure that a farmer voice was included in the discussion of a fix to the 199A deduction. At Commodity Classic, the board approved a policy that states “NAWG understands the benefits & opportunities offered by Section 199A, but opposes any tax law that does not maintain the previous competitive balance between cooperatives, other agricultural businesses, and the farmers who sell their crops to them, which existed prior to enactment of the tax reform bill.” The Section 199A issue was resolved in the March 22nd omnibus with a solution that restored the competitive balance that existed prior to the enactment of the Tax Cuts and Jobs Act.

# Environment and Renewable Resources

## FARM BILL – CONSERVATION TITLE

The Conservation Title of the Farm Bill was a major focus of staff time and the work of the NAWG Environment and Renewable Resources Committee. With both the House and Senate Agriculture Committee drafting, releasing and passing their bills through committee and on the House and Senate floor, respectively, there were many opportunities for review, analysis and input. The NAWG Environment and Renewable Resources Committee used face to face meetings and conference calls to review the House and Senate Farm Bill proposals and discuss NAWG positioning. The committee discussed modifications to Conservation Reserve Program (CRP) including CRP rental rates, cost-share rates and enrollment; changes to Conservation Stewardship Program (CSP) including the elimination in the House proposal and addition of stewardship payments to Environmental Quality Incentives Program (EQIP). Amendments proposed during consideration in the committees and during floor consideration of the bills were reviewed for NAWG support or opposition. NAWG positions were conveyed to House and Senate staff as they developed legislative proposals, amendments and prepared for the committee and floor votes.

## PROPOSITION 65

NAWG joined a coalition of agriculture groups to file a lawsuit against the State of California's Proposition 65 regarding glyphosate. The lawsuit addresses the potential adverse impact of the state's requirement for labeling foods with a certain residue level and the inconsistency with EPA regulations and set safe tolerance levels. NAWG is first named party in the lawsuit and others in the coalition include: National Corn Growers Association, United States Durum Growers Association, Western Plant Health Association, Missouri Farm Bureau, Iowa Soybean Association, South Dakota Agri-Business Association, North Dakota Grain Growers Association, Missouri Chamber of Commerce and Industry, Monsanto, Associated Industries of Missouri, and Agribusiness Association of Iowa. In December 2017, NAWG asked the courts for a preliminary injunction and oral arguments were heard in mid-February. The court quickly agreed, issuing a temporary injunction stating "As applied to glyphosate, the required warnings are false and misleading." And "[Given] the heavy weight of evidence in the record that glyphosate is not in fact known to cause cancer, the required warning is factually inaccurate and controversial." In June, the US District Court upheld a preliminary injunction prohibiting California from enforcing the Proposition 65 labeling requirement until a final ruling on the matter is issued by the court. This was another win for our side in the case and puts on hold California's requirement that food products will not be required to carry a warning label as a known carcinogen based on glyphosate residues until the courts can rule on our complete case. NAWG is also meeting with our partners at the North American Millers Association and the American Bakers Association to ensure that they have understanding of wheat growers' use of glyphosate and the safety of the US regulatory system that regulates pesticide use. The National Wheat Foundation also updated a blog series on glyphosate in September 2017 and will continue to provide information and work with our partners to ensure continued use of glyphosate.

## ENDANGERED SPECIES

As Federal Agencies continue to solicit comments on regulatory reform, NAWG provided comments to the Department of Interior regarding the Endangered Species Act through the National Endangered Species Act Reform Coalition (NESARC). Since the ESA's creation in 1973, the statute has remained mostly unchanged and the comments recommend a holistic review of the regulatory structure. Both the National Marine Fisheries Service (NMFS) and the U.S. Fish and Wildlife Service (FWS) can incorporate 40 years of ESA implementation into the revision, especially to alleviate negative economic impacts on the ESA regulated communities that are limited by the listing of endangered and threatened species and critical habitats. The current ESA consultation process has proven to be

# Environment and Renewable Resources

unwieldy, being too complex for simple permits and inadequate for application to complex regulatory actions such as pesticide registrations under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). The comments also encouraged greater involvement of state and local governments to include their expertise on the management, protection and conservation of species and habitat within their jurisdiction. NESARC strongly urges the encouragement of voluntary conservation efforts by creating new means for states, local governments, private property owners, and other non-federal entities to participate in species recovery efforts.

## WATERS OF THE U.S.

The Trump Administration took action to repeal the Waters of the United States regulation, the first step in a two-step process to change the regulation that could impact which waters are regulated under the Clean Water Act. NAWG filed comments to the Environmental Protection Agency in support of the action to repeal the regulation proposed in 2015 and replace with the previous regulation. NAWG stressed that the complicated and confusing regulation did not provide clarity to farmers and the regulation overstepped the federal role and should respect the role of states to regulate waters within their state. The regulation also placed large geographic areas, such as the Prairie Pothole region, under the jurisdiction of the Clean Water Act. The Administration will now take action to revise the regulation and NAWG will remain engaged in the process.

## CROP PROTECTION TOOLS

NAWG has also been focusing on the regulation and availability of crop protection tools. This year NAWG provided comments on the availability of pyrethroids and neonicotinoids for wheat production, chlorpyrifos -methyl for wheat storage, and the registration review of glyphosate. The Environmental Protection Agency is reviewing use and re-registration of these products and the information NAWG can provide regarding the importance of these products aid the EPA in making determinations on the products. NAWG works through coalitions associated with individual products and through the Pesticide Policy Coalition to support products availability and pesticide policy efforts.

## NATIONAL WHEAT FOUNDATION GRANT AWARD – SOIL HEALTH PARTNERSHIP

The National Wheat Foundation received a grant award from the General Mills Foundation of \$735,000 to focus on studying soil health practices on wheat farms. The Foundation joined the Soil Health Partnership (SHP) and is working to enroll wheat farms in the northern and central plains into the SHP network of on-farm research sites. The grant will be implemented over the next three years and will assess soil health, yield, quality and profitability. The NWF also participated in the Soil Health Summit in January. The summit is an annual event of the Soil Health Partnership. NWF also attended the No-Till on the Plains annual meeting in Wichita in January. The event focuses on education sessions, reporting on research, success stories and farmer to farmer learning of efforts to improve soil health and productivity.

## SUSTAINABILITY

NAWG continues to participate in Field to Market: the Alliance for Sustainable Agriculture, serving on the Board of Directors and several committees. Field to Market with agriculture supply chains, facilitating the use of the FieldPrint Calculator. In March, the National Wheat Foundation was invited to speak at two General Mills FieldPrint project meetings in Kansas. General Mills, ADM and Agribility have a project focused on wheat throughout Kansas. Growers involved in the project met in Garden City and Hutchinson in to get an update on the project, compare results and share information. NWF spoke about the Soil Health Project and requested interested growers reach out to NAWG/NWF staff.

# Research and Technology

## GLYPHOSATE & CALIFORNIA'S PROPOSITION 65

Since it was first introduced in 1974, glyphosate has become the world's most widely used herbicide because it is efficacious, economical, and environmentally benign. The "environmentally benign" glyphosate has, over the past several decades, substantially displaced other herbicides which were perceived to pose environmental, health, or safety risks.

California's Proposition 65 prohibits businesses from exposing Californians to chemicals "known to the State of California to cause cancer" without first providing a warning. California's Office of Environmental Health Hazard Assessment (OEHHA) publishes a list of such chemicals. By statute, that list must include substances designated as potential carcinogens by the International Agency for Research on Cancer (IARC), an international non-governmental entity.

Despite the worldwide consensus regarding the safety of glyphosate, in 2015 IARC concluded that glyphosate is a "potential carcinogen," thereby automatically triggering California's Proposition 65 warning regime. The warning requirement will become operative and applicable to glyphosate in a little under one year. At that point, any product containing glyphosate or a detectible glyphosate residue that does not carry a warning akin to "This product contains chemicals known to the State of California to cause cancer" can be the subject of private enforcement suits in California state court—known colloquially as "bounty hunter" suits—seeking potentially significant statutory penalties.

NAWG led a coalition of U.S. farm groups in a lawsuit filed November 15, 2017 in the State of California to stop the state from requiring cancer warnings on products containing the widely used weed killer glyphosate, which the company sells to farmers to apply to its genetically engineered crops. California added glyphosate, the main ingredient in Monsanto's herbicide Roundup, to its list of cancer-causing chemicals in July and will require that products containing glyphosate carry warnings by July 2018.

California acted after the World Health Organization's International Agency for Research on Cancer (IARC) concluded in 2015 that glyphosate was "probably carcinogenic". In the lawsuit, filed in federal court in California, corn, soy and wheat farmers reject that glyphosate causes cancer. California's requirement for warnings would force sellers of products containing the chemical to spread false information. A large, long-term study on glyphosate use by U.S. agricultural workers, published last week as part of a project known as the Agricultural Health Study (AHS), found no firm link between exposure to the chemical and cancer.

The case is National Association of Wheat Growers et al v. Lauren Zeise, director of the OEHHA, et al, U.S. District Court, Eastern District of California, No. 17-at-01224.

## NATIONAL WHEAT IMPROVEMENT COMMITTEE PROVIDES GUIDANCE TO NAWG IN 2018

NAWG organized and led the National Wheat Improvement Committee's meeting on December 6<sup>th</sup>. The NWIC is a group of wheat technical experts (breeders and cereal grain pathologists) available to consult on emerging issues pertaining to wheat. It is also a Committee of wheat experts responsible to represent wheat issues on a national level to Congress, USDA and other stakeholders.

In the daylong meeting, the NWIC discussed emerging wheat issues that have emerged from the previous year's crop. This committee serves to list wheat research needs for NAWG's advocacy efforts throughout the year on Capitol Hill. Issues identified at the meeting included:

# Research and Technology

1. Fusarium Head Blight Initiative – Reauthorization in the 2018 Farm Bill
2. Small Grains Genomic Initiative – continuation of recent requests and funding
3. Wheat & Barley Quality Phenotyping research, Genotyping & Next generation Regional Nurseries. Next Generation Regional Nursery Initiative will aim to highlight erosion of current nurseries during a time of increased need to address diseases/stresses brought about by changes in climate across the wheat growing regions. It is needed to evaluate & develop advance genetic materials produced from genotyping/phenotyping initiative.
4. Falling Number Initiative – insure funding to ARS and NIFA
5. Cereal Rust/Fusarium Survey – an early warning system to monitor the emergence and spread of shifty, always changing (mutating) rusts. Need a permanent hire to handle survey tasks for all cereals for fusarium and rust surveys.

## NAWG SPONSORS NATIONAL WHEAT IMPROVEMENT COMMITTEE FLY IN

NAWG organized and sponsored Representatives from the National Wheat Improvement Committee (NWIC) during its annual Washington, DC Fly-In. The NWIC members are tasked with keeping its stakeholders and congressional offices updated on wheat research efforts and to raise awareness on current and future issues that affect the production and sale of wheat in foreign and domestic markets.

The Fly-In was held March 18-20, 2018, with excellent participation by the wheat researchers & growers within the Committee.

The goal of the NWIC is to maintain an adequate food supply for the country and to maintain the United States as the source of premier quality wheat on the world market. By enhancing the federal and land grant research efforts to address current and future issues that affect the production of quality wheat in the United States, the wheat industry can remain vibrant.

Specific Appropriations Requests from the NWIC:

1. Maintaining and/or increasing the funding levels for NIFA Hatch Act (at least \$243.7 Million), Smith-Lever Formula Grants (at least \$300 Million) and Agriculture and Food Research Initiative (at least \$375 Million) in the FY2018 and FY2019 Agriculture Appropriations bills.
2. Increase of \$1.3 million for the US Wheat and Barley Scab Initiative (USWBSI) to bring appropriated funding levels to the \$10 million authorized in the 2014 Farm Bill
  - FY2018 – Additional \$1.3 Million increase to bring appropriated funding levels to the \$10 Million authorized in the 2014 Farm Bill
  - FY2019 - Reauthorization of the US Wheat & Barley Scab Initiative (USWBSI) in the 2018 Farm Bill at \$10 Million/year.

# Research and Technology

1. Funding increase of a total of \$2.44 Million for a Small Grains Genomic Initiative in the FY2018 and FY 2019 Agriculture Appropriations bills to address national genomic and breeding needs for US crops.
2. 4. Urges FY 2018 Agriculture Appropriations bill to direct \$1 Million to address the issue of financial losses and potential losses of export markets due to weather-induced poor end-use quality as indicated by low Falling Numbers (FN).

## NAWG SUPPORTS IMPLEMENTING QUALITY INTO NATIONAL WHEAT YIELD CONTEST

At the request of wheat grower leaders across NAWG and U.S. Wheat Associates, the National Wheat Foundation Board has directed the Wheat Yield Contest to include “wheat quality” as a central component in its structure. The Wheat Yield Contest will test grain from each Contest entry starting in 2018. Samples will be analyzed to determine the quality of wheat produced under high yield management practices used in the Wheat Yield Contest. NAWG agrees it is imperative to bring quality top of mind to all wheat growers, and the NWF believes quality is a necessary part to determine Contest winners. It is also imperative to provide feedback to each grower on the wheat quality achieved from the management practices used in the entry. In 2018, the submission of grain sample will be a requirement to qualify for national recognition by any grower entry.

Quality is a necessary component of wheat production in order for the grower to maximize the value of the grain and improve marketing opportunities. Lack of quality can lead to discounts for farmers and diminish demand for wheat in all classes and all markets.

## NAWG PROVIDES COMMENTARY TO COALITION FOR SAFE, AFFORDABLE FOOD ON PROPOSED RULE – NATIONAL BIOENGINEERED FOOD DISCLOSURE STANDARD

The Coalition for Safe, Affordable Food provided feedback to USDA’s Ag Marketing Service (AMS) on this proposed rule. Its publication is a critical step towards establishing a National Bioengineered Food Disclosure Standard (“NBFDS”). NAWG is a member of The Coalition, which is comprised of numerous national, state, and local organizations representing the entire American food and agriculture value chain – from farm to fork – and is committed to increasing the public’s understanding about the science and safety of bioengineered (“BE”) foods and advocating for science-based policies that keep food safe, abundant, and affordable for every American. The Coalition was actively engaged in support of the National Bioengineered Food Disclosure Act, and through its commentary, continues to support Congress’ mandate for the establishment of a uniform national disclosure standard for bioengineered food to prevent a patchwork of state-by-state (or other governmental subdivision) food labeling requirements that would have caused tremendous consumer confusion, significantly disrupted supply chains, and imposed unnecessary costs on U.S. consumers, farmers, and manufacturers estimated to be in the range of \$97.3-129.7 billion dollars.

The Coalition has carefully studied the proposed requirements and procedures, alternatives that are offered, and specific questions that are raised for comment by USDA-AMS and presented its responses on a broad range of topics critical to the successful implementation of the Act. The responses were aimed at assisting USDA-AMS with fulfilling the multiple goals of the Act, shared by the Coalition, which include giving consumers access to information about the food they purchase; providing



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consumers with continued access to an abundant, safe, affordable, and sustainable food supply; ensuring that farmers and ranchers have access to the technologies they need to feed a growing world population; providing certainty to food manufacturers, retailers, and others in the supply chain, and consistency and transparency to customers; while respecting the strong scientific consensus on the safety of bioengineered food and, relatedly, preserving Congress' intention that the Agency implement a disclosure standard for marketing purposes, and not based on health, safety, or nutrition.

As the rulemaking process proceeds, the Coalition remains available to engage with USDA-AMS as appropriate to reiterate its support for these goals and to provide additional input and comment.

## NAWG PROVIDES INPUT TO FARM BILL PROPOSALS FROM HOUSE AND SENATE PERTAINING TO RESEARCH TITLE

NAWG continues to represent wheat grower members on the Hill to support Farm Bill provisions that provide support and encourage a strong RESEARCH TITLE (VII). Several, but not all issues needing input, that were communicated to the ag committees and various members of the House & Senate are below.

### AUTHORIZATION FOR FUNDING THE WHEAT AND BARLEY SCAB INITIATIVE

Support for the Ernst Amendment #2 - To establish a Strategic Investment Fund under the direction of the USDA Office of the Chief Scientist to improve research collaboration. The SIF would specifically address pressing challenges, especially those that require urgent emergency responses, those that may be high risk, but with great potential impact, or those that require interdisciplinary systems approaches that involve more than one agency.

SUPPORT the Bennet Amendment #13 - This amendment creates the Advanced Research Projects Agency-Terra within the USDA. It is designed to ensure the United States maintains the technological lead in developing and deploying advanced agricultural technologies that increase economic opportunities for farmers, ranchers, and rural communities. It bridges across all commodities and would potentially have very good applicability to wheat.

SUPPORT the Risch/Crapo Amendment #3088 - This amendment would establish a 10% indirect cost cap US Wheat and Barely Scab Initiative research grants that are issued. This would help to ensure that the funds spent through this program are maximized on research, rather than overhead, of this damaging disease. The Senate version of the Farm Bill reauthorizes the Wheat and Barley Scab Initiative, and actually increases the authorization by 50% (from \$10 million to \$15 million).

OPPOSE the Merkley Amendments #3143 & #3146 - Two amendments pertaining to the disclosure of bioengineering in food (labeling). The first one below pertains to gene editing (like in CRISPR) and the second one requires GMO, genetically modified, or genetically engineered to be used as terminology on food labels. NAWG believes these two amendments were out of scope of the Farm Bill and conflict with the National Bioengineered Food Disclosure Standard (Doc. No. AMS-TM-17-0050 83) administered within the USDA.

# International Trade

NAWG was significantly busier in the trade realm this year compared to recent years. With the Administration's focus on trade and decisions that have negatively impacted agriculture as a whole, trade has become one of the top topics in agriculture policy. NAWG has become members or continued to participate in the following trade related coalitions and organizations:

- Farmers for Free Trade (FFT)
- Americans for Farmers and Families (AFF)
- US Food and Agriculture Dialogue for Trade (The Dialogue)
- US Chamber of Commerce NAFTA Coalition
- US Agriculture Coalition for Cuba (USACC)

In addition, Greg Doud was confirmed by congress to serve as the USTR Agriculture Negotiator. NAWG supported his confirmation and have met with him several times to discuss trade issues important to wheat growers.

## NAFTA

What was once described by the Administration as a few months negotiation process, NAFTA negotiations continue into the 2018/2019 fiscal year. All three NAFTA partners, the United States, Mexico and Canada, remain in negotiations. While formal negotiations have slowed down, meetings among the lead negotiators have taken place. Mexico and Canada continue to raise concern regarding certain provisions sought by the US. Mexico's Presidential election this July also played a factor in timing of negotiations.

NAWG and USW continue to work with USTR on the progress of the wheat grading and VRS issue with Canada during negotiations. This past year NAWG led a letter signed by grower, milling and baking groups in US, Canada and Mexico stressing the need for the NAFTA agreement to remain in place. NAWG has also signed onto many letters on various NAFTA related items, from opposing the seasonal provision to calling for a swift final agreement.

During this past year NAWG organized a grassroots social media campaign day for NAWG members and other commodity and livestock trade association members to participate in. The goal of this campaign was to showcase the farmers/ranchers voice on the importance of NAFTA. The campaign created the #Farmers4NAFTA which is still used by many today. Since then other groups have started other related social media campaigns for trade outreach that NAWG and NAWG members have participated in such as #TradeNotTariffs.

## Tariffs

Trade relations have elevated this year due to tariffs imposed by the US through Section 301 and 232. The US first announced Section 232 tariffs, which are for national security reasons, was imposed on a variety of countries for their steel and aluminum trade. On the target list were Mexico, Canada, EU, China and others. NAWG voiced concern through letters and meetings on potential retaliatory tariffs that may be imposed on UW wheat. The Administration officially announced the list of goods they would impose with tariffs from China citing Section 301. US wheat has not been hit with retaliatory tariffs regarding Section 301.

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However, the US imposed 25% tariffs on \$50 billion worth of goods from China. In response, China has targeted US wheat with a 25% retaliatory tariff. Unfortunately the market has reacted to this volatile trade climate, since March no new purchases of wheat have been made to China and the last shipment that was purchased arrived in June. On average the past three years the March to June time period has seen 20 million bushels of US wheat purchased to China, worth up to \$145 million.

The Administration has suggested slapping more tariffs on China. The potential 10% tariff on \$200 billion worth of Chinese goods is particularly worrisome as agriculture could continue to be in the cross-hairs of a retaliatory measure from China. NAWG and USW continue to express concerns by these tariffs and the real harm they have caused the wheat farmers across the US. As described below we believe that China is not a fair trading partner, however we support holding them accountable through the World Trade Organization (WTO) process and not through tariffs which have retaliatory damage. We have expressed these concerns to Congress, USDA, USTR and the White House.

In addition, the Administration is investing a potential tariff on auto and auto parts citing Section 232, national security concerns. NAWG is watching closely as many of the target countries are top US wheat export destinations and historically agriculture is one of the first industries to be hit by trade retaliations.

This year NAWG board member Michelle Erickson Jones testified in front of the House Ways and Means Trade Subcommittee regarding the tariff impact on agriculture. Erickson Jones noted how the Section 232 tariffs have increased the cost of operations when purchasing steel or aluminum products and the negative impacts on US wheat farmers who have been hurt through retaliatory tariffs.

## WTO

The Administration continues to move forward to defend the interests of wheat, rice and corn farmers with two cases against China initiated by the Obama Administration.

The market price support program case against China established a panel and is expected to issue its final report to the parties no earlier than the third quarter of 2018. Third parties to the case include Australia, Brazil, Canada, Colombia, Ecuador, Egypt, El Salvador, European Union, Guatemala, India, Indonesia, Israel, Japan, Kazakhstan, Republic of Korea, Norway, Pakistan, Paraguay, Philippines, Russian Federation, Kingdom of Saudi Arabia, Singapore, Chinese Taipei, Thailand, Turkey, Ukraine and Viet Nam.

A dispute panel was also set up to rule on a U.S. complaint over Chinese import quotas on farm goods including wheat, rice, and corn. The panel established on Sept. 22, 2017, will review evidence that China has not administered this TRQ in a transparent, predictable and fair manner as required by its WTO obligations. Third parties to the case include Australia, Brazil, Canada, Ecuador, European Union, Guatemala, India, Indonesia, Japan, Kazakhstan, Republic of Korea, Norway, Russian Federation, Singapore, Chinese Taipei, Ukraine, and Vietnam.

This year Molly O'Connor traveled to the World Trade Organization's headquarters in Geneva, Switzerland with the US Wheat Associates (USW) to discuss the two cases of interest against China as well as agriculture with other country missions in April. O'Connor, along with Ben Conner of USW, was able to meet with the following country permanent missions: United States, Argentina, Australia, Brazil, Canada, and India as well as the Director of the WTO Agriculture Committee.

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Beyond touching base on the two cases against China, including the other case brought against them on their TRQ commitments, they discussed the status of the agriculture negotiations, the appellate body and the current trade climate in the US. Many countries they met with are third party to one or both of the US cases against China with the exception of Argentina. Overall the meetings were informative and timely, among the main concerns raised was the future of the appellate body, which is in jeopardy if no new appointees are confirmed, something the US is currently blocking. This would change the structure of the WTO away from a dispute settlement system. Many questioned what the US needed to change in order to confirm new appointees. From a NAWG perspective, there is a concern that if this does not change our cases against China will be the first to be impacted. NAWG has expressed this concern with USTR.

## Trans-Pacific Partnership

The President directed U.S. Trade Representative Robert Lighthizer and National Economic Council Director Larry Kudlow to begin negotiating for the US to join the Trans-Pacific Partnership (TPP), a step that NAWG has applauded. We are not aware of any formal negotiations engagement at this point, but have urged the talks begin as soon as possible.

The other eleven countries continuing negotiations now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) have continued forward with their agreement. As soon as six countries ratify the agreement through their governments the CPTPP will be implemented, which could happen as early as 2019. NAWG and USW continue to push the US to engage with the CPTPP members before this time period, otherwise Canada and Australia will have a price advantage over US wheat.

## Congress

In terms of the Farm Bill, NAWG continued to stress the importance of the Market Access Program (MAP) and the Foreign Market Development Program (FMD). NAWG called for an increase in double the MAP and FMD funds in the Farm Bill to meet the growing demand of international development. It is particularly important as the trade climate continues to see uncertain times.