

April CEO Report

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If you have any questions or feedback on this newsletter, please feel free to contact me at [\(703\) 558-3566](tel:7035583566) or jstewart@afia.org.

Warm regards,

John Stewart
AFIA's Manager of Government Affairs

By Clea Benson | 04/03/2017 07:00 AM EDT

Welcome to the April edition of the CEO Report, POLITICO Pro's high-level outlook on the policy issues driving the month ... and beyond.

Another shutdown scare: Congress kicked the can in December by [clearing](#) a stopgap spending bill that keeps the government temporarily operating, and now the day of reckoning is here. With federal cash set to run out on April 28, the big question this month is whether lawmakers can reach a deal to fund federal operations through the end of September and avert a government shutdown. Complicating matters: Congress, which is on recess from April 10 to 21, is expected to be in session for just eight legislative days this month, notes POLITICO Pro Budget and Appropriations Brief editor Jennifer Scholtes.

House Speaker [Paul Ryan](#) (R-Wisc.) has [said](#), "We're not going to have a government shutdown" this time. But the latest round of spending negotiations are complicated by the Trump administration's insistence on an initial \$1.4 billion to jump start construction of a wall along the U.S.-Mexico border and the Pentagon's request for supplemental defense spending.

And meanwhile, even with funding for the current fiscal year still hanging over their heads, lawmakers are simultaneously beginning to shape funding levels for the next budget year: fiscal 2018. Trying to reconcile President Donald Trump's "[skinny budget](#)" wishes with current budget realities, GOP leaders have already said it will be nearly impossible to fulfill the White House's [request](#) for a \$54 billion increase in military spending without bucking the president's promise not to revamp entitlement programs such as Social Security and Medicare. The idea of offsetting that defense spending by decimating many non-defense agencies - as Trump has proposed - has not [gone over](#) well on Capitol Hill, Jennifer notes.

Lawmakers won't just focus on spending money: They'll also be considering how to raise it, as the House finally turns its attention to tax reform after the collapse of its Obamacare replacement plan, says Pro Tax Editor Toby Eckert. Ways and Means

Chairman [Kevin Brady](#) (R-Tex.) has said he wants to have legislation out of the committee sometime this spring. One of several hearings on the plan, Brady recently told POLITICO, will focus on its most contentious provision, border adjustability, which would essentially tax imports but not exports. But he hasn't settled on how many hearings there will be or when they will kick off. "Haven't set a date and haven't determined that yet," he said.

As for if and when draft legislation might be circulated, Brady said: "Right now most members outside the committee aren't looking for text, they're looking for impacts on the provisions in total. They want to know what it means for growth, how it will lower taxes for their families, and how it makes America competitive. That alone deserves a lot of deep discussion and I think that will be the focus here over the next month, six weeks time frame."

So right now there are more questions than answers. Will the White House be "driving the train" as spokesman Sean Spicer has said? What policy differences will there be between the Trump administration and Congress? How will the border adjustability fight - which has sharply divided corporate America - be resolved? When will we hear from the Senate on all of this?

More on tax policy: President Trump has settled on David Kautter as his nominee for Treasury assistant secretary for tax policy, sources told POLITICO recently. It's a key role at the department, even more so now given the tax reform effort. Kautter, who would require Senate confirmation, certainly appears to have the chops: He's partner-in-charge of Washington National Tax at RSM, an accounting and consulting firm; and has been Director of National Tax at Ernst & Young; legislative counsel to former Sen. John Danforth; and the managing director of the Kogod Tax Center at American University.

We're still awaiting decisions on other key tax positions at Treasury, including a deputy assistant secretary for international affairs, a job that doesn't require confirmation. Who Trump picks could provide a clue about how the administration will approach dicey issues like the European Commission investigations of U.S. corporations' tax practices in Europe. The Commission has ordered the collection of \$14 billion in back taxes from Apple, and \$34 million from Starbucks. It's also investigating Amazon and McDonald's. The Obama administration was none-too-happy with those actions, accusing the EC of targeting U.S. companies and making a raid on revenues that rightly belong to the U.S. treasury.

AGRICULTURE

Will April showers bring a Sonny vote? Sonny Perdue's wait to be confirmed as Agriculture secretary could end this month. For agricultural producers, it's long past time for their industry to have a voice within the Trump administration, which wants to cut USDA discretionary spending by 21 percent. Perdue, the former GOP governor of Georgia, was announced as Trump's pick on Jan. 19. Agriculture secretary was the final Cabinet selection to be made, and Perdue was the last Cabinet nominee to receive a hearing. He cleared the Senate Agriculture Committee late last week. The panel's leaders want a floor vote before the two-week Easter recess starts this weekend. But

with the high-stakes confrontations dominating the calendar - the fight over Judge Neil Gorsuch's nomination to the Supreme Court this week and the spending deadline at the end of the week after the recess - it is not clear when Perdue will get a vote.

Avian influenza watch: This month could show whether a smattering of localized cases of avian influenza, mostly in the South, grows into a greater threat to the poultry industry, and how Trump's USDA would respond to an agricultural crisis. Poultry farmers are on edge. USDA has confirmed a small number of cases of low pathogenic avian flu at farms in Georgia, Alabama, Kentucky and Wisconsin, as well as a few cases of the more severe high pathogenic avian influenza (HPAI) in [Tennessee](#). Fresh in the minds of producers and farm state lawmakers are memories of the 2015 HPAI outbreak, which resulted in the extermination of 48 million birds and halted exports to some foreign markets. This time around, the localized cases have not reached outbreak level, but South Korea has already blocked imports of U.S. poultry, other countries have said no thanks to imports from affected states or counties - and USDA lacks a secretary to leads its early response.

Zero-to-60 on the farm bill debate: The 2014 farm bill doesn't expire until the end of September next year, but negotiations for the 2018 installment are off to a fast start. The House Agriculture Committee's scheduling crunch will continue this month as it wraps up its first round of hearings on the legislation. Leadership tasked each subcommittee with holding two hearings delving into aspects of the law between March and April. And the Senate Agriculture Committee will hold its second farm bill field hearing later this month. Michigan, home of ranking member [Debbie Stabenow](#), will host. The panel's first farm bill listening session, held in Kansas in late February, featured testimony from 21 rural advocates and farmers representing traditional agricultural commodities, including corn, soy, wheat, beef and pork. So this time, expect a focus on other farming systems and specialty and organic crops. - *Jenny Hopkinson*

CYBERSECURITY

Senate's time to shine: All eyes are now on the Senate to see if it can produce trusted, bipartisan results detailing the extent of the alleged Russia-directed hacking during the presidential race, and what, if any, role the Trump campaign played in the affair. In March, partisan warfare broke out between the leaders of the House Intelligence Committee's probe into Russian interference during the 2016 election, nearly derailing the lower chamber's investigation and casting a cloud of suspicion over whatever the panel produces. The deterioration has left the Senate Intelligence Committee in the driver's seat, a role that it has embraced. The panel's leaders - Chairman [Richard Burr](#) (R-N.C.) and ranking member Mark Warner (D-Va.) - have maintained a bipartisan collegiality and focused on moving their examination forward in a dry, methodical manner. In the coming weeks, the panel is hoping to schedule dates for the 20 witnesses that committee members have agreed to try and bring in. Interviews are expected to begin this week.

NSC cyber team gets to work: The White House's top cybersecurity adviser, Rob Joyce, is now in place. As POLITICO first reported last month, Joyce was President Donald Trump's pick to become the National Security Council's cybersecurity

coordinator, a position held by Michael Daniel during the Obama administration. Joyce's first day was March 15, and he is now holding daily meeting with the rest of the NSC's cyber team. It was widely expected that once Joyce was settled into his new role, the Trump administration would move forward with its long-anticipated cybersecurity executive order. The directive - which will likely order agencies to adopt specific technical standards and launch reviews of public and private sector digital defenses - was initially set to get Trump's signature in January, but it was abruptly pulled back at the last minute for further revisions. - *Cory Bennett*

DEFENSE

Funding comes into focus, but time is short: House and Senate leaders plan to move forward with a full year fiscal 2017 funding measure ahead of the April 28 deadline to stave off a government shutdown. But a two-week spring recess will leave limited time to strike a deal and move a bill.

The defense appropriations measure already passed by the House and now pending in the Senate is likely to be the vehicle for any agreement. But that appears unlikely to include the Trump administration's \$30 billion defense supplemental request, which also includes funding for a controversial border wall with Mexico. Lawmakers are likely to consider that measure later.

Saying no to a CR: While some lawmakers might be tempted to take up another continuing spending resolution to avoid a government shutdown, the pressure is on to avoid that for defense programs. Pentagon officials have stressed a full year CR, among other consequences, would force planes to be grounded, training to be canceled and maintenance to be further delayed.

Senate Armed Services Chairman [John McCain](#) (R-Ariz.) has also warned he won't support another CR of any length, arguing the damage to defense programs and readiness would be too much for the military to bear.

Top Pentagon nominees finally on the way: After nearly two months with Defense Secretary Jim Mattis as the President Donald Trump's only Senate-confirmed leader at the Pentagon, the Senate Armed Services Committee is moving ahead with his pick for Air Force secretary, former Rep. Heather Wilson (R-N.M.). Still, she's the only Pentagon nominee pending in the Senate and the only service secretary nominee after Trump's picks for the Army and Air Force withdrew for personal financial reasons.

The president has also tapped six others for top Pentagon positions, including Boeing executive Patrick Shanahan to be deputy defense secretary, but their nominations have yet to formally reach the Senate. - *Connor O'Brien*

EDUCATION

State plans to start pouring in: The first window for states to submit the plans they're drafting to comply with the Every Student Succeeds Act opens this month. States technically have until April 3 to send their plans to their governor and until May 3 to send their plans to the Education Department for review and approval, but about 18

states have said they'll likely submit their plans early. Sen. [Lamar Alexander](#), the Republican who chairs the Senate education committee and helped draft the federal education law, has said states should assume the plans will win easy approval from Betsy DeVos' Education Department. DeVos recently suggested she might encourage states to look at school choice as part of the review and approval process. - Benjamin Wermund

EMPLOYMENT AND IMMIGRATION

Future of state IRA rule uncertain: The Senate will likely vote this month on a [Congressional Review Act](#) resolution to block a [Labor Department rule](#) intended to encourage states to set up their own so-called "auto-IRA plans." Issued in August, the regulation granted some regulatory relief to states that want to enroll private sector workers automatically in state-sponsored pension plans if their employers don't offer any. Proponents of the rule say that it will encourage more people to save for retirement. But business groups like the U.S. Chamber of Commerce oppose the rule, arguing that private-sector employees would be forced into retirement plans with less protection than pensions usually provide. In addition, business groups say the rule would discourage some employers from offering high-quality retirement plans.

It's unclear whether the Congressional Review Act resolution has enough Republican support to come to the floor. The resolution puts Republicans in a tough spot. On one hand, the rule would help states force employees into state-run retirement plans, an imposition that Republicans wouldn't ordinarily support. On the other hand, in opposing the rule Republicans would oppose deregulation (the rule frees auto-IRAs from some provisions in the 1974 Employee Retirement Income Security Act). They would also impinge on state's rights. And they'd be bucking a policy first proposed in a paper from the conservative [Heritage Foundation](#).

Republican Sen. [Bob Corker](#) (R-Tenn.) favors the Labor Department auto-IRA rule. On March 30, Corker was the only Senate Republican to oppose a [Congressional Review Act resolution](#) to block a similar [Labor Department rule](#) to encourage local auto-IRA programs, in this instance at the city and county level. "I do not think the federal government should stand in the way of states seeking to solve very real problems, especially in the midst of a growing retirement security crisis," Corker said. Other Republicans, including Sens. [Mike Lee](#) (R-Utah), [Todd Young](#) (R.-Ind.), and [John McCain](#) (R.-Ariz.) are on the fence about the state auto-IRA rule. In March, David Damschen, the Republican Utah state treasurer, and Richard Mourdock, a former Republican Indiana state treasurer, penned [an op-ed](#) in the Washington Times urging Congress not to repeal the Labor Department rule. "The president and Congress should trust states and allow them to innovate with new ideas and approaches to help America's families save and build greater financial security in retirement," they wrote. - *Marianne Levine*

ENERGY

Paris watch: Trump has taken an ax to most of former President Barack Obama's climate change regulations, but the new administration is split on whether to pull the U.S. out of the Paris accord. That agreement, one of Obama's biggest foreign policy

successes, was the first international pact in which countries agreed to reduce their greenhouse gas emissions - but Trump regularly criticized it during the campaign. Still, many in the White House believe pulling out of the pact would needlessly anger U.S. allies, and they're advocating for simply changing the U.S. commitments under the deal. White House spokesman Sean Spicer told reporters last week that the president expects to announce a decision by the G7 Summit in Italy in May, and White House aides have been debating the best path. Look for debate - which has even split the coal industry - to ramp up this month.

Carbon rule - Flip it and rewind: Within hours of President Trump issuing the executive order calling for EPA to unwind the Obama rule curbing carbon emissions from power plants, the Department of Justice filed motions with the D.C. Circuit to freeze the lawsuits challenging that rule and a related rule for new power plants. A D.C. appellate court has been expected to issue a verdict any day now on whether the rule, called the Clean Power Plan, was legal under the Clean Air Act, but now the court will have to decide whether to even finalize that verdict. The new motions from DOJ asked the court to hold off on ruling while the EPA conducts a review of the regulation, though supporters of the rule are pressing the court to finish its work. And oral arguments on the Clean Power Plan's sister rule for yet-to-be built power plants, which had been scheduled to take place on April 17, have disappeared from the court's schedule. Regardless of whether the D.C. court decides to proceed and issue a decision on the rule or puts the case on hold in April, the case is going to play out in the courts for months. - *Eric Wolff*

FINANCIAL SERVICES:

Hensarling takes the lead: The House Financial Services Committee is expected to move forward with two major pieces of legislation. Chairman [Jeb Hensarling](#) is likely to advance a bill to reform the debt-burdened National Flood Insurance Program, which protects millions of coastal homeowners from the risks of catastrophic flooding and will expire at the end of September. Hensarling also is getting closer to releasing his Dodd-Frank alternative, known as the Financial CHOICE Act. The bill's chances of becoming law may be slim, but it will be the only Dodd-Frank alternative before lawmakers so will help frame the debate.

Fed vacancies: Federal Reserve Gov. Daniel Tarullo, who quarterbacked all the major banking regulations put in place since the financial crisis, will depart from the central bank on April 5, leaving only four of the seven Fed board seats filled. That ratchets up pressure on President Donald Trump to fill the vacant slots, particularly the role of Fed vice chair of supervision, which Tarullo has played. Comptroller Tom Curry's term also ends on April 9, but he can stay at the head of his agency until a replacement is confirmed.

Fintech endgame: Curry's agency, the Office of the Comptroller of the Currency, will finalize its guidance on April 14 for financial technology companies that want to apply for limited purpose bank charters. Curry's move to grant charters to fintech firms has come under attack from advocacy groups concerned about consumer protection as well as from state regulators angry that upstart firms with national charters will sidestep their regulations. Other critics say he should just leave the task to his successor.

Cordray faces grilling: Consumer Financial Protection Bureau Director Richard Cordray will testify on April 5 before the House Financial Services Committee, the first time he will face a congressional panel since an appeals court gave his agency a reprieve in a case questioning its constitutionality. Hensarling has been among Cordray's severest critics, calling for him to be fired and proposing a sweeping overhaul of the bureau.

New Era at SEC: The Senate Banking Committee will vote on April 4 to confirm Jay Clayton, the Wall Street lawyer nominated by Trump to chair the Securities and Exchange Commission. It is unclear when the full Senate will vote on Clayton, the final hurdle he needs to clear. If confirmed, as expected, he'll probably focus on helping companies raise money by relaxing rules and deemphasize enforcement. - *POLITICO Pro staff*

HEALTH

Health insurers start to file Obamacare plans: Starting this month, insurers will soon have to decide whether to stick with Obamacare in 2018 after the stunning collapse of the GOP's repeal bill. Even though Obamacare wasn't repealed, Trump has repeatedly said the law will implode on its own - and his administration could pull a few levers to speed its collapse if it wants to. Insurers considering whether to sell Obamacare coverage next year, they have to ask themselves one basic question - do they think Trump will sabotage the law?

Will Trump do anything on drug prices? Scott Gottlieb, Trump's pick to run the FDA, will face a nomination hearing in the Senate HELP Committee this week, which could give us some clues about how Trump plans to fulfill his promise to tackle high drug prices. Gottlieb, a former FDA and CMS official, doesn't agree with Trump's call for the government to negotiate drug prices - instead, he's likely to focus on streamlining the FDA to boost competition. Gottlieb is likely to be confirmed, despite Democrats' concerns about his extensive ties to the pharmaceutical industry. - *Jason Millman*

TECHNOLOGY

Telecom rule reset: Fresh off the win of securing congressional approval to rescind the FCC's broadband privacy rules, Republicans are setting their eyes on their next targets for undoing telecom regulations. President Trump has criticized the net neutrality rules, another part of President Obama's telecom legacy, and FCC Chairman Ajit Pai is likewise keen to roll those back. The underpinning of the net neutrality rules is a 2015 FCC action known as the Open Internet Order.

Trump has pledged to sign the Congressional Review Act resolution to axe the broadband privacy rules - approved in the waning days of the Obama administration - before they take effect. But the White House hasn't yet said what day it will make that official.

The risk for Pai and his allies in targeting the net neutrality rules is that there's an established track record of proponents of consumer-oriented telecom advocates vocally supporting their priorities. Pai probably wants to avoid the fate of his predecessor - Democrat Tom Wheeler - who found protestors outside his home when he tried to weaken the net neutrality rules that were then under development. - *Angela Greiling Keane*

TRADE

Welcome to Mar-a-Lago, President Xi: Trump will host Chinese President Xi Jinping at his Mar-a-Lago resort in Florida on Thursday and Friday this week. It will be the two leaders' first face-to-face interaction since Trump took the White House. Trump tweeted that the meeting "will be a very difficult one in that we can no longer have massive trade deficits." China, which enjoys a trade surplus with the U.S. of nearly \$350 billion, has moved to exploit Trump's decision to pull the U.S. out of the Trans-Pacific Partnership, which had been the Obama administration's effort to cement U.S. influence over Asia-Pacific trade. Many insiders, therefore, saw it as no surprise when the administration late last week released an annual report on foreign trade barriers and rolled out two get-tough executive orders on trade, one of which instructs agencies to dig deep into the causes of U.S. deficits with trading partners.

The currency question: At Treasury, officials are expected to issue by April 15 the Trump administration's first report on whether countries are manipulating their currencies for an unfair trade advantage. The biannual report is being closely watched after Trump repeatedly promised during the campaign to direct his department to label China a currency manipulator on his first day in office. That didn't happen, but one could imagine Trump and Xi talking about that in sunny Florida.

When will Senate shine a 'Lighthizer' on USTR? The leading outstanding item on the U.S. trade agenda remains confirmation of Robert Lighthizer to be U.S. trade representative. While the veteran trade attorney has undergone a confirmation hearing and been well received by both Republicans and Democrats, the two parties remain at odds over a waiver he likely needs to qualify for the post due to past work representing a foreign government. Either way, senators have little time in April to complete the confirmation process, given the two-week recess and the spending deadline that follows it.

Starting the clock on NAFTA 2.0 talks: The administration is likely to notify Congress sometime in April of its intent to renegotiate NAFTA, a statutorily required formality that will kick off a 90-day consultation period before U.S. officials can sit down with counterparts from Canada and Mexico. An eight-page draft notification letter being prepped by the White House did not deviate greatly from Obama administration trade policies despite Trump's fiery rhetoric on the subject.

Inside the Beltway, and beyond: The IMF and World Bank will hold their annual spring meetings in Washington this month, and trade is likely to be a central topic. Vice President Mike Pence is scheduled to take an extensive trip through Asia mid-month, including a stop in Japan, where he is expected to meet with Deputy Prime Minister Taro Aso to kick off a formal trade dialogue with Tokyo. - *Megan Cassella*

TRANSPORTATION

Tax reform a boon for transportation: In some ways the new focus on tax reform is good news for transportation, because lawmakers and the White House are still considering pairing changes to the tax code with an infrastructure package and either moving them in the same vehicle or separately but at the same time.

Still lots of questions: Of course, there still is just as little clarity about exactly what President Donald Trump's \$1 trillion vision for infrastructure will contain, how much money it will spend, in what way and on exactly what. The one thread that has continued since the campaign, however, is that the package will focus on clearing regulatory obstacles to realizing projects, and will rely heavily on incentivizing private capital investments.

FAA AWOL: This time last year, both the House and Senate had marked up an FAA reauthorization bill. So far, neither chamber has introduced any legislation. The Senate is, at least for now, waiting on the House to move. Rep. [Bill Shuster](#) (R-Pa.), chairman of the House Transportation Committee, has said that comparisons are unfair and reiterated that the only date he's focused on is Sept. 30, when the current authorization will expire. Expect to see his committee finish the last two of five hearings on aviation issues, and after that point he could technically introduce his bill at any time. - Kathryn A. Wolfe

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