What Will Be Impacting the Trade and Shipment of Almonds?

Julie Adams, Almond Board of California (Moderator)
Beth Van Meter, Almond Board of California
Dennis Nuxoll, Western Growers Association
Agenda

• Global Round-Up
• What's on the Horizon
• The Election and 2017 (*and beyond*)
Global Round-Up

- Information has no borders
- Regulations *are not going away*
- Pesticides, food safety, phytosanitary issues rule the day
- Customers, regulators, *and consumers care* about what (and how) we do things
- *Relationships matter*
U.S. Update

- FSMA is here….but our pasteurization rule will mitigate requirements
- Water, water, water
- Pesticides, air, pesticides, air, ….  
- Leveraging the Alliance will be critical
- ….. *The Election*
China Update

- Import authorities looking at *risk-based inspection* – almonds a good candidate
- Add Ba Dan Mu to customs code
- Market access for almond hulls – priority for China and U.S.
India Update

- Labelling *finally* resolved
- GST moving forward – low rate for almonds?
- Currency “demonitisation” to reduce black money, but complicated given a cash economy
- No Objection Certificate….stick around!
South Korea Update

- MRL positive list will be enforced starting January 1, 2017
- Multi Residue Screening
- Handling Facilities Registration
European Union Update

- Mineral Oils
- Transatlantic Trade and Investment Partnership (TTIP)
- Pesticide Review Priority List, next 2 years.
- Phytosanitary Certificates
- Pre-Export Checks
What’s on the Horizon?

- Ports and labor negotiations
- Using almond sustainability program to address regulations, supply chain
- Trade agreements that U.S. is not part of
- Farm Bill – $$ for research, crop insurance, export promotion
Now about that Election.....

- What does it mean for growers?
- What does it mean for trade?
The View from Washington on Taxes, Trade, Regulation & Farm Bill

Dennis Nuxoll
VP for Federal Affairs
Western Growers
Tax Reform

• **The Basics**- Corporations currently pay tax at a rate of 35%. Trump proposes to cut the rate to 15%, while eliminating almost all business deductions. Two deductions are retained: 1) the research and development credit and 2) expenses associated with onsite childcare.

• Businesses who manufacture would be permitted, however, to immediately deduct the cost of asset acquisitions, a monumental divergence from current law, under which businesses have to depreciate the cost of purchased assets over a number of years, greatly reducing the tax benefits. Unclear what the definition of ‘manufacture’ would be.
Tax Reform

- **The Basics** - A mystery remains however for how Trump would treat so-called “pass through” taxation. Under current law, S corporations and partnerships do not pay entity-level tax; instead, the income is allocated to the owners, who pay the corresponding tax at the individual level, based on the applicable individual rates laid out above.

- Trump at one time stated that he would provide a unified business rate of 15%, meaning not only would corporations pay tax at that rate, but **all business income** – even the income earned by an individual from an S corporation, partnership, or sole-proprietorship and reported on the individual’s tax return — will be subject to the same 15% rate. This means that a taxpayer earning business income would experience a drop in top tax rate from 39.6% to 15% under the Trump presidency. The ‘pass through’ taxation part of his plan however was dropped in his late fall speeches since it would benefit hedge fund managers—what the status of that element is remains unclear.

- Estate tax would also be eliminated

- **Future Prospects** - The House and Senate have worked on corporate tax reform for years. There is fairly broad bipartisan support for the idea of lowering the corporate income tax rate and getting rid of most of the loopholes- the problem has been agreeing on how low the rate will go and consequently how many loopholes to close in order to pay for a lower rate. Considerable work needs to be done to unify the Trump, House and Senate plans.
Trade

Trump’s View-

• Stop the TPP.
• Renegotiating NAFTA (or walk away if we have to).
• Bring trade relief cases to the World Trade Organization.
• Label China a currency manipulator.
• Apply tariffs and duties to countries that cheat.
• Direct the Commerce Department to use all legal tools to respond to trade violations.
• Enter into no trade deal unless it increases our economic growth and strengthens our manufacturing base
Trade

• **Future Prospects**- This area of policy is a complete unknown. No President elect has ever had as aggressive and as explicit an anti-trade agenda as Trump. One thing we do know if the U.S. imposes punitive duties on China and Mexico, it is quite possible that one or both will retaliate with equivalent tariffs on U.S. goods.

• Within 48 hours after president Obama announced he was imposing new duties on imports of Chinese tires under Section 421 of U.S. trade law, Beijing initiated antidumping investigations of U.S. cars and poultry in retaliation. While the U.S. tire duties were lifted long ago, U.S. poultry is still largely shut out of the Chinese market.

• Also recall in 2009, after Congress restricted the entry of Mexican trucks in violation of U.S. NAFTA commitments, Mexico imposed US$2 billion of additional duties on U.S. exports, carefully targeting U.S. products of interest to key Members of Congress and leading proponents of the trucking ban. Congress quietly repealed the trucking ban two years later.
Farm Bill

• **The Basics** - Authorization for the Farm Bill will expire on October 1, 2018, thus both the House and Senate Agriculture Committees are expected to jump into farm bill hearings early next year with an eye toward having legislation drafted by spring 2018. This is especially the case given the pressure lawmakers face due to poor economic performance for commodity crops in recent years as well as dairy.

• **Trump’s View** - Trump has indicated that the nutrition title of the Farm Bill should not be separated from the rest of the bill
Farm Bill

- **Future Prospects** - The last Farm Bill was a battleground over spending—expect the next one to be as well.

- Last time the fight was over spending on food stamp programs, but with the economy picking up and commodity prices for livestock and row crops trending down the fight this farm bill will revolve a little more around whether resources should go to agriculture.

- The Heritage Foundation and the Environmental Working Group (yet again) have already begun their attacks against agricultural spending

- Various Freedom Caucus members of the House Republican Caucus have also signaled that they will go after farm bill spending for agriculture.

- While agriculture and rural communities were big backers of Trump that might not influence tightening budgets that we are likely to see. The big tax cuts being discussed will need to be paid for and cuts in domestic spending are the most likely targets given Trump’s promises to raise spending on defense and veterans.
Regulatory Reform

• **Trump’s View**- Trump has said that he “will formulate a rule that says that for every one new regulation, two old regulations must be eliminated.”

• Trump has also said he would issue a temporary moratorium on all new agency regulations.

• He would also require each federal agency to prepare a list of all of the regulations they impose on American business, and rank them from most critical to health and safety to least critical. Least critical regulations will receive priority consideration for repeal.

• **Future Prospects**- This is easy to say harder to do. In order to repeal an existing rule every agency would have to go through the notice and comment rule-making process, the same process that's used to develop a new regulation and that would take at least a year. Congress could pass legislation to change the Administrative Procedures Act which governs the passage (and repeal) of regulations (dozens of bills have been floated to make changes to that law) but that is also unlikely within the first year given Congress’ full plate.
Other Regulatory Reforms

• **Repeal and Replace Obamacare**- Trump has said that he will repeal and replace Obamacare immediately upon entering in office.

• **Future Prospects**- With control over Congress, Trump can and will repeal Obamacare. He can repeal the individual mandate, the employer mandate, the subsidies to pay for insurance on the exchanges on day one. What will take time and effort is figuring out what to replace it with between plan outlines he put forward, plans from House Republicans, Senate Republicans and because of filibuster rules Senate Democrats will need to also be on board with a replacement. That will take many months of work.

• **Reform Immigration**- Trump has promised to make it more difficult to enter into the US by building a wall on the Southern border and strengthening background checks. Trump has also said we need to strengthen internal security by deporting 2-3 million illegal criminals as well as expand everify. Once those steps are completed then Trump has indicated we can move on to reform the legal immigration system.

• **Future Prospects**- House Republicans did not move on immigration reform a few years ago because the comprehensive bill that had moved out of the Senate was not strong enough. While perhaps not all these elements will appeal to House members many will. Finding common ground on a bill in the Senate will require Democratic support which will be difficult given the tough talk Trump has leveled.
Thank you.
Now it’s Your Turn to Ask Questions!
Questions?