

# The Agriculture Letter

Insight and Analysis for Agribusiness Leaders

• Vol. 95, No. 7

Dear Client:

Washington, March 29, 2024

Concerns about China was the topic of a packed House Ag Committee last Wednesday, addressing concerns about China's purchases of U.S. farmland, with both Democrats and Republicans expressing worry about potential threats to national security.

Although there was no consensus on how to address the issue, measures have been taken, such as including provisions in a fiscal 2024 spending bill to better track foreign purchases of agricultural land, particularly those from China, Russia, North Korea and Iran.

## CHINA

Land purchases near military installations was a concern raised. Despite bipartisan agreement on the issue, there were differences in approach, with Republicans emphasizing the need to protect U.S. interests while Democrats cautioned against overreaction that could lead to discrimination.

A warning issued. Nova Daly, former deputy assistant secretary for investment security at the Treasury Department under President George W. Bush, warned lawmakers that farmland purchases near U.S. military installations "present clear and pressing risks to U.S. national security."

Improved tracking of such foreign purchases under the fiscal 2024 spending measure was a good first step, Daly said, highlighting provisions adding the Agriculture secretary to the Committee on Foreign Investment in the United States (CFIUS), an interagency panel tracking foreign transactions. But Congress should strengthen those provisions to give that foreign investment committee more tools to prioritize "time sensitive" purchases where they pose significant national security concerns, he testified at the committee hearing.

## MORE ON CHINA

House Select Committee on the Chinese Communist Party Chair Mike Gallagher (R-Wis.) warned: "The federal oversight system for reporting foreign ownership is alarmingly lax and enforcement is very minimal. This strikes me as something that Democrats and Republicans could come together right now and solve," Gallagher continued, and he urged lawmakers to clear legislation he introduced with Thompson (R-Pa.) to improve the tracking process and increase CFIUS authority to review the national security implications of those and other transactions impacting the U.S. food and ag sector... the Protecting U.S. Farmland and Sensitive Sites From Foreign Adversaries Act.

Several witnesses pointed to a 300-acre purchase near a N.D. Air Force base by Chinese food manufacturer Fufeng Group. The company said the land was to be used for a milling plant, despite being poorly located for such a use, raising concerns the land would be used for espionage. Because the area was not considered a sensitive site by CFIUS, the committee never reviewed the transaction, noted Gallagher. "That's unacceptable," he said.

*Source: Ag Letter editors, House hearing*

Foreign investors held interest in more than 43.4 mil. acres of U.S. agricultural land in 2022, according to USDA... up 3.4 mil. acres from the year before. China accounts for a very small portion of those reported purchases... about 1% of foreign-owned land... but such figures "should be interpreted as a minimum," USDA said, because purchasing records only detail the primary investor.

S.D. Gov. Kristi Noem told the panel to be vigilant about Chinese ownership of farmland in the U.S. "Over the years, I have witnessed this hostile communist country work to systematically take over more of America's vital food supply chain," said Noem, a Republican who has signed into law strict restrictions on select foreign entities buying farmland in her state. Noem said that she is unsure if China owns farmland in her state... in part due to a lack of reporting. According to federal records, there are no Chinese-owned lands in South Dakota, but there is a Chinese-owned meat-packing plant in Sioux Falls.

House Ag Chairman "GT" Thompson (R-Pa.) said, "These last few years have seen China steal U.S. intellectual property, hack critical cybersecurity and related infrastructure, weaponize agricultural trade and acquire American farmland at an alarming rate. Each of these disrupt our national security, our rural communities and our resiliency."

FARM  
BILL

New farm bill update. The House may finally release details of its proposals post-Easter recess into May, with several “creative ideas” regarding generating \$40 billion to \$50 billion in additional spending beyond the \$1.51 tril. ten-year baseline. One source said, “There will be no robbing of one title to help another.”

Key will be whether any of those plans meet with stiff Democratic Party resistance, which would mean a farm bill stalemate would continue and kicked into a new Congress in 2025... perhaps a post-election, lame duck session of Congress. House farm bill policy proposals will likely include a variable percentage increase in reference prices for farm program crops, crop insurance improvements, back-loaded funding for trade promotion programs (MAP, FMD), and funding for biosecurity.

Senate Ag Chair Debbie Stabenow (D-Mich.) wants to follow the House, say contacts. The Senate proposals will have key differences with the eventual House plan, especially regarding food and nutrition funding, reference prices and conservation spending... funds earmarked for USDA conservation programs won't be added to the baseline for other purposes.

FARM  
LABOR

Farm labor: An issue not only for the U.S., but now for Mexico. Mexico is experiencing a diminishing farmworker population and its negative impact on agricultural industries, the *Washington Post* reports. Historically, Mexican workers crossed the border to work on American farms, but now Mexico faces a shortage of laborers due to various factors, including an aging workforce and increased opportunities elsewhere, including seasonal work visas in the United States.

As a result, Mexican farmers are advocating for a guest-worker program to address labor shortages. The government plans to open job opportunities to non-Mexicans, potentially attracting migrants in search of better opportunities.

Despite lower wages vs the U.S., Mexican farms are improving working conditions and offering incentives to attract workers. However, recruiting foreigners to work in Mexican agriculture poses challenges, as seen in a pilot project where Central American workers struggled with farming and eventually left for the United States.

In the long term, Mexico's guest-worker programs may not immediately reduce migration to the U.S., but they could become more attractive if border crossing becomes more difficult, potentially shifting migration patterns.

Farm labor issues in the U.S. were a major topic addressed by USDA Secretary Tom Vilsack last week during the House Ag Appropriations Subcommittee hearing. Growers and agribusiness officials talk about labor as much as anything else. One source told us: “One of the biggest areas of concern I hear from almost every grower I speak with is labor... worker availability, cost, regulations... you name it. What are the chances for any help from the federal level?” Answer: With the current uncivil political climate in Congress, the odds are low.

BIOFUEL  
PIPELINE

North Dakota PSC sets Summit Carbon Solutions pipeline hearings. The North Dakota Public Service Commission (PSC) has scheduled public hearings regarding the Summit Carbon Solutions pipeline. The hearings, set to take place April 22, May 24, and June 4, will allow individuals to provide testimony, which will become part of the official record on the case. The PSC may consider input received outside of the hearings and may pose questions to the company based on this input, according to the *North Dakota Monitor*.

The pipeline would be the world's largest carbon capture and storage project, is how Summit Carbon Solutions describes its Midwest Carbon Express. It aims to gather carbon emissions from ethanol plants for underground storage. The pipeline route spans several states, including North Dakota, where it intersects with Tharaldson Ethanol at Casselton.

While the PSC denied Summit's permit application last year, the company has adjusted its route, addressing concerns about landslides and proximity to populated areas. Summit sees the pipeline as beneficial to the ethanol industry and corn farmers supplying ethanol plants.

The project has drawn both support and opposition. N.D. Governor Doug Burgum has voiced support for carbon capture initiatives, while opponents have raised concerns about safety, farmland damage, and property values. Summit is offering compensation to landowners who sign voluntary agreements but may resort to eminent domain for those who do not comply, ensuring compensation for affected landowners regardless.

## PLANTINGS

Notable shift from corn to soybeans in 2024. Results of the annual *Pro Farmer/Doane* planting intentions survey signaled there will be a notable shift from corn to soybean acres this year, due mostly to crop rotations, but the overall mix of those crops will be little changed. *Pro Farmer* projects total corn and soybean plantings at 178.5 mil. acres, which would be down 900,000 acres (0.5%) from last year. Total acres planted to the big four crops (corn, soybeans, wheat and cotton) are expected to decline 1.946 mil. acres (0.8%) from last year.

Corn acres expected to decline 3%. Producers intend to plant 91.75 mil. acres to corn this year, down nearly 2.9 mil. acres (3.1%) from last year; 56% indicated they would plant less corn.

Soybean acres expected to rise nearly 4%. Producers indicate they intend to plant 86.75 mil. acres to soybeans in 2024, up 3.15 mil. acres (3.8%) from last year. Of those farmers who plan to shift acres, 59% of respondents will increase soybean plantings.

Other key findings from the *Pro Farmer* survey:

- Other spring wheat and durum acres to decline 1.6%.
- Slight increase (up 2.6%) in cotton plantings.
- Sorghum acres expected to increase (up 5.6%).

## MARKETS

Corn: With acreage prospects for 2024 in the rearview mirror, attention shifts to weather conditions as planting season comes to the heart of the Corn Belt. Some areas are heading into the planting time with sub optimal soil moisture levels. Demand has remained relatively solid for U.S. corn from foreign buyers, but South American supplies will be tempering that demand ahead. Acreage competition battles are ahead.

Soybeans: Weather for the next several months will be a big factor for actual soybean acres to be harvested this year. Prices have tipped the scales toward soybeans, but the planting season can have a big say in what goes in the ground. Demand for U.S. soybeans has already started to flag with South American supplies ready to hit the market.

Wheat: How the winter wheat crop exits dormancy will be the initial focus in April along with how planting conditions unfold for U.S. spring wheat in the Northern Plains. Late wintry conditions will add to moisture profiles but could slow seeding progress. U.S. wheat remains overshadowed by Black Sea supplies which have been flooding into the market at prices which buyers love.

Rice: Global rice markets remain affected by the export restrictions put in place by India which so far have not been adjusted. Indian elections may provide more clarity in the situation for the world's largest rice exporter. Demand for U.S. rice has been solid from Latin American countries but the U.S. has not been able to make headway on the global market. There could be downside risks for prices if funds opt to reduce their long bets.

Cotton: U.S. cotton supplies are likely to increase this year compared with last year and that will keep attention on demand for U.S. supplies. Cotton planting in the U.S. will be important but there is a relatively wide planting window. Top state Texas is always a focus on how planting is proceeding. Spec traders have reduced their long positions but prices for U.S. supplies remain lofty.

Dairy: February milk output fell more than 1% from January as the number of dairy cows was reduced. The milk-per-cow results in February also declined. But demand has also flagged, keeping mild pressure on product prices. A disease in Texas is starting to temper production in the state and must be watched if it spreads. That could end up boosting cow culls and lower milk output.

Cattle/Beef: Recent feedlot data shows supplies moving up from year-ago levels with February cattle placements being the heaviest for the month on record. Marketings have also rose compared with year-ago levels. Weights were on the rise in early March but will move lower on a seasonal basis, especially if slaughter numbers continue to move higher with bigger feedlot numbers.

Hogs/Pork: U.S. hog slaughter in the first quarter likely exceeded year-ago levels but mid-March reductions could point to supplies tightening as we move into the second quarter. U.S. hog herd efficiency has continued to improve and that is likely a contributor to the pig crop being bigger than expected. Look for cash prices to continue firming as we move into April.

Broilers/Poultry: The highly pathogenic avian influenza (HPAI) situation has eased as we move into spring, but the virus is present in all the major flyways as migration of birds moves northward in the U.S. The tempering of HPAI cases should translate into the export restrictions on U.S. supplies being reduced. Egg layer flocks are recovering and that should bolster table egg supplies.

INPUTS

In Minnesota, legislators are proposing to introduce a sales tax on commercial fertilizer to pay for closing drinking wells contaminated with nitrates and supplying thousands of south-east Minnesota residents with clean sources of water. The U.S. Environmental Protection Agency (EPA) ordered Minnesota to halt nitrate contamination in groundwater last November.

Details: Ag retailers and vendors for nitrogen fertilizer would pay a 99-cent-per-ton tax. The tax, expected to draw \$3 mil., would go to community health boards in eight southeastern counties to be used on safe drinking water, with priorities for mothers and infants.

Facts and figures: According to a petition to EPA filed last year by Minnesota Center for Environmental Advocacy, the Minnesota Well Owners Association and others, roughly 80 residents use private wells for drinking water in the impacted region.

Opposition: Lee Helgen, executive director for Minnesota Crop Production Retailers, an association comprising members who'd directly pay the tax, says "There's not a compelling nexus in policy between a statewide fertilizer tax and allocating funds for a very specific, narrow geographic" concern, labeling the policy approach "defective."

Bottom line: Chances of this proposal becoming law in Minnesota this year are small. Governor Walz has communicated to agriculture groups he does not support fertilizer fee increases.

TRADE  
POLICY

Vilsack looks to turn the tables on trade policy rhetoric. USDA Secretary Tom Vilsack was recently asked to weigh in on the tepid outlook for U.S. ag exports this year and his thoughts on whether the trend can be reversed. Vilsack chalked up the second straight annual ag trade deficit forecast for 2024... at \$30.5 bil.... to a strong U.S. economy and dollar driving up domestic demand and, with it, imports. He also said the deficit is largely motivated by imports in very specific areas like horticulture and sugar. "So understanding the dynamics of this, I think, ought to make people a little bit less concerned about it," he told lawmakers during a hearing.

The Biden administration continues to come under pressure from ag interests and farm-state lawmakers to negotiate new FTAs, including in a recent letter to Vilsack and U.S. Trade Representative (USTR) Katherine Tai.

Vilsack sought to turn the tables on the FTA issue, suggesting that if lawmakers are serious about new trade deals, they would clear a renewal of Trade Promotion Authority (TPA), which allows new trade agreements to be negotiated and put to an up or down vote by Congress... without amendments... dubbed "fast track" consideration. "They say, 'Secretary we need free trade agreements.' And [what] I say to them is this: 'Did I miss it, did you pass the Fast Track authority?'... because if it didn't pass, it means that 535 members of the House and the Senate can amend any trade agreement you negotiate," Vilsack said.

Vilsack said he would be happy to work with Congress to clear a new TPA bill "but I haven't seen anybody propose it" yet. Usually the White House requests such action.

CONGRESS

A one-seat House GOP majority coming. After Rep. Ken Buck (R-Colo.) resigned, Republicans have a 218-213 majority, with four vacancies. Rep. Mike Gallagher (R-Wis.), retiring chair of the House China Select Committee, announced he'll leave Congress April 19... leaving Republicans with a majority of just one seat on a party-line vote. Under Wisconsin law, Gallagher's seat is expected to remain vacant until January, with the November general election to determine who wins; if he were to resign prior to the second Tuesday in April, the state would be able to hold a special election before November to fill his vacant seat.

Rep. Kevin McCarthy (R-Calif.) left the House with a five-seat Republican majority (221-212). It likely won't bump up to a three-seat GOP majority until after the June 11 election to replace Bill Johnson of Ohio. And this assumes there won't be any further GOP departures. Republicans held a 222-213 majority after the 2022 midterm elections.

Best regards,

*The Ag Letter Editors*  
THE AGRICULTURE LETTER EDITORS

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