

Wednesday, March 10, 2021

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Biden Meets with Moderate Republicans but Aid Plans are Far Apart

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MARKET FOCUS

Equities today: European and U.S. stock-futures are trending firmly higher following the rally on Monday, with Asian stocks having gained on stimulus hopes and vaccination progress.

U.S. equities yesterday: The Dow gained 229.29 points, 0.76%, at 30,211.91. The Nasdaq was up 322.70 points, 2.55%, at 13,403.39. The S&P 500 rose 59.62 points, 1.61%, at 3,773.86.

CFTC monitoring silver futures activity. The big jump in silver futures to open the week has caught the attention of the Commodity Futures Trading Commission (CFTC), with acting Chairman Rostin Behnam saying the futures regulator is "closely monitoring" the activity. "The Commission is communicating with fellow regulators, the exchanges, and stakeholders to address any potential threats to the integrity of the derivatives markets for silver and remains vigilant in surveilling these markets for fraud and manipulation," he stated.

On tap today:

- **Nomination hearing for USDA Secretary nominee Tom Vilsack**, Senate Ag Committee.

CBO: U.S. economy “will bounce back over the next several months, even without more stimulus aid from Congress,” but employment levels are unlikely to fully recover until 2024. The Congressional Budget Office (CBO) in a report Monday ([link](#)) said the economy is expected to grow “rapidly” at 4.6% this year, continuing to expand over the next decade.

The economy will grow at a quicker pace than CBO previously forecast, returning to its pre-pandemic level in mid-2021, the CBO said. The new forecast offers a brighter outlook than the nonpartisan budget agency offered last July, when it projected that a full recovery wouldn’t occur until the middle of next year.

Gross domestic product, adjusted for inflation, is expected to grow by 3.7% in the fourth quarter of this year, compared with the same period a year ago, the forecast shows. That contrasts with a 2.5% contraction in 2020.

The labor market is expected to continue to improve, with the number of people employed returning to its pre-pandemic level in 2024. The average annual unemployment is projected to drop from 8.1% last year to 5.7% this year, and gradually decline to an average rate of 4.1% between 2026 and 2031.

Inflation is expected to rise gradually over the next few years and rise above 2% after 2023. The interest rate on 10-year Treasury notes will rise gradually, from an average 1.1% this year up to 2% by 2024 as the economy recovers.

The improved forecast assumes no additional emergency funding or aid to combat the Covid-19 pandemic.

The report shows the economic expansion is not expected to reach its full potential until the beginning of 2025. CBO also said its forecast is subject to a "high degree of uncertainty," with the pace of economic recovery dependent on the spread of the virus infection and the pace of vaccinations.

With expectations that there will be additional fiscal stimulus provided to the U.S. economy, CBO's outlook for 2021 and 2022 will likely be upgraded in summer updates. That, in turn, could alter their expectation on other areas, including unemployment and U.S. Fed policy.

Manufacturing sector growth slows in January. The Institute for Supply Management reported Monday that its index of manufacturing sector business activity fell from 60.5 in December to come in at 58.7 in January. The index indicates the sector is expanding when over 50. Economists had expected the index to come in at 60. In a statement accompanying the release, ISM economist Timothy Fiore said, "The manufacturing economy continued its recovery in January. Survey committee members reported that their companies and suppliers continue to operate in reconfigured factories, but absenteeism, short-term shutdowns to sanitize facilities and difficulties in returning and hiring workers are continuing to cause strains that limit manufacturing growth potential. However, panel sentiment remains optimistic (three positive comments for every cautious comment), similar to December levels."

Construction spending up more than expected in December. The Commerce Department reported Monday that construction spending rose 1.0% to \$1.490 trillion in December. Economists had expected a 0.9% increase. Construction spending rose 5.7% from one year ago and 4.7% for the calendar year. Private construction projects were up 1.2%, while public projects rose 0.5%, state and local governments' spending rose 0.4% and federal construction projects were up 1.3%.

Market perspectives:

- **Prices for Renewable Identification Numbers (RINS) tracking ethanol blending compliance in the U.S. have jumped almost 50%** since mid-January, spurring some claims that the biofuel credits are overdone. RINs on Monday rose 3.7% to \$1.12. That's up 47% from \$0.76 on Jan. 13 and from about \$0.50 in mid-October.

POLICY FOCUS

— Whipping 2019 WHIP+ into shape: not yet.

No one has been paid on the second 50% payout for 2019 WHIP+. In fact, eligible farmers continue to report they either have just received or received in late December their first 50% payout for 2019 WHIP+. Most have received their entire 2018 WHIP+ payment.

Why so slow? With CFAP (and other obligations), USDA's Farm Service Agency (FSA) put taking WHIP applications on the back burner. Add to that the fact they made WHIP+ far too complicated (the application process is a time-consuming nightmare). As a result, people just didn't get in a hurry to sign up (or were told they weren't eligible).

Then, USDA thought they were on track, but when they announced the 10/31/2020 deadline for 2018/2019 losses, everyone came out of the woodwork to get on the list to make sure they didn't lose an opportunity to apply. At that point, many think USDA started re-assessing (i.e. realizing they had underestimated the losses that were out there). As a result, they are still trying to get finished with 2018/2019 WHIP losses and we still don't know if the second half of 2019 will get paid. Most sources suspect congressional appropriators fully intend for those losses to get paid (i.e. they freed up additional funding in the omnibus), but who knows? And remember the QLA (quality-loss adjustment losses) that took over a year to implement will come before the second 50% 2019 WHIP+ payments.

Bottom line: The Office of Management and Budget signed off on more money to meet the first 50% WHIP+ expenses. Some of that "anomaly" (omnibus) spending may well be used to pay for the second half WHIP payout. We just don't know what will be available until quality losses are paid. As one contact simply put it: "If I give you 100 dollars and tell you that you must use this for first 50% of your losses including quality losses and then you can use the rest for second half losses, then does it not stand to reason that you won't know for sure what will be available for the second half

until you know how much of the \$100 will be spent on first half and quality?”

— **Biden confers with moderate Republicans on big differences in proposed aid package.** President Biden late Monday spent for two hours with 10 moderate Republicans discussing different aid proposals, with the Democrats pushing a \$1.9 trillion package while the moderate Republicans released a \$618 billion plan ([link](#)). After the discussions, Sen. Susan Collins (R-Maine) said she and her colleagues had held “a very productive, cordial two-hour meeting with the president” and that they were “very appreciative” that Biden had spent so much time with them. She added: “It was a very good exchange of views; I wouldn’t say that we came together on a package tonight. No one expected that in a two-hour meeting. But what we did agreed to do is to follow up and talk further.”

Jen Psaki, the White House press secretary, suggested Biden was not close to embracing an agreement with the Republican group. “While there were areas of agreement, the president also reiterated his view that Congress must respond boldly and urgently and noted many areas which the Republican senators’ proposal does not address,” she said. “The president also made clear that the [stimulus plan] was carefully designed to meet the stakes of this moment, and any changes in it cannot leave the nation short of its pressing needs.”

“I think the Republican offer is sincere, but Biden and Republicans have VERY different ideas for how we address this crisis and voters very deliberately chose Biden’s agenda,” tweeted Sen. Chris Murphy (D-Ct.). He added: “Some compromise is always warranted, but we have an obligation to see the voters’ intent through.” Senate Majority Leader Chuck Schumer (-N.Y.) said, “It makes no sense to pinch pennies when so many Americans are struggling.” Sen. Ron Wyden (D-Ore.), the incoming Finance Committee chairman, said the Republican proposal was too small and didn’t offer a long enough extension to unemployment benefits.

Under the Senate’s current legislative practice, Biden would need at least 10 Republican lawmakers to back his plan to garner the supermajority necessary to advance it to a final vote. However, Democrats have said they are willing to use a procedure known as budget reconciliation, which is reserved for certain tax and spending measures, to pass the

stimulus bill, enabling them to circumvent Republican support. On Monday, House Speaker Nancy Pelosi (D-Calif.) and Schumer introduced a budget resolution that kicks off a process that would allow Democrats to write and pass the legislation with a simple majority in the Senate, instead of 60 votes.

Background: Bills are only eligible for the budget reconciliation process if they affect federal revenue or spending. They are subject to what's known as the Byrd rule, a multi-pronged test designed to keep out provisions considered extraneous, without any real impact on the budget, or that might affect Social Security. As the committees write their bills, they will try to ensure their proposals will be approved by Senate Parliamentarian Elizabeth MacDonough who must enforce the Byrd rule. Senators can challenge the parliamentarian's decisions and vote to waive the Byrd Rule, but they would need a 60-vote majority to do so. Democrats want to move their legislation by mid-March, when enhanced unemployment benefits for people impacted by the pandemic recession are set to expire. The House would have to pass the budget resolution first and then send its version to the Senate. If the Senate amends it, the House would have to pass it again before the committees could begin work on the reconciliation instructions.

Major differences between the two plans. Biden's \$1.9 trillion stimulus plan would include direct payments of \$1,400 to individuals, aid to state and local governments, an expansion of tax credits for children and an extension of federal jobless benefits. The moderate GOP proposal would pare back the direct payments to \$1,000 a person and make them accessible to fewer families by capping eligibility at \$50,000 of annual income per person. An estimated 29 million people would lose out on stimulus payments under the GOP plan. It would also cut out significant aid to state and local governments and reduce the duration of emergency unemployment benefits until the end of June, compared with September under Biden's plan, which many Democrats will object to. Like Biden's plan, it includes \$160 billion for new spending on the coronavirus response to enhance U.S. testing capabilities and speed up the vaccine rollout.. [Link](#) to side comparison of the two different proposals via *CNN*.

Bottom line: Further compromises are needed. But Republicans may not be prepared to move any higher, given

resistance within their party to higher spending.

BIDEN ADMINISTRATION PERSONNEL

— **Vote on Granholm to head DOE seen Wednesday.** The Senate Energy and Natural Resources Committee will hold a business meeting Feb. 3 to vote on the nomination of former Michigan Governor Jennifer Granholm to serve as the next Energy Secretary.

Granholm faced rather intense questioning about energy and climate during her confirmation hearing before the panel last week. Several lawmakers pressed Granholm on the impact that the suspension of new oil and gas leases on federal lands could have on the economies of several states where those are most prevalent.

Granholm sought to assure lawmakers that the expectation is that while there could be some job losses, the new jobs created by efforts to address climate change will more than offset any job losses. However, the economic impacts to these states that rely on revenues from the oil and gas activity on federal lands within their borders.

Despite these sharp questions, Granholm is expected to garner approval from both the committee and the full Senate.

CHINA UPDATE

— **China's top diplomat warns Biden against meddling in Hong Kong, Xinjiang.** China's top diplomat warned the U.S. not to cross a "red line," in an attempt to steer a bilateral relationship toward areas of cooperation as President Biden signals continuity with the previous administration on sensitive issues including Hong Kong and Xinjiang. Yang Jiechi today Beijing time emphasized the potential for a healthy U.S./China relationship on public health, trade and climate,

echoing recent language from leader Xi Jinping. But he left limited room for negotiation on issues such as human rights, the coronavirus response and what he called U.S. interference in Taiwan, Hong Kong, Tibet and Xinjiang. “These issues concern China’s core interests, national dignity, as well as the sensitivities of its 1.4 billion people,” Yang said in a video address to the National Committee on United States-China Relations in New York. “They constitute a red line which must not be crossed.”

The comments come after U.S. Secretary of State Antony Blinken described the Chinese government’s repression of more than 1 million Muslim Uighurs detained in Xinjiang province as “genocide,” adopting the same term as the Trump administration. Jake Sullivan, U.S. national security adviser, on Friday stated that one of the main elements of the Biden administration’s policy towards China would be criticism for its human rights abuses. Sullivan said President Biden was “prepared to act... to impose costs for what China is doing in Xinjiang, what it’s doing in Hong Kong [and] for the bellicosity of threats that it is projecting towards Taiwan.” He made the comments a week after Chinese fighter jets and bombers entered Taiwan’s air defense zone and simulated attacks on the USS Theodore Roosevelt aircraft carrier.

— **U.S./China Phase 1 tracker: China’s purchases of U.S. goods.** [Link](#).

TRADE POLICY

— **EU urges U.S. for a suspension of each side’s tariffs over transatlantic metals and aircraft trade.** EU Trade Commissioner Valdis Dombrovskis urged President Joe Biden’s administration to remove U.S. duties on European steel and aluminum based on controversial national security-grounds. Most observers signal Von der Leyen will suggest a trade truce once she speaks with Biden.

— **Biden keeps aluminum tariffs on UAE., reversing Trump policy.** The exemption to the United Arab Emirates (UAE) would have gone into effect Feb. 3, but Monday night President Biden blocked it.

ENERGY & CLIMATE CHANGE

— **Senate panel to examine climate change.** The Senate Environment and Natural Resources Committee will hold a hearing Wednesday on climate change issues. The session will take place after the panel considers the nomination of Jennifer Granholm to be Energy Secretary. The hearing will focus on discovering “data and analysis by the United States’ and world’s leading authorities on global climate trends from energy related sectors to consider where and how progress has been made in addressing climate change.”

Among those testifying will be Dr. Fatih Birol, executive director of the International Energy Agency; Dr. Angel Hsu, assistant professor, at the University of North Carolina - Chapel Hill; Mark Mills, senior fellow, at the Manhattan Institute; Dr. Richard Newell, president and CEO, Resources for the Future; and Dr. Scott Tinker, director of the Bureau of Economic Geology, University of Texas-Austin.

FOOD & BEVERAGE INDUSTRY

— **House Democrats begin investigation into coronavirus outbreaks in meat processing plants** and the Trump administration’s alleged failure to adequately protect workers. The House Select Subcommittee on the Coronavirus Crisis on Monday sent letters to the Occupational Safety and Health Administration (OSHA) and to three large processors, JBS USA, Tyson Foods and Smithfield Foods, demanding records related to the outbreaks. “It is imperative that the previous administration’s shortcomings are swiftly identified and rectified to save lives in the months before coronavirus vaccinations are available for all Americans,” according to the letter ([link](#)) to OSHA, adding that OSHA could have imposed enforceable safety rules for companies but instead issued non-binding guidance “that companies are free to ignore.”

Meatpackers "have refused to take basic precautions to protect their workers, many of whom earn extremely low wages and lack adequate paid leave and have shown a callous disregard for workers' health," Rep. James Clyburn (D-S.C.), chair of the House Select Committee on the Coronavirus Crisis, wrote to JBS, Smithfield Foods and Tyson. "These actions appear to have resulted in thousands of meatpacking workers getting infected with the virus and hundreds dying," Clyburn stated. "Outbreaks at meatpacking plants have also spread to surrounding communities, killing many more Americans."

According to Clyburn, OSHA waited months after receiving complaints about meatpacking plants to inspect those facilities, and the fines it did impose address "only a tiny fraction" of virus-cased deaths in meatpacking plants, he wrote in a letter ([link](#)) to OSHA's head. "A swift and forceful response from OSHA could have led meatpacking companies to adopt stronger safety measures, preventing outbreaks and saving lives. But in the last year, OSHA failed to issue enforceable rules, respond in a timely manner to complaints, and issue meaningful fines when a company's unsafe practices led to the deaths of employees," he wrote.

A Tyson spokesperson said the company has invested "more than half a billion dollars during the pandemic to transform our U.S. facilities with protective measures" such as temperature scanning, workstation dividers and social distancing monitors along with additional pay and benefits for employees. "In addition, we've added a Chief Medical Officer to help us safeguard and improve the health of our workforce," a statement from the spokesperson noted. "We're also using random testing as a tool to find the virus, testing thousands of workers a week, both symptomatic and asymptomatic. This strategy has enabled us to move from defense to offense in our efforts to fight the virus."

JBS responded in a statement that it spent "\$200 million in health and safety interventions, more than \$160 million in bonuses and permanent increased pay, and donated more than \$50 million to support our local communities... We have implemented hundreds of safety measures including offering unlimited PPE, constructing permanent physical barriers, establishing physical distancing protocols, and installing hospital-grade ventilation systems in all of our facilities," the

statement said. "JBS USA provides immediate testing to all symptomatic team members and close contacts, and has conducted more than 45,000 surveillance tests of asymptomatic team members to date," the statement continued. "In addition to the hundreds of safety measures implemented in our facilities, we have voluntarily removed vulnerable population groups with full pay and benefits, covered 100% of all Covid-19 related health expenses for our team members and family members enrolled in our health plan, and offered a \$100 incentive bonus for any U.S. team member willing to get vaccinated."

Smithfield issued a lengthy statement saying, in part: "As a company we have now invested more than \$700 million in critical measures to protect employees, including on-site Covid-19 pre-screening and testing facilities; air purification systems; extensive physical barriers at work stations; employee protective equipment, such as shields and masks; significant facility modifications and expansion to ensure distancing in key areas, such as break and lunch rooms; thousands of sanitation stations and prominent banners and signage that outline and encourage safe practices in multiple languages; and the addition of new employees whose sole job is to ensure distancing and sanitation practices are implemented correctly. We have also implemented generous leave programs and established policies and protocols to ensure that Smithfield employees are free of a Covid-19 diagnosis and must not have any symptoms of Covid-19 to report to work. We have invested heavily in on-site testing and screening and have provided generous policies and paid leave to ensure employees stay at home when necessary."

CORONAVIRUS UPDATE

— **White House cautions against holding back vaccine doses.** The Biden administration expressed concern that health care providers could essentially be hoarding Covid-19 vaccine doses for second shots that could be administered for initial shots, warning that that "should not happen." More than 32 million vaccine doses administered. Nationally, about 1.1 million more doses have been administered, for a seven-day average of about 1.3 million doses per day.

— **U.S. is on track for a record low number of flu cases this year.** Halfway through the traditional flu season, only 1% of patients at medical facilities were being seen for reported flu symptoms, as opposed to 4% to 7% in typical years. The number of flu deaths so far this season are only 18% of deaths in the same period of 2019-20. This mirrors what was reported in southern hemisphere countries during their winter season; Australia reported only 7% of its usual flu cases. The U.S. flu season normally continues into April, but it is expected that the number of reported cases will remain low. The main reason for the lower number of cases is likely to be all the social distancing measures that have been implemented to fight Covid-19.

POLITICS & ELECTIONS

— **Biden postponed foreign policy speech.** According to a pool report, President Biden has postponed his plans to visit the State Department Monday for a speech on foreign policy due to the winter weather. A White House official said the president “looks forward to visiting later this week when the agency’s staff and diplomats can more safely commute to attend.”

— **Sen. McConnell denounces “loony lies” embraced by Rep. Marjorie Taylor Greene, calling them a “cancer” on the GOP.** “Somebody who’s suggested that perhaps no airplane hit the Pentagon on 9/11, that horrifying school shootings were pre-staged, and that the Clintons crashed JFK Jr.’s airplane is not living in reality,” Senate GOP leader Mitch McConnell (R-Ky.) said in a statement that never named Greene but referred to several false conspiracy theories she has espoused. House Democrats on Monday indicated that they were prepared to unilaterally remove Greene (R-Ga.) from her committees if House Minority Leader Kevin McCarthy (R-Calif.) does not act, advancing a measure to strip her of assignments that will be considered by the House Rules Committee on Wednesday.

OTHER ITEMS OF NOTE

— **A Moscow district court is due to decide whether to jail Alexey Navalny for as long as 3 1/2 years today**, as Vladimir Putin seeks to crush a resurgence in protests. The U.S. and the EU have called on Russia to release the opposition leader while the EU's top foreign policy official, Josep Borrell, has said he'll raise the case when he visits Moscow for talks this week.

— **Biden warned the U.S. may reinstate sanctions on Myanmar** following a military coup in the Southeast Asian nation. The seizure of power provides an early test of Biden's efforts to counter the appeal of China's authoritarian governing model in the region.

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Crops	Livestock	Finance	Energy	Metals
As of 03/10/21 10:00 Provided by QT Info Systems, Inc.				
Corn				
Mar-2021		549^0	-13^0	
May-2021		533^4	-12^2	
Jul-2021		524^2	-10^4	
Sep-2021		494^2	-8^4	
Dec-2021		477^4	-7^2	
Mar-2022		485^0	-7^0	
Soybeans				
Mar-2021		444^0	-8^0	

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