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FEBRUARY 2017

New Congress convenes; what's on the horizon?



The 115th Congress was sworn in January 3 and lawmakers wasted no time acting on an ambitious agenda that could have major implications for healthcare, tax, infrastructure and other policy areas. Here's what CHS Government Affairs sees on the horizon:

Health Care:

Less than two weeks into the new Congress, the House and Senate both approved a budget resolution that sets the stage for repeal of the Affordable Care Act. The hard work, however, lies in crafting its replacement, an effort that may take much of the year. Lawmakers must decide when the Affordable Care Act would be repealed, if any of its provisions would be retained and how its replacement would be paid for, among other things.

Tax:

After years of discussion and false starts, Congress may finally move to significantly reform the U.S. tax code for the first time in 30 years. The election of Donald Trump has given Republican tax writers confidence that tax reform now has a chance to succeed.

Work has already begun in the House, where Rep. Kevin Brady (R-Texas), chairman of the Ways & Means Committee, has drafted a tax reform

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State updates

Montana

Montana legislators gaveled in their state legislative session on January 3. CHS Government Affairs staff met with legislators and participated in the Montana Chamber Days dinner as well as the Treasure State Resources Association reception. CHS public policy interests are represented in Helena by the Montana Petroleum Association, Montana Agriculture Business Association, Montana Liquid and Gas Pipeline Association, Montana Taxpayers Association, Montana Council of Cooperatives and their respective directors.

Kansas

“blueprint” that would drastically change the way American corporations are taxed. The plan would reduce the current U.S. corporate tax rate from 35 percent (highest among the world’s most advanced economies) to 20 percent. To offset the loss of revenue from such a tax cut, the plan would eliminate the numerous deductions and credits written into the tax code, including Section 199.

The plan would also impose a “border adjustable” tax on imports while exempting exports. Such a change could be very costly to CHS, a company that imports large amounts of raw materials like crude oil from Canada. Meanwhile, on the Senate side, Finance Committee chairman Sen. Orrin Hatch (R-Utah) has expressed reservations about the border adjustable tax idea and plans to draft his own tax reform legislation later this year.

Some hope tax reform will also eliminate the need to pass dozens of temporary tax provisions known as “tax extenders” each year, as Congress has done for nearly a dozen years. CHS benefits from some of these provisions, such as the \$1 per gallon biodiesel tax credit and alternative fuels credits that promote the use of propane. These tax extenders expired at the end of December and CHS Government Affairs will continue to advocate for their extension or inclusion in any tax reform package.

Infrastructure:

On the campaign trail, President Trump often stated his desire to rebuild the nation’s crumbling surface transportation infrastructure. Now he’s working on a plan to invest \$1 trillion into repairing and building bridges, tunnels and airports, and pay for it with revenue from tax credits offered to private investors. Democrats also support infrastructure spending, but many believe considerable public investment would also be needed to meet the lofty \$1 trillion goal. Right now Congress appears to be waiting to see what the Trump Administration proposes before moving forward on its own plan. As owner of one of the nation’s largest trucking fleets, CHS strongly supports renewed investment in the nation’s highways.

Renewable Fuel Standard:

The ethanol industry is cautiously optimistic President Trump will support the Renewable Fuel Standard (RFS) despite the fact he has nominated several pro-fossil fuel individuals to serve in his administration. Despite the change in Administration and criticism from some in Congress, the RFS continues to enjoy wide spread support, especially among farm-state senators, making significant changes to the program unlikely to happen this year.

Trade:

Another high profile issue dominating the first 100 days of the Trump administration is trade. President Trump’s criticism of existing and pending trade agreements, including the North American Free Trade Agreement (NAFTA) and the Trans Pacific Partnership (TPP), has led agricultural organizations to engage quickly and constructively on a path forward. CHS and others are concerned not only with the need for trade enforcement, but also the desire to achieve increased market access and tariff reductions.

On January 23, President Trump signed a Presidential Memorandum regarding withdrawal from TPP. It directed Congress to withdraw the United States as a signatory to TPP and permanently withdraw from TPP negotiations. The memorandum also indicated that it is the Trump administration’s intention to negotiate bilateral deals moving forward. There have been mixed reactions, both on Capitol Hill and by industry. Some



From right: Representative Kyle Hoffman, Chair of the KS Agriculture and Natural Resource Budget and Dave Lemke, CHS Manager, Market Development

On January 18, CHS Aligned Solutions and CHS Government Relations participated in the Kansas Legislative Action Day hosted by the Kansas Cooperative Council, Kansas Grain and Feed Association, and the Kansas Agribusiness Retailers Association. Dave Lemke and Jake Hamlin met with Kansas legislative leadership, CHS member owners as well as CHS customers throughout the day at the capitol and dinner reception. Kansas legislators recognize the economic impact agriculture and energy cooperatives contribute to communities and the state economy.

Minnesota



From right: Paul Torkelson, Chair of the House Transportation Finance Committee, Bill Weber, Chair of the Senate Agriculture, Rural Development and Housing Policy Committee and Paul Anderson, Chair of the House Agriculture Policy Committee

AgriGrowth, a nonpartisan member organization representing

Democratic lawmakers and labor groups applauded the action; others, including Senate Republicans and trade proponents, warned that withdrawal was a serious mistake and opened the door for China to rewrite the rules of the road in an economically significant area of the world. Agriculture groups who issued statements largely expressed disappointment and urged the administration to find new markets for their products.

Regarding NAFTA, President Trump met with Congressional leaders at the White House on February 2 and expressed his desire to speed up talks with Mexico and Canada. It remains unclear what portions of NAFTA the Trump administration would like to renegotiate and whether Congressional action would be needed to alter the existing agreement. On January 23, CHS joined a coalition of more than 100 agricultural companies and associations in sending a letter to President Trump expressing eagerness to work with his Administration to modernize NAFTA, while preserving and expanding the gains achieved to date. The letter can be read [here](#).

Regulatory Actions:

Both Congress and the Administration have taken actions aimed at reducing regulations and controlling regulatory costs. On January 20, the White House issued an expected freeze in regulatory activities that required Agencies to pause regulatory activities until the new Administration has the opportunity to review the action. The freeze also pushed back effective dates for final rules that were published in the Federal Register for 60 days (to March 21, 2017), to allow the Administration to review these rules. It is similar to memos issued by Presidents Obama, Bush and Clinton in prior transitions. A separate Executive Order issued on January 30 implemented a campaign promise to eliminate two federal rules for each new one created. The effects of this Executive Order are expected to be debated- and possibly litigated- over the next several months.

Congress has begun the process of using the Congressional Review Act to rollback regulatory actions taken during the Obama administration. CHS is actively engaged with members of Congress to highlight specific regulations of concern to our owners and business units.

Lame duck session produces win for waterways

Soon after voters gave Republicans control of Congress and the White House on November 8, lawmakers went back to Washington for a brief lame duck session that accomplished little, except for a big win for waterways users. On December 10, Congress passed a bill that contained the Water Resources Development Act (WRDA) which authorizes funding for improvements to the nation's locks, dams, river channels and ports that are so important to CHS grain marketing and crop nutrients businesses.

Among other provisions, WRDA protects Harbor Maintenance Trust Fund money from being used on non-harbor related projects. The bill also provides more federal funding for harbor deepening projects that are needed now more than ever to accommodate bigger ships now transiting through the recently expanded Panama Canal. The bill's passage also puts WRDA back on a traditional two-year cycle of reauthorization, after a lengthy gap between 2007 and 2014. CHS Government Affairs, in collaboration with CHS business unit leaders and Board of Directors, strongly advocated for passage of WRDA during the 114th Congress.

The WRDA legislation passed as part of a larger Water Infrastructure Improvements for the Nation (WIIN) Act bill that also included funding for Flint, Michigan's drinking water system and drought management activities in California.

the agriculture and food systems industry in Minnesota, kicked off its Legislative Luncheon series by hosting Senate and House Committee Chairs and its annual Legislative Reception at the Minnesota History Center. Over 20 state legislators attended including Minnesota Senate Majority Leader Paul Gazelka, multiple Senate and House committee chairs as well as Senate and House staff members.

Value of the Cooperative

In January, Carl Casale met with Kurt Daudt, Minnesota Speaker of the House, to inform Speaker Daudt of the economic impact CHS and member owners have in the state of Minnesota and the region. Casale and Daudt reviewed that state of the agriculture and energy economies, previewed the 2017 Minnesota legislative agenda and discussed legislation supporting rural communities and CHS members. CHS economic impact information is available at [Value of the Coop](#).

CHSPAC

The political action committee of CHS Inc. employees and owners is a federal non-partisan political action committee. CHSPAC members voluntarily pool their personal financial resources to help elect candidates for federal office. Participation is limited to eligible CHS employees and our owners. In the 2015-2016 election cycle, CHSPAC contributed \$202,200 to 84 candidates running for federal office in 29 states and to trade association political action committees.

From October 1, 2016 – December 31, 2016 CHSPAC contributed to the following candidates running for federal office and the following political action committee:

Rep. Bill Shuster (R-PA-9)

President Trump Cabinet Picks & Confirmations

CHS Government Affairs looks forward to working with members of President Trump's cabinet to highlight the unique role CHS and the cooperative system play across the country. If confirmed, these individuals will hold significant responsibilities in shaping the policy and regulatory landscape for agriculture, energy, tax and trade. Confirmations by the full United States Senate are reported as of February 17, 2017. Here are a few cabinet positions we are watching:

President Trump's cabinet nominations

Source: National Journal research, 2017; Chuck Todd, Mark Murray and Carrie Dann, "Trump's cabinet, by the numbers," NBCNews, January 19, 2017.



Secretary of State
Rex Tillerson
CONFIRMED



Secretary of Commerce
Wilbur Ross



Secretary of the Interior
Ryan K. Zinke



Attorney General
Jeff Sessions
CONFIRMED



Secretary of the Treasury
Steve Mnuchin
CONFIRMED



Secretary of Transportation
Elaine Chao
CONFIRMED



Secretary of Agriculture
Sonny Perdue



Secretary of Energy
Rick Perry



Secretary of Labor
Alexander Acosta

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House passes CFTC reauthorization

On January 12, the House of Representatives passed the Commodity End User Relief Act (H.R. 238) that includes a number of provisions helpful to futures commission merchants (FCMs) like CHS Hedging.

The bill gives FCMs and their customers one full business day to refill margin accounts, provides relief from onerous recordkeeping requirements and doesn't subject certain, long-established agricultural hedging practices to position limits. CHS Government Affairs and the National Council of Farmer Cooperatives teamed up to secure relief from these rules from the CFTC in 2015, but the Commodity End-User Relief Act would put the CFTC's actions into law.

The bill is similar to legislation the House passed in 2014 and 2015, both of which stalled in the Senate. It's also unclear if or when the Senate might consider the bill during this Congress. Democrats strongly oppose certain provisions of the bill including those that would limit the CFTC's budget. CHS Government Affairs will continue to advocate for the bill's passage this year.

Combs talks tax credits on Capitol Hill

CHS Vice President for Propane, Drew Combs,

\$1,000

Rep. Cheri Bustos (D-IL-17)

\$1,000

Sen. Heidi Heitkamp (D-ND)

\$1,000

Rep. Jamie Beutler (R-WA-3)

\$1,000

Sen. Joni Ernst (R-IA)

\$1,000

Rep. Steve King (R-IA-4)

\$1,000

Rep. Betty McCollum (D-MN-4)

\$1,000

Sen. Jerry Moran (R-KS)

\$1,000

Sen. Pat Roberts (R-KS)

\$1,000

Rep. Tim Walz (D-MN-1)

\$1,000

National Propane Gas Association PAC

\$1,000

CHSPAC fully discloses all contributions made and received through our reports which are filed with the [Federal Election Commission](#). Contact [Monica Spaller](#) for more information.

Questions? Need assistance on an issue?

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traveled to Washington, DC in November to discuss the importance of alternative fuel tax credits to CHS and the propane industry. Combs, along with CHS Government Affairs staffer David Cobb, visited with members of the House of Representatives' tax writing Ways & Means Committee to urge them to support extending the alternative fuel credits: alternative fuel excise tax and the alternative fuel infrastructure tax credit, both of which incentivize the production and distribution of alternative motor fuels,

including propane autogas and the alternative fuels mixture credit which incents burner tip conversion. Lawmakers allowed all three credits to expire at the end of 2016 in anticipation of comprehensive tax reform legislation in 2017. CHS will continue to push for extension of these provisions this year.

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Delegates adopt resolutions at 2016 annual meeting

During the CHS Annual Meeting in December 2016, owners helped shape the company's positions on a broad range of agriculture, energy and cooperative business issues. As in past years, CHS invited our entire ownership to submit proposed public policy resolutions, and the Resolutions Committee, consisting of members representing each CHS region, formulated the 2016 resolutions. Their work adopted by unanimous vote during the annual meeting's general session. The approved resolutions can be viewed [here](#).

The CHS Government Affairs team wishes to thank the following individuals who served on this year's Resolutions Committee: Tony Rossman, Chairman, Region 1-Minnesota, Paul Kilian, Secretary, Region 6-Washington, Randy Sian, Region 2- Montana, Ben Kuhn, Region 3-North Dakota, Shawn Martin, Region 4-South Dakota, Tracy Jones, Region 5-Illinois, Perry Ritland, Region 7-Iowa and Bobby Kurten, Region 8-Texas



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