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AGRICULTURE LANDSCAPE

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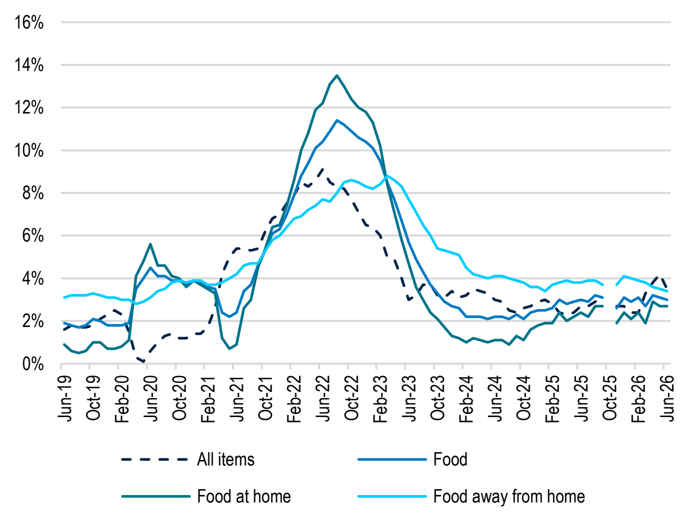
The Consumer Price Index (CPI) for food remains higher than pre-COVID-19 levels. Changes in Agricultural trade policy, including ongoing negotiations around the USMCA and new engagement between the U.S. and Chinese trade representatives, will continue to be key variables for select commodity markets and future farm profitability. New proposed legislation to modernize the H-2A agricultural guestworker program has been introduced in Congress. The Current Administration is seeking a new financial aid package to support the farm sector. The Senate is working on a new Farm Bill 2.0, but major disagreements with the Supplemental Nutrition Assistance Program remain the most contentious issue.

FOOD SECTOR

The Bureau of Labor Statistics reported in its July 2026 publication that the Consumer Price Index (CPI) increased 3.5% over the 12 months ending June 2026. Over the same period, the CPI for food rose 3.0%, below the CPI for All Urban Consumers (CPI-U). Food at home increased 2.7%, led by fruits and vegetables at 5.3%, followed by nonalcoholic beverages and beverage materials at 2.9%; meats, poultry, fish and eggs at 2.6%; cereals and bakery products at 2.4%; and other foods at home at 2.4%. Food away from home increased 3.4% over the 12-month period ending in June.[1]

Food inflation continues to exceed pre-COVID-19 pandemic levels, putting additional pressure on consumers' wallets.

12-month percentage change CPI-U All Items vs. CPI – Food , not seasonally adjusted



TRADE AND LEGISLATION

The **USMCA** is a trilateral free trade agreement between the United States, Mexico and Canada signed in November 2018, entered into effect on July 1, 2020, and scheduled to terminate on July 1, 2036, unless the three countries agree to extend it until 2042, subject to a joint review process scheduled to begin on July 1, 2026. This agreement replaced the North America Free Trade Agreement (NAFTA) which took effect in 1994. The purpose of the USMCA agreement was to promote trade by reducing or eliminating barriers to trade between the three countries, modernize and establish rules for digital commerce, intellectual property, labor, environmental standards and services as well as to expand investments in North America to make it a stronger global competitor. The USMCA agreement contains an article called the "sunset clause" in which the three countries agreed to review the agreement beginning on July 1, 2026, as a mechanism to increase greater oversight compared to standard Free Trade Agreements. On July 1, 2026, according to The White House, the current administration decided not to renew the trilateral agreement. The agreement will continue to stay in place until 2036, however it has triggered annual reviews of the treaty which could result in new negotiations of certain provisions of the agreement. According to administration officials, the primary concern with USMCA is the U.S. trade deficit with both Canada and Mexico. For the Agricultural Sector in 2026, the U.S. is projected to have a net trade deficit with Mexico and Canada of $12.6 billion and $11.4 billion, respectively. New negotiations are expected to continue seeking higher market access for U.S. agricultural products in the North American region.

At the end of June 2026, the House Agriculture Committee Chairman introduced the *Securing Agriculture's Workforce Act of 2026* (SAWA) with broad support from a coalition of agricultural organizations, including the American Farm Bureau Federation, AmericanHort, International Fresh Produce Association, National Council of Agricultural Employers, National Council of Farmer Cooperatives, National Milk Producers Federation, National Potato Council, Northwest Horticultural Council, U.S. Apple Association, Florida Fruit and Vegetable Association, USA Farmers and Western Growers.[2] This legislation seeks to reform and modernize the H-2A visa guest worker program, expand access to legal guestworkers, stabilize wages and reduce administrative work for agricultural employers. Over the past 15 years, certified H-2A positions have increased from 90,000 in 2011 to 397,000 in 2025. The new proposed legislation seeks the following objectives:

Expanding access to the H-2A program would result in 1) a larger labor pool allowing Agricultural employers access for a wider range of year-round activities as opposed to activities that are seasonal in nature; 2) Ensure labor stability and access to producers in other agricultural industries, such as dairy. Controlled environment agriculture, forestry, aquaculture and the "harvest of livestock" would be eligible for the program; 3) allow certain existing undocumented agricultural workers to transition into a regulated workforce, potentially helping to address labor shortages across the food supply chain; and 4) transferring the authority to define "agricultural labor and services" from the Secretary of Labor to the Secretary of Agriculture.

Stabilize Wages: The legislation seeks 1) greater labor cost predictability, capping annual H-2A wage increases at 3.5% or decreases at 1.5%; 2) codify the wage rate methodology to increase transparency on determining H-2A wages; 3) converting house adjustments to a daily charge compared to the current hourly rates; 4) lower administrative burden and reduce paperwork with multi-year labor certifications and housing inspections.

Reduce administrative work through 1) the creation of a centralized online platform for employers, workers, and relevant agencies; 2) clarification of roles of various federal agencies to avoid inconsistencies in the interpretation of rules and regulations.

The current Administration is seeking a new $11 billion *aid package for crop farmers*. The proposal includes $10 billion in "temporary economic assistance for row and specialty crops planted in crop year 2026" along with $1.1 billion to help address significant losses incurred by Florida Agricultural producers following the major winter freezes earlier this year. The direct payments aim to mitigate the financial impact that various farming operations are having from low prices and elevated input costs. This proposed financial package would be in addition to the $12 billion Farmer Bridge Assistance package announced by the USDA and the White House in late December 2025 and disbursed in multiple stages during the first half of 2026.[3]

Fertilizer prices have risen sharply since the 2020 Covid-19 pandemic driven by successive supply shocks, including the Russia-Ukraine war and, more recently, the U.S.-Iran conflict, which has disrupted supplies from major Middle Eastern producers amid the ongoing closure of the Strait of Hormuz. To help offset elevated fertilizer costs in the United States, the White House authorized the temporary suspension of antidumping and countervailing duties on phosphate fertilizer imports from Morocco, which had been imposed in 2021.[4] Morocco accounts for an estimated 30% of global fertilizer supply and holds roughly 70% of the world's phosphate reserves. The emergency proclamation could remain in effect for up to eight months unless terminated earlier. In addition, the USDA launched a new $500 million initiative early July 2026 to expand domestic fertilizer manufacturing through the Fertilizer Investment and Expansion for Long-Term Domestic Supply (FIELDS) program.

In late June, the U.S. Supreme Court gave a key victory to Bayer and its subsidiary Monsanto—one of the largest agri-chemicals enterprises in the world—in the long-standing **Glyphosate litigation** case which has brought tens of thousands of lawsuits against the Company alleging that exposure to this chemical product has caused non-Hodgkin Lymphoma and other cancers according to plaintiffs. The U.S. Supreme Court ruling of 7-2 held that chemical companies like Bayer cannot be required by state law to include cancer warnings in their labels when the Environmental Protection Agency (EPA) has already approved these labels. While this decision does not stop litigation, Bayer has stated that the ruling will reduce legal liability with the dismissal of many existing cases or future financial risk with any future claims.

The current **Farm Bill**, which has operated under extensions since 2018, is scheduled to expire on September 30, 2026. The bill passed the U.S. House of Representatives on April 30, 2026, by a 224-200 vote and must secure 60 votes in the full Senate through the reconciliation process. Senate committee markup is expected by mid/late July 2026. However, significant disagreements remain between Republicans and Democrats, including the following:

- **Supplemental Nutrition Assistance Program (SNAP):** Reduced funding and a proposed shift of some costs from the federal government to states remain the largest political obstacle. Republicans frame state cost-sharing as a fiscally responsible reform, while Democrats view the proposed cuts as a significant reduction in nutrition assistance for lower-income households. SNAP is the farm bill's largest component, representing an estimated 75–80% of total spending.
- **Proposition 12:** The proposed legislation sets minimum space requirements for certain animals, including egg-laying hens, breeding pigs and veal calves. It also prohibits the sale in California of certain animal products that do not meet these standards. Producers in Iowa, Minnesota, Illinois, Indiana and North Carolina have raised concerns because they would need to comply with these requirements to sell into California, affecting animal raising practices, expensive facility modifications and future regulatory compliance.
- **E15:** The Senate draft does not include year-round authorization for ethanol blends. Biofuel groups are seeking permanent approval for year-round E15 sales and additional measures to support ethanol demand.
- **Conservation Funding:** Lawmakers disagree over funding levels for conservation practices and whether Inflation Reduction Act (IRA) conservation funding should be permanently included in the Farm Bill baseline.
- **Food for Peace:** The U.S. government's primary international food assistance program provides humanitarian aid to vulnerable populations worldwide while supporting U.S. agriculture by generating demand for certain major U.S.-grown commodities. Policymakers are discussing transferring the program from USAID to the United States Department of Agriculture to better align it with U.S. agricultural policy, support exports and manage it more closely with producers.
- **Pesticide Labeling Preemption:** Under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA), the Environmental Protection Agency sets pesticide label warnings. Supporters argue that allowing states to impose additional labeling requirements could raise farmers input costs if companies such as Bayer are forced to remove glyphosate from the market. Opponents, including Democrats, the MAHA movement and some Republicans, view preemption as a "liability shield" for agricultural chemical companies because it could prevent states from requiring additional pesticide-risk warnings and limit consumer's ability to sue.
- **Economic aid for producers:** Farm groups are seeking additional updates to outdated economic aid and permanent safety net policies. The dispute is centered on the level of support for these programs and how to finance them.

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