GROWERTALKS

SAF in the Lobby

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Economist Warns of Effects of Tariffs on Industry: “It’s Not Going to Be Pretty”

Society of American Florists

As heads of state—and heads of multinational companies—begin to respond to U.S.-imposed tariffs on products from China, the European Union and other countries, one economist with deep roots in the floral industry said the new duties likely will lead to higher costs in the floral industry.

Dr. Charlie Hall, professor and the Ellison Chair in the Department of Horticultural Sciences at Texas A&M University, said many of the 1,000-plus tariffs listed by the Office of the United States Trade Representative (USTR) —and estimated to be valued at a total of around $200 billion—are construction or manufacturing-related.

“That means the cost of goods for floral-related inputs will likely be increasing, which will in turn exacerbate the already-existing cost-price squeeze for the industry,” he said. “Specifically, costs for plastic containers and other floral hard goods made of plastic will likely be increasing, as well as the cost of manufacturing floral foam and other key items.”

SAF reached out to several industry companies that manufacture and sell such products for their take on tariffs; at press time, no one was available for comment. Indeed, Charlie said, it’s still too early to tell how exactly the new tariffs will affect the industry and the country at large—but he’s not optimistic.

“Agriculture at large will take a hit, particularly the equipment sector,” he said. “We saw a ramping up of exports by soybean and other commodity growers trying to get ahead of the storm. Time will tell as to how large an impact agribusinesses will feel, but it's not going to be pretty in the short run. This may translate to higher food prices for consumers.”

That end effect on consumers worries Charlie. “Consumers always end up paying the bill when trade tariffs are levied,” he said. “This may very well offset any bump the economy has gotten from the earlier Tax Cuts and Jobs Act.”

As for what retail florists who are worried about rising costs—and diminishing consumer budgets—can do right now, Charlie said it’s a good time to shore up your unique value proposition.

“People see flowers as luxuries and luxuries are turned aside during economic hardship,” he said. “It’s more important than ever that florists stay focused and communicate the benefits of flowers, and of retail florists, and that they communicate those things so clearly that customers don't see their products and services as luxuries, but as essentials."

Charlie will be talking more about how to establish that value proposition and how to leverage industry research, including findings from SAF and AFE, to make a strong case to customers during SAF Palm Springs 2018, SAF's 134th annual convention, September 12-15.

House Pursuing Additional Tax Relief

House Ways and Means Chairman Kevin Brady (R-TX) has announced that he's beginning to lay the groundwork for a new round of legislation to provide additional tax relief, building on tax reform enacted last year.

Dubbed "Tax Reform 2.0," Brady said he expects the effort to consist of multiple bills, with the centerpiece focusing on making the 2017 tax law's cuts for individuals permanent rather than expiring after 2025. Other parts of the package may focus on encouraging retirement savings and business innovation.

The effort proposes changes to retirement savings accounts, including creating a new universal savings account and allowing families to access retirement accounts without penalties when welcoming a new child. The framework also expands the uses for money in 529 education accounts and would create special tax breaks for startups.

Brady said he hopes to vote on the package this month.

Even if the legislation passes the House, it's not expected to pass the Senate because Republicans aren't using the complex budget reconciliation process they used to pass last year's tax code overhaul, which allowed them to advance the measure with a simple majority.

A different package of tax measures is expected to receive a vote in the House before the midterm elections making technical fixes to last year's tax code overhaul.

"Persuader" Rule Rescinded

The Department of Labor (DOL) has announced that it's rescinding the Obama Administration's "persuader" rule, also known as the "employer gag rule."

The rule went into effect in July 2016 and would have changed federal disclosure rules to make it more difficult for employers to access legal counsel or other expert advice on labor and employee relations issues.

The rule was blocked by a federal court in November 2016.

The rule would have essentially prevented employers from communicating with their employees during a union election campaign. For over 50 years, DOL did not require employers to file reports about consultants or attorneys that only provide "advice" (providing materials, drafting speeches and assisting to comply with the law) to the employer in communicating with their employees about collective bargaining issues, as long as the consultant didn't directly interact with the employees.

The rule sought to reverse that policy and require that employers and consultants report details of any agreements, information about the employees affected and all related financial data. It would also severely penalize employers, consultants and attorneys who inadvertently fail to report activities and agreements that DOL had considered merely “advice” for nearly five decades.

Certain violations would have resulted in criminal sanctions. DOL’s rule would have discouraged employers, particularly smaller employers, from seeking legal counsel and assistance to comply with federal labor laws during a union campaign.

SAF is actively lobbying against two proposals in Congress that would codify the persuader rule (and other parts of the previously-rejected “Card Check” legislation)—the Workforce Democracy Act and the Workers’ Freedom to Negotiate Act. **GT**