

WHAT'S HAPPENING IN...

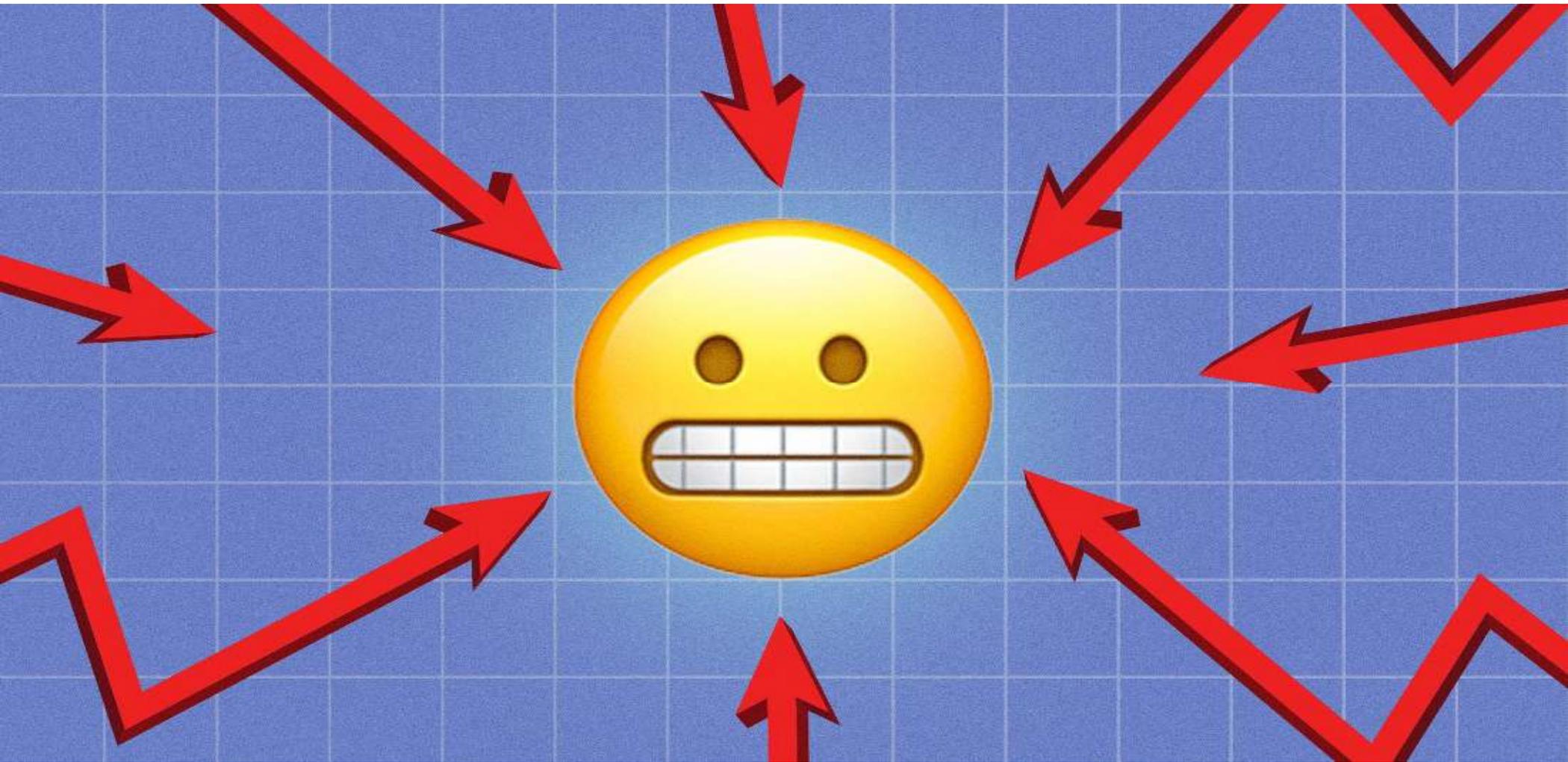


WASHINGTON



JIM WIESEMEYER 2022

ERA OF UNCERTAINTY



CONFUSING TIME

How long will this last? How will it end?

- **Open border**, big increase in undocumented immigrants continues
- **Defund the police**: Big boost in city crime, killings ... now it's fund police
- **Inflation**: Food, inputs, wages, rental cars, airfare, most other things
- **Interest rates rising**... key will be when rate hikes end, then lower rates
- **Energy prices**: Gasoline, diesel, propane, natural gas

CONFUSING TIME

Downbeat, or beat down?

- **Grain/oilseed prices volatile:** Are the highs in? What about 2023 crops
- **Livestock/meat prices:** You think prices are high now?
- **Equity** in policy changes — redistribution
- **Regulations** increase
- **White House clarified Biden** at least 13 times

Fear: Input prices stay high; regulations increase; crop prices decline

SUMMARY

New world order/disorder

Mega changes, impacts

- **Biden's approval rating** ... Afghanistan exit... mid-term elections Nov. 8
- **Russia/Ukraine war:** Major impacts
- **Logistics and transportation woes:** End of globalization?
- **U.S. trade policy:** Changes, but no clear strategy amid lawmaker angst
- **Energy policy:** No strategy until oil went over \$100; Europe sans Russia

Don't let a crisis go to waste: Blame Putin... from Covid-19 to Putin-22!

RUSSIA INVADES UKRAINE

Geopolitical and geoeconomic uncertainty



- How do we deal with a superpower led by a war criminal?
- How do we feed and fuel the world at reasonable prices when a sanctioned Russia is one of the world's biggest exporters of oil, wheat and fertilizer?

Mega changes, impacts

- 'Paper agreement' on Ukraine grain
- Fuel, fertilizer impacts
- Food price impacts Mideast, elsewhere
- Food insecurity & national security**
- Ag trade: Bans & restrictions
- World & U.S. economy

Would you ever sign an agreement with someone who invaded you?

WORLD BANK

— *Slashes global growth forecast, warns of 1970s-style stagflation*

World economy

- ❑ World Bank: 2022 growth of 2.9% (5.7% LY)... down 1.2 points from Jan.
- ❑ Entering possible 'protracted period of feeble growth & elevated inflation'
- ❑ IMF: World economy to grow 3.2% in 2022 before slowing to 2.9% in 2023

Hammering growth:

- ❑ War in Ukraine
- ❑ Lockdowns in China
- ❑ Supply-chain disruptions... Rail, port strikes
- ❑ Risk of stagflation

For a glass to be half full with optimism, it now has to be one ounce

U.S. ECONOMY

— *Fed needs to engineer a 'soft landing' but few expect it will*

Key factors

- ❑ **U.S. recession?** White House & Fed chair say no. Others say yes
- ❑ **Interest rates:** Impacting housing market... farmland and rental rates?
- ❑ **Energy prices:** Russia situation could mean return to surging prices
- ❑ **Food inflation:** Will linger into 2023
- ❑ **Strong dollar:** At multiyear highs
- ❑ **Potential recession:** How steep, how long?
- ❑ **Labor:** Watch unemployment rate

Wild cards: Russia, China, Iran, North Korea, FMD

Inflation Is Hammering Farm Country

Percent Change In Farm Production Expenses, January 2021 to Present

\$412 Billion

Total Farm Production Expenses Will Set A Record In 2022

+202%

+220%

+115%

+43%

+24%

Farm Machinery



Animal Feed



Diesel Fuel



Natural Gas



Fertilizer

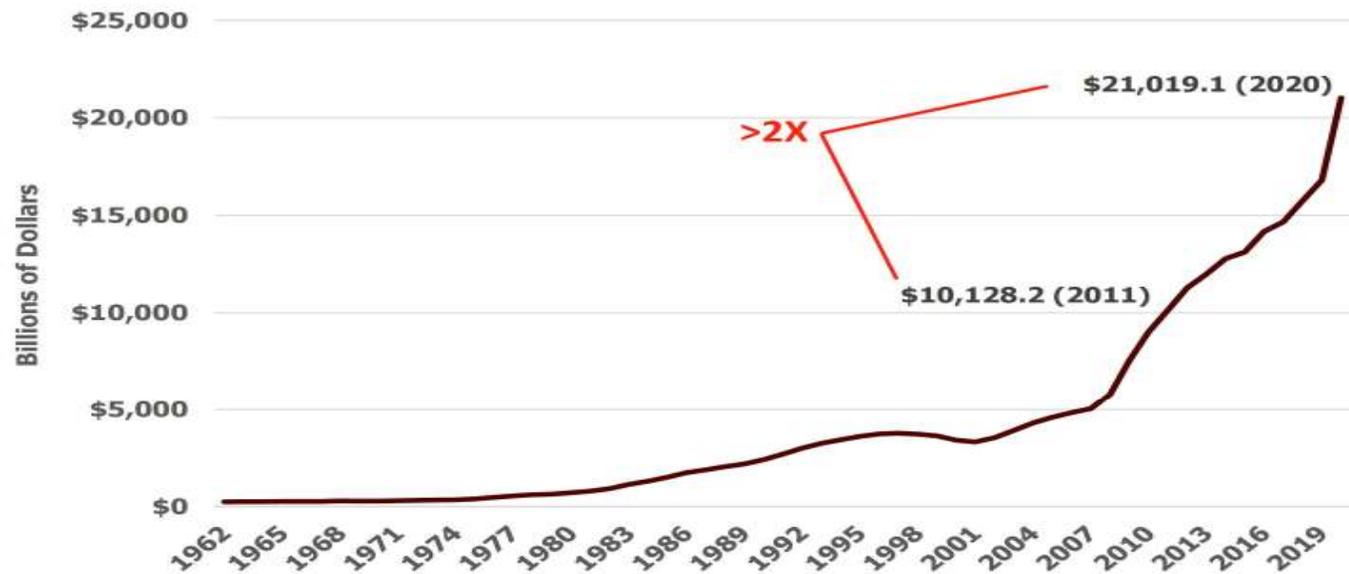


AG
COMMITTEE
SENATE GOP

Senate Ag Committee Republicans

Senate Ag GOP Analysis, Barchart, Energy Information Administration, USDA AMS, Bloomberg.

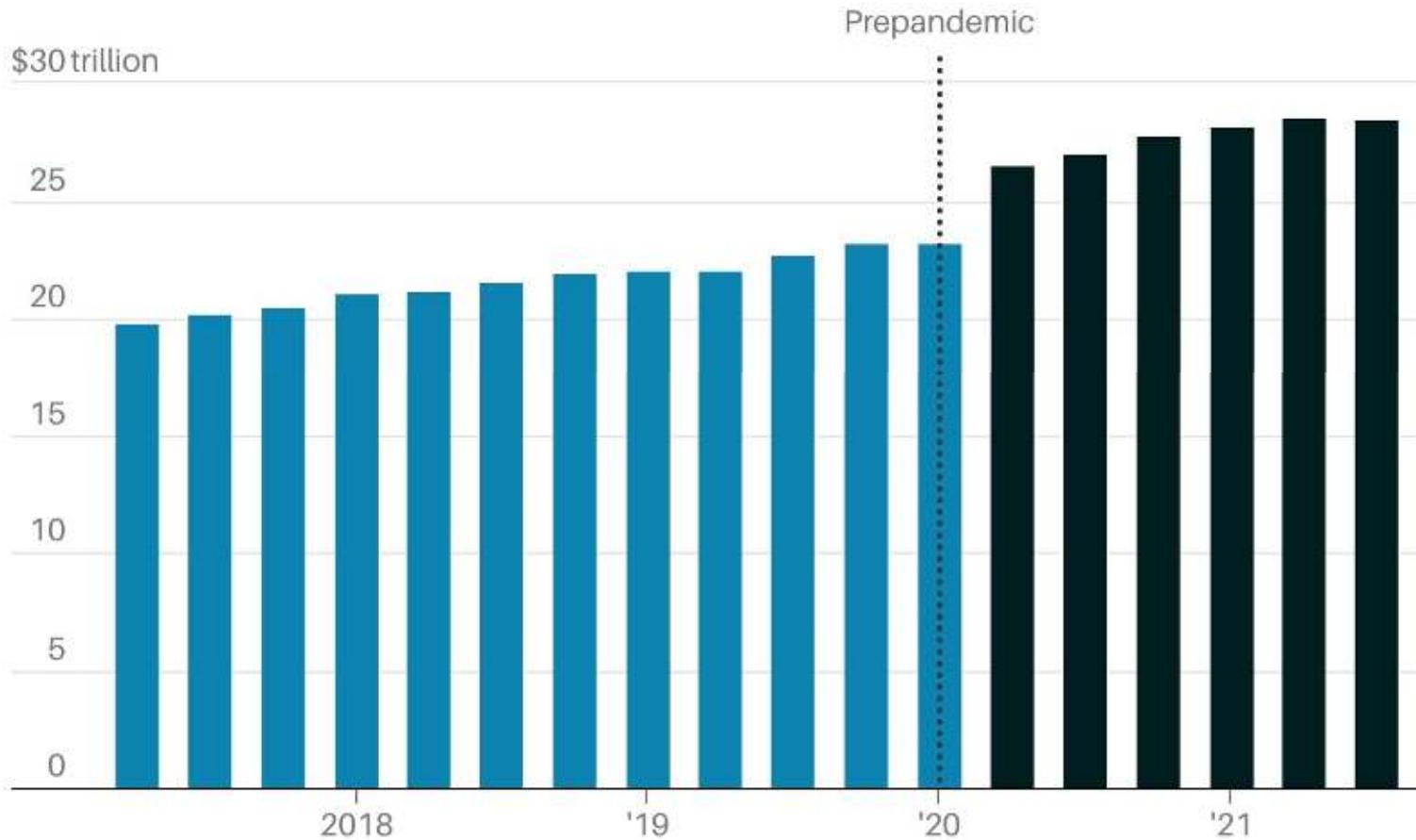
Federal Debt Held by the Public 1962-2020



The debt is twice the level now than it was when the farm bill had to find billions of dollars in savings.

Opposing Forces

Federal debt, propelled by pandemic spending, is a constraint for raising interest rates.



Sources: Federal Reserve Bank of St. Louis; U.S. Dept. of the Treasury

CHINA

- **Ties with Russia:** Xi and Putin
Xi everage after Party Congress
- **Taiwan:** Not if, but when... Pelosi visit?
Biden/Xi virtual talks
- **Covid-19:** Zero policy failed... impacts include slowing China growth rate
- **Economy:** Real estate woes...
Buys of U.S. farmland... near Air Force base
- **U.S./China trade:** Big changes ahead if...



***Strong leaders vs a weak
Western world***

BIDEN ENERGY POLICY

War on crude oil

- **No transition plan:** From crude oil to 'sustainable' energy
- **De-emphasis on crude oil:** No to Keystone XL pipeline, offshore drilling, but more regs
- **Gas prices surge:** Will \$5 gas return? What about diesel?
- **Climate change:** \$369 bil. in reconciliation measure



BIDEN ENERGY POLICY: Climate Change

- ***Dem's reconciliation bill*** includes \$1.25/gallon tax incentive for sustainable aviation fuel (SAF), with a supplemental amount linked to lifecycle greenhouse gas emissions reductions of up to 50 cents per gallon. The new SAF credit would run through 2024. Based on Argonne GREET model.
- ***Biodiesel tax credit, currently scheduled to expire at the end of 2022, would be extended through 2024*** along with the alternative fuel credit, biodiesel mixture credit and payments for alternative fuels. Credits for second generation biofuels, also set to expire at the end of 2022, would be extended through 2025.

BIDEN ENERGY POLICY: RFS

- ❑ **RFS:** Details finally announced for 2022; Court dates for 2023
 - * Propose 2023 requirements no later than Nov. 16
 - * Finalize RVO by June 14, 2023

- ❑ **Future of RFS**

Impact of push for electric vehicles

ENERGY POLICY: Batteries

- **Initial problems:** Grid * Lack of minerals * Lack of charging stations
Reconciliation measure has several EV incentives
- **Growth of U.S. EVs:** Over 5% of car sales * Logistics industry gearing up
A lot of minerals and parts for EVs come from China... U.S. beginning long process of sourcing

Batteries and farm equipment ... John Deere CEO John May:

- ❑ **AI:** New sprayers have specialized cameras that can recognize even tiny weeds, and automatically apply herbicide only where needed... can cut usage by 90%
- ❑ Tractors coming later this year will drive themselves. Within four years, they'll run on battery power
- ❑ By end of decade, aims to fully automate corn and soybean production

FARM POLICY: Reconciliation Bill

- \$20 billion to support climate-smart agriculture practices
- Four USDA conservation programs would share \$20 billion in funding

No provisions relative to \$30 bil. CCC borrowing level

FARM POLICY: Farm Bill

- **Next farm bill:** Climate and conservation key issues for Dems but not Republicans. Rs' focus: strengthening farm safety net including PLC, ARC, loan rates, crop insurance, and perhaps margin coverage of some sort.
- **Funding:** Don't give up on more funding ... CCC Charter Act...
USDA can tap CCC for initiatives meeting statutory requirements... Congress cannot tap CCC unless it pays for it.
- **Always a hard issue:** Food & nutrition funding ... about 84% of farm bill spending... Topic that must have agreement before farm bill is reached.
- **Crop insurance:** Widespread support. Biden Admin already allowing climate to seep into CI through 508(h) process. Dangerous to mix the two.

Lots of new members on both sides... Need for education

FARM POLICY: Sugar

- **Next farm bill:** Sugar has key supporters... *But anti sugars may be emboldened with 25% of Senate and half of House never having voted on a farm bill*

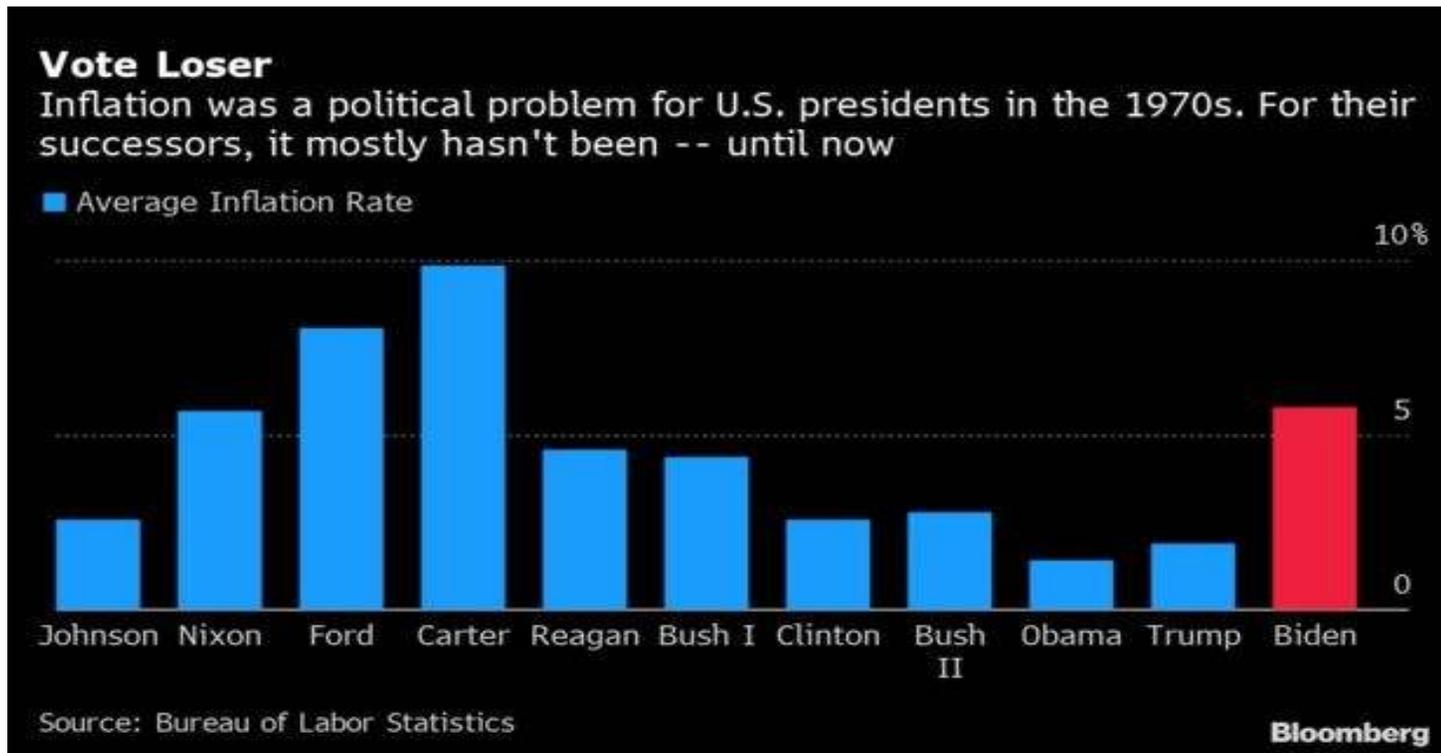
***Key players will protect sugar: Sens. Hoeven, Stabenow...
Reps. G.T. Thompson and David Scott***

FARM POLICY: Sugar

- **Does sugar need some farm bill strengthening or fine tuning?**
 - * Thompson has spoken of adding margin protection component... could be written broadly enough to encompass sugar
 - * One year out it looks like farm groups will be asking for plus ups and there is strength in numbers. So, there is opportunity here. You're sharing in higher inputs alongside everyone else, so you've got an equal claim to any extra help coming
 - * Keep sugar at no cost to taxpayers but strengthen within that context
 - * Strengthen sugar crop insurance products
 - * Strengthen sugar under any ad hoc or permanent disaster program
 - * Other?

Add some spice to sugar policy...

INFLATION: Impact on Elections





2022 Elections

- **House: Likely flip to GOP control...** Why Dems in rush to get things done
 - 34 Dems will not seek re-election, highest level since 1992 (GOP: 18)
 - Fewer swing districts | GOP needs net gain of 5 seats | Redistricting
 - Watch generic ballot advantage: Slight edge for GOP
 - Dem candidates have higher ratings than Biden; lots of \$\$\$

Prediction/Wasserman: GOP gain of 15-30 seats in House



2022 Elections

— Impacts if GOP wins House chamber:

- House Ag Chairman G.T. Thompson (R-Pa.)
- Move back to production agriculture
- GOP House leaders will push votes on key agenda items ahead of 2024
- ***GOP will have its own party members to worry about: Libertarians***
- Will make Biden a true compromiser if he wants to get anything done
- New White House chief of staff? Other key personnel changes?
John Kerry | Gina McCarthy | Tom Vilsack?



2022 Elections

- **Senate... Close contests: Have Dems overreached?**
 - Dems have favorable map... Of 34 seats, 20 GOP, 14 Dems
 - 7 races: [Ariz.](#) [Ga.](#) [N.H.](#) [Nev.](#) | [N.C.](#) [Pa.](#) [Wis.](#)
 - Primaries
- Prediction/Wasserman: GOP 52, Dem 48 seats in new Senate***



— **Impacts if GOP wins Senate chamber:**

- Senate Ag Chairman John Boozman (R-Ark.)
Boozman and Sen. Hoeven are close friends
- Production issues focus
- Different farm bill than Dem-led chamber
- ***Limited on what full Senate can do because of 60-vote threshold...***
and more moderate GOP senators



— **GOP presidential candidate:**

- Trump may not be candidate... what ifs
- Ron DeSantis
- Sen. Tim Scott
- Others

— **DEM presidential candidate:**

- Biden will not be candidate... lame-duck president impacts
- Dem presidential farm club like the Washington Nationals: weak

CONGRATS, GAVIN!



*Salesman
of the Year*



OTHER ISSUES

- **WHIP+ is now ERP:** Will it be extended for 2022 disasters?
- **Animal diseases:** If FMD hits, huge impacts
- **Ocean shipping reform bill** signed into law... implementation key
- **Infrastructure law:** Implementation... High costs in U.S.
- **WRDA:** Will clear Congress. Important to ag sector
- **WOTUS:** 'Complementary' to Supreme Court ruling: EPA's Regan
High court will likely restrict Waters of the U.S. to navigable interstate waters and adjacent wetlands consistent with SWANCC, Rapanos, and Riverside Bayview cases. Majority in first and last cases and plurality in Rapanos.

OTHER ISSUES

- **EPA making crop protection products harder to be approved.** Yet these products are extremely important to producers.

***Atrazine. Glyphosate. Chlorpyrifos. Seed treatments. FIFRA preemption over state laws.**
Various circuit courts are saying FIFRA does not preempt state laws so this could result in a 50-state patchwork of regulations on pesticides and herbicides. Unworkable. Biden solicitor general took this position before Supreme Court. Not good.*

- **Supreme Court striking down climate regs under CAA and under major decisions doctrine.** With Supreme Court shutting off regulatory approach and Sen. Manchin shutting off legislation, how will Biden meet GHS reduction commitments? With major decisions doctrine, will any other broad environmental statute Biden might try to use to reduce GHGs or impose other regulations run up against a challenge in Supreme Court unless the statute specifically envisaged that kind of regulation?

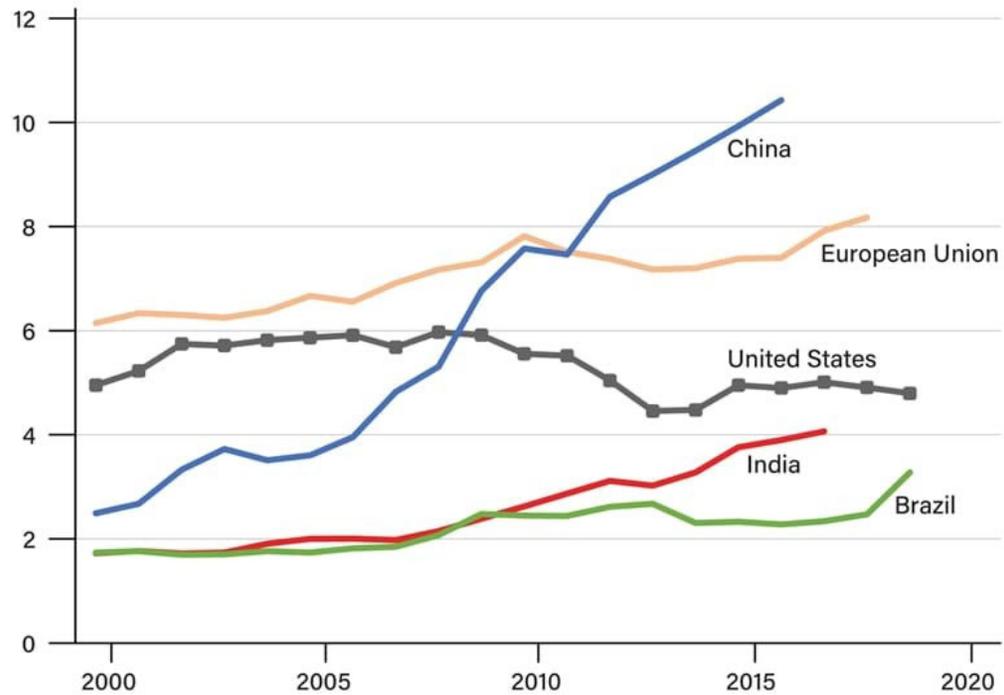
Also, is Vilsack's use of CCC going to come under challenge???

Will these dead ends mean greater emphasis on Farm Bill?

Investment in public agricultural research and development, 2000-19

USDA Economic Research Service
U.S. DEPARTMENT OF AGRICULTURE

Inflation-adjusted 2015 U.S. dollars, billions



Notes: R&D spending is presented in constant 2015 purchasing power parity (PPP) dollars by first deflating by national Gross Domestic Product (GDP) price indexes and then converting into dollars using the 2015 PPP exchange rate, allowing for comparisons over time and across countries.

Source: USDA, Economic Research Service (ERS) using data from the ERS data product Agricultural Research Funding in the Public and Private Sectors (U.S. expenditures); ERS Economic Research Report 249, Agricultural Research Investment and Policy Reform in High Income Countries (European Union expenditures); International Food Policy Research Institute's Agricultural Science and Technology Indicators (expenditures for China, India, and Brazil); and the World Bank's World Development Indicators (GDP price indexes and PPP exchange rates).

A photograph of the United States Capitol building in Washington, D.C., featuring its iconic dome and neoclassical architecture. The building is partially obscured by green trees in the foreground. A semi-transparent blue rectangular box is overlaid on the image, containing white text.

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