

WHAT'S HAPPENING IN...



WASHINGTON



JIM WIESEMEYER 2023

DON'T GET TOO NEGATIVE

— *Some positive signals on economy, markets and China...*

- ❑ **U.S. economy:** Once Federal Reserve stops boosting interest rates, financial markets will focus on how long the “hold” pattern will continue. Once outlook for rates declining become clearer, markets will rise.
- ❑ **China** pivots beyond Covid. China’s approach to stimulating domestic demand is increasing and is also seeking to improve foreign relations. Emerging markets will key off China’s economic outlook.
- ❑ **Another industrial revolution in the U.S. ag sector** is already underway.

CROP INSURANCE

— *Still wide bipartisan support, but...*

- ❑ **Specialty crops:** RMA implementing equitable relief for specialty crops included in omnibus. AIPs should pass this on to specialty crop agents. Agents on front lines and that is who funding was intended for.
- ❑ **A&O:** Congress gave industry huge momentum to fix A&O problem. Congress told USDA to provide indexing for inflation on ALL A&O going forward as it had from '11-'15 and provide equitable relief. AIPs and agent groups should all unite in urging USDA to follow thru and engage key lawmakers in effort.

CROP INSURANCE

- ❑ **Ad hoc disaster:** Industry must work together to innovate to close large deductibles and address perils not being addressed, two driving forces behind ad hoc disaster aid. Want to shut down ad hoc disaster? Build a better mousetrap. You've proved what you can do already with livestock and dairy as recent examples... fastest growing area of crop insurance.
- ❑ **ERP:** Phase 1 of ERP built off CI. Phase 2 not only a disaster itself but it does not build off CI. Push back occurring against Phase 2 approach.

CROP INSURANCE

- ❑ **Budget cuts?** Be prepared for attacks in budget, appropriations, and farm bill processes. Balanced budget in 10 years will require deep cuts. Will have to work hard to avoid ax falling on crop insurance. Good news is Rep. Jodey Arrington chairs Budget and House budget likely to go nowhere. Appropriations regular order with floor time and robust amendment process could pose serious threats to CI. Farm bill process with open amendment process also very risky. Industry must be united.

IMPACTS

2022 ELECTIONS



- **Fear** won out over anger against Biden, Dems
- **House:** Modest GOP majority: 222-213
- **Senate:** Dems retain control, add one seat: 51/49... BUT...
- **Sen. Sinema** now independent

NEW CONGRESS: Leaders

Some changes

- **House Speaker...** Kevin McCarthy (R-Calif.)
- **House Dem leader:** Rep. Jeffries from N.Y.; Pelosi not part of leadership
- **Senate Majority Leader:** Chuck Schumer (D-N.Y.). Mitch McConnell (R-Ky.) continues as minority leader.

HOUSE RULES PACKAGE

Concessions to get McCarthy approved

- 1 lawmaker can make motion to elect new speaker
- Vote on term limits
- Vote on budget resolution that balances the budget in 10 years
- Not to increase debt limit without spending cuts
- Not bring bills to floor until 72 hours passed
- 3 seats on Rules panel for House Freedom Caucus members

SPLIT CONGRESS

— *What it means*

- ❑ **Biden/Dem agenda** neutered, but...
- ❑ **Jump ball:** Each chamber will defeat major changes
- ❑ **Appropriations:** Defense, other spending differences
- ❑ **Debt increase/suspension**
- ❑ **Border security/immigration** reform
- ❑ **Farm bill**

HOUSE GOP AGENDA

Will they overreach?

- **Oversight investigations:** Afghanistan | Covid | Justice Dept. | Biden family
- **Economic policy:** Inflation | Interest rates | Possible recession | Energy
- **Parents bill of rights**

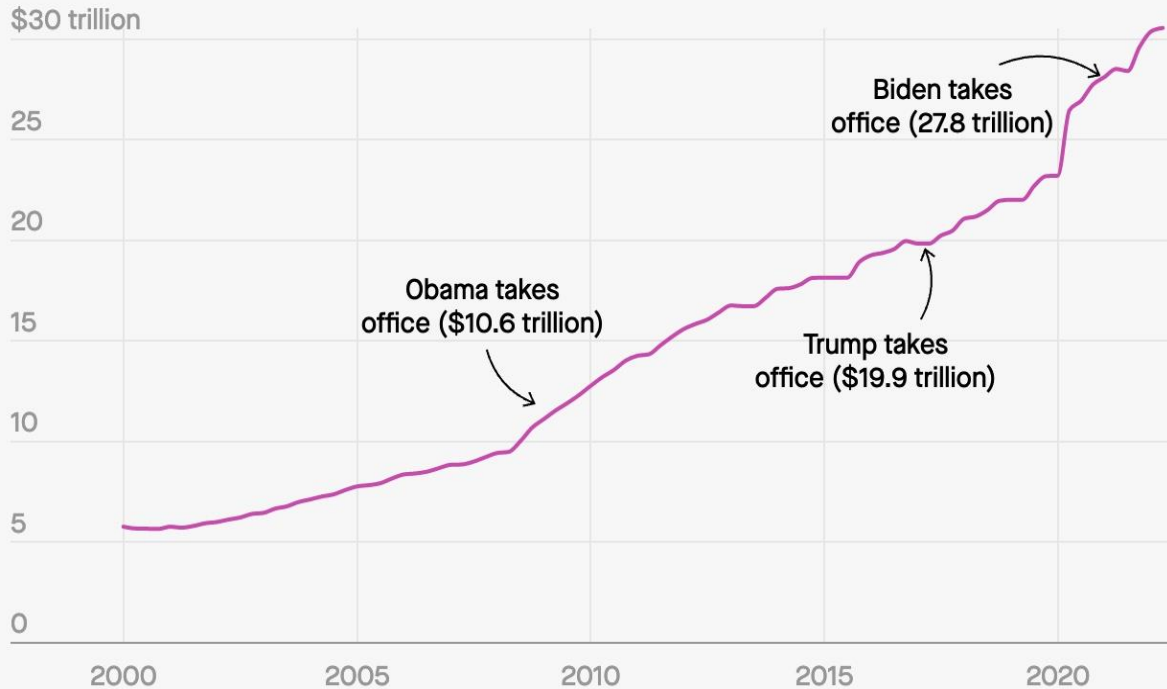
HOUSE GOP AGENDA

Areas for compromise, but also sensitive issues

- **Other topics:** Trade policy, secure border before immigration reform
- **International: Ukraine:** What is the end zone? Not a blank check
China: Recent Biden/Xi meeting tried to mend some fences
- **Debt ceiling showdown?:** How aggressive in using any leverage ...
 - Some members on the far right are willing to risk default

America's growing public debt crisis

US total public debt over the years



Quartz | qz.com | Data: Treasury department | Note: Data is only available till April 2022

- **Debt is twice the level now than when the farm bill had to find billions of dollars in savings.**
- **Higher rates could add another \$1 trillion to interest payments this decade... besides record \$8.1 trillion in debt costs CBO projected in May. Interest costs could exceed national defense spending by 2029.**

SENATE DEM AGENDA

Defending White House policy, initiatives

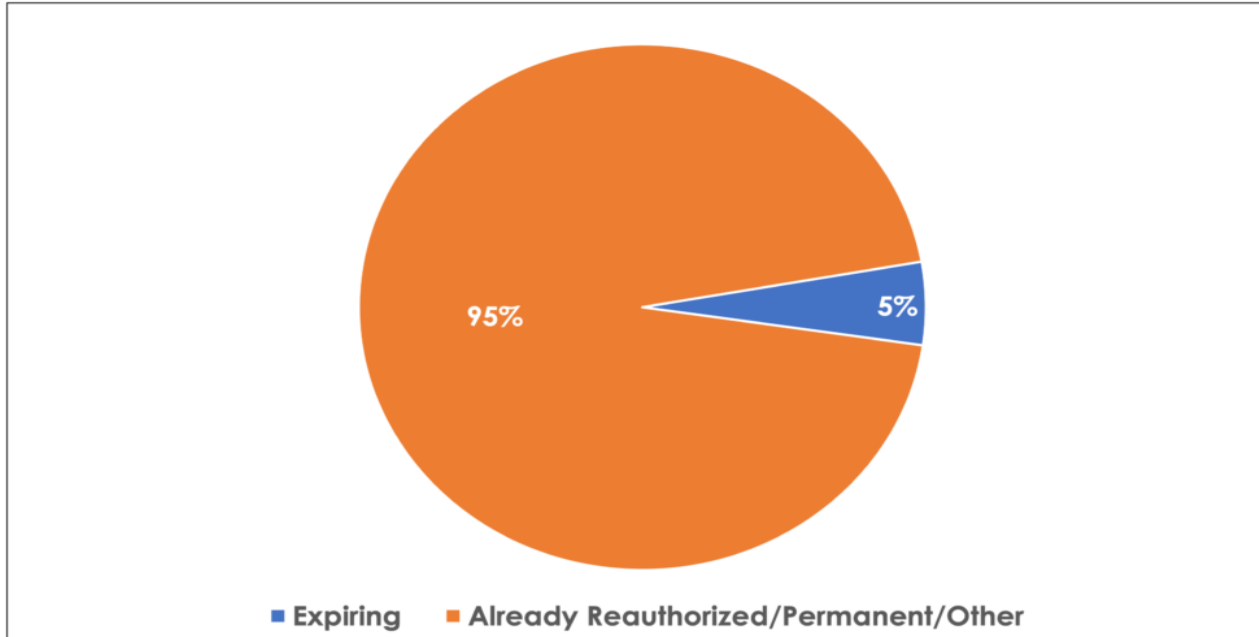
- **Vote on judicial nominations**, some Cabinet changes
- **Appropriations bills**
- **Oppose GOP-led House bills** that counter Dem policy
- **Limited** on what full Senate can do because of 60-vote threshold

FARM POLICY: New Farm Bill

- **19th Farm Bill in history.**
- **My 11th Farm Bill....** 1973, '77, '81, '85, '90, '96, '02, '08, '14, '18, and '23.
- **Before my farm bill coverage:** Generally considered 1933, '38, '48, '49, '54, '56, '65, '70. 1938 and 1949 remain permanent but suspended in part during duration of temporary 5-year bills.

NEXT FARM BILL: Key Issues

- **Timing... What if we don't get a new bill in 2023?**



NEXT FARM BILL: Key Issues

- **Players:**
House: G.T. Thompson | **Senate:** Stabenow... not seeking re-election in 2024
- **Farmer safety net:** Is funding enough for true reform?
- **Crop insurance:** Improve without negative impacts
- **Food and nutrition:** Big issue in past farm bills
- **Climate-smart programs**
- **Commodity Credit Corporation**

FARM POLICY: Dairy

- **Marketing order reform:** Is there industry consensus?
- **Get rid of Class III?:** Farm Bureau pushing
- **Dairy margin protection:** Looking at the feed adjuster on dairy margin

ENERGY POLICY: RFS

- ❑ **EPA proposed RFS levels** for 2023, 2024 and 2025, including implied levels for conventional biofuels at 15.25 billion gallons for all three years.
- ❑ **Timeline:** Comments on proposed levels due Feb. 8. Finalized June 14.
- ❑ **Advanced biofuel level** did not increase as much as hoped as that is where renewable diesel would be categorized.
- ❑ **Agency held virtual meeting on the RFS proposals** Jan. 10 to gather public input on their plan.

RFS

- ❑ **Coming: More details on e-RINs** and how that will play into RFS; those start with 2024.
- ❑ **Key issue:** Will EPA assume at some point the planned but not yet built renewable diesel capacity will indeed be built?
- ❑ **Clean fuels credit** starts in 2025
- ❑ **Does conventional ethanol qualify** for clean fuels credit?

WOTUS

- ❑ **Biden admin. proposed new definition** going back to pre-2015 definition but updated to reflect Supreme Court decisions since then.
- ❑ **New definition also incorporates feedback** from public listening sessions held to gather input on what originally was to be a totally new definition.
- ❑ **Administration appears to be backing away from initial plan** to first replace Trump-era NWPR with the adjusted pre-2015 definition and then develop another new definition.

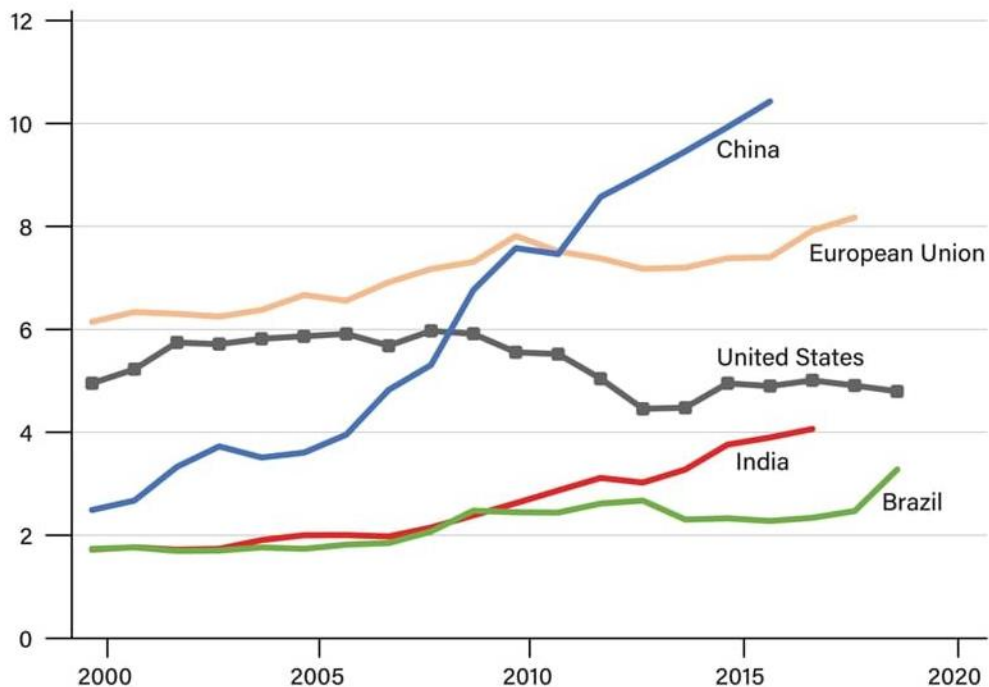
WOTUS

- ❑ **Feedback:** Efforts viewed as attempt at a 'middle' ground on issue.
- ❑ **Ag interests** welcome specified agricultural exemptions, but still say it continues to keep uncertainty in the issue.
- ❑ **Supreme Court expected to rule in Sackett case by June** which involves WOTUS.
- ❑ **Congressional oversight coming** on EPA's actions on this front.

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 246, Agricultural Research Investment and Policy Reforms 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).



Senate Elections

- **Dems defending 23 states**, three in states won by Trump in 2016 and 2020, and three states that swung between Trump and President Biden.
- **Republicans are defending just 10 seats**... all of them in solidly GOP states that twice voted for Trump.

OUTLOOK: Corn

- Demand problems... poor exports and corn-for-ethanol use slumping.
- Ending stocks won't be as tight as once feared but are snug.
- Brazilian crop stable for now but three-quarters will be safrinha after soybeans harvested.
- Argentine crop declining amid drought stress.
- U.S. corn acres will rise, but not likely as much as some expect.
- Upside tied largely to soybeans unless demand notably improves. Downside to low \$6.00 range – even if demand remains poor... tight ending stocks.

OUTLOOK: Soybeans

- Export demand solid, but shipment window for U.S. supplies starting to close as Brazilian soybeans will be ready for export by early February.
- Crush surprisingly running lower than expected despite strong margins. Crush margins strong through summer so the pace should pick up.

- Brazil will produce a record crop.
- Argentina's crop struggling but country grows and exports far less than Brazil. Soymeal market will pay closer attention to Argentina since it accounts for more than one-third of global meal trade.

- U.S. soybean acreage will rise again in 2023.
- Upside appears capped in nearby futures around \$15 unless Brazil has some crop issues or funds decide to expand already-big long position. But downside should be limited.

OUTLOOK: Wheat

- Export demand poor. Weekly export inspections historically bad through 2Q 2022-23. U.S. wheat not competitively priced when freight is added.
- Winter wheat acreage increased. Good portion of SRW acres will be double-cropped with soybeans. Some HRW acres planted could be abandoned for other crops during spring.
- HRW crop ratings lowest ever heading into dormancy.
- Expected move toward ENSO-neutral conditions should bring more rainfall to HRW wheat areas during spring, but big moisture deficit.
- Barring Black Sea shipping problem or lack of weather improvement during spring, upside tied to corn and soybeans. Downside should be limited to the \$7.00 to \$6.50 area.

OUTLOOK: Cattle

- Tightening supplies create a bullish long-term outlook, especially during the second half of 2023.
- A lot of heifers pulled off pastures and placed on feed past couple years, which creates a smaller breeding herd.
- Feedlot placements will decline year-over-year... started in late 2022.
- Export demand projected to decline 13.3% in 2023. Reduced shipments to Asian countries will account for a lot of that, including China.
- Domestic demand should hold strong as retail prices under year-ago. USDA forecasts beef prices at the grocery store will rise 1% to 2% this year after jumping 5.5% in 2022.

OUTLOOK: Hogs

- Hog herd continues to contract... smallest for Dec. 1 since 2016 and down 6.5% from 2019 peak.
- December H&P Report: contraction phase may be ending, with winter and spring farrowing intentions above year-ago.
- Slaughter projected around 2% under year-ago through the first half of 2023.
- Pork exports to decline another 0.9% in 2023 after nearly 10% drop LY.
- Shipments to China picking up after months of being below year-earlier levels.
- Domestic demand should hold strong as retail prices are under year-ago. USDA forecasts pork prices at the grocery store will rise 1% to 2% this year after a 9% jump in 2022.

A photograph of the United States Capitol building in Washington, D.C., featuring its iconic white dome and neoclassical architecture. The building is set against a clear blue sky with a few wispy clouds. In the foreground, there are lush green trees and a black lamppost. The text is overlaid on the image.

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