

WHAT'S HAPPENING IN...



WASHINGTON



JIM WIESEMEYER 2022

# HOW DYSFUNCTIONAL IS WASHINGTON?

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- More than you even think
- Party and intraparty discord
- White House woes
- Will civility ever come?
- Two very divergent views of future of country



# CAN GOV'T DO IT ALL?

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If the government had a sandwich making program.



64% think the country is headed in the wrong direction and only 28% believe it's on the right track

# ELECTIONS

- **Virginia governor race:** GOP Youngkin's win a potential game changer
  - **Biden's poll numbers tanking ...**  
Poll: 53% disapprove; 57% Independents  
33% - 53% job approval rating; 14% no opinion  
*Quinnipiac, Jan. 2022*  
  
*41% approval according to aggregation of public polls*
- **VP Harris' approval numbers worse**



# ELECTIONS

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- **2022 Midterms:** House | Senate
- **House: Likely flip to GOP control...** Why Dems in rush to get things done
  - Fewer swing districts | GOP needs net gain of 5 seats | Redistricting
  - Watch generic ballot advantage: Slight edge for GOP
- **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.**
- **Trump:** What about 2024?

# COVID'S ECONOMIC & POLITICAL IMPACT

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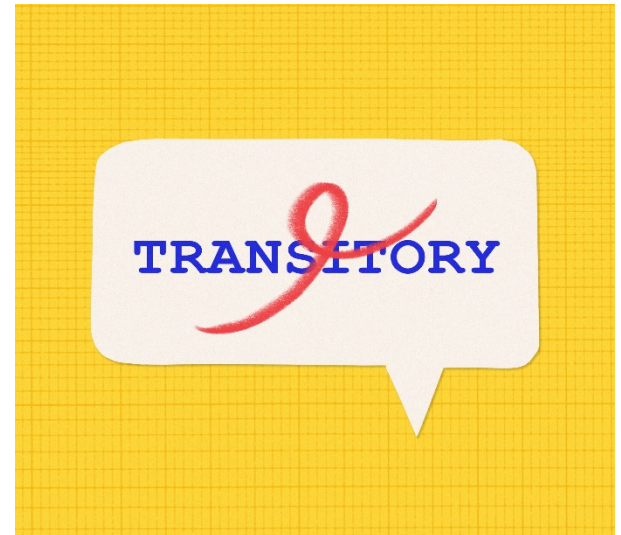
- **Vaccine mandates, masks**  
*Court challenges*
- **Omicron variant**
- **International impacts: China**
- **Economic impacts**  
*Supply chain woes*



# FEDERAL RESERVE MISTAKES

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- **‘Transitory inflation’ was not transitory...**  
Fed and Yellen admitted they were wrong
- **Fed took too long to start tapering:**  
Acceleration now underway
- **Interest rate hike(s) ahead:**  
Covid situation/inflation will impact  
*Real interest rates will remain negative for all of 2022 even if the Fed raises rates it is now forecasting*



# GEOPOLITICS

- **Energy and geopolitics:** Crude oil, Natgas  
Russia, Iran, N. Korea, China

*China is and will continue to be the single most vexing challenge for this and future Administrations...how to maintain a commercial relationship w China while they become more aggressive economically and militarily... The Taiwan issue*

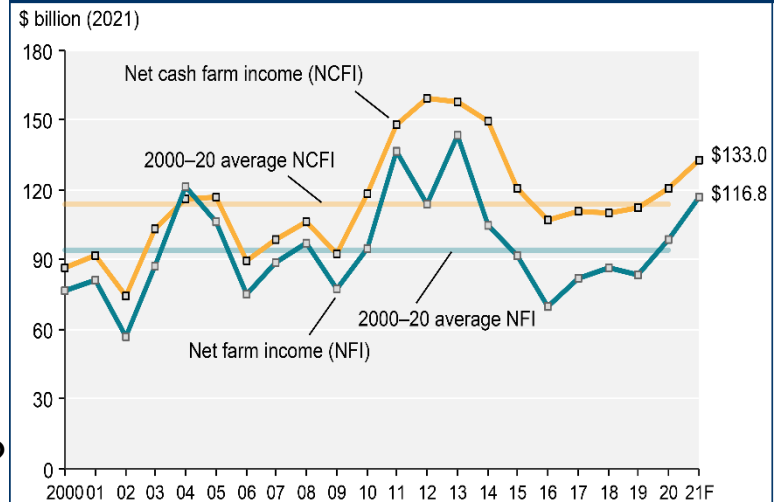




# OUTLOOK FOR U.S. FARM INCOME

- **2021:** Robust... 'Experts' were too pessimistic at start of year
- **2022:** Pessimism returns... high input costs, fear of low prices... What if...
- **Covid aid, China trade war payouts:** Without them, what happens? Will action come for input cost/supply relief?

U.S. net farm income and net cash farm income, 2000–21F



Note: F = forecast. Values are adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2021 by USDA, Economic Research Service.  
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.  
Data as of December 1, 2021.

# CASH FLOW WORRIES

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**“There is a big, big cash flow crunch coming.** And the banking industry is nervous about it as well, as they watch what has been a pretty good year for agriculture could absolutely go completely backwards in this next growing season in a big way.”

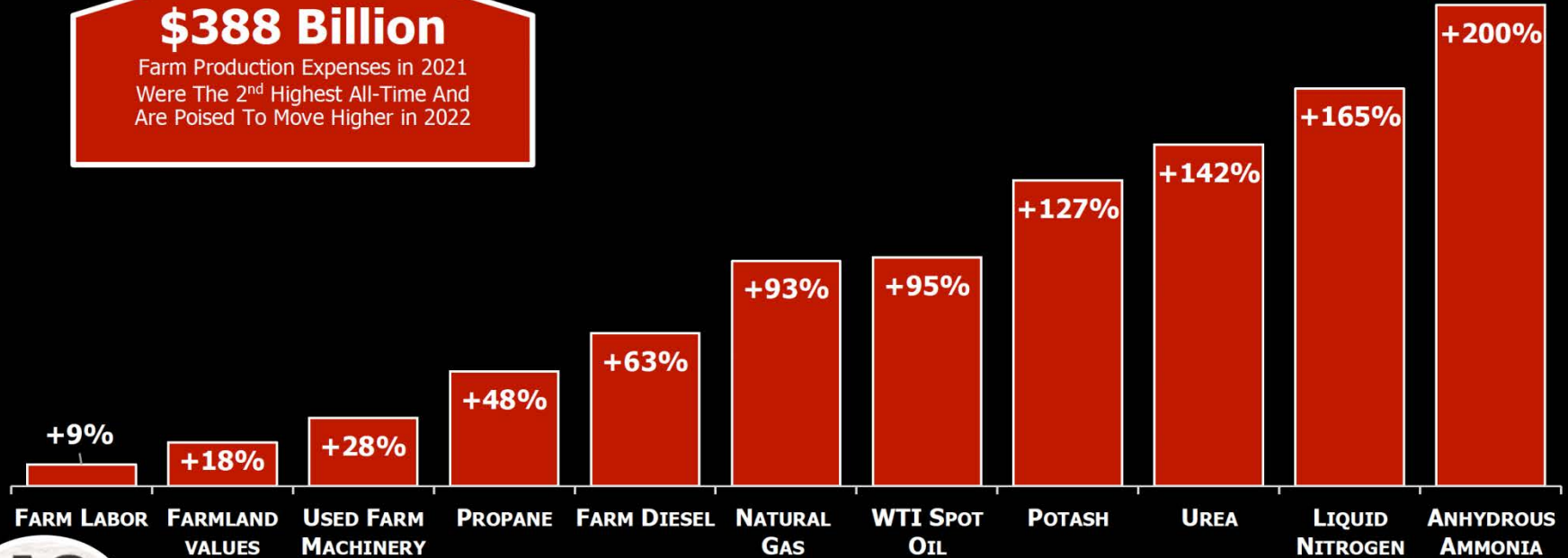
— *Chris Edgington, an Iowa farmer and current president of National Corn Growers Association*

# Inflation Hits Farm Country

Year-Over-Year Change in Farm Production Expenses, Percent Change (December 2020 to December 2021)

**\$388 Billion**

Farm Production Expenses in 2021  
Were The 2<sup>nd</sup> Highest All-Time And  
Are Poised To Move Higher in 2022



**AG**  
COMMITTEE  
SENATE GOP

Senate Ag Committee Republicans

Senate Ag GOP Analysis, Energy Information Administration, USDA AMS, USDA NASS, Bloomberg, Department of Labor, USDA ERS

# MAJOR INFRASTRUCTURE BILL NOW LAW

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- **BIF:** Bipartisan Infrastructure Framework signed into law
- **Funding:** Total \$1 trillion (\$550 bil. new) Key: implementation, accountability
- **BIF *and* BBB funding** for broadband with specific levels for rural America
- **State focus:** Most funding determined, implemented by state officials

# KEY CONGRESSIONAL ISSUES

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- **FY 2022 spending:** Kick the can down the road... Feb. 18  
*Push for more but targeted Covid aid... perhaps some more ag aid*
- **Debt limit:** House & Senate approved \$2.5 trillion increase... into 2023
- **Build Back Better on ice:** Sen. Manchin says no. **TAX IMPACTS**
- **Very little congressional action past midyear:** Midterm elections



# BIDEN ENERGY POLICY

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- **No transition plan:** From crude oil to 'sustainable' energy
- **Deemphasis on crude oil:** No to Keystone XL pipeline, offshore drilling, but more regs
- **Tap SPR:** After OPEC+ said no to Biden request
- **RFS:** EPA's proposals finally announced; loses Supreme Court E15 case
- **Renewable diesel:** Started in California... spreading

# CLIMATE CHANGE

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- **Key unknowns:** How to measure carbon... How to price carbon
- **Green new deal language in BBB Act:** Funding and authority, but...
- **Ag:** Production practices key ahead
  - In first quarter 2022, USDA to announce pilots...different regions/commodities
  - Vilsack floating idea of climate smart Ag practice label
- **Energy:** Emphasis away from crude and toward electric vehicles



# USDA SEC. TOM VILSACK

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- **Which Vilsack?** 85/15 or 15/85
- **Key focus:** Climate, equity and market fairness (consolidations and competitiveness)
- **Tenure:** Expected to be a short timer

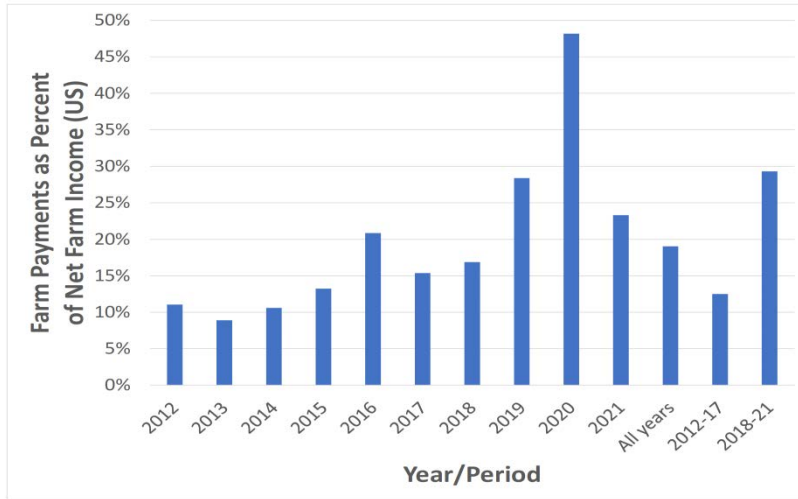


# NEXT FARM BILL

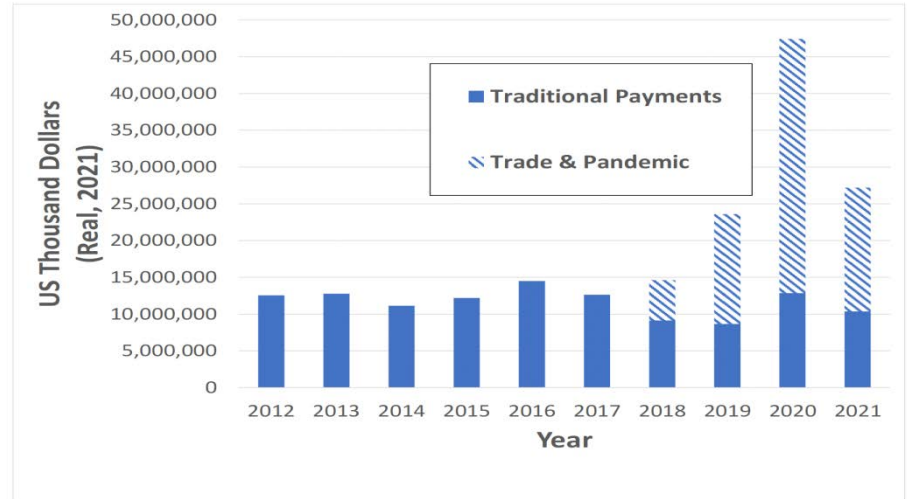
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- **Extension ahead?** Reason: House likely controlled by GOP in 2023
  - *Vilsack increased SNAP by a quarter trillion dollars in August*
  - *Dems trying to add another \$70+ billion for climate and debt relief*
  - *Makes a new farm bill more than a \$1 trillion bill*
  - *GOP will not want to spend money if they take over*
  - *Extension is even likely if Dems retain control of Congress*
- **Conservation, food programs:** Big boosts already proposed, implemented
  - Nutrition even bigger slice of farm bill cost pie... should be called a nutrition bill that just so happens to have some farm assistance added to it*
- **Farm groups may seek to enhance safety net** due to high costs of production which are outstripping support levels... fear of lower prices

# FARM PAYMENTS



Source: Purdue Ag Economics



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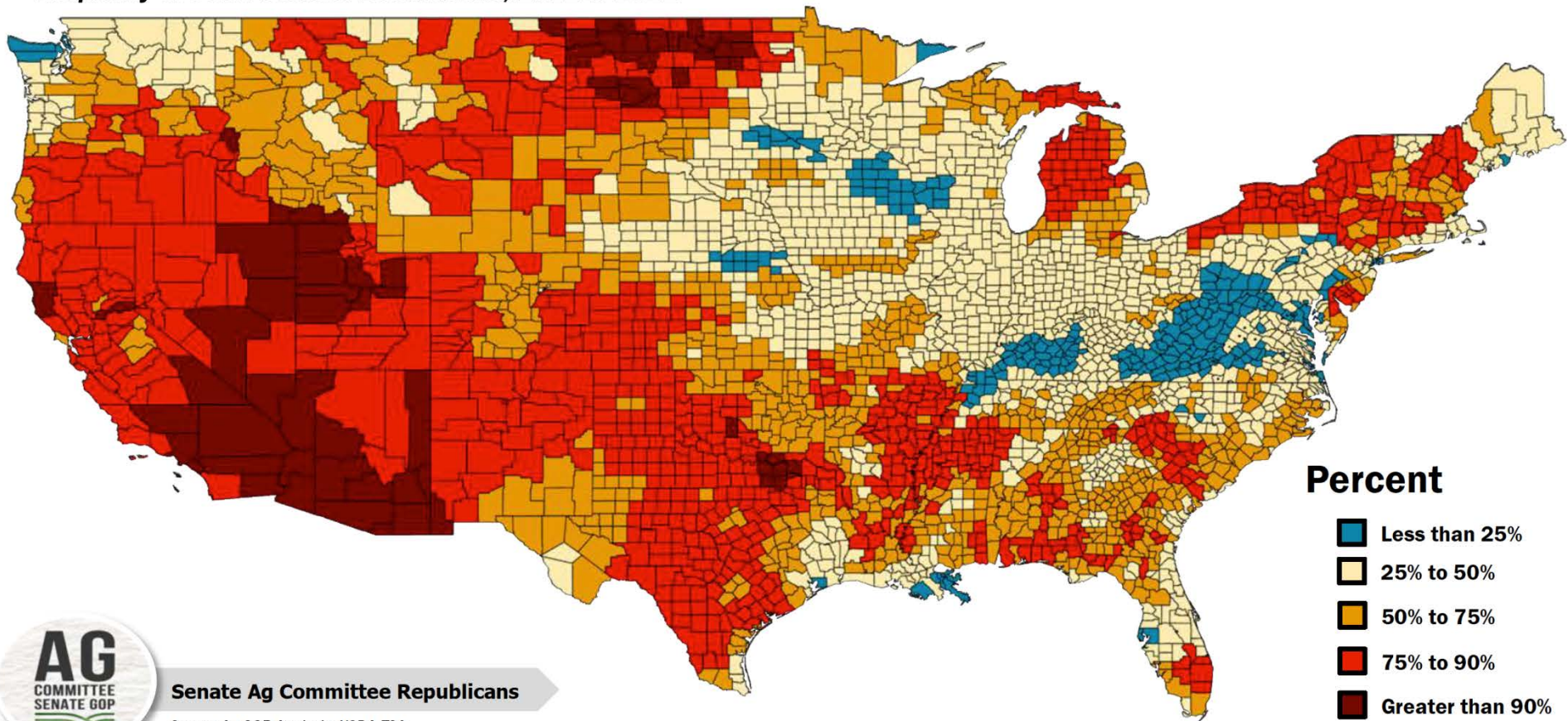
# CROP INSURANCE

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- **Widespread support continues**  
*In farm bill/climate debate: Do no harm to crop ins and farm credit by imposing climate conditions/stipulations to either or both*
- **WHIP+:** Program being tapped too much? Some say crop insurance needs to temper need for disaster aid... make sure producers have risk management tools needed. New regs... less complex... quicker payments
- **Permanent disaster aid program?** Extrapolate WHIP to 10 years and consider crop insurance as the tool to build improved support

# How Much Would A Disaster Program Cost?

Frequency of USDA Disaster Declarations, 2012 to 2021



**AG**  
COMMITTEE  
SENATE GOP

Senate Ag Committee Republicans

Senate Ag GOP Analysis, USDA FSA

# ANTITRUST

- **Biden team getting started:** Aggressive DOJ, FTC, USDA
- **White House focus on ag sector:** Meat processing, seed & food companies
- **Key issue:** Action takes time to unfold, will there be enough time?

Four-Firm Concentration Ratios for Ag Sector		
Concentration of market power is evident across many ag sectors.		
Category	Year	Concentration
Livestock Slaughter, Total	2015	68%
Steers/Heifers	2015	85%
Cows & Bulls	2015	57%
Sheep/Lambs	2015	57%
Hogs	2015	66%
Nitrogen Fert.*	2019	75%
Property Seed	2018	60%
Corn Seed^	2018	85%
* = CF Industries, Nutrien, Koch, and Yara-USA ^ = DowDupont, ChemChina, Bayer and BASF accounted for over 60% of proprietary seed sales around the globe. For corn, largest four controlled 85% of global sales, with DowDupont and Bayer controlling 78% of corn seed market.		
Source: USDA-ERS and USDA-GIPSA; Choices Magazine		

# OTHER ISSUES

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- **Immigration reform:** No consensus
- **WOTUS:** Another new rule coming... Not Obama... Not Trump
- **Potential for Clean Air Act regs** on agriculture... methane regs

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 some light clouds. In the foreground, there are green trees and a dark blue horizontal bar at the top of the image.

**CONTACT INFORMATION:**

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