

# The Agriculture Letter

Insight and Analysis for Agribusiness Leaders

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Dear Client:

Washington, April 23, 2021

Ag group sizes up the ag sector to lawmakers... Southwest Council of Agribusiness (SWCA)... a consortium of farm and ranch organizations, lenders, and main street businesses in Texas, Oklahoma, Kansas, Colorado and New Mexico... virtually pounded the pavement on Capitol Hill and at USDA via a Zoom fly-in last week. Such events are used by several groups to make sure lawmakers and their staffs are educated on the most important policies affecting their members. SWCA's message to Washington lawmakers, staff and USDA follows.

**FARMER FLY-IN** U.S. agriculture is not out of the economic woods it has been in for seven years, despite the improvement in some commodity prices. They drew attention to rising input costs and expectations for far less help from Washington this year as well as the uncertainty surrounding production and global demand in 2021.

SWCA members urged extension of the WHIP+ program to cover 2020 and 2021, that Quality Loss Assistance cover all commodities, and that the second half of WHIP+ payments for 2019 be fully paid. SWCA also noted the statutory language authorizing the Coronavirus and Food Assistance Program (CFAP) requires USDA to provide further assistance to producers whose losses far outpaced aid as a result of pay limits and adjusted gross income restrictions. The group also urged USDA to expedite all CFAP and Pandemic Assistance for Producers (PAP) payments.

SWCA members want a repeal of the death tax and current stepped-up basis to continue. The group opposes any reduction in the estate tax exemption or any increase in capital gains taxes and they want to protect other important tax code features, including undivided interest discounts that have also been singled out by some for elimination.

All Schedule F filers should be able to use gross receipts rather than net income under the Payment Protection Program, according to SWCA.

An aggressive trade agenda that benefits U.S. ag producers was another key push. SWCA also told lawmakers about transportation disruptions and challenges that the ag sector faces and pushed for rural America be a focus in infrastructure legislation.

SWCA members expressed concern about the 30 x 30 proposal referenced by President Joe Biden and backed by Farmland Trust that would place 30% of U.S. land (and waters) under federal protection by 2030, given the adverse impacts this could have on farmers/ranchers.

The group outlined objectives regarding any carbon sequestration for agriculture, including that such a program be voluntary and incentive-based, not be tied to the farm bill, crop insurance or other program eligibility, nor distort markets or influence planting decisions.

## Successful Fly-in Checklist

- **Send bullet points** on key topics ahead of your meeting. Ask key staff if there are questions they want addressed before and during your session.
- **Limit your time to the most important topics** for farmers and ranchers in your area.
- **Be succinct** in explaining topics, especially complex issues. Be sure to include bottom-line assessments.
- **Give examples** of how policy or other suggestions impact the agriculture sector. Price implications frequently get a lawmaker's attention.
- **Don't exceed your allotted time...** be mindful of the lawmaker's and staff's time.
- **After returning home, send a thank you message...** ask if there is any additional info you need to provide.

Source: *Ag Letter* editors

**FARMLAND** More farmland being sold. Farmers National Co., one of the largest U.S. farm-management and real estate companies, sold 59% more acres in the past six months than during the same period one year earlier... spike due to rising private sales and heightened interest among farmers and investors in good cropland. The dollar volume of land sales listed and sold during the first six months of its fiscal year ended March 31 was up 56% from the same period last year and up 67% from the three-year average for the period. Total acres sold to date are up 59% vs. last year and 26% over two years ago. The number of sales transactions Farmers National handled jumped 10% from last year.

Several factors explain the increase in sales activity. The wide array of farms, ranches, timber land and recreational properties managed by local professionals across many states brings into play the dynamics of diverse local land markets and multiple landowners who are making buying and selling decisions. This created the opportunity to market more properties for sale in varied land markets, the company said. The company also saw an increase in the size of land holdings sold. Higher sales prices for good cropland and for development land contributed to the sales volume. Also... strong demand is developing to own land across the board.

Auctions and private treaty land sales... While the number of auctions held by Farmers National Company during the past six months was only down two from last year, the number of private treaty land sales was up 48%... prompted by where the land was located, the type of land and the situation in the local land market.

**WATER** Western water shortage? The federal gov't could issue its first-ever declaration of a water shortage in the Colorado River basin in the coming months, threatening supplies to farms and cities in Arizona and Nevada. The U.S. Bureau of Reclamation released 24-month projections forecasting that less Colorado River water will cascade down from the Rocky Mountains through Lake Powell and Lake Mead and into the arid deserts of the U.S. Southwest and the Gulf of California. This would threaten the supply of Colorado River water on which both growing cities and farms rely.

The agency's models project Lake Mead will fall below 1,075 feet for the first time in June 2021. That's the level that prompts a shortage declaration under agreements negotiated on Colorado River water supplies by seven states: Ariz., Calif., Colo., Nev., N.M., Utah and Wyoming.

The April projections will not have binding impact. Federal officials regularly issue long-term projections but use those released each August to make decisions about how to allocate river water. If projections don't improve by then, the Bureau of Reclamation will declare a Level 1 shortage. The cuts would be implemented in January.

Mexico along with Ariz. and Nev. have voluntarily given up water under a drought contingency plan for the river signed in 2019. A shortage declaration would subject the two U.S. states to their first mandatory reductions. Both rely on the Colorado River more than any other water source, and Ariz. stands to lose roughly one-third of its supply.

**USDA** Biden nominates USDA climate adviser to oversee farm supports. Robert Bonnie, who was named USDA climate adviser on the same day Biden took office, will soon be in charge of all farm support programs... pending expected Senate confirmation. Biden nominated Bonnie for undersecretary for farm production and conservation. During former President Barack Obama's second term, Bonnie was undersecretary for natural resources, with a portfolio that included the Natural Resources Conservation Service (NRCS) and the U.S. Forest Service.

Bonnie will prepare U.S. ag "to lead the world in climate-smart ag practices," said USDA Sec. Tom Vilsack. Bonnie will play a key role if climate mitigation becomes a major federal initiative. He was part of a think-tank project that recommended a "carbon bank" at USDA to speed adoption of climate-friendly farming. Bonnie said to expect a flexible "suite of tools" to capture carbon or reduce greenhouse gas emissions and stressed his desire for bipartisan support for climate programs. "It's going to rely on incentives; it's going to rely on markets. I think that's where we're headed," he said.

U.S./  
JAPAN

There were no U.S./Japan ag trade developments from last week's visit to the White House by Japanese Prime Minister Suga Yoshihide. U.S. beef sector began to lose marketshare in Japan and other markets to rivals from Trans-Pacific Partnership countries such as Canada and Australia. While a limited trade deal with Japan signed by former President Donald Trump closed some of the gap, a 30-day increase in Japanese tariffs on imported U.S. beef triggered mid-March was a reminder of the U.S. absence from the Comprehensive and Progressive TPP (CPTPP, formerly TPP).

Getting the U.S. back into the CPTPP, as pushed by Japan, will take time. Biden and his trade team want to first complete a major review of U.S. trade policy before making a final decision.

Some trade policy analysts believe the administration may take a backdoor approach to bring the U.S. back into the accord. Japan wants to initiate a conversation to build narrower regional policies that could eventually merge into CPTPP or form the basis for a new trade agreement.

MARKETS

Corn: U.S. planting is working its way into the heart of the Corn Belt. Old-crop contracts have rallied on demand for what is a tightening supply of U.S. corn. A drying pattern in Brazil's safrinha corn areas is cause for concern, with some meteorologists warning the rainy season will end this month. Crop estimates are sliding.

Soybeans: Planting of the 2021 crop is underway and the long planting window for beans means this will take a little while to build as a market factor. As with corn, demand for tightening old-crop supplies has continued to provide support for nearby futures to a seven-year high. China's crush pace and renewed concerns about African swine fever could ease some of the upward price pressure for old-crop contracts.

Wheat: Cold temps across the Plains' HRW wheat areas and dryness in other global wheat producing areas have kept some support under hard wheat contracts. U.S. winter wheat ratings remain under year-ago marks. Traders are also watching the buildup of Russian forces on the border with Ukraine. Both are major wheat producers/traders.

Rice: Slumping export sales in early April helped pressure rough rice futures to their lowest marks since mid-March. Nearby futures will see additional pressure as positions get rolled out of those months and into deferred contracts. Rice planting is off to a slow start, which is also keeping emergence running behind average.

Cotton: Futures have held at lofty levels as fund activity and outside markets have spurred buying interest. Cotton planting is underway and likely to pick up in May. Drought is entrenched across top-producing Texas, with western and southern areas the hardest hit. Excess moisture is a concern in other southern states like La., Miss. and Arkansas.

Dairy: Feed costs remain a key factor as rising prices for corn and soybeans are putting upward pressure on dairy producer costs. That puts even more attention on export demand, especially with production throughout the country at or near peak levels.

Hogs/pork: April futures expired at the historic mark of over \$103, but traders then opted to rebalance the market and pocket profits built up via the impressive rally since January. How cash markets hold up could have a big influence on how June futures perform.

Cattle/beef: Futures came under pressure mid-April despite cash markets at a premium to both the June and August contracts. Basis remains historically weak between cash and futures for nearby months, but fall contracts are seeing wider-than-normal basis. Feed prices remain important, keeping attention on planting the U.S. corn crop.

Broilers: Wing prices remained at record marks even after the passage of the NCAA basketball tournament... typically the peak for wing prices. Export markets remain a factor as foreign buyers continue to seek out U.S. supplies.

Transportation: Corn barge lockings hit 714,000 short tons the week ended April 10, highest of the 2020-21 marketing year. Railroads reported a rise in grain carloads for the same week, up nearly 10% from the year-ago week. Cumulative grain carloadings are now 24% above where they stood last year.

**ECONOMY** Fed's Waller says U.S. economy "ready to rip" but inflation will level off. The U.S. economy is set to take off this year as more Americans get Covid-19 vaccinations and become comfortable engaging in a wider range of activities, but any accompanying spike in inflation is likely to be temporary, the Federal Reserve's newest board member said, echoing the view of most U.S. central bankers.

**CURRENCY WATCH** Treasury finds no currency manipulators, warns three partners. The department said Switzerland, Vietnam and Taiwan raised U.S. concerns in the latest report to Congress that uses criteria under trade laws from 1988 and 2015. However, Treasury said there was insufficient evidence to justify designating them as currency manipulators. The finding represents a reprieve for Switzerland and Vietnam, which the Trump administration labeled as currency manipulators in December 2020.

The U.S. pork industry is happy because Vietnam is a growing market for U.S. pork. In its report, the Treasury Department said it will continue "enhanced engagements" with Vietnam and Switzerland as well as continuing to review of the effects of the Covid-19 pandemic on the global economy. The Treasury Department also will work with Taiwan on a plan to address its currency practices.

The report did place Ireland and Mexico on the watch list. China, Japan, South Korea, Germany, Italy, India, Malaysia, Singapore and Thailand remain on the watch list.

**CLIMATE** House GOP offers climate bills. House Republicans unveiled their own slate of climate measures to counter Democratic proposals as Biden has made combating global warming a top priority of his administration. The Agriculture Committee minority offered [five bills](#) that aim to encourage private-sector partnerships in conservation and to help farmers protect soil health, among other initiatives. GOP members on the Natural Resources Committee proposed another measure aimed at reducing America's reliance on imported critical minerals. "We're no longer debating whether or not climate change is real," Agriculture Committee ranking member Glenn "GT" Thompson (R-Pa.) said in an interview. "We're simply debating the best way to address it." Meanwhile, Thompson told reporters he is working with Ag Committee Chair David Scott (D-Ga.) on organizing a hearing to review the 2018 Farm Bill's climate initiatives to see how they have worked over the last three years. "We are a year and a half behind and a lot of that has had to do with Covid," Thompson said. "But we need to start oversight, we need to hear from USDA and get a status check on every part of the farm bill."

House Republicans this week hosted a three-day virtual forum on legislation that aims to highlight their [energy and environmental agenda](#).

**RURAL ELECTRIC** Rural electric refinancing bill recently re-introduced in Senate. Sens. Tina Smith (D-Minn.) and Senate Agriculture Appropriations Subcommittee Ranking Member and Agriculture Committee Member John Hoeven (R-N.D.) introduced a bill to allow rural electric cooperatives to refinance their Rural Utilities Service (RUS) debt at lower market interest rates. A House companion bill was introduced by Reps. Tom O'Halleran (D-Ariz.) and Vicky Hartzler (R-Mo.).

**ELECTIONS** Nevada wants to be first U.S. presidential nominating contest in 2024, a move that would give the racially diverse state with powerful labor interests an early opportunity to shape the race for the White House. A bill is moving through the Nevada legislature to change the contest to a primary from a caucus and move the date to early January from late February, before Iowa and New Hampshire traditionally vote.

Best regards,

*The Ag Letter Editors*  
THE AGRICULTURE LETTER EDITORS

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