

# The Agriculture Letter

Insight and Analysis for Agribusiness Leaders

• Vol. 92, No. 6

Dear Client:

Washington, March 12, 2021

Latest Covid aid/stimulus package is massive...  
its \$1.9-tril. price tag is bigger than Canada's economy!

**STIMULUS** It narrows who receives \$1,400 payments...  
Income cap of \$80,000 on payouts for individuals, \$120,000 for single parents and \$160,000 for households. Biden had proposed caps \$20,000 higher. The measure would send \$1,400 checks to individuals earning \$75,000 or less... \$112,500 for single parents and \$150,000 for couples... with payments falling gradually for those with incomes above those thresholds and disappearing altogether for those earning more than the income cap.

Children and adult dependents are eligible for the full \$1,400. Adult dependents... including disabled adults and college students... weren't eligible before.

Enhanced unemployment benefits of \$300 a week go until Sept. 6... after lawmakers return from recess.

Forgives up to \$10,200 in taxes on unemployment benefits received in 2020... but that's only available to those earning less than \$150,000... a middle-income person could save more than \$1,000 in taxes.

Package contains \$22.7 bil. in ag & nutrition aid... including \$3.6 bil. in aid for the food supply chain and \$4 bil. estimated cost of paying off USDA direct and guaranteed loans held by qualifying minority farmers... average estimated payout of \$222,000.

Farmers who are Black, Hispanic, Native American or Asian American could receive payments worth up to 120% of their indebtedness on direct or guaranteed USDA loans... additional 20% is to pay off taxes the estimated 15,000 farmers would owe from getting the payments. (If guaranteed by FSA, loans by banks would be covered. If not, and its purely a private loan, they would not be covered.)

Another \$1 bil. in aid is meant to help minority farmers with technical assistance, financial training and access to land. Some \$5 mil. of that is earmarked for operation of an equity commission that USDA Secretary Tom Vilsack is forming to "root out any systemic racism" in USDA programs. Vilsack told us that all USDA programs... not just farm programs... will be reviewed.

The bill includes \$3.6 bil. earmarked to fund commodity purchases and to provide grants and loans to processors, farmers markets, producers and organizations to pay for workers' personal protection equipment and to retool operations to "maintain and improve food and agricultural supply chain resiliency." Another \$500 mil. is earmarked for grants to rural health care providers to compensate them for revenue lost due to the pandemic and to help with a range of needs, including the cost of testing and vaccine distribution.

## Other Items in Aid Package

- Extends temporary 15% increase in food stamp benefits through September and expands child nutrition assistance.
- Allocates more than \$7 bil. to help schools and libraries pay for devices, internet service and WiFi hotspots to address connectivity issues in rural areas and schools during the pandemic.
- Raises \$2,000 Child Tax Credit to \$3,000, sets credit at \$3,600 for parents of children under age six and makes parents of 17-year-olds eligible. Credit is fully refundable. For a household with a four-year-old and seven-year-old that doesn't earn enough to pay income taxes, for example, the plan boosts maximum child tax credit to \$6,600 from \$2,800. Authorizes periodic payments, so credit becomes a near-universal child allowance. While child tax-credit changes are for one year, Democrats will seek to make them permanent in the future.

Source: *Ag Letter* editors

**INFLATION** U.S. stimulus plan will boost inflation, but not to a dangerous level, the Paris-based Organization for Economic Cooperation and Development (OECD) believes, because “there is a lot of slack in U.S. labor markets.” Although there will be “some temporary [price] pressures in some areas,” OECD argues the stimulus is unlikely to result in generalized upward pressure on all wages, which would drive persistent inflation. Economists surveyed by the *Wall Street Journal* expect 5.95% GDP growth in during 2021, but they also lifted their forecasts for inflation to 2.48% for December 2021 vs. year-ago.

The Federal Reserve and U.S. Treasury Sec. Janet Yellen agree with the OECD assessment, with Yellen predicting the latest stimulus package should allow the U.S. economy to return to full employment in 2022. She called the impact on women and minorities from Covid-19 “absolutely tragic.”

Despite the lack of concern, 10-year inflation expectations hit 2.24% this week, the highest since the summer of 2014. Shorter-term inflation expectations have risen even faster, with the five-year measure exceeding 2.55%.

**BUDGET DEFICIT** Federal budget deficit will total \$1.05 tril. the first five months of the fiscal year alone, the Congressional Budget Office forecasts. Spending is up 25% from the same period a year earlier, mostly as a result of Covid-related outlays on unemployment compensation, stimulus checks and the Small Business Administration’s Paycheck Protection Program. Revenues, meanwhile, grew an estimated 5%.

**BIOFUEL AID** Lawmakers keep up push for biofuel industry help. Midwest Senators continue their push to aid the U.S. biofuel industry. They are calling on USDA Sec. Tom Vilsack to help to the industry, which is still reeling from the impacts of Covid-19. Lawmakers noted the prior administration did not provide assistance to biofuel producers and that Congress put specific language in the December Covid aid plan that allows USDA to provide such help. They urged Vilsack to “use this explicit authority to aid the nation’s biofuel industry” via the Commodity Credit Corporation and other resources. In an interview with us, Vilsack signaled the lawmakers’ request appeared to be a challenge to USDA to deliver on the topic.

**BIOFUEL INFO** Expansion in biofuels reporting planned. USDA and the Department of Energy (DOE) will change monthly data releases in a bid to better reflect shifts in the U.S. biofuel industry, according to *Reuters*. Specifically, the departments will alter how they report the use of soyoil and other fats and oils in making biodiesel.

Renewable diesel data will come to the Petroleum Supply Monthly report from the Energy Information Administration (EIA) with a goal of publishing January data by the end of this month. USDA will alter its reporting once EIA does, likely in its May World Agriculture Supply and Demand Estimates report.

**CONGRESS** Manchin says Republicans will have to be involved in infrastructure bill to win his support. Sen. Joe Manchin (D-W.Va.), whose vote proved key in the Senate’s party-line passage of Biden’s \$1.9 trillion Covid-19 relief bill, said that he will not cooperate with Biden’s next major legislative push... an infrastructure and climate bill... if Republicans are not given more of a voice. Manchin’s comments, on *Axios on HBO*, are significant, given that any Democratic member has the power to derail the administration’s initiatives in the evenly divided Senate. “I am not going to get on a bill that cuts them [Senate Republicans] out completely before we start trying,” Manchin said. “I’m not going to do it [infrastructure] through reconciliation,” he said.

Manchin is optimistic that at least 10 Republicans could be persuaded to support a sizable infrastructure package.

The outlook for an eventual major infrastructure bill is still above 50% because this is one issue where there is bipartisan support and interest in getting something done in a hyper-partisan Congress. But a lot of the thorny issues regarding funding must still be decided.

WORLD  
ECONOMY

OECD: Biden stimulus package will boost global recovery from Covid. It expects a stronger rebound from last year's historic recession than it previously forecast in November, mainly because of the relatively rapid rollout of Covid-19 vaccination programs in many countries and the increase in U.S. stimulus spending. The scale of the Biden plan will add about 1 percentage point to global economic growth in 2021.

The global economy will expand by 5.6% this year, OECD projects, an upgrade of 1.4 percentage points from its November forecast.

OECD hiked its expectations for U.S. growth this year, raising its forecast from 3.2% in November to 6.5% this month.

The Paris-based group forecast China's economic growth in 2021 at 7.8%.

MARKETS

Corn: Planting is working its way north and will gain more market attention as USDA starts to report the information for the 18 major states in April. USDA's March WASDE offered little new insight, quickly shifting attention to its Quarterly Grain Stocks and Prospective Planting reports at the end of March. South American weather and demand for U.S. corn will remain important in the weeks and months to come.

Soybeans: South American weather, U.S. planting and shipments of U.S. soybeans to foreign buyers will continue as the focal points for the market ahead. The data-gathering window for USDA on planting intentions will close shortly and markets will await those results March 31. Those are the next information keys, with little change made to 2020-21 balance sheets in the latest USDA update.

Wheat: Weather in winter wheat country will be key as condition ratings have not improved over the course of the winter. Greenup for the crop will be watched for signs of winterkill/drought damage. USDA's initial crop forecast won't arrive until May. U.S. wheat remains uncompetitive on the global market due to freight costs.

Rice: Demand for U.S. rice has improved modestly in the latest week thanks to tender business captured by West Coast U.S. rice into Japan. Some better demand has also surfaced in Latin America... mostly for long grain rough rice.

Cotton: LDPs haven't been an option for weeks. End-of-month update on what farmers intend to plant will provide the next marker. Demand for U.S. cotton from foreign buyers will be important as global suppliers seek to assure they have supplies that cannot be impacted by any China-related restrictions.

Dairy: Milk production continues to recover from frigid February conditions, with supplies back to pre-storm levels in much of the central U.S. Class III futures are paring 2021 losses. Cheese prices firmed as state reopenings bolstered demand hopes.

Hogs/pork: Reports of new cases of African swine fever in China are in focus. Industry sources believe the resurgence will cause or has caused reductions to hog numbers in China. Focus will be on whether Chinese pork purchases pick up from a slow 2021 start. That would signal additional supply concerns.

Cattle/beef: Cold temps in major cattle areas during February are showing as animals come to market. Fed cattle carcass weights dived 11.3 lbs. the week ending Feb. 20. Strong domestic demand continues to eat through large supplies and export demand has climbed.

Broilers: Recovery from the wintry blast that limited production has boosted output of ready-to-cook supplies. And the wing market remains strong, despite still-limited restaurant traffic. The chicken sandwich "wars" are also creating breast meat demand. While laying hen numbers are record, front-end supplies remain constrained.

Transportation: Waterways reopened after weather interruptions, but volumes remain relatively low. Weekly barge shipments rose 11%, but railcar loadings were 1% under year-ago.

FOOD  
INDUSTRY

USDA is seeking comments on grant programs for the food industry from last December's Covid aid plan and potential updates/replacement for the Food Box program. USDA is seeking public comment by March 31. The Ag Marketing Service (AMS) will also hold a listening session March 19 via Zoom on the topics.

The aid plan would provide at least \$1.5 bil. to purchase food and ag products, including seafood, fresh produce, dairy and meat products, to distribute to individuals in need. That includes delivery to nonprofit organizations who can receive, store and distribute food items. It also includes grants and loans to small or midsized food processors or distributors, seafood processing facilities and processing vessels, farmers markets, producers to help them respond to Covid-19. AMS is specifically seeking feedback from "smaller businesses, new and beginning farmers and ranchers, socially disadvantaged producers, veteran producers, and underserved communities, and/or organizations representing these entities."

USDA is also seeking feedback on a food purchase and distribution program by March 31 "to provide additional aid to nonprofits serving Americans in need of nutrition assistance." The program, "If implemented... will serve as a successor to the temporary food box purchase program created in April 2020 in response to the rapidly developing crisis within the food supply chain and increased joblessness due to Covid-19."

While the Trump administration's Food Box program did work well in some areas, AMS said there were issues in others. A March 22 listening session via Zoom is planned.

CLIMATE  
CHANGE

Biden wants to complete a climate-change strategy next month. The president and his senior aides are exploring pairing executive actions with congressional action to speed a shift toward low-carbon energy, the *Wall Street Journal* reported. The effort could rock fossil-fuel companies and boost renewable-energy businesses, while for the first time putting extensive gov't requirements on the financial sector regarding climate policy.

Timeline: Earth Day, April 22. That is when officials plan to unveil a new U.S. target for emissions reductions during a global climate change summit in Washington. It will set a goal for reducing U.S. emissions over the next nine years.

Former Secretary of State John Kerry will handle international climate talks as the U.S. special presidential envoy for climate. He is traveling this week to London, Paris and Brussels to meet with European officials about global climate issues.

Gina McCarthy will focus on domestic climate policy. She was the EPA administrator during the former Obama administration.

Vilsack is part of the whole-of-gov't approach on this issue. And the House and Senate ag panels have already had hearings on the topic. But details are sparse on agriculture's role in the coming proposals. Biden believes the U.S. ag sector could be initial winners ahead. The available evidence points to one place in particular... a new "carbon bank" that would pay farmers, foresters and ranchers to store carbon in their soil through regenerative agriculture and other climate-friendly techniques.

AG  
ADVICE

Former House Ag Chairman Collin Peterson is partnering with Combest Sell and Associates to focus on advocacy for rural America. Peterson will not lobby in the near term but will engage with current and future Combest Sell clients. Says Peterson: "Together, we hope to raise the bar for all those affected by farm and food policy... providing wise counsel and building the case for strong and fair policies going forward."

Best regards,

*The Ag Letter Editors*  
THE AGRICULTURE LETTER EDITORS

March 12, 2021