

American Farm Bureau Convention

Farm economy finding its footing, experts say

By MATEUSZ PERKOWSKI
Capital Press

Though the U.S. farm economy has proven resilient to the shock of the coronavirus outbreak, it remains on precarious footing while the pandemic rages, experts say.

Key crop and livestock sectors appear healthy in early 2021 and have room to improve as the year progresses, according to economists at the American Farm Bureau Federation's virtual convention.

However, as the population endures "wave after wave" of COVID-19 infections, the coronavirus remains the "most pressing issue" facing agriculture and "mass vaccinations" are needed to get the industry on solid economic ground, said John Newton, AFBF's chief economist.

"It won't be until then that we start to turn the corner in the farm economy," Newton said Jan. 12.

Farm profits were actually the second-highest on record last year, at \$120 billion, but that's largely due to "ad hoc support" from the federal government, Newton said.

About 39% of net farm income in 2020 came from government payments, which have also helped farmers withstand retaliatory tariffs in the trade dispute with China, he said.

Since 2018, trade and COVID-19 relief payments



John Newton



Don Jenkins/Capital Press File

Dockworkers unload containers. Trade decisions by the Biden administration, as well as the recovery from the coronavirus pandemic, will be major factors influencing the U.S. farm economy in 2021.

have amounted to \$45 billion and the federal government is set to disburse another \$13 billion to farmers in 2021, he said.

"The conversation moving forward is we're not going to see that much ad hoc support flowing into the agricultural sector," Newton said.

Trade plays a significant role in the strength of the U.S. agricultural economy and will be a major focus for the Farm Bureau as President-elect Joe Biden takes the reins, he said. "That's the big unknown with this administration."

The "phase 1" trade deal with China, announced by the Trump administration in early 2020, hasn't fully lived up to expectations but has increased agricultural exports to that country, Newton said.

China should have imported \$33 billion to \$36

billion in U.S. farm products in 2020 under the agreement but was on track to buy less than \$23 billion, he said.

Even so, that amount marks a near-record level of agricultural exports to China, which was a top buyer of U.S. crops and meat before a trade dispute erupted in 2018, Newton said.

While the Biden administration is expected to initially concentrate mostly on domestic concerns, there is a possibility it will re-examine entering the Trans-Pacific Partnership — a major agreement among 12 countries from which the Trump administration withdrew, said Michael Nepveux, an AFBF economist.

Aside from economic incentives, the signatories are motivated to re-enter TPP for geopolitical reasons, such as containing the influence of China, Nepveux said. "I wouldn't be surprised

if we do end up re-engaging there."

Trade negotiations aren't the only factor affecting U.S. farm exports. Demand for U.S. beef, pork and poultry products has grown within China as that nation has dealt with the devastation to its domestic hog industry from the African swine fever virus, he said.

"It's still very much a driver in livestock and protein markets," Nepveux said, noting that U.S. exports to China surged 132% for beef and 45% for pork last year.

The coronavirus pandemic disrupted major U.S. slaughter facilities and caused significant processing backlogs of cattle last spring, but the cattle industry largely recovered and ended the year on a positive note, said Derrel Peel, an agricultural economist with Oklahoma State University.

Prices for cattle may rise by 5-9% during 2021, particularly in the latter half of the year if the coronavirus is brought under control, Peel said. "I think we're starting the year with a little bit of momentum in these markets going forward."

A weaker dollar is making U.S. meat products more attractive overseas, but the livestock industry faces headwinds from rising feed prices and a drought in the West, he said. The industry's recovery is also contingent on the avoidance of another major economic disruption related to COVID-19.

"Consumers have to have money to spend," Peel said.

In the crop sector, the farm industry is still feeling the effects of weather problems in 2019 that delayed planting and harvest of corn and soybeans in major growing regions, said Shelby Myers, an AFBF economist.

Production dropped 5% for corn and 20% for soybeans that year, leading to lower year-end inventories of those major commodity crops, Myers said. Contrary to expectations, farmers also didn't produce record-setting crops of corn and soybeans in 2020.

LEGAL NOTICE OF PUBLIC MEETING

The USDA Natural Resources Conservation Service (NRCS) announces a meeting of the Washington State Technical Advisory Committee (STAC) on Thursday, January 21, 2021 from 9:30am to 12:30pm. This meeting will be held by teleconference. For more information, contact Nick Vira at 360-704-7758. 5225672-1

Pendulum swings in Clean Water Act regulation

By MATEUSZ PERKOWSKI
Capital Press

The regulatory pendulum is expected to swing toward stricter Clean Water Act enforcement, though experts say the Biden administration's changes probably won't be immediate.

Farmers and environmentalists have been in a political tug-of-war over the law's scope for years, largely due to ambiguous legal interpretations of the statute.

While Democrats will now have power over Congress, their majority is too slim to make changes to the law, said Don Parrish, the American Farm Bureau Federation's senior director of regulatory relations.

"We see absolutely no legislative path to amend the Clean Water Act, one way or another," Parrish said Jan. 11 during the Farm Bureau's virtual convention.

With Congress unlikely to act, that effectively leaves the Biden administration to implement its own interpretation of the statute and associated legal precedents, much as the Trump administration did in 2020 and the Obama administration did in 2015, he said.

The "Waters of the U.S." rule implemented by the Obama administration was widely criticized by farm advocates for taking an overly expansive view of the water bodies subject to federal permitting and regulations.

The Trump administration's "Navigable Waters Protection Rule" narrowed the definition of regulated waterways, which was hailed as a victory by the American Farm Bureau Federation but derided by environmentalists as increasing pollution.

The Biden administration will likely want to leave its own mark on Clean Water Act enforcement but it has so many environmental priorities that actual revisions to the regulation probably won't happen for another 18 months to three years, Parrish said.

"That's kind of good news for us, because I think we're going to get a very consistent application of the rule during that time period," he said.

Once the Biden administration does take action on Clean Water Act regulations, however, it's likely to broaden the scope of regulated waters to include those adjacent to wetlands and to ephemeral streams, Parrish said.

The "big wild card" in Clean Water Act regulation will be the 14 lawsuits that are currently pending against Trump's rule in federal court, he said. The Biden administration will probably want to put the litigation on



Don Parrish



Michael Sistak

hold while deciding what to do. If a judge does overturn the Navigable Waters Protection Rule, the ruling may apply nationwide or only in certain federal court jurisdictions, Parrish said. It's also unknown which regulation would act as a "backstop" in that situation.

If federal judges do have differing interpretations of Trump's regulation, it's possible the U.S. will face a "patchwork" of Clean Water Act enforcement across the landscape—a fate similar to that of the Obama administration's regulation, he said.

The shift in direction with the Clean Water Act will likely be reflected in other changes the Biden administration makes to environmental rules, said Michael Sistak, AFBF's grassroots program development director.

"There will probably be a push to reverse some of the regulatory efforts of the Trump administration," he said.

Pressure to enact climate legislation has simmered in Washington, D.C., for years and can be expected to reach a "fever pitch" under the Biden administration, said Andrew Walmsley, a congressional relations director with AFBF.

The Farm Bureau has anticipated such debate on Capitol Hill and has been highlighting the positive contributions that agriculture makes toward capturing and storing carbon, thus mitigating climate change, he said.

While climate legislation will be a major topic, Walmsley said he doesn't expect Congress to enact a single legislative package—rather, climate-related proposals will be included in other bills.

"It will be an issue that infiltrates almost every other issue that's out there," he said.

Aside from environmental policy, the Biden administration is expected to focus on labor issues, said Allison Crittenden, an AFBF congressional relations director.

Labor reforms may cut both ways for the agriculture industry, which could face "troublesome" proposals such as doubling the federal minimum wage, imposing overtime wages for farmworkers and increasing enforcement by the Occupational Safety and Health Administration, she said.

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