



# Keynote Session

10 a.m. to 11:30 a.m.

## Trump & Washington: Can Dysfunctional Washington Function?

Mr. Jim Wiesemeyer, Pro Farmer/Farm Journal

## Global Meat Trade: The Value Opportunity

Mr. John Hinnens, US Meat Export Federation

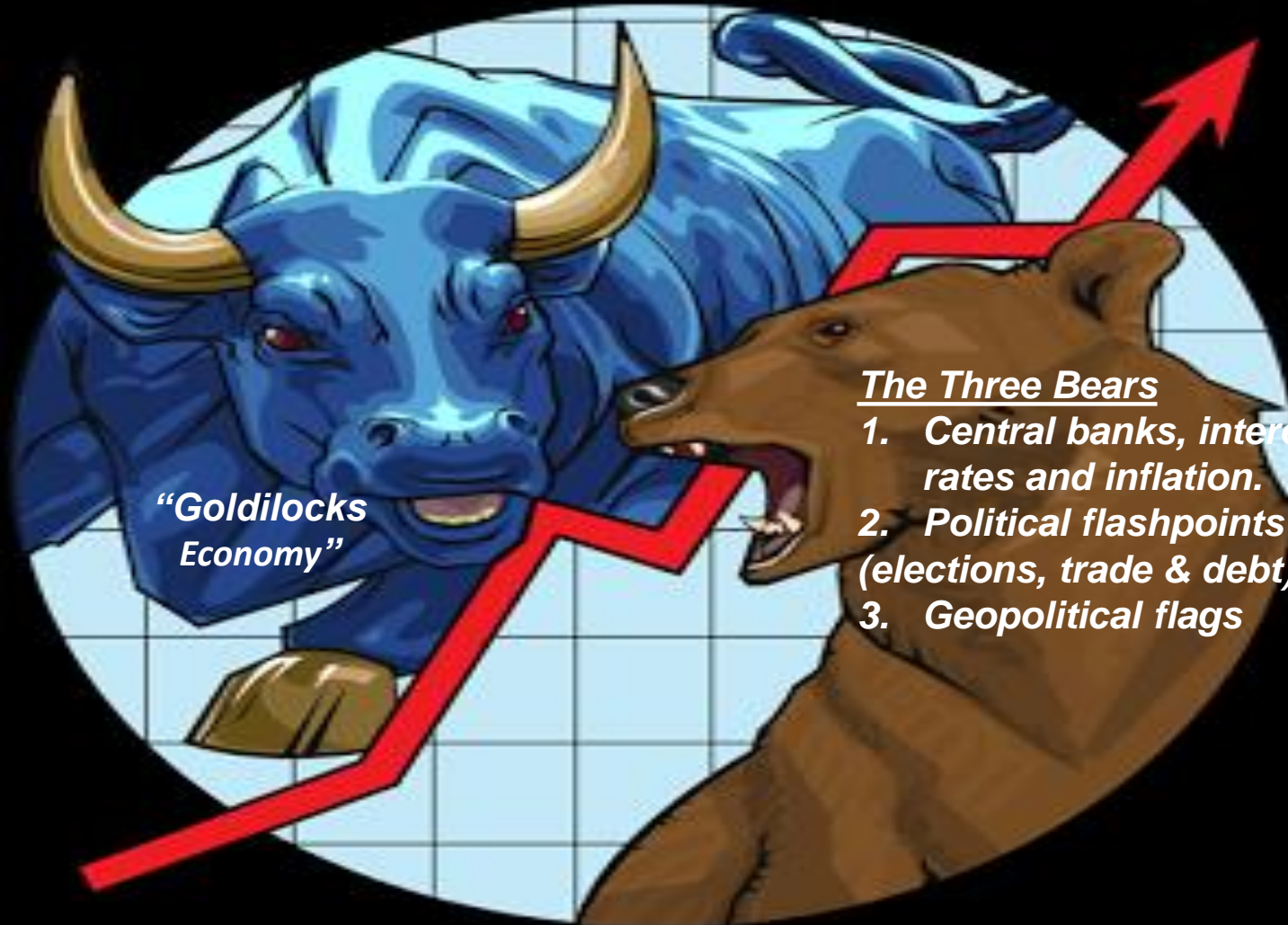
# **Trump & Washington:** *Volatility prevails*

**Jim Wiesemeyer**  
**Washington Policy Analyst, *Pro Farmer***

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# *Global Optimism, A Goldilocks U.S. Economy and U.S. Agriculture in Transition*

A “Goldilocks Economy” is an economy operating in an optimal state by providing full employment and economic stability.



*“Goldilocks  
Economy”*

### *The Three Bears*

- 1. Central banks, interest rates and inflation.*
- 2. Political flashpoints (elections, trade & debt)*
- 3. Geopolitical flags*

# Economy Factors

- **U.S. economy poised for growth** on tax reform, fiscal stimulus. **Key: repatriation funds**
- **Unclear how much consumers will deploy dollars** from bigger paychecks
- **Savings rate has declined dramatically** while credit use at record levels
- **Corporate tax cuts a factor** but key is how much is put in expansion vs stock buybacks, etc.

# Economy Factors

- **Trade key focal point ahead** as deficit continues to swell.  
Import rise negative for GDP, positive for demand
- **U.S. dollar value critical** factor in trade deficit
- **Global economic growth prospects** strengthening
- **Growth outside U.S. looks solid...** EU, emerging mkts
- **China expansion likely slowing** in 2018 to just above 6%

# Economy Factors

- **Central bank actions** becoming greater focus
- **Period of 'easy money'** is starting to wind down
- **U.S. Fed: three rate hikes for 2018**, two for 2019
- **U.S. January jobs update spooked investors**  
into thinking faster rate rise could happen
- **U.S. Fed officials mostly downplaying**  
prospect of quicker pace to action
- **Bank of England signaling faster rate increases** ahead  
on global economy expectations

# U.S. Ag Sector

- ▶ **2018 U.S. net farm income** to fall 6.7%, lowest since '06
- ▶ **2018 net cash farm income** to fall 8.3%, lowest since '09
- ▶ **Farm business net cash farm income** up for cattle and calf operations, down for hogs, poultry & dairy and all crop categories
- ▶ **Cash receipts** to fall for all commodities

# U.S. Ag Sector

- ▶ **Gov't payments** forecast to fall in 2018 by \$2.1 billion (18.6%) on smaller ARC, PLC payouts
- ▶ **Production expenses** up 1%; fuel, interest & labor
- ▶ **Debt-to-asset & debt-to-equity ratios** to decline slightly



# 2018 May Make 2017 Look Tame:

- **Politics**
- **Perspectives**
- **People**
- **Policy**

# Politics

- **Shutdown... 24/7 politics... Another CR to Mar. 23**
- **House and Senate majorities up for grabs**

# 2018 Elections: Wave Ahead?



# Women Candidates

- **House elections: 374 candidates in 2018**  
**Prior record: 298 candidates in 2012**
- **Senate elections: 42 candidates in 2018**

# 2018 Elections

*Numbers favor GOP in Senate, but...  
Off-year election puts House in play*

- **26 Democratic Senate seats up**
  - 10 in states Trump carried
  - 5 in states Trump won by 19 points or more
  - Only 8 GOP seats**
  - Will GOP expand current 51-49 majority?*
- **House: In play**
  - Dems need **net gain of 24 seats**
  - Party in power gained seats: **1934, 1998, 2002**

# Questions

- ✓ **What party will gain seats in Senate next fall?**
- ✓ **What party will gain seats in House? How many?**
- ✓ **Will Trump run for re-election and win?**
- ✓ **Who do the Dems nominate for president?**

# **Perspectives**

- **Both sides think they are winning, plan to double down**
- **State of Union: Showed stark differences in Congress**
- **Trump-media feud will intensify**
- **Market volatility likely to increase**

# People

- **Trump team will turn over faster than others...**
  - USTR: Gregg Doud hold released, floor vote ahead**
  - USDA: Sen. Cruz hold on Northey remains**
- **More congressional departures**
- **White House-Special Counsel skirmishes**



# **Policy**

- **Early 2018 agenda demands deals**
- **Global populism will spread, challenging trade policy**
- **Geopolitics risks will grow**

# President Trump

- Which Trump will we get?
- Will he work with Dems?
- Continues to do what he pledged in campaign

# Trade Policy: Hot Button Issue

## Anger Mounts on Trump Trade Policies, Impacts

- **Trump withdraws from TPP, but...**  
*Japan assessing Trump comments at Davos on TPP*
- **Trump threatens to end NAFTA, KORUS, CUBA**  
*Favors bilaterals over multilateral accords*  
*Only 78 words about trade in State of Union address*
- **U.S.-China trade issues: *Big potential market impacts***
- **Others inking new trade agreements: EU-Japan, etc.**

# NAFTA 2.0 Talks

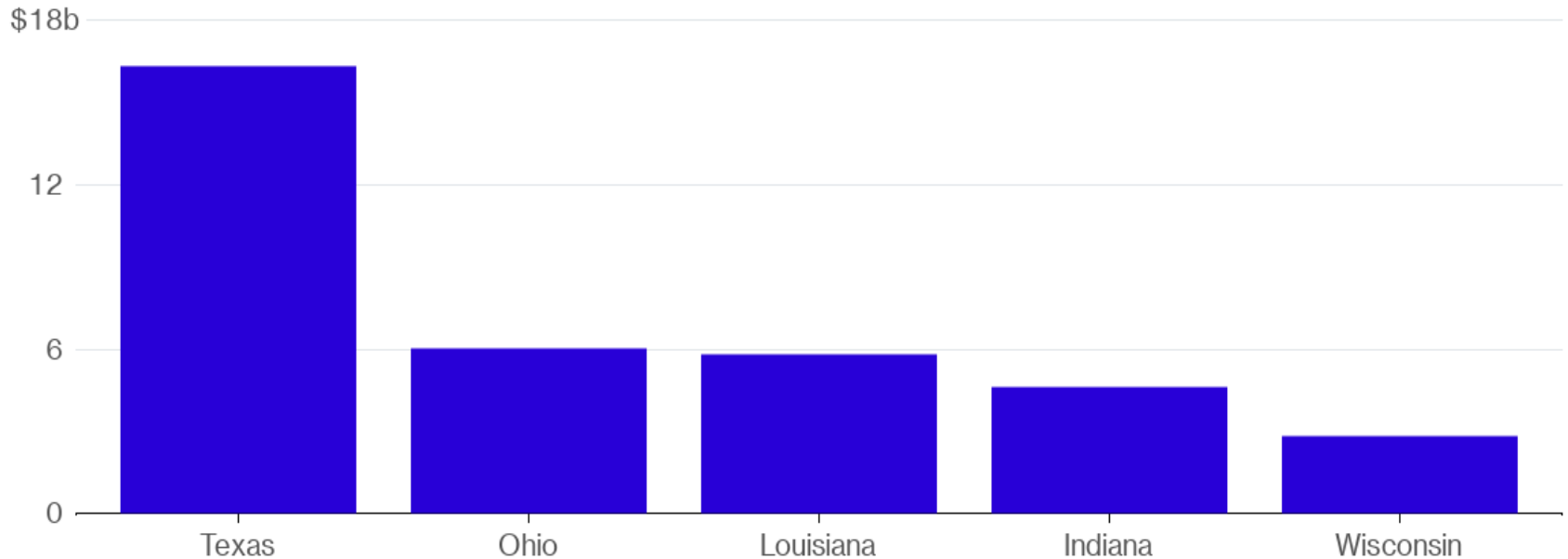
## *U.S. takes aggressive positions*

- **Big changes** for auto/parts origin
- **Canada, Mexico** reject many hardline U.S. positions
- **Timeline**: 7<sup>th</sup> round in Mexico in Feb., March  
8<sup>th</sup> round in U.S.  
**End zone extended beyond Mexico election**
- **Does Trump really want to walk away?**
  - If NAFTA 2.0 succeeds, will Congress approve?
  - If Trump bolts NAFTA, would Congress reject?
  - Impacts if NAFTA collapses

# Trade With Canada, Mexico

## Reaping the Benefits

These pro-Trump states had the biggest trade surplus with Nafta



Source: U.S. Census Bureau  
Note: Data is for 2016 trade of goods

Bloomberg 

# **Tax Reform**

*House, Senate score rare legislative win*

- **Estate tax**
- **Allowing equipment depreciation**
- **Repatriation money: More mergers & acquisitions?**
- **Provision for co-ops raising concerns... 199A**

# Agenda After Tax Reform

- **Tax reform:** 'Technical corrections' coming
- **Budget:** Two-year budget accord
- **Other issues:** Debt limit \* Immigration (DACA)  
Disaster aid \* Biodiesel tax incentive  
Cotton & dairy program changes  
Infrastructure reform
- **Farm bill:** May be one of easier bills to pass, but...

# Next Farm Bill



**America's Farm Bill**

**Pro  Farmer**



# New Farm Bill

## Perspective

- **First time since 1996** that an all-GOP Congress could pass a farm bill.
- **First time since 1954** that an all-GOP government could pass a farm bill.
- **Can they do it?**

# Questions

- ✓ When will new farm bill be signed into law?
- ✓ Will cotton and dairy changes help new farm bill?
- ✓ What will Commodity Title look like?
- ✓ Biggest blocks to approval of a new farm bill?
- ✓ How will food stamps be dealt with?

# Questions

- ✓ Do Dems want a farm bill before their re-election or an issue to run on, as was case in 2012?
- ✓ What will be USDA, Perdue's role in farm bill?
- ✓ Does crop insurance get by without cuts?

# Issues Ahead

## Proposed changes need lots of funding

- **Crop insurance:** Watch amendments, but...
- **Sugar program...** Push to alter coming, but...
- **CRP cap increase:** Offsets found via lower rental rates
- **ARC:** Just one change (10-year avg.): \$450 million one year
- **PLC boost:** Wheat wants boost from \$5.50 ref. price, but...
- **Cotton safety net:** Seed cotton program approved.
- **Dairy safety net:** MPP, LGM program changes... one more?
- **Vaccine bank to combat FMD:** \$150 million annually?

# Questions

- ✓ What inroads has Trump admin. made in rolling back regulations?
- ✓ What will become of ObamaCare?
- ✓ Will we get immigration reform?
- ✓ What is your prediction on commodity prices?
- ✓ What are top issues you hear from farmers, agribusiness on the speaking circuit?

# ***Questions?***

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