Federal Ag Policy Outlook

March 2022

Roger Cryan
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“May you live in interesting times.”

- ‘Chinese’ curse
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<th>Year</th>
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Every data table from now on
VESSELS WAITING AT ANCHOR | PORT OF LOS ANGELES & LONG BEACH

Ships waiting for LA/LB berths: Oct 2020-Feb 2022

Chart: American Shipper based on data from Marine Exchange of Southern California
HISTORIC AVERAGE FERTILIZER COSTS AND MARKET CORN PRICES

Source: USDA/AMS, Illinois Dept. of Ag., Barchart, Farm Bureau Compilation
CLIMATE-SMART AGRICULTURE AND FORESTRY STRATEGY: 90-DAY PROGRESS REPORT
MarketIntel
For the Latest Agricultural Market Intelligence
www.fb.org/marketintel
AVERAGE OCEAN FREIGHT RATES | LOS ANGELES → SHANGHAI
20 & 40 FT CONTAINERS | Quarterly

Source: USDA AMS
Inflation Points

- Year-over-year inflation for February 2022 was 7.9% in the U.S., (and 6.4% if food and energy are excluded, this is so-called ‘core inflation’). This is the highest since January 1982.
- U.S. Money Supply (M2) increased $6 trillion, or 40%, in 20 months beginning March 2020.
- This was completely unprecedented.
- (For data since 1980, see https://fred.stlouisfed.org/series/WM2NS)
- This was the result of the Federal Reserve Bank:
  - Buying bonds (with money the Fed created) and
  - Lending (money the Fed created) to other banks at low rates.
- This ‘loose money’ policy was aimed at stimulus and supporting increased government borrowing (also $6 trillion in new – above baseline – Federal spending committed since March 2020).
- Inflation and its correction in the 1970’s and early 1980’s was very painful:
  - Inflation sped up the treadmill for farmers and other businesses who were borrowing
  - Though 30-year mortgage rates were slow to rise, they were also slow to fall; so farm and other commercial debt was expensive for years after inflation was brought down.
- Federal Reserve Bank leaders are saying the right things about bringing down inflation, but they haven’t acted yet, and it will take time to bring it under control.