AEI PREMIUM

Escaping 1980
Episode 1 – Are We Reliving the 1980s Farm Crisis?

David Widmar: The 1980s has impacted I think everyone in agriculture today - either we lived through it, or we lived in the big, long shadow of the lessons learned.

Brent Gloy: The financial crises was truly traumatic and at its peak almost 17% of U.S. farms were financially stressed.

David Widmar: The lost decade right from somewhere between the mid-80s to the mid-90s and there's this void that's starting to show up in agribusiness workforce and in farming communities as well.

Brent Gloy: I kind of laugh when people are like, "Whoa is this as bad as the 80s?" I'm like you have no idea how bad the 80s really were. They were horrific, it was terrible.

Sarah Mock: if you ever want to sober an American farmer, ask him about the 1980s - the decade, the words, they have a specter, a special kind of meaning in farm and agricultural circles. "We made it through the 80s," is a badge of honor at least in part because of how many didn't. It was a dark time for many. A slow-moving calamity that felt like it was happening out of sight of news cameras. Where the Dust Bowl of the 30s and 40s was a national event, the financial crisis of the 1980s, for many who survived it, felt like it went unnoticed by the wider world. A period when everything almost fell apart and then it just didn't.

But what happened in the 1980s was neither the first farm financial crisis nor the last and today after several consecutive years of low prices and high government support whispered skepticism and knocking on wood has become an impossible to ignore question - Is where we are now as bad as the 1980s? We hear that question a lot.

I'm Sarah Mock, a freelance reporter that focuses on agriculture and rural issues and on this podcast, we're going to try and tackle that and a host of related questions. This is Escaping 1980 where we explore the farm crisis that was and try to learn what we can do to avoid the next one.

To figure out if today is as bad as the 1980s, we have to start by answering a different question - what exactly happened during the 1980s? The answer, not unexpectedly, is - it's complicated.

David Widmar: The farm economy was going through an adjustment. We were coming off the boom of the 1970s and we were doing some initial oversupply issues in the 1980s…

Sarah Mock: That's David Widmar – he's an economist and cofounder of Ag Economic Insights. He's spent years understanding the decades long ebbs and flows of the ag economy.

David Widmar: But there's also this perfect storm of factors that culminated in the early part of that 1980 decades that had devastating impacts for that decade and for a lot of our thoughts and collective memories for years and years to come.

Brent Gloy: Well, David, I I think, as I think about the 1980s. If I could probably put it into one word – chaos. We came through one of the best times in American ag history and immediately went into a time of tremendous, as you said, transition and that transition became very, very chaotic and there's a variety of reasons that it got extreme.

Sarah Mock: And that's Brent Gloy, he is the other co-founder of AEI. David and Brent have been writing about the 1980s farm crisis for years. You can find the writings at AIE.ag. But they don't do this work for fun. They're exploring the causes impacts and lasting effects of one of the most infamous events of agricultural history in an attempt to understand what crises look like before they start, how successful farmers weather them, and how good policy might shorten or even head them off. You can kind of think of them as storm chasers, but instead of hurricanes and tornadoes, these guys track societal, political and financial disturbances that lead to economic, rather than physical, destruction.

David Widmar: One of the goals of what we're going to do is to really dive into and break down some of the key factors that took place. The 1980s has impacted, I think, everyone in agriculture today - either we lived through it or we lived in the big, long shadow of the lessons learned or the heuristics that we carry with us moving forward. As we travel around and talk to groups of producers all of the questions that we get about, "Is this the 1980s again?" Or, "How is this the same? How is this different?" And I think if you're in agriculture today you have your own set of stories either that you lived through or that you've been told along the way and that is influencing every part of the decision process you're making today. And stories are really powerful, and we use a lot of powerful stories that came out of the 1970s and especially the 1980s and it's important to step back and to really truly understand the roots of those stories - where they came from and how a lot of those stories were shaped by personal experiences. So, the goal here is for us to summarize that decade, what led up to it, and how it unfolded, and also to take some key lessons that we can apply today in today's chaos, in today's uncertainties, in the tough times that we're facing in agriculture here in 2020.

Brent Gloy: Yeah, I think we want to learn from the past, right. So, no matter what age you are, I think you've all been told a story about what happened in the 80s and maybe even the 70s, but more than likely they remember the 80s, which was the bad times. I know I've heard lots of them myself and I even have some big memories of - I was pretty young at that time, but I will say I've certainly been impacted by it and in a strange way – I think I've actually benefited from it. So, when I went to college, I remember I told someone I was going to major in agricultural business, and I remember the reaction of the person. They're like, "Why would you do that? You're way too smart to do that." And that's how bad agriculture was [when] I was going into college in the beginning 1990s. So, you know that had a huge impact on people's attitudes about agriculture and just the desirability of that as a career. As a result, there are very few people that went into agriculture my age. If you look across the whole landscape, whether it's academics, agricultural businesses, farming, there's a dearth of people my age, my generation. So, I've benefitted tremendously because it is always easier to get promoted, it was always easier to get ahead because you just didn't have as much competition.

David Widmar: Yeah, the lost decade, right. From somewhere between the mid-80s to the mid-90s there's just not a lot of encouraging opportunities for individuals to pursue so they went to other industries, I remember stories of ag lenders who you know got their job in the early 1980s and they were the only ones in their age group, and so now they've retired and there's this void that's starting to show up in the agribusiness workforce, in farming communities, as well. A really big story that we hear a lot is the interest rate and the debt story that was unfolding in the 1980s and that has really carried through the generations and through the stories, it is very common to hear people talking about the struggles of repaying debt at 18% interest rates or higher and the importance of understand that financial leverage situation. The debt to asset ratio was a very important metric during that crisis and that's something that we still watch today and that we see in a lot of different places.

Sarah Mock: Despite these consistent images that so many carry about the 80s in agriculture - the sense of exhaustion, devastation and loss. There wasn't actually a standard experience even among farmers. Just like the Great Depression before it and the current economic crisis of 2020, some suffered terribly, some thrived, and many landed somewhere in the middle.

David Widmar: if you look at the change in net farm income both during the boom and the slowdown – the 1970s boom and the slow down. It didn't happen uniformly across the country so, for example, farm income really shot up in North Dakota, South Dakota, Minnesota but did not nearly increase as much in the Southeast. And then when you go to the slowdown in the 1980s, again those states that I mentioned earlier - North Dakota, South Dakota, Minnesota but also the Corn Belt - they had a very significant decline in net farm income but meanwhile the Southeast, parts of the Southwest, and the Western states didn't feel that impact nearly as severely. We've seen something similar here in in the last fifteen years where the farm economy boom has impacted some parts of the country more than others and some commodities more than others and the slowdown of course has been not uniform as well.

Brent Gloy: Yeah, I think that's a good point. I think, the impacts were different all across the country. In some parts of the country, they had bankruptcy sales and people would block the driveway so nobody could go bid on the farm beside the owner. That didn't happen everywhere, but it happened occasionally. It was just chaos; a lot of chaos and it was fueled in part by a lot of debt - much like in the housing crisis. It wouldn't have been as bad had there not been just too much debt in the system. And that's the interesting thing - why didn't people see that coming? It wasn't even well understood as we knew what was happening. As I think about all of the range of outcomes that happened in agriculture there are a lot of different things that happened and one thing that happened was that people that had very much debt were immediately in serious financial trouble because interest rates increased so rapidly. It took an income crisis and turned it into a financial crisis, because without all the debt incomes would have been low and farmers would have had a tough time, but when they have a lot of debt and interest rates went up so high, it became turmoil, chaos and just like in the housing crisis not everybody lost their home in the housing crisis and not every farmer lost their farm in the farm financial crisis.
In fact, I think the crisis provided a lot of opportunity for some people to position themselves to be very successful in the future. I think it was a diverse set of experiences for all kinds of people for farmers and lenders and anybody in involved in agriculture at all. At its peak, almost 17% of U.S. farms were financially stressed. By '85, 46,000 of them were insolvent in the sense that their liabilities were greater than their assets that they owned, so they owed more for the farms that they operated than they were worth. To put that number in perspective, if 17% of U.S. farms today were financially stressed to that extent it would be 340,000 that's a huge, huge number [and] 46,000 of them technically insolvent so that degree of stress was just absolutely unprecedented, and it put a huge strain on all of agriculture. So, it was big numbers, but not everyone for sure, because at that time there were something like probably 3 or 4 million farms in the United States. So, it was enough to be systematic in the sense that it caused huge problems for banks and everybody else and nobody wanted to buy the assets that were for sale. But it wasn't it certainly wasn't everyone. There were lots of wild things happening. I remember on our farm - you had to idle a huge amount of acres, you couldn't grow program crops on it, so we grew, at one point we were growing popcorn and using it for silage to feed our cows it was just a wild time.

Sarah Mock: Maybe all of this begs the question - what does it matter? Some farmers suffer less, some more, a crisis happens and then it abates. The lucky carried on, and the unlucky to get out. Farmers stomach a certain amount of this randomness every day working with Mother Nature it wouldn't matter if the only thing that was going on during the 1980s was bad luck because there's really not much you can do about randomness but some amount of what happened was due not to luck, but to bad decision making. Luckily there is something we can do about that. But how do we tease apart what farmers had control of at the time and what they didn't? We'll get into that right after this word from our sponsor.

The good news is this podcast is brought to you by Agricultural Economic Insights. What does that mean for commercial breaks? Think of the next sixty seconds or so as part mental break part mini story. Brent and David want to tell you about AEI Premium - a genuinely cool community of nerdy ag folks like ourselves who read, research, and then make predictions about what we think about critical questions affecting agriculture and the economy. Here's how it got started.

Brent Gloy: I'm Brent Gloy, I'm an agricultural economist by training and got the opportunity to return to our family farm in southwest Nebraska then decided that one of things I didn't want to do is give up all the investment I made my professional expertise in agricultural economics plus I just really enjoy it and I was trying to think of ways to continue to do some of that work. As I was making that decision the guy moved into an office right next to mine and David and I became pretty good friends.

David Widmar: I'm David Widmar I grew up on a small farm in southeast Kansas and I like to joke with people – you put two guys who grew up in the Great Plains raising wheat and you put them in a building somewhere in the Corn Belt they're going to find each other, and they're become good friends.

Brent Gloy: So that's how David and I got started together and then we started writing a weekly post on the internet about agricultural economic issues. The whole goal is to write for people who are professionals in agriculture who were interested in agricultural economic issues but weren't interested in the academic side of it.

David Widmar: I was interested in the data and how the data can help tell a story because data by itself doesn't provide much in terms of how we make decisions.

Brent Gloy: And that's why we chose name Agricultural Economic Insights because so much of what we saw was just data re-packaged with no implications for anybody and we really wanted to focus on the insights that were available for that.

David Widmar: And [with] the **Wayback Machine** actually - you can go back and see what the first website looks like. It was pretty humble, pretty simple but we were writing articles and we decided we stop writing them when we ran out of ideas. And ideas a little bit like a couple, a pair rabbits - you get a pair rabbits and you have a whole lot of rabbits at the end of the year and we have more, and more ideas.

Sarah Mock: Want to learn more about AEI Premium? All you have to do is keep listening or head online to AEI.ag. AEI Premium be your own guru. Now back to the show.

So, a key part of teasing out the bad luck from the bad decisions is understanding what exactly was due to bad luck. Part of that answer lies far beyond the farm economy because what was happening in agriculture was in some ways being reflected in the rest of the country. Many of the factors to were global as the wide world, which was once remote from the American farm, was becoming pretty closely linked to it.

David Widmar: So, some macro level factors that were really important the farm economy, especially when it came to servicing debt were also playing out in the overall economy. So, everyone was impacted by the inflation that we had the late 1970s, of course the high interest rates that impacted everyone. My dad always talks about he knows somebody who bought a car in the early 1980s and they had 18% interest rates on that Volkswagen car that they bought, and it was just something that ingrained in everyone's minds. This was a teacher and in not someone in agriculture. There was an oil price shocks in the late 1970s and, Brent correct me if I'm wrong, but there was even rationing and there were lines for people lining up to get oil and that was a huge part of that stage that led up to the 1980s.

Brent Gloy: There are a lot of things going on and that's part of why I think the farm crisis got so bad. We had [an] oil price shock, the Arab oil embargo where they decided they were going sell oil anymore and basically the peak power of OPEC was exerted and that had of course a huge long tail and all kinds of implications from geopolitics to military conflicts and the development of the oil industry all over the world in non-OPEC countries. But it also impacted the United States in a weird way. Then you also kind of had peak Cold War, right. Maybe the Cold War peak a little bit later - Ronald Reagan I think kind of took it to the next level, but we had this kind of really adversarial relationship with the former, it was the Soviet Union at the time where it was really tense, tense relationship. I remember growing up and being worried about whether my town was going to be covered by nuclear fallout in the event of a nuclear war right. They published these things in the paper with these like cones - circles on them of all the places to be destroyed in the event of a nuclear attack and Omaha, Nebraska was going to be wiped out of course because it was the strategic air command United States and we were far enough west that we were safe, but then they put missiles in the panhandle of Nebraska and I knew were dead, you know. So, I think there was just a lot of stuff going on at that time, right.

David Widmar: And keep in mind, while those pamphlets were getting made right, we had just brokered a deal to sell grain and they became the great Russian Grain Robbery. So, our arch enemy was also the person who was a big part of the buying side of this equation.

Brent Gloy: Yeah, and even if you think more broadly [about] things that people don't know about as much, this was a time when the Brazilian Cerrado became productive and in part because American soil sciences helped them understand how to fertilize and grow soybeans on a very large scale in South America. [And] even David thinks about [it] soybean is amazing crop anyway, right. Think about how many acres of soy - how rapidly soybean acreage has expanded in the United States. I think in the 1950 they were like a minor, minor, minor crop - probably less than, I don't know, chickpeas in the United States right now. It was a small crop and it really, really took off.

David Widmar: Even during the 1980s the big crops were corn and wheat, right. Soybeans were in there, but it wasn't the corn, soybean dominance that we have today. It was a wheat and corn – and in fact a lot of the Russian grain purchases were of wheat because that was a huge part. If you step back more wheat acres have been on a downward roller coaster slide since the 1980s and that was peak wheat acres and we've seen wheat acres just continue to disappear across the rural American landscape since the 1980s.

Brent Gloy: So that those decades in there, or that period of years there's a lot going on both within the ag economy but in the broader kind of economy as a whole as well.

Sarah Mock: The lay of the land matters, but so do the people. In the lead up to and aftermath of the 1980s farm crisis the shifting cast of characters very much stamped their personalities and biases onto the scene.

Brent Gloy: So, as we think about the 80s, there are just a lot of players that most people remember just [to] one extent or another. One of them is certainly was a guy named Earl Butz who was the secretary of agriculture … who actually receive the first PhD in agricultural economics from Purdue University where Dave and I both worked and studied. I actually got to meet Dr Butts when I was a graduate student and he gave me a scholarship to come to Purdue, so it was interesting. But he was a very interesting character, and he played an important part in the lead up to the 1980s. Then we had Paul Volcker, chairman the federal reserve, and we had stagflation, if you remember that, you might hear talk of that and even in today's economy the idea of stagflation basically no economic growth and a lot of price inflation, Jimmy Carter, another farmer who became president and had a role in, a part in the farm crisis.

David Widmar: I think if you go back to the 70s, right. The onset of this was that the Nixon Administration with Earl Butz, but also Henry Kissinger, right, and that was a huge part of this getting the deal brokered with the Russians and that was the beginning of this and then by the time we got to the end, we had Reagan who was very - we had Jimmy Carter, who put in the embargoes, but Reagan was continuing that effort to be strong against the Soviets.

Sarah Mock: America was in the midst of fighting an economic war and the farm economy getting caught in the crosshairs of global geopolitical strife was not exactly a risk that would have been obvious for farmers to be considering year in and year out. We like to call this kind of occurrence a perfect storm or a black swan event - a seemingly impossible to predict collision of factors that entirely by chance leads to disastrous consequences. Many have described the 1980s as a perfect storm as many are describing today's global pandemic as a black swan event. The problem with framing events this way is that it lets us feel like there's nothing we can do about it - that it was impossible to foresee and therefore impossible to avoid. But today's average farmer who, according to USDA, is 60 years old will now have seen three maybe four unpredictable once in a lifetime economic events in their lifetime, maybe more. So, are these perfect storms really as rare and unpredictable as we think?

Brent Gloy: That's one of the things that today we use that overused term - the black swan – right. It's always this collection of things, which is they're not really black swans, it's just things happen that we didn't expect but are they really, you know, that rare? Was it so unlikely that Jimmy Carter was going to embargo grain to the Russians? We clearly had a hate relationship with them at that time, so it doesn't seem completely out of the realm of possibility that that would happen but preparing for that is very difficult.

Sarah Mock: To dive a little deeper into what Brent's talking about here we need some grounding in economics. This is going to get a little bit technical but bear with me - I promise it'll be worth it. From the outside looking in, economics is all about charts and graphs, but these charts and graphs are in reality about decision making. They're visuals that track and help us understand decisions. The most basic of these charts and graphs shows the relationship between supply, demand and price. The model's pretty simple, right, as the price goes up, supply goes up, because you can make more money selling more stuff. But as the price goes up, demand goes down because as things get more expensive people buy less of it. Eventually you reach an equilibrium right where those lines cross - where the amount of people who want something are met by the amount of people who supply something and they agree on a price, which is that point in the middle where the two lines intersect. Have you ever heard that cliché, "The best cure for high prices is high prices?" Yeah, this is that graph. The model is helpful for understanding the basics, but the problem is in real life there is no straight line or simple graphs - real life and the farm economy is more like it tangled scribbles than it is like two straight lines intersecting at right angles. Every time a string gets pulled it pulls on every other string often in unexpected ways.

Brent Gloy: You have a lot of assumptions built into economic analysis and it tends to work very well. Supply and demand is a fabulous concept, it's one of these mental models you really need to understand, and, in most cases, it works really well. But there are times when it gets really complicated and there are lots of things moving things around [and] there's just lots of moving pieces that, as they start to unfold in weird ways, bad things happen and it could have been that good things would happen too, but in this case bad things happened. As the grain embargo was kind of a push and then we had lots of inflation in those days too, and petrodollars and all this, you know, weird stuff happening and then it all kind of came crashing down at the same time. So, we'll talk about all of those things as we go through and try and untangle some of it. But it was truly a unique time period in American agriculture for sure and certainly shaped people's perspectives of how the world works, I think, in agriculture.

David Widmar: As we use 1980 as a lens for helping us understand the past, we also need to appreciate all the moving parts, right. We can't just pull one or two of the lessons from the 1970s and 1980s to influence if we decide how are conditions today relative to the past. You have to appreciate all the interaction of all the elements.

Brent Gloy: And then, a lot of emotion too. Jane Smiley wrote her famous book, I think, as a reflection of that era *A Thousand Acres.* You know the story of an Iowa farm that had a thousand acres and was very well off and then went through to describe the process of losing that farm and how mentally challenging that can be. So, you have emotions too and as economists we like to think that people behave rationally, but I think we all know that that's only a simplification of the real world, right… Human behavior is really hard to understand and it influences itself too, right, it builds on itself. We talk about that all the time, about how just understanding, having a forecast of something can screw up the forecast because you know people move to make moves to counter it.

Sarah Mock: But despite the many challenges that exist both to understanding a crisis while it's happening and in terms of moving to avoid one that may be on the horizon, we still learn from them. Even sometimes without meaning to.

David Widmar: Vernon Law has this quote about experience being a hard teacher because she gives the test first and the lessons afterwards and that was definitely true in the 1980s. And in a couple lessons that I hear a lot or that we get a lot of feedback on are around the debt and the leverage and servicing debt, especially in areas of high interest rates. I think high interest rates are something that a lot of producers from that era think a lot about. I think another lesson from that is imports of risk management and a lot of the risk management tools that we use today, the seeds of those ideas got sowed in the 1980s situation and the challenges that were unfolding at that point. And then also a lesson in macroeconomics, I'm always impressed as you travel around and meet with farmers how much awareness and how much understanding and intuitive understanding about macroeconomic factors - how the dollar influences trades that its strength, or its weakness, or interest rates and policies from the Federal Reserve. I think a lot of those macroeconomic factors, which we're going to talk about and how they influenced the farm economy during this time frame.

Brent Gloy: I think today the 1980s crisis is fairly well understood but the problem is always the no two crises are ever the same, right.

David Widmar: And no two experiences in a given crises are ever the same right. So the lessons that I individually learn, might be different than the lessons that you individually learn and how do we pull that together? It reminds me of that quote that maybe Mark Twain said it's, "History doesn't repeat itself, but it often rhymes." And there are some elements that definitely we see played out in the 70s and 80s that were important factors that are worth keeping in the back of our minds that as decision makers in agriculture are a really good road map. And the one that comes to my mind first is global acres - how many acres are we harvesting around the globe? And that was a really big part of what happened in the 1970s. We expanded the agricultural factory and the implications of that were an oversupply situation at the global level that we had to deal with in the early 1980s and by the way that occurred between 2000 and 2014 and we've had to deal with the implications of that oversupply situation. I think another few big points that come out from this 1980s episode is that there are some financial metrics that we watch really closely, such as the debt to asset ratio, or the debt-to-equity ratio. There's a lot of times we hear people today saying, "How's the farm economy doing? Let's look at the debt situation and let's use those metrics and those ratios that were concerning in the 1980s." We also see some of the policy outcomes that try to fix the 1980s situation still in effect today, such as the Conservation Reserve Program that's a really big part of farm policy today and it was directly built out of this idea that started in the 1980s about how do we idle production? How do we take a cruise out of production? And that program got its startup in the late 1980s.

Sarah Mock: But learning those rhymes of history is more than just a fun activity. What matters is whether or not it would be possible to hear those rhymes early enough to head off another crisis or maybe another way to think of it is - is there anything an individual farmer rancher could have done to avoid getting caught in the cross hairs of the farm financial crisis?

David Widmar: It's a really, it's an alternative parallel history or parallel universe idea here - could we have made some decisions that would have branched off to a different outcome? And I think we have to separate that into macro versus micro level, at the at the decision-making level, right. So, there are things outside of my control. So, as a, you know, producer or a rancher in Kansas I could not impact interest rates. And now maybe Paul Volcker could have done something different and that could have had a different outcome, but I had very little control over that. However, at the individual level, at the micro level, I could have perhaps prepared my operation or brought in some new - cultivated my ideas and my thinking and challenged myself and I could have had a different outcome for myself, individually, maybe I could've positioned my business in a different way. We all had, everyone has different experiences, and everyone goes through the same situation differently and it's important to sort of untangle what do I have control over? And what do I not have control over? Everyone has a different set of factors in those two Venn diagrams and we've got to think about how we can move the needle on the things that we have control over.

Brent Gloy: During that time period the nation lost somewhere around 100,000 farms, family farms many of whom were very good farmers, very good producers, very hard workers, very diligent and I often say it was through no fault of their own they got caught at the wrong time. There's a lot of risk in business and you have to take chances and if you're rolling the dice at the wrong time, you're in a lot of financial trouble. So, one of the reasons this crisis shaped a lot of people's behavior toward debt is because of that. You can't be all in all the time, because if you're playing poker and you're all in, all the time, eventually you're going to have no money left, right.

Sarah Mock: Farmers, in general, are known for being a pretty conservative bunch. It's interesting then to consider what Brent's saying, that so many of the problems of the farm economy dealt with in the 80s were brought on by the fact that farmers were being unconservative - they were all in. It makes more sense when you think about these two decades in the broader context of the 20th century. It's worth noting that agriculture experience not one, but several extraordinary leaps forward between 1900 and 2000 but it's worth zooming in on the time between the busts of the Depression and the bust of the 1980s for a closer look. Coming out of the 1940s and into the 50s it was good to be an American farmer.

Brent Gloy: We'd come through a period in the 1950s of mechanization after World War Two - all the G. I.'s came home and many of them took jobs off the farm. Up to that point we were a very agrarian society and when people returned, they didn't all go back to the farm. Why didn't they go back? Because we had machines now and we could do a lot more without all the people on them.

Sarah Mock: Subsistence farming was largely coming to an end and farming for profit was becoming the norm. Technology from the war was making every aspect of ag more productive, whole new sectors were being invented. Consumers have money and were being shaped by all different kinds of marketing, society it was changing fast and farmers who are getting on board with the new way of doing things were also able to grow and prosper.

Brent Gloy: It just fundamentally changes so agriculture was on a huge growth upturn then amplified by trading with an arch enemy that we were - as well as just an overall expansion of trade during that time period.

Sarah Mock: What was going perhaps unnoticed was that all that productivity was quickly outpacing the capacity of the American public to consume the fruits of America's farm labor. Basically, farmers were getting way too big for the market. They were producing their way gleefully into our global food system. You can easily call the preceding decade the Roaring 70s - a time and money and credit were easy and there seemed to be no limits to the American farming success. But by 1983 the U.S. farm sector was out in the cold. There hadn't been enough preparations made for the realities of being in that global food system, one where the highs are stratospheric, yes, but the lows are just as extreme. It was a rude awakening for sure, but was it totally unforeseeable?

David Widmar: The way our U.S. ag factory sort of got a lot of demand from the export markets and so we shipped as much as we could, and we built the factory bigger and then that demand wasn't out there anymore for a lot of reasons including policy decisions from the U.S. government and so then we had to adjust, and it took a long time to make some adjustments. Today, the value of crop production that's being exported as a bulk export – corn, soybeans loaded up on a ship - is still at about 25% or lower. We have not got anywhere near back to that 30+%.

Brent Gloy: That evolution, I think, kind of happened slowly but steadily to, right. We kind of crept up there and you don't really realize it while you're doing this. It's like the frog in the water that's being warmed slowly - you don't realize how, what the impact of that is, but then when it's pulled away at the end, man, that's like going right in the boiling water because it just all falls apart. You build a factory; you build it and you're going to want to operate it. The fixed costs are sunk, so as long as you can cover the variable costs you keep operating and you keep producing at lower and lower prices and so it's a self-fulfilling prophecy, whereas if you take that one expansion too much you've doomed yourself into really low prices. It's just really hard because these aren't individuals, no one person is making this decision. It's a whole bunch of individuals making it and individually they field zero impact of their decision, but collectively everybody bears the costs of it.

David Widmar: Productivity and efficiency gains are really powerful in agriculture and they're a long run trend. And the challenge is sometimes understanding long-run versus short-run and if we overdo it in the short run, it's really hard to undo in the short run. We're really good at expanding, and productivity, and innovating, and doing more - it's really hard for us to make short run adjustments when the market just isn't there.

Sarah Mock: Once a boom bust cycle starts, maybe there's not much we can do but go along for the ride. We'll get into that more later, but what does it sound like - I wondered - right at the beginning? Right before everything starts to go south.

Brent Gloy: The guy yesterday, I did a meeting, and the guy told me, he came up to me afterwards [and] he said, "You know, I was in college in the 70s, late-70s." And, he said, "All they talked about was feeding the world, you know, we really need to feed the world. We've got to have a lot of ag production to feed the growing population." And, you know, that's kind of interesting, isn't it? Because when I was in college, nobody was talking about that at all in the 90s. {It was] like, "What on earth do we do with all the stuff we've got?" So, all the emphasis then was on how we've got to come up with new markets for things and new uses for ag commodities and ethanol being one of them. Then again, just most recently in the early-2000 the mantra was, "We've got to feed the world," and "Who's going to feed the 9 billion people?" So, it's interesting how those themes reoccur, right. They recur.

David Widmar: It's one of the big parallels that we want to highlight is that a big part of that 1970s-1980s story was responding to that "Feed the world" idea, right. And this expanding the factory - fence row to fence row and then the unraveling of that or to the next stage of that. That's where we sort of are here today in 2020, we were rapidly trying to catch up with ethanol demand and the China soybeans story and now we have a lot of question marks uncertainties about where the usage and demand from those markets are.

Sarah Mock: And it begs a terrifying question, is it a sign that it's already too late to avert the next crisis? Has it already begun? It's a hairy question to answer, but that's what we're going to do -we're going to track down the full story of the 1980s farm crisis over the coming episodes understanding how factors big and small, inside and outside the ag economy, emotions and preferences, actions and inactions of individuals and nations all contributed to a crisis that would come to define a generation of American farmers. Learning how we got there, what happened, and how we got away – we'll lay out everything we know that could possibly help today's ag economy learn from the past before we become history.

David Widmar: But that's next time on escaping 1980. Until then please rate, review and subscribe wherever you listen to podcasts. Thanks again for joining in. Brent and I like to thank the people who made this episode in the podcasts series possible - first the AEI Premium subscribers, second a huge thanks to the show's and series' producer, editor, and co-host Sarah Mock. This team has been working remotely since before it was popular - a special thanks to Meghan, Sarah H., Jeff and Aerin - thanks and so long.