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Escaping 1980
Episode 7 – Escaping 2020

Brent Gloy: Is today's crisis as bad as what happened 1980s? And nowhere nearly as bad, but that's not to say two years from now or 10 years from now, we couldn't have something that is way worse.

David Widmar: That's one of the hopes that we can get from history, right? Is that we're going to do things better in the future. That doesn't mean that we're going to get a pass.

Brent Gloy: Land values are fairly strong because interest rates are low and the government's put a lot of money into agriculture. So, land values aren't going to cause us to avoid, calamity.

David Widmar: We spend a lot of time looking for systemic risks in truth. However, it finds us.

Sarah Mock: Growing up in Southeastern Wyoming, I've experienced my fair share of severe weather from whiteout blizzards, to days long spells where the high temperature hovers around -40F, to hurricane force windstorms. But there's nothing like experiencing the raw power of a severe thunderstorm and, of course, their potential to produce tornadoes. For people who don't live in tornado-prone areas, and unfortunately, for some who do, there's a lot of myths about what to do during this kind of severe storm. There's the inaccurate belief about seeking shelter under an overpass if you're caught out on the road, which is actually one of the most dangerous sanctuaries in open country. Some believe that opening windows can prevent a house from exploding but let me tell you the position of some thin panes of glass has a negligible effect on structures in the path of hundred mile per hour winds and airborne debris. There's even the myth that the Southwest corner of a basement is safest though quite the opposite tends to be true. But my favorite is the persistent idea that some towns or areas are somehow protected.
Emporia, Kansas was one of those places for nearly a century according to the Tornado Project Online. Why the residents thought this tornado would never come [was] because the town is situated between two rivers and tornadoes, goes the rule of thumb, never touched down between two rivers. The tornado myth debunkers write about this logic. They say it ignores the likelihood that quote, “Rivers, ridges, and valleys have little or no effect on mature tornadoes.” Tornadoes have passed seemingly unaffected over mountain ranges. Dozens have crossed the Mississippi River from Minnesota to Louisiana. Weak tornadoes, they say, may damage hilltops, but well-formed mature tornadoes may actually stretch themselves into valleys and intensify. The say that the idea that one's town is protected is quote, “A combination of wishful thinking, short memory, the rarity of tornadoes, and a distorted sense of here and there,” end quote. In other words, the evidence of this protection is simply that the town has never yet been hit by a

tornado. That fact may be true, but it's not proving the protection that people think it is, all it's proving it is that here, emporia, in this case is a lot smaller than, well not-here. Smaller things are less likely to get hit by tornados than bigger things. Emporia, in this case, is the bullseye of a pretty big tornado dartboard. We wouldn't expect tornados to land there often, but any given throw could land there. Some people might dismiss this kind of wishful thinking as "harmless superstition," but far from it. Believing your town is protected, scientifically or otherwise, makes people less likely to prepare for the worst. And in Emporia, the worst came in 1974, killing six people and causing tens of millions of dollars in damage and that wasn't a one-off, another storm came just two decades later.

At the beginning of this podcast, I described Brent and David as storm chasers, and like their rain-soaked counterparts a lot of the work they do is about this - debunking myths that, when they go unchallenged, are sure to make the next crisis more devastating than it could have been.

So, today on Escaping 1980, we're training our gaze on the horizon, armed with a solid understanding of what happened during the last farm crisis, from the stability of the post-World War II farm sector, and the speeding up of the technology treadmill, to the boom of the 70s, with the Russian Grain Robbery. From the acre expansions and price declines that led to tractor marches on Washington as the bust started to take hold, to President Carter's grain embargo in 1980 and the idle acres of the PIK program, from the policy undermining drought in 1983, all the way to the modern farm bill with its crop insurance and conservation reserve programs as USDA fought to propel the farm economy towards recovery. And we've got a good idea of how our modern farm economy tracks and doesn't with that template. From relative stability through the 1990s and into the early-2000s, from the beginnings of a boom following the 2008 recession and the rise of renewable fuels, from the peak of prices in the early-2010s, during the 2012, 2013 drought to the start of the bust, as supplies started to climb in the following years. From the Trump trade disputes, starting in 2017 and 18, all the way to nearly $60 billion in ad hoc, federal payments between 2018 and 2020 as policy makers begin to try to course correct towards recovery once again. These two periods don't map perfectly, but there are certain similarities. And though the differences may offer some comforts, the similarities, David says, should give us pause.

David Widmar: Keep in mind all the tools that we have today were designed to hunt for a 1980s-like farm crisis. So, metrics like the debt to asset ratio are very common and we're watching those because that was a big metric then. That doesn't mean that the tools that we use to hunt for a 1980s crisis are going to be the right tools in the future.

Brent Gloy: I just saw somebody say something like that the other day, but debt to asset ratio is nowhere near as high as it was in the 1980s so, we're in great shape. It's not as high as it was in the 80s, but I'm not sure that means much today. We could be in an absolutely awful situation. I don't think we're in a great situation now, but we're nowhere near financial calamity like we were in the 70s. And obviously you could go back to the 70s - a lot of people didn't think that kind of a debt to asset ratio was that big of a problem.

David Widmar: So, Warren Buffett's 2017 letter to his shareholders, he quoted Meg McConnell, who was with the New York Federal Reserve bank. And there's a great quote that's really important to keep in mind it's that we quote, "Spend a lot of time looking for systemic risks. In truth, however, it finds us," end quote, and I think this is really important to keep in mind. Is that we can't fool ourselves into thinking that we can find it with all the tools that we have today because in the 1980s' farm financial crisis, in the .com bubble, in the housing crisis, and even today, each environment, each crisis situation plays out differently and the measurements that were used in the past aren't going to be perfect for detecting a future problem.

Brent Gloy: And, more than likely, the things that help that systematic risk find us. There's usually some kind of a trigger point or tipping point somewhere that causes things to spiral in ways that we wouldn't have predicted otherwise and it's hard to know what those are. And I think for the most part, agriculture has done a really good job of trying to learn from that time period. If you go talk to lenders, there's usually one or two still in the room that worked through that time period and they remember how bad it was. And they're not bashful about telling people, "You don't want to do that again. And here are some things I learned during that time period." I think that's really important.

Sarah Mock: So that's our task, to predict the unpredictable, to feel the tipping points before the tip, or, at the very least, to understand the tipping while it's happening. That's no easy feat. The good news is some of these lessons are still valuable tools in our economic storm chaser toolkit. Where meteorologists track factors like temperature variation, wind shear, and barometric pressure, farm economists pay close attention to the five big factors we visited and revisited in this series - debt, farmland values, farm income, exports, and commodity prices. As levels of each of these factors shift concerns rise until the possibility of a crisis becomes probability or even certainty. But as no two storms are identical, these factors that were critical then likely won't occur in the same way twice.

David Widmar: You look back at the five big factors that were important to the farm economy. Hindsight is 2020 and what the challenge is, we can't just take those five lessons and apply them to any possible danger in the future. The future will have a, it rhymes, but it's not exactly the same and so, we have to be careful with that. We just can't create a checklist and say, "Nope, no farm economy crisis here. Move ahead." We have to be very vigilant and recognize that we're talking about these factors because they were the big factors. That doesn't mean that a different set of factors can't be on the horizon or decades down the road, couldn't be a huge part of a farm crisis.

Brent Gloy: But this unique combination of events probably won't ever happen again. We'll find a different way to get ourselves into a crisis, but it probably won't be exactly the same. That being said, it is interesting, when you look at those five factors. Almost every one of them today is trending in the same direction as we did in the 80s. Farmland values have declined, incomes have fallen, commodity prices have fallen, exports have fallen, debt has increased. So, they're all moving unfavorably, just not to the extreme. And then of course the other big thing that we've hit on is the stuff that's outside the farm sector and that would be the things like interest rates and inflation combining to really make things wild. There's no, recipe to just avoid disaster forever.

David Widmar: You really need to dive into this, and you really need to think about it and pull out the key implications. And we don't want to say, "Oh, the debt to asset ratio is not at 1985-levels, so we're okay." That is not the appropriate way of thinking about this or the other side of the spectrum is, listing off the five factors and the fact that they're trending the same direction as they were during the 80s that's not an appropriate way of thinking about this too. So, I was thinking about this the other - is it more dangerous to ignore lessons from history? Or is it more dangerous to misapply the lessons from history? And I think you'll getting in trouble on both sides.

Sarah Mock: Right now, I want to give you a quick peek behind the curtain of how this podcast was made. David, Brent and I sat down for more than 10 hours of interviews over the course of two weeks to put this show together. And I have to say, I learned a mind-boggling amount in that time. Our final sit down, where we talked about what all this means was especially enlightening and impactful for me in my thinking. So, I wanted to share [that] with you in something close to its original form. Here's me: "Given all the conversation we've had so far, what do people think they learned during the 1980s?"

Brent Gloy: One of the things that I think people really learned, and understood, and took home is that you can't borrow money on the basis of asset appreciation. So, if you look at loan underwriting standards, for the most part, lenders will really try and evaluate a farmer's ability to generate cash flow to repay that debt. And I think that was really a critical lesson that has shaped a whole industry, agricultural lending, for the last 40 years. So, we figured that out. Now, I would say we figured it out, but we don't always practice it either. Because if you have enough equity, you can get a loan to buy a farm. Honestly, it doesn't matter what the cash flow looks like if you have enough equity, some lender will make that loan. Now, the definition of what is enough equity is a lot bigger probably today than it was in the 1970s and 1980s. I think we also learn just how rapidly things can fall apart and how events outside of the farm production gate can really drastically impact agriculture. But I'm not sure that lesson is taken home as well. So, we probably underestimate the risk of these kinds of external, macro-economic shocks on the sector as a whole. And the other thing I think we learned is that if things get really bad, the government has been there to help and that policymakers usually will step in if there's a crisis. Now, that could be good or bad, but I think that was a lesson from the 80s. One alternative would have just been to let it go. And, you know, we were going to have food, we're going to have farms - it wouldn't have been pretty. And so that may not be a good lesson that we learned because I think it makes us take more risks than we might otherwise. But I think we learned that the government will intervene in agricultural markets when things get really bad.

David Widmar: So, I think the lesson was a little less nuanced and it was that there's a line in the sand where an individual farm and then the sector as a whole - how much debt could be managed. And I think in the 80s, we learned that you can cross that line and it can have some dire consequences. Now, I think there's always this healthy fear of the line. It's in the back of our mind we're always trying to be cautious that there is a line out there. Now, that's not saying we do a great job of keeping ourselves away from that line or using tools and management to measure that or understand where that line is. There is a very real lesson in a lot of our minds and in the industry's collective mind about what happens when there's too much debt in the sector and that debt becomes burdensome to manage or to service. And a lot of the lesson that's attached to that is high interest rates.

Sarah Mock: isn't what Brent just said, counter to what you just said? Because you said there's a line in the sand that now people are more cognizant of, or we realized was there that we didn't know was there before, but. We also learned that government's going to help you if you cross the line. So, we know that the line is there now, but we don't care because what, it's fine, we have a safety net, a really strong, big safety net?

Brent Gloy: I'm going to push back a little bit and say that I definitely think that's true for a lot of people. When I go around and talk to farmers, you will find people that just vividly remember how bad that situation was and have become so averse to debt because of it. Much like I think probably people did coming out of the Great Depression, so there's that memory, but there's also, I think a lot of people that may have a much greater appetite for risk than others. And the thing we've got out of the 80s is that what made it systematic was there about what a 100,000 family farms that got in financial trouble and that was enough to just make a huge mess. {It} put banks in trouble, the farm credit system in trouble, make asset land markets not functioned very well and the question, I think, today is how many would it take to create a problem today? Because firms are a lot bigger today than they were in the 1980s, though the number is certainly less than a 100,000. And I think there's still quite a few people out there that have a pretty healthy appetite for risk. Now that doesn't mean it's going to go end badly or anything like that. But I think there's always some people that have that willingness to push the envelope and can come out way ahead or way behind as a result.

David Widmar: I think it's always helpful to step back and ask what is a crisis? We've been using the word crisis a lot in this series, and not to make light of the challenge, but Eisenhower has this quote that, “It's a recession when your neighbor loses his job, a depression is when you lose yours.” And I think that sometimes crisis can mean something very different. There's always your specific farm challenge and if enough farms have challenges that starts to edge on the side of crisis. So, I don't disagree, Brent, and I, probably the line in the sand idea is that everyone is out there talking about, “Yes, there is a level of debt that's too much for my operation and for the sector.” For some operators, that line is don't get anywhere near it. And some operators have a different risk profile. And so, my point here was that the debt conversation is in the back of everyone's mind.”

Sarah Mock: I'm going to jump in for a moment because David's making a really important, but nuanced point here, when he talks about an amount of debt, that's too much for an operation and for the sector. Too often, these levels of debt – the individual and the collective - are not connected in our minds. Because one is a function of personal choice the other more, a natural phenomenon. But they are connected and deeply so and failing to realize that can put us in a tough spot when luck turns.

For example, a farm might see low interest rates and some big government payouts in 2020 and rush to a banker for a loan for a new shop or equipment. Using what we know, as long as sector-wide debt isn’t too high, nothing to worry about, right? but did he take the time to consider that many, many other farms will be in the same situation, making the same calculations, planning to take advantage of the incentives? Responding to seemingly individual incentives in this case is really responding to a sector-wide incentive and though looking around now debt is not troublesome, this kind of sector-wide decision making will likely cause it to shift in that direction. If sector-wide debt is, say, 20% higher by 2022, or federal payments are down, or any number of other factors have changed, will that farmer still think financing the new thing was such a simple and easy decision? The same is true when commodity prices, like soybeans for example, trend upward as they have at the end of 2020. That gives more farmers confidence in shifting more acres to soybeans. And the one farmer may see this as the best choice she can make. How does it fit into the bigger picture of many, many farmers with similar incentives? We know how ramping up production for an unreliable trading partner has played out in the past. All that to say, features like the amount of debt in the ag economy may not be under an individual farmer’s control, but they are within the ability of an individual farmer to predict and accommodate. Doing these two things go hand in hand and often require making uncomfortable or counter-intuitive choices. For example, saving aggressively during booms when the collective desire to buy, buy, buy is strong or investing aggressively during busts, when others are tightening their belts and assets are selling for cheap. Practicing this financial management is hard for a number of reasons, the nagging fear of missing out chief among them. But understanding the relationship between, as David describes it, your operation’s line in the sand and the sectors’ is critical. It helps us to remember that our decisions aren't made in a vacuum, but alongside millions of others whose decisions will in the end affect ours. Okay. Back to Brent.

Brent Gloy: Well, I'll say another thing that I think we learned, and we may be taking the wrong message away from it is that interest rates are really important and that variable interest rates can be very risky in the sense that if you have a lot of money borrowed on variable interest rates and all of a sudden, they double or triple. In those days, they didn't even double, but they got high enough that it caused a lot of problems, so everybody just learned less than well variable interest rates are bad. So, if I take fixed interest rates, they'll be fine, no matter what. And I think that's another thing that I questioned a little bit, because at some point usually you have to pay principal back and the debt service that's created, even with a fixed interest rate, as debt levels get really high if you don't have income, you can't pay it back. Good lessons to understand, well, yeah, variable interest rate mortgages can be kind of risky. The corollary though, is that just fixing your interest rates, doesn't solve the whole problem. Okay. You can have a bad outcome, even though you have fixed interest rates, and you can lose a lot of money. And I always try and tell people that, yeah, you've got a fixed debt service now with a fixed interest rate, but if interest rates were to go up significantly, that land that you bought with that fixed interest rate is not going to be worth nearly as much as you paid for it and you've lost a lot of equity in doing that. So, I think there's this view that interest rate fixing solves all the problems and I don't think it does. It doesn't hurt. But it doesn't solve everybody's problems.

David Widmar: No, I think that last point was the most important. You can still get upside down on the loan with a fixed interest rate if things get crazy enough, right? You might not pay any more in payments, but the asset value could still fall to a level where it's worth less than what you owe on it. And variable interest rates or fixed interest rates aren't going to change that reality.

Sarah Mock: I wonder if you guys could evaluate a statement that I hear a lot, which is basically that, the fundamentals or farmland values are strong now, so, this isn't the 80s. So, the farm economy is fine. Are all of those things true?

Brent Gloy: When you think about farmland values and them being strong, meaning this isn't the 80s, there's some truth to that. I think of farmland values as somewhat of a barometer of how well the ag economy is doing. So, if farmland values are really strong, it's a pretty good indication that things are going pretty well. But I think the thing people don't realize is we've actually seen quite a few years here or pretty soft farmland values. And so, to me, that's indicative of things not going very well. Now, the reason they've been soft and not cratering is that the interest rates have actually been moving favorably. Farmland values are down almost everywhere. I think people would admit they're certainly down from the peak levels. You're not seeing highs anywhere close to what you're seeing in 12, 13, probably 14, today. If rates were higher, they would probably have fallen even more. So, I don't think we can just sit back and go, "Everything's fine." Everything's fine, until it isn't. And the 80s, I think, taught us that things outside the control of farm sector can have a big impact on what happens. So, everything's fine until interest rates go up a bunch. I'm not saying interest rates are going up a bunch, they probably aren't. But, if they were to go up a lot, things would not be fine. And, even in the 80s, you look at it and go, "How could people not see the potential for interest rates to go up a bunch?" We were running huge government deficits, we had all this inflation, how did people not perceive that to be a risk? It just didn't, at the time, seem like that was likely. And so, everything is fine until it isn't. And, I think, we were maybe a little bit too complacent in thinking that things are well, because we know the income side of the farm sector has fallen significantly and it's been propped up by tremendous government policy intervention. So, you have to ask yourself, what would happen today if interest rates were to go up and farmland values start falling? Would the government put even more money in? Because in 2020, we're going to put in close to $40 billion in the farm sector, which is mind-blowing. Would they put even more in to stabilize things? Because I think they'd have to, and I don't think we can get much more than where we're at today. So, I think there is some kind of complacency that's come from this just ultra-low interest rate environment. And again, I'm not saying that rates are going to go up. I'm not offering a prediction on that. I'm just saying, I think that's bred some of this complacency.

David Widmar: I think what we learned are heuristics or rules of thumb, and these heuristics are different for everybody, but there are common themes. And Brent's mentioned them - the importance of farmland values and this barometer, because of course, farmland values collapsed and had a huge impact on the balance sheets that producers were carrying in the 1980s. Fixed interest rates are another heuristic as a common theme. The debt, how much debt is out there that is a heuristic or rule of thumb that we monitor at the sector level, but also individual producers have their own internal thinking's about that. And a lot of people have concerns with respect to debt levels from this period. And I think what's really important is for the listeners to challenge themselves. What heuristics or rules of thumb are they using in their decision making? Are they carrying with themselves that comes from this period? And rules of thumb are really powerful. They're really helpful. They can also lead us astray. It's kind of like the principle - they work really well until they don't and when they don't, it could be a really challenging outcome. And so, we're putting this podcast series together to help listeners think about the heuristics that are in their decision making, how that came to be, and to challenge those. What are some scenarios where this might not be a good rule of thumb to be following? Or how might there be some limits to this? And how do I need to rethink about that? Not to say you have to change it, right? Not to say you shouldn't still prefer fixed rates over variable rates, but it's recognizing there could be some blind spots and heuristics are typically oversimplifications of reality that work, a majority of time for a set of situations. But there are blind spots. And I think that's the key here is, that the industry and individuals have a lot of heuristics that come from that time period and it's worth peeling back just a little bit and understanding how those came to be and what they mean for us.

Brent Gloy: The other thing, I think when I think about land values and I hear that what land values are good. People confuse cause and effect. It isn't that the farm economy is okay because land values are going to keep us in good shape. Land values are fairly strong because interest rates are low and the government's put a lot of money into agriculture and that's keeping land buys up. So, land values aren't going to cause us to avoid a calamity. If interest rates were to change, the government weren't to put money into the farm sector, they're going to fall. So, I think, it's very dangerous to just sit and say, "Land values are good and are going to keep us in good shape." Yeah, it will until something changes. It will look good until it changes, but land values by themselves, or the residual, are the effect of all the things that are happening in the farm sector not a cause of what's happening in the farm sector.

Sarah Mock: I want to ask, Brent, [about] a point you made earlier about this complacency, because I think … complacency is the natural effect of what you just described. If people say, "Okay, land values are high, so the fundamentals of the farm economy are okay, so it's not the 80s." And the conclusion of all of that is, "Okay, so we don't really need to do anything." Like, I don't need to be thinking about my business that critically. Or I don't need to be altering the way I'm structuring my debt. Or thinking about the transition on my farm, or any of those things, because it may seem superficially like the 80s, but it's not. So, first, is the next crisis going to look like the 80s? Because I think we almost have a cookie cutter outline of here's what happened in the 80s and we hold the outline up to other crises and we're like, "It doesn't fit perfect, so I guess it's not a crisis." So, one talk about will a future crisis look just like past crises? And what's the difference there? And how you still don't get blindsided by them, even though they're not exactly the same. And then, what's the remedy? Or is there a remedy for that complacency? Is there a way to think about the next crisis or the next cycle in a way that helps you not prepare for the last cycle? But prepare for the next cycle?

Brent Gloy: I think the easy answer to that is no, it's not, it's going to be different. And no, but it would be almost miraculous if the exact same kinds of things happened again exactly like it happened in the 80s to cause a farm crisis in the United States. I think the chance of that are, are very low. And it's funny because when people ask me, I say, "Well, I don't think it is" They're like, "Oh, phew, things are great. Okay. We'll be fine." And I'm like, "Maybe, but you have to realize that there are a lot of other things that can happen and go bad as well." And so, I think the chances of the next big problem in agriculture looking exactly like the 80s are pretty low, but that doesn't mean we can't learn a lot from the 80s. And again, one of the subtle lessons you have to take away from that situation is that it's these big unforeseen, what an economist calls an exogenous shock - something outside the sector has a big impact on the sector in a way

that we, we just didn't even see coming. And when those things happen all the kind of beliefs, we had about what was acceptable levels of debt, what an acceptable level of profit was, what we thought we were going to make for profits in the future, go out the window. And I don't think the next crisis will look similar. It may have similar characteristics, but it almost certainly won't be the exact same situation. And then, I think, as you think about how do you prepare for it? That's a much harder issue, right. Because preparing for a bad outcome requires tradeoffs. And people don't like to make tradeoffs, we don't like to do that. So, the tradeoff may be like, can't be quite as aggressive in my farming operation or my lending practice. I might not be able to grow my businesses as rapidly as I'd like to, and more than likely that really bad thing isn't going to come along. I'm giving up a lot of opportunity for something that seems like a really low probability event and that I think is just trying to encourage people to think about what makes your business sustainable? And what puts you in a place to be okay when everything around you is burning down? And those are really hard tradeoffs to make. Because we all want to, the economist, this is the economist view. Most of us want more of stuff over time and more stuff usually [you] have to take some risk and as you add risk, if bad things happen, you're in a tough situation. So, I think we get a little bit complacent about just all the crazy things that can happen. If 2020 is teaching us anything it's that things you have never thought possible are happening regularly.
We started the year with a national economy that's just running along great speed and if you would've told me in January, where we'd be at today, I would have been surprised. I would've wondered what happened. And it's interesting too, Dave and I were talking a lot between ourselves about what was happening in China with what was to become the pandemic in the early part of the year. I remember I went to a meeting at the end of February and I was a little nervous about it. I bought masks to take because it was a Disney World. I'm like, "What happens if somebody gets this thing there?" And I knew about it, but I had no idea. So, even though you're sitting there going, "I can see that this COVID virus," at that time, I don't even think that's what they were calling it - the coronavirus, "is happening." It did not occur to me how actually big the impacts of this would be and how far reaching it would be in the United States. So, I think sometimes we really underestimate, as humans, this likelihood of really bad events. Of course, then there's the other side of people that overestimated all the time. "Well, we're all going to die." And so, you know, they're building bunkers all over the place. So, I mean, I think as people, we have a hard time estimating and understand the implications of these really extreme events because they don't happen very often.

David Widmar: And so, to help avoid that complacency is to challenge ourselves with really good questions. The 1980s was more nuanced and more challenging than we can typically summarize in a few sentences. And although that's how our memories capture them and encapsulate them. As humans, stories are really powerful and a lot of times a huge part of who we are, are the stories that we remember and the stories that we tell ourselves. But we know the challenges of soundbites, and sensational headlines, and Twitter feeds in making good decisions today. But in a lot of ways, our minds work the same way. We take stories and we isolate them in our memories and our memories aren't as good as we like to think they are. Individually we all have memories from either our personal experiences or the experiences others have shared through stories with us. And we all have a thread of what we think the 1980s involved. And it's important to step back and look at the entirety of the situation and realize how, what we have in our mind as the 1980s is, in most cases, a small part of a bigger overall situation. And so, is this the 1980s? It seems like a really good question, but it's hard. It's really an open-ended, it's a vague question. And even if I told you, “Yes.” You have to really dig deeper as to what I'm looking at that make it look like the 1980s and what you might be looking at, and what, how you define the 1980s.

And so, take this to more specifics, more tangibles, and understand what is relevant to your operation and things that you're thinking about. But there are always blind spots. There are always things we aren't measuring. There are always things that we don't know to measure. And it's, I guess there's the known knowns, the known unknowns and the unknown unknowns and unknown unknowns are just things that we can't ever completely put our finger on. And that's what makes risk management, that's what makes running a business challenging, but also rewarding. It's those things that we have to think about, and we have to create our own processes for including those. And I hope we can get away from blanket statements of, “Okay. If it's not like exactly what the 1980s, we'll avoid a crisis.” Because crisis can come in all sorts of ways. And similarly, we could have a lot of 1980s-like events they just unfold slightly different and we could have a completely different outcome.

I think the 1980s were a unique setup in timing, and even how things unfolded in the timing they unfolded a few months, or a few years could really change the outcome. I mentioned before the farm economy here most recently turned down in 2014. Had we had a trade war and the 2020 COVID-19 pandemic all line up in 2014 when farm incomes dipped lower, we would have a much different outcome today. The fact that we've been able to spread these adverse situations out over five, six years has been helpful. And time can be our friend in these situations. In the 1980s, there was a run of bad luck and everything was lined up in such a way that it was really hard in the early part of that decade to navigate all of that in a short period.

Brent Gloy: The lesson that I'm not sure we really learned was that, as you were saying, David, the chance for a lot of bad things to happen at once can cause a lot of crisis. And I think as individuals it's really important to try and position your livelihood, or your business in a way that it's going to be resilient through all kinds of different trials and tribulations that you probably will have a very hard time predicting. Like I said, even with COVID you can see all the impacts it's going to have, and there'll be more of those in the future, I'm sure. The other thing that I think that is an important lesson, that people don't necessarily talk about with the 80s is that, you know, we just didn't have good information and people were making decisions without really understanding how bad the situation was. Or even how bad a financial predicament they were in. Lenders today always talk about, “We like to be a no surprise lender.” You go in, and it shouldn't be a surprise if you have to have a tough conversation with your banker, because they should have been communicating all along, that things were difficult. And I think that probably came partly out of that people didn't really realize that how bad a financial shape they were in until it was way too late. So, I think one of the things we have to do today, or a lesson we can take away, is to make sure that we're on top of where we're at and we're assessing the situation frequently and thinking through it. And we talk about the concept of the OODA loop, the Observe the situation, Orient yourself, make a Decision and Act on it. And I think that's pretty relevant. Now when things are changing rapidly, it's really important. And we have all kinds of data in front of us all the time now about our farm business, or banks, or agribusiness economy, you name it. So, we've got all this data and I think it's important to be trying to make sense of it.

Sarah Mock: Well, one of the things about looking at the past for lessons of the future is that you have to assume that the past is at least similar to the future or similar to the present, at least, so that the models of the past make sense when you pick them up and drop them down on today or sometime in the future. Is the future becoming over time, less predictable than the past was? As technology continues to accelerate, as other changes, continue to increase more rapidly over time than they have in the past, is there a chance that the 80s is not a relevant time to look at? That it's just confusing the question and even the lessons that we did learn from it might not actually make that much sense?

David Widmar: It kind of gets it gets back to the point that I raised earlier, which is more dangerous ignoring the lessons from the past? Or misapplying the lessons from the past? And you're bringing it to another level, which is, thinking the past applies today when it doesn't. And that's another layer to that. It's a good question. And I think you always have to realize there are going to be gaps. Another way of framing, I think, the question you asked is, “How do we measure the gap? What's relevant? And what's not relevant, right?” There's always a gap there. And it reminds me of the Dunning-Kruger effect, right. It's like when you know a little really confident in your assessment of where things are, and then after you get off that height of ignorance, you go to the valley of despair. And then all of a sudden, you know very little. You know more than you did at the height of ignorance, but you feel very unconfident and then you start to move forward and forward. So, I think there's some ways that individuals can help navigate that for themselves. And that's challenging your thinking, get a diverse set of opinions, using that cognitive island hopping - where you're always trying to learn something different and get a different perspective - and challenge your assumptions. I think that's how you address that from the individual level.

Brent Gloy: So, you were bouncing around this idea of, you know, is history a good teacher or not? And I think the answer in my mind is yes. We can learn a lot from history. But we have to understand that history is history, and today is not going to unfold exactly the same way it did in the past. But I think as an economist, or a social scientist, that it gets down to, what do you think are universal observed truths or not?

And I was talking to my kids or somebody about this the other day. And I read a book called the Half-life of Facts [by Samuel Arbesman]. And basically, what it was talking about is how rapidly knowledge turns over in different fields. And they gave an example of like medicine. And so, I think he said the half-life of knowledge in medicine was something like 40 years. In other words, if you go back a hundred years, we were doing things that probably were actually killing people and not realizing it because we thought that was a good treatment and today it would be viewed as like terrible. And what he's arguing is that as we go forward 20, 30 years from now, we'll look back at how we were handling some of our medical procedures and go, “No, that was wrong. We shouldn't have done it that way.” And that's just how knowledge evolves. And I think in social science, the half-life of social sciences was longer.

So, in other words, we don't have nearly as many breakthroughs in social science as they do in some other fields. Right now, I still view it as, we know how people behave is impacted by all kinds of things. People want to make money, they want more, as opposed to less, they tend to follow other people and get caught up in behavior based on what other people are doing. So, we tend to maybe overreact to things. And so, I think those lessons are pretty valid today, as they were yesterday. So, I think history is a pretty good teacher, but it's certainly not perfect. And as the world continues to change, with technology and other things, our knowledge of how things unfold will improve. But I don't think new technology is going to make the likelihood of another farm crisis significantly lower.

So, you'll find people, say “Brent, you said that data and information in the 80s, they didn't have it and they didn't know how bad the situation was. We have that today, so we should be safe.” And I would say, “No, I don't think it makes us significantly safer from another crisis. We can have another crisis.” It's just going to be what trips you into it, is today's crisis as bad as what happened 1980? No, nowhere, nearly as bad.” But that's not to say two years from now, or 10 years from now, we couldn't have something that is way worse. And I don't think technology will save us. We'll find other ways to get ourselves into trouble. And I think that is pretty constant over time. And I always used to say, people talk about farm bankruptcies going up or whatever. And I said, “Well, it's not surprising people find all kinds of ways to lose money.” People were going bankrupt in 2013 and 2014, which were some of the best times in American agricultural history. Some pretty big bankruptcies in fact, ones that made all the newspapers around. Those were profitable times. So, we will find ways to get ourselves in trouble and we'll find a way to get ourselves in trouble all at the same time at some point, I'm not sure this is the point in time, today, but at some point, it will probably happen again.

David Widmar: Going back to Brent's point about the half-life of truth. When you write a weekly blog post, or as often as Brent and I do, and you speak to growers throughout the winter. You have an opportunity for readers and listeners to follow up and let you know when you're wrong. And so, I always like to think about things like, “Okay, what am I saying today that's probably going to be wrong a year from now?" And what am I saying today that could be wrong 10 years from now? Or a hundred years from now? And it's a really hard…

Sarah Mock: I'm going to jump in here and add a quick note about what we know. Not what we know about the 1980s, or about 2020, or the farm economy, just about what we know, period. An interesting thing about knowledge is not only are there things that we know that we're going to eventually find out are wrong when their half-life, for example has expired. There's also some unknown percentage of things that we just haven't yet noticed are incorrect. Consider for a moment, Kristy Kruger. She was social media famous and featured on This American Life a few years ago, all because despite being a smart, successful adult, she had the embarrassing experience of discovering at a party one night in the midst of a conversation about endangered species that unicorns aren't real. It wasn't a case of wacky mythical beliefs or having been purposefully misled at some point in her life. Kristy had just inferred at some point that unicorns are not dissimilar from zebras and must live on the Serengeti in Africa, which to her explained why she'd never seen one and why she hadn't heard about them often and otherwise she'd not really given the possibility of their existence or nonexistence any thought. Perhaps this seems like an extreme example, but the thing is, we all have our own unicorns, our own topics or ideas that don't seem very important that we fully believe we understand and that lined up with all the other things we know, we wouldn't even know to challenge. Stumbling into a party conversation, thinking that unicorns are real might be embarrassing. But the thing is it's likely that there's these little concealed holes in our knowledge all throughout our brains, even in places, where we feel like we have the greatest depth of experience and knowledge.

David Widmar: it's a really humbling experience, but there are things that I say, and I think, and I believe today that with more knowledge and more information, hopefully I can update those ideas that I have. I can update that thinking. And there are things that we're doing today as a collective society that our grandchildren and great-grandchildren will look back at and they'll laugh. And they'll say, "Why were they doing it this way? We know so much more." I guess I like to think that's one of the hopes that we can get from history, right? Is that we're going to do things better in the future. That doesn't mean that we're going to get a pass, on average things will be better, but they'll still be challenges. Some of our new learning or new ideas and the trouble into the future. But I hope that's one of the things that we can take from this is that there were, there were lessons from the 80s that are very relevant. We have to make sure we're applying them appropriately and we have to challenge ourselves to recognize that even the lessons we learned from the 80s could prove to not be quite as powerful, or quite as exact, or accurate as we might hope when we apply them.

Brent Gloy: It's that old quote, "It's not what you don't know. It's what, you know, for sure. That just ain't so that gets you in trouble." Something like that. We have a lot of kind of beliefs that we're sure are right and it probably won't, a lot of them won't ever be proven or, honestly, you could be right a hundred percent, but it just never happens that the situation comes up that has a payoff to you. You could be right. The world could be completely wrong. And that could go on for a long time period and it could just work out that being right about that thing just never has a payoff to you. And they could continue going along, being wrong and have a good outcome for all the wrong reasons.

David Widmar: There is a distribution of what I know that's true. There's a thing that Brent mentioned that I know that's true, that the world hasn't realized and then, oh, by the way, in a hundred years, that distribution is going to completely change because the collective knowledge is different. It's just fascinating what we perceive as true that's unrepeatable, but everything's collectively changing. I was reminded, your comment reminded me that the philosopher Kant had this idea that if you really want to know how confident you are in a truth, you should make a bet. How much are you willing to bet that it's true? Are you willing to bet $10 that this is true? Are you willing to bet a hundred dollars? A thousand dollars? A million? $10 million? And I think that's a helpful way so we should always be thinking about, how confident am I in this line of thinking? How much am I willing to stake on that being the truth? And I think that's a helpful way for us to challenge our thinking and to generate our own insights. Maybe Twitter should have something where you have to, you could tweet whatever you want, but you have to actually put in a monetary value. So, if the collective wisdom decides it's wrong, you have to pay before you can tweet something that's false.

Sarah Mock: Putting money on your idea or opinion is a good hypothetical exercise, but it's also not hypothetical at all. We bet on our knowledge all the time when we invest, market, make purchases, or create things. I'm sure all of this thinking might sound an awful lot, like not farming. Especially for those who rely primarily on intuition. Farming, some will say is the sum of labor, inputs, the land and conditions, and a farmer's instinct and experience. But intuition works best when dealing with familiar forces, because oftentimes it's really just reliance on rules of thumb drawn from experience. In other words, relying on intuition or instinct, is relying on these heuristics that we've seen over and over again, to be imperfect.
Instinct then is not enough. It will serve us better to interrogate intuition and instinct, train it, break it down, and build it up. We need to know why we think and feel the way we do. I don't mean, to get us to deepen the philosophy, cause we're way down in the light. How do we know that we know anything? Which I'm sure there will be people listening to this who will say, "This is stupid and pointless. This conversation doesn't matter. How does it help me run my farm business? Or manage my portfolio of loans? Or evaluate the farm economy? Or make investments?" But I think the name of this podcast is Escaping 1980, which is both about using the past as a way to understand the future and trying to use the lessons to avoid feeling the impacts. But what we've done throughout this podcast is proved that the 1980s was a specific circumstance. It's never going to happen like that again, it's never going to look exactly like that again. It was a product of the players, and the time, and external factors, and the Federal

Reserve, and interest rates, and all these things that are never going to happen just that way again. And so, we've come to the end of all of that, and it seems like the answer might be, “Okay, it’s not going to be that again. So, stop preparing for that.
But then what do you prepare for?” And it's an open question, but the only thing that takes away, truly, to David's point, is, if you're saying, “Is this the 1980s? Let me see if I can check the boxes.” That's the wrong question. And what you would do with the answer to that question, if it was right, was say, “Okay, it's the 1980s. Because look farmland prices are low.” So, what are you going to do about that? Are you going vote for Nixon? It's not only the wrong question because it's too simplistic. It's the wrong question because the answer doesn't give you actionable activities either. So, you would escape the next farm crisis by abandoning your idea that the 1980s are a perfect metaphor for today. And by basically breaking out of the idea that the 1980s can help you understand it that much. And by instead applying the lessons of the 1980s more broadly, and thinking about risk in a different way? I don't know. I got really lost in there. Please respond.

Brent Gloy: I think we can conclude the 80s was really unique and we're very unlikely to see something exactly like that happen again. So, what? And I think the, so what is, well, there are some things that I think we've learned are really good practices to undertake going forward, and that's really understand your financial situation, be aware of where you’re at, and be aware of how much risk you're taking or not taking. Be aware of the environment around you and try and have the best information you can about what's going on in the economic environment, so you're not caught completely by surprise, and then act on that information. So, when you get information that things aren't going well, make adjustments rapidly as opposed to waiting too long. But, I think, be aware that things completely outside your control can have a big impact on your business, and your life, and all of those other things.
So, as I think back about the 80s, I mean, it really shaped the lives of a lot of people even if you weren't directly financially impacted, it had a huge impact on kind of the trajectory of people's lives, their careers, what they chose to do with their lives going forward, and the industries they went into, and the kind of work they did. It had a tremendous impact. And so, trying to put yourself in a situation so that you aren't maybe as impacted if something like that were to happen again is maybe somewhat prudent. So, I think just being aware of those things. And then I think the other big thing is to not necessarily avoid it, but to try and understand - okay, it's happening, or it happened. What now? And take advantage of it. I said at the start of this series, I was impacted by it because most of the people, my age didn't go into agriculture and that turned out to be a really good thing because I grew up in the 80s. So, or I was young in the 80s. As a result, a lot of people didn't want to go into agriculture, I did, and it worked out very well for me. Now, I wasn't calculating about that, I just really liked agriculture and it worked out. But if you think back about the fallout that happened some people were able to really take advantage and position themselves for a lot of success going forward as that whole thing

unfolded. And so, I think being able to take advantage of when these kinds of things happen is another important thing to think about.

<u>Sarah Mock</u>: if we've learned one thing over the course of this series, it's that so many of the factors that lead to crises are well beyond our control. It's not possible to avoid these factors or their impacts single-handedly, but it is possible to prepare for them and in doing so we can put ourselves on the best possible path. As Brent says, to turn a downturn into an opportunity.

<u>David Widmar</u>: I hope that one of the lessons that comes from this is how many moving parts there were in the 1970s and the 80s, and how nuanced, and how much more complexity there was in that timeframe and that not many of us carry around all of that information. Even Brent and I in preparing for this reminded ourselves of things that we had forgotten, or we learned new things. And our goal was to shine some light on this, but I hope that it's the light that we shined on the details. Those details that might not quite line up with how our memories are formed about that past timeframe. I hope that activity encourages individuals to shine a similar light on what they're doing today and be it in their operations, in the world, and they challenge their thinking, they read more broadly, they try to get more in the details, try to move away from the headlines and move down to the stories and the details that are shaping and forming where we are today. So, I think, one of the lessons there is that there was a lot of things that happened in the 70s and 80s, and it was really hard to keep up with it all. And those challenges exist today. In fact, it might even be more challenging because there's more media, there's more data, there's more insights. And I think it's a challenge, but I hope it's also something that listeners think, find themselves motivated to do.

<u>Brent Gloy</u>: I think it's really fascinating to think back. So, was the green embargo just completely out of the blue? Certainly, they most have floated trial balloons occasionally about that or something? You just couldn't come ... complete that. Much like the trade war, right? Think back to the trade war we had with China. I'll never forget I was in Fresno, California and I gave a presentation. It was pretty non-optimistic even by, I think I'm usually somewhat optimistic, but I was pretty negative. It was for a group of bankers. And I was talking about this trade war potential because it hadn't happened yet. And I was driving back from the Denver airport and looked at the commodity markets and soybeans were down like - my memory is failing me a little bit – it was some $.30 cents or $0.30, $0.40 cents. And what had happened is they had actually just announced the first sanctions in the trade war. And I thought, this is interesting. We knew this could happen. But why do I feel surprised right now that this is what the reaction is? And so, I think oftentimes that the information is there in front of us, and sometimes we're denying it, that it's going to happen. But then you just try and make the most of the information you have and understand that things outside your control can have a great impact on what's happening around you.

Sarah Mock: One important way to stay on top of all these things that are happening beyond your control is to continuously interrogate your own reactions. This is hard work, but only by understanding why we think and feel the way we do and what stories and experiences, or as David would say, heuristics, we're drawing from to make decisions can we evaluate whether these decisions are serving our goals. A good place to start practicing this is by looking back at your perceptions and opinions over the past years. Doing that can tell you a lot about your own blind spots and help you adjust your current perception.

David Widmar: It was the summer of 2016 that the UK voted to leave the EU - Brexit. That was my first memory of like, “Oh, this whole trade paradigm might not be quite as secure.” I had no idea it was going to do a trade war. If you look back far enough, there were these indicators. And in hindsight, I should have put more information on that event. Could have never predicted where we are today, but It was an indicator.

Brent Gloy: Well just think about today, as we think about trade and farm programs. 10 years ago, even 5 years ago, we spent a lot of time worrying about how our farm program payments were going to be classified under the WTO – blue, amber box, yellow box. I think, I can't remember what the box colors are anymore. That's an indication of. Today, you just don't hear that discussion, right? It's who cares what the WTO thinks. Nobody says that, but the actions would suggest that's not driving the agenda the way it was 10 years ago. 10 years ago, you'd have an army of people up there going, “Oh, we can't do that.” I just think it's really interesting how that subtly shifted from a big deal to, does anyone even care about the WTO anymore? I'm sure there are some people that care a lot about it, but it doesn't seem to be driving policy the way it did 5 or 10 years ago. And in those days, we were worried that crop insurance was going to be classified negatively under WTO. We couldn't even have crop insurance subsidies. And like that has got to be like the furthest from the list right now, of anything that anybody cares about. Doesn't even come up.

Sarah Mock: To bring this all the way back around to the very beginning, which is how people think about the 1980s. So, when people get into the cycle of, “Okay, I know something about the 1980s, so I know enough about it to ask the question, is today the 1980s?” But the answer to that question is always going to be, “No.” Because no two crises are exactly alike. Because the answer is always going to be no, the response to that is always going to be complacency. If you can only ask the question, “Is this the 1980s?” The answer is always going to be no, and you're always going to do nothing as a result, but the problem is complacency is always going to put you in a bad position in the next crisis. So, the way to head people out of that is to say, “How, how you escape the 1980s is by coming to terms with the fact that there is no easy question and there are no easy answers. You have to abandon your rule of thumb and stop being complacent. That's the only thing you can do to put yourself in a better position for the next crisis, which is coming and is not going to be predictable and it's not going to look like the last one, but that doesn't mean you have to be unprepared for it. But the only way to prepare is to do this deep thinking and to dig into the understanding, and the facts, and the consequences, and try to think about the edge cases and make guesses about the future and ask yourself how you would deal with those realities even if they all end up being science fiction, even if you're never right about any of the guesses, at least you'll have prepared for something. Which is better than nothing, which is what you'll always do. If you're just asking the question, is this the 1980s?"

Brent Gloy: The real question I think is how do we create more sustainable viable business or even ag sector, so that we're not prone to these busts that have happened over time? And [there are] three or four really big busts that we've had. And I think one of the things is we have to learn from what happened in the 80s and other bad periods of time and try and draw those lessons as best we can. We also have to realize that no two crises are ever going to be the same and so we have to learn to really dig in and understand our business position - what the risks are - understand that those really out of the blue things can happen and what will happen if those do? I think we can also think about policy is interesting, because policy is very reactionary by its nature, right? So, it's usually crafted to solve a current problem, as opposed to head off the next problem. And that's a really hard thing to legislate around. The current farm bill is set to be this kind of smoothing mechanism. It was supposed to do some of that. And the problem is that sounds great when you put it in place and times are really good and then times get bad and it doesn't smooth quite as much as we hoped it would smooth. And so, there's a real strong effort to provide more. And so, I think at the end of the day, we all have to take our own responsibility to really understand things that are not smart to do and try and make sure the things we're doing, to the best of our knowledge, are smart in whatever environment it is that we're operating in. So, don't make the mistakes of the past, but also, try to really evaluate the decisions you're making today and make sure that they make sense, given that crazy things can happen.

David Widmar: When I was in high school my family's farm and the house got hit by a tornado. And before the tornado, my mom was terrified of tornadoes, but my mom has spent my entire life worried about tornadoes. And my dad would always say, "Don't worry, my family's lived here for a hundred years, tornadoes has never hit here." And it worked right up until the point that there was a crisis, and everyone survived thankfully, but my dad's ego took a really big hit. And within months that same summer, everyone was still picking up debris and my dad is [out] with the backhoe, digging a hole, putting in a new storm shelter that we'd never had before. Because my family lived here for a hundred years and that crisis caused us to take - my father particularly - to view the risk differently. And now, we all know that another tornado is not going to hit on whatever day in May that happened, right? It's not going to be the same event. It's not going to be the same storm, but there are storms, there are weather events. Thankfully meteorology knows a lot. They know a lot about patterns, and they know when there's risk and low risk, but even when they draw the risk, it's for a third of a state. Or the entire state. And I think we got to apply a similar level of thinking, where it's never going to happen again. And when the event happens, it changes the way we perceive the risk for the better, or for the worst. And then we still have to go forward. We're never going to wake up on a Sunday and expect to get hit by a tornado at 5:00 PM, but there's other risks. There are other storms and we've got to adjust for that accordingly.

Brent Gloy: Go out and dig the storm shelter today, as opposed to as the tornado is coming. It's a great analogy of we've been through that, we probably dug a shelter, accordingly. Most people that went through the 80s, they changed their behavior. But that's 40 years ago, it was 40 years ago that this thing unfolded. And I think we have to constantly be thinking about, was a shelter big enough? Or deep enough? Or in the right spot? Or do we have the right kind of shelter in place? And thinking about all these risks and the things that can happen and be smart about it, and not just assume that it's not going to happen.

David Widmar: Yeah, just because a tornado is not going to hit the same way again, it's also equally naive to think, you're never going to get hit by a tornado again. That's the paradox.

Brent Gloy: Absolutely, because the alternative to your dad would be like to say, “We didn't have a tornado for a hundred years. We had one. What are the chances we're going to have another one? Why the hell would I build a dig, a storm shelter? What are the chances of that tornado hitting again?”

David Widmar: He might have tried that argument, but it was not going to get past my mom.

Sarah Mock: It's about complex decision making that you have to do all the time. It's not just going to be like, “Oh, you answered the question one time. Oh, we didn't have a tornado for a hundred years then we had one, in 99 years then we'll build a storm shelter just in time for the next one.” That's not how it works, but you also don't need to move the family into the storm shelter. You don't have to spend every moment of every day down in the ground because you never know when it's going to come so now, we just have to live in fear. It's about moment to moment, that decision needs to be continuous, the learning has to be continuous, the thinking has to be continuous and you just evaluate risk with as much information as you can all the time. There's no one answer that is, you're going to ask the right question in the right moment and then it's going to be solved and then you're never going to have to ask it again. You're going to have to ask it again all the time.

Brent Gloy: Your mom didn't make your dad move the whole family into the storm shelter for the next a hundred years either. Although he might have had to spend some time in there is the way it sounds.

David Widmar: Likewise, we have to be looking for the warning signs and there are warning signs for this. And I think there are warning signs that are sometimes out there, right? It's debatable how much we know and when we know it, but that's what we're encouraging people to do is be looking for signs when their operations maybe in an unsettled place, or when the sector is an unsettled place. And taking the tornado example, right? When you hear the tornado sirens, my dad, isn't going to look into the direction, only the direction that the last one came from. You're going to have to be constantly scanning and constantly thinking about that.

Brent Gloy: And today there are certainly some warning signs in the farm economy. We have an unsettled trade regime with the most important agricultural customer of our age, for sure. We have a huge amount of volatility in kind of markets, and lots of external economic uncertainty. There's lots of turmoil in the broader economy, not just in the farm sector. Farm sector profits have been low for a long time, so that's flashing. Farm financial conditions have deteriorated that's flashing. We've got this turmoil over here. Is it going to end up just like 1980? No, it's not going to. But that doesn't mean that you shouldn't at least locate the shelter. Right?

Sarah Mock: Not unlike a big storm, a crisis in the farm economy is in the end, not something to escape. It's something to survive. We survive by preparing for the possibility, taking shelter during the storm, and being cautious with resources so that if the worst happens all is not lost. An unexpected building trend in recent years is the number of houses in the U.S.' s tornado alley that are being built without storm shelters. As climate change continues to escalate and exacerbate extreme weather events. This oversight seems especially imprudent. Growing uncertainties in the farm economy are not dissimilar. As the climate continues to change. The U.S. federal deficit continues to grow, and as international and domestic markets shift, the possibility of cataclysmic changes is as present as ever, we don't need to repeat the mistake of failing to build a storm shelter.
Exploring the history has helped us refine the skills we need to survive whatever is coming. It provides us information we need to build that shelter and gives us blueprints for the world built in the aftermath for us to critique for us to build back stronger. We'll get our own chance likely in the not-too-distant future to shape and reshape the farm economy, through the markets and farm practices, through consumer demand and through policy, and with the right training, we'll build a system stronger than the one we inherited, better suited to our unique circumstances, abilities and priorities.
In that way will weather the next farm crisis. Not because we've figured out some secret code or deciphered, some mystery of the markets, or because we built a political structure to shield us. We'll survive the next farm crisis because we'll be ready for it.
This has been Escaping 1980 with ag economist, David Widmar and Brent Gloy, and me, Sarah Mock. I want to thank this opportunity to thank David and Brent for putting their faith in me

going into this project, giving me the chance to really just run with it and to make it something I’ve had so much fun creating.

David and Brent, thank you so much for this opportunity. Thank you all for following along, especially the AEI Premium subscribes out there – this podcast wouldn't be possible without you. And it's been such a blast for all of us to work on.

If you've enjoyed the show, please rate, review and subscribe wherever you listen to podcasts and look out for Ag Economic Insights and the three of us on Twitter, LinkedIn and at the website, AEI.ag. If you haven't had enough ag history and economics, make sure you head to the website to learn more about becoming an AEI Premium subscriber. As a subscriber, you'll get access to a lot more content from the three of us and from the rest of the AEI team, including Megan, Sarah H., Jeff and Aerin. Thank you all so much for all your hard work on the back end. We couldn't do it without the team. Until next time - thanks and so long.